

FISHERS ISLAND LIBRARY ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Fishers Island Library Association

We have audited the accompanying financial statements of Fishers Island Library Association (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2016, and the related statement of support, revenue, and expenses—modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Fishers Island Library Association as of December 31, 2016, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Fishers Island Library Association's December 31, 2015 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated March 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Aldrich, Mulcahy & Associates, LLC

Waterford, CT
May 10, 2017

**FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

ASSETS	2016	2015
CURRENT ASSETS		
Cash on hand	\$ 228	\$ 228
Cash- checking	302,884	97,510
Pledge receivable	51,000	-
TOTAL CURRENT ASSETS	354,112	97,738
PROPERTY AND EQUIPMENT		
Land	1,000	1,000
Land improvements	15,802	15,802
Building	70,000	70,000
Building improvements	407,656	344,324
Furniture and equipment	58,693	57,487
	553,151	488,613
Less: accumulated depreciation	(261,872)	(241,742)
TOTAL PROPERTY AND EQUIPMENT	291,279	246,871
OTHER ASSETS		
Investments- board designated endowment (note 3)	479,865	399,553
TOTAL ASSETS	\$ 1,125,256	\$ 744,162
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payroll taxes	\$ 9,754	\$ 7,232
NET ASSETS		
Unrestricted		
Board designated (note 4)	479,865	399,553
Undesignated	447,213	332,682
Total unrestricted net assets	927,078	732,235
Temporarily restricted (note 6)	183,729	-
Permanently restricted (note 5)	4,695	4,695
TOTAL NET ASSETS	1,115,502	736,930
TOTAL LIABILITIES AND NET ASSETS	\$ 1,125,256	\$ 744,162

See accountant's report and accompanying notes.

FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
SUPPORT AND REVENUE					
School district	\$ 51,000	\$ -	\$ -	\$ 51,000	\$ 50,000
Adopt-a-book	396	-	-	396	399
Donations	237,716	183,729	-	421,445	115,982
Interest and dividends	19,568	-	-	19,568	20,826
Library charges and fines	193	-	-	193	220
Local library incentive aid	1,264	-	-	1,264	2,345
Unrealized gain (loss) for year	31,583	-	-	31,583	(137,172)
Other	45	-	-	45	800
Released from restriction:					
Purpose restrictions met	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	341,765	183,729	-	525,494	53,400
EXPENSES					
Librarian and program salary	47,468	-	-	47,468	46,705
Payroll taxes	3,898	-	-	3,898	3,928
Accounting	8,453	-	-	8,453	6,482
Alarm system	270	-	-	270	360
Bank charges	385	-	-	385	270
Books	6,047	-	-	6,047	4,694
Depreciation	20,130	-	-	20,130	20,261
Insurance	11,859	-	-	11,859	12,705
Utilities	6,118	-	-	6,118	6,381
Maintenance	11,726	-	-	11,726	12,046
Medical insurance	-	-	-	-	-
Other	3,794	-	-	3,794	4,613
Pension expense	2,000	-	-	2,000	2,014
Performers	2,057	-	-	2,057	1,627
Periodicals and videos	290	-	-	290	433
Printing	849	-	-	849	-
Capital Campaign	15,922	-	-	15,922	268
Special events	-	-	-	-	6,148
Supplies	3,511	-	-	3,511	2,433
Telephone	2,145	-	-	2,145	1,459
TOTAL EXPENSES	146,922	-	-	146,922	132,826
CHANGE IN NET ASSETS	194,843	183,729	-	378,572	(79,426)
NET ASSETS, BEGINNING	732,235	-	4,695	736,930	816,356
NET ASSETS, ENDING	\$ 927,078	\$ 183,729	\$ 4,695	\$ 1,115,502	\$ 736,930

See accountants report and accompanying notes.

FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Fishers Island Library Association serves the Island community by providing literary, informational, cultural and educational enrichment resources and programs throughout the year at the library and other Island venues.

Financial Statement Presentation

The organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Method of Accounting

The Fishers Island Library Association uses the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Modifications to the modified cash basis of accounting include capitalizing land, buildings and equipment, recording depreciation on property and equipment, accruing payroll related liabilities, and recording investments at fair market value.

Income Tax Status

The Fishers Island Library Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or state income taxes. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial information shown for 2015 in the accompanying financial statements is included to provide a basis for comparison with 2016 and presents summarized totals only. Such total amounts do not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such amounts should be read in conjunction with the Fishers Island Library Association's financial statements for the year ended December 31, 2015, from which the comparative total amounts were derived.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Repairs and maintenance of building and equipment are charged to expenses as incurred.

Fair Values of Financial Instruments

The fair values of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the statement of assets, liabilities and net assets-modified cash basis.

Investments

The investment policy establishes an achievable return objective through professional management and sufficient portfolio diversification to minimize volatility and to help assure a reasonable consistency of return. The current long-term return objective is to achieve a total rate of return that is above the median performance of similarly managed funds on a risk-adjusted basis. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation by setting a minimum aggregate exposure of 74% in fixed income and a maximum aggregate exposure of 26% in equity-based securities to achieve its long-term return objectives within prudent risk parameters.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenue and Expenses and Changes in Net Assets - Modified cash basis as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through May 10, 2017, the date which the financial statements were available for issue.

2. PENSION PLAN

The library contributes 5% of each eligible employee's salary to the Teachers Insurance and Annuity Association College Retirement Equities Fund. The librarian was the only eligible participant in 2016. Pension expense for the year ended December 31, 2016 was \$2,000; the year ended December 31, 2015 was \$2,014.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. INVESTMENTS

The investments with Morgan Stanley are recorded at fair market value, and consist of the following:

	2016		2015	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 119,614	\$ 119,614	\$ 115,030	\$ 115,030
Mutual Funds	274,945	246,634	218,447	189,311
Equities	85,306	114,356	66,076	114,356
 Total Investments	 \$ 479,865	 \$ 480,604	 \$ 399,553	 \$ 418,697

4. BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31, 2016 consist of \$479,865 in board designated endowment accounts. The Board of Trustees has designated these funds for future use.

5. PERMANENTLY RESTRICTED NET ASSETS

The permanently restricted net assets consist of donations made to the library: \$1,695 in memory of Marilyn Porter and \$3,000 in memory of Rachel and Maxwell Porter. The income earned on the donations is to be used to purchase books for the library.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or periods.

Future renovations funded by the 2016 capital campaign	\$ 183,729
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7. ALLOCATION OF EXPENSES BY FUNCTION

The expenses as summarized in the statement of revenue and expenses and changes in net assets have been allocated as follows:

	2016	2015
Library services	\$ 90,054	\$ 87,608
Management and general	26,701	25,067
Fundraising	30,168	20,151
	\$ 146,922	\$ 132,826

8. SCHOOL DISTRICT TAX LEVY

In May of 2016, The Town of Southold approved a disbursement of \$51,000 to the Fishers Island Library of the town's annual tax levy. This payment was received in March 2017.