

FISHERS ISLAND LIBRARY ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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



INDEPENDENT AUDITOR'S REPORT

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, 2012, and the related statement of revenue and expenses and changes in net assets - modified cash basis for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2011 financial statements and in our report dated February 27, 2012, we expressed an unqualified opinion on those 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 of 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, 2012, 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.

Doherty, Beals & Banks
DOHERTY, BEALS & BANKS, P.C.
August 16, 2013

Stacey L. Gualtieri, CPA
Kathleen A. Steamer, CPA
David J. Miceli, CPA
Audrey A. Leone, CPA

**FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	ASSETS		2012		2011
CURRENT ASSETS			<u>2012</u>		<u>2011</u>
Cash on hand		\$	175	\$	90
Cash- checking			<u>46,051</u>		<u>113,765</u>
TOTAL CURRENT ASSETS			46,226		113,855
PROPERTY AND EQUIPMENT					
Land			1,000		1,000
Land improvements			15,802		15,802
Building			70,000		70,000
Building improvements			218,283		182,756
Furniture and equipment			<u>57,487</u>		<u>57,487</u>
			362,572		327,045
Less: accumulated depreciation			<u>(196,460)</u>		<u>(186,556)</u>
TOTAL PROPERTY AND EQUIPMENT			166,112		140,489
OTHER ASSETS					
Investments- board designated endowment (note 2)			<u>395,169</u>		<u>273,650</u>
TOTAL ASSETS			<u>\$ 607,507</u>		<u>\$ 527,994</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accrued payroll taxes		\$	8,718	\$	12,785
NET ASSETS					
Unrestricted					
Board designated (note 3)			395,169		273,650
Undesignated			<u>146,050</u>		<u>196,489</u>
Total unrestricted net assets			541,219		470,139
Temporarily restricted (note 5)			52,875		40,375
Permanently restricted (note 4)			<u>4,695</u>		<u>4,695</u>
TOTAL NET ASSETS			<u>598,789</u>		<u>515,209</u>
TOTAL LIABILITIES AND NET ASSETS			<u>\$ 607,507</u>		<u>\$ 527,994</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, 2012
WITH COMPARATIVE TOTALS FOR 2011

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
School district	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Special appeal	22,879	-	-	22,879	65,254
Adopt-a-book	384	-	-	384	1,031
Donations	21,950	12,500	-	34,450	15,030
Interest and dividends	15,047	-	-	15,047	4,311
Library charges and fines	461	-	-	461	521
Local library incentive aid	1,698	-	-	1,698	2,297
Unrealized gain (loss) for year	6,631	-	-	6,631	8,151
Realized gain (loss) for year	-	-	-	-	(532)
Other	274	-	-	274	-
Special events	84,195	-	-	84,195	-
TOTAL SUPPORT AND REVENUE	203,519	12,500	-	216,019	146,063
EXPENSES					
Librarian and program salary	46,354	-	-	46,354	45,143
Payroll taxes	3,806	-	-	3,806	3,816
Accounting	5,910	-	-	5,910	4,080
Alarm system	360	-	-	360	360
Bank charges	355	-	-	355	488
Books	3,976	-	-	3,976	4,136
Donation	-	-	-	-	150
Depreciation	9,904	-	-	9,904	7,734
Insurance	5,950	-	-	5,950	5,967
Utilities	5,060	-	-	5,060	4,858
Maintenance	9,899	-	-	9,899	18,795
Medical insurance	9,227	-	-	9,227	9,269
Other	7,650	-	-	7,650	9,947
Pension expense	2,000	-	-	2,000	2,000
Performers	3,482	-	-	3,482	3,101
Periodicals and videos	341	-	-	341	431
Printing	302	-	-	302	1,955
Special events	16,144	-	-	16,144	22
Supplies	1,160	-	-	1,160	2,806
Telephone	559	-	-	559	1,116
TOTAL EXPENSES	132,439	-	-	132,439	126,174
CHANGE IN NET ASSETS	71,080	12,500	-	83,580	19,889
NET ASSETS, BEGINNING	470,139	40,375	4,695	515,209	495,320
NET ASSETS, ENDING	\$ 541,219	\$ 52,875	\$ 4,695	\$ 598,789	\$ 515,209

See notes to financial statements.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009, 2010, and 2011 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 2011 in the accompanying financial statements is included to provide a basis for comparison with 2012 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, 2011, from which the comparative total amounts were derived.

FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 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 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 August 16, 2013, the date which the financial statements were available for issue.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

2. INVESTMENTS

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

	2012		2011	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 97,648	\$ 97,648	\$ 94,839	\$ 94,839
Mutual Funds	76,621	58,347	66,938	52,448
Equities	220,900	214,728	111,873	108,548
 Total Investments	 \$ 395,169	 \$ 370,723	 \$ 273,650	 \$ 255,835

3. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of \$395,169 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	\$ 52,875
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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 2012. Pension expense for the year ended December 31, 2012, 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:

	2012	2011
Library services	\$ 81,065	\$ 88,482
Management and general	22,644	22,379
Fundraising	28,730	15,313
	\$ 132,439	\$ 126,174