

FISHERS ISLAND LIBRARY ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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FINANCIAL STATEMENTS

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Board of Trustees
Fishers Island Library Association
Fishers Island, NY 06390

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of assets, liabilities, and net assets - modified cash basis of the Fishers Island Library Association (a non-profit organization) as of December 31, 2011, and the related statement of revenue and expenses and changes in net assets - modified cash basis for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2010 financial statements and in our report dated February 4, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Fishers Island Library Association as of December 31, 2011, and its revenue and expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

Doherty, Beals & Banks
DOHERTY, BEALS & BANKS, P.C.

February 27, 2012

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**FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR 2010**

	ASSETS		2011		2010
CURRENT ASSETS					
Cash on hand			\$ 90		\$ 108
Cash- checking			113,765		123,574
			<u>113,855</u>		<u>123,682</u>
TOTAL CURRENT ASSETS			113,855		123,682
PROPERTY AND EQUIPMENT					
Land			1,000		1,000
Land improvements			15,802		15,802
Building			70,000		70,000
Building improvements			182,756		158,256
Furniture and equipment			57,487		50,735
			<u>327,045</u>		<u>295,793</u>
Less: accumulated depreciation			(186,556)		(178,822)
			<u>140,489</u>		<u>116,971</u>
TOTAL PROPERTY AND EQUIPMENT			140,489		116,971
OTHER ASSETS					
Investments- board designated endowment (note 2)			273,650		261,880
			<u>273,650</u>		<u>261,880</u>
TOTAL ASSETS			<u>\$ 527,994</u>		<u>\$ 502,533</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accrued payroll taxes			\$ 12,785		\$ 7,213
NET ASSETS					
Unrestricted					
Board designated (note 3)			273,650		261,880
Undesignated			196,489		201,745
Total unrestricted net assets			<u>470,139</u>		<u>463,625</u>
Temporarily restricted (note 5)			40,375		27,000
Permanently restricted (note 4)			4,695		4,695
			<u>515,209</u>		<u>495,320</u>
TOTAL NET ASSETS			515,209		495,320
TOTAL LIABILITIES AND NET ASSETS			<u>\$ 527,994</u>		<u>\$ 502,533</u>

See notes to financial statements.

FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR 2010

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2011	2010
School district (note 8)	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 40,000
Special appeal	65,254	-	-	65,254	50,001
Adopt-a-book	1,031	-	-	1,031	415
Donations	655	14,375	-	15,030	26,048
Interest and dividends	4,311	-	-	4,311	3,233
Library charges and fines	521	-	-	521	414
Local library incentive aid	2,297	-	-	2,297	73
Unrealized gain (loss) for year	8,151	-	-	8,151	15,239
Realized gain (loss) for year	(532)	-	-	(532)	-
Other	-	-	-	-	678
Released from restriction:					
Purpose restrictions met	1,000	(1,000)	-	-	-
TOTAL SUPPORT AND REVENUE	<u>132,688</u>	<u>13,375</u>	<u>-</u>	<u>146,063</u>	<u>136,101</u>
EXPENSES					
Librarian and program salary	45,143	-	-	45,143	42,495
Payroll taxes	3,816	-	-	3,816	3,569
Accounting	4,080	-	-	4,080	3,925
Alarm system	360	-	-	360	360
Bank charges	488	-	-	488	576
Books	4,136	-	-	4,136	4,503
Donation	150	-	-	150	-
Depreciation	7,734	-	-	7,734	7,244
Insurance	5,967	-	-	5,967	5,333
Utilities	4,858	-	-	4,858	4,786
Maintenance	18,795	-	-	18,795	9,975
Medical insurance	9,269	-	-	9,269	3,090
Other	9,969	-	-	9,969	1,251
Pension expense	2,000	-	-	2,000	7,047
Performers	3,101	-	-	3,101	5,114
Periodicals and videos	431	-	-	431	671
Printing	1,955	-	-	1,955	2,230
Supplies	2,806	-	-	2,806	2,920
Telephone	1,116	-	-	1,116	1,294
TOTAL EXPENSES	<u>126,174</u>	<u>-</u>	<u>-</u>	<u>126,174</u>	<u>106,383</u>
CHANGE IN NET ASSETS	6,514	13,375	-	19,889	29,718
NET ASSETS, BEGINNING	<u>463,625</u>	<u>27,000</u>	<u>4,695</u>	<u>495,320</u>	<u>465,602</u>
NET ASSETS, ENDING	<u>\$ 470,139</u>	<u>\$ 40,375</u>	<u>\$ 4,695</u>	<u>\$ 515,209</u>	<u>\$ 495,320</u>

See notes to financial statements.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 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.

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 2010 in the accompanying financial statements is included to provide a basis for comparison with 2011 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, 2010, from which the comparative total amounts were derived.

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.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 financial position.

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 76% in fixed income and a maximum aggregate exposure of 24% 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 February 27, 2012, the date which the financial statements were available for issue.

2. INVESTMENTS

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

	<u>2011</u>		<u>2010</u>	
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>
Cash equivalents	\$ 94,839	\$ 94,839	\$ 142,795	\$ 142,795
Mutual Funds	66,938	52,448	66,824	52,339
Equities	111,873	108,548	52,261	59,527
Total Investments	<u>\$ 273,650</u>	<u>\$ 255,835</u>	<u>\$ 261,880</u>	<u>\$ 254,661</u>

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DECEMBER 31, 2011**

3. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of \$273,650 in board designated endowment accounts. The Board of Trustees has designated these funds for future use.

4. 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.

5. TEMPORARILY RESTRICTED NET ASSETS

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

Future renovations in memory of Marcie Madden	<u>\$ 40,375</u>
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6. 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 2011. Pension expense for the year ended December 31, 2011, is \$2,000.

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:

	2011	2010
Library services	\$ 88,482	\$ 72,089
Management and general	22,379	20,252
Fundraising	15,313	14,042
	\$ 126,174	\$ 106,383

8. SCHOOL DISTRICT SUPPORT

In order to bring per capita taxpayer support to levels comparable to other Suffolk County Libraries, the Library Board has increased requested support by \$10,000 to \$50,000 in the 2011 fiscal year.