

**FISHERS ISLAND LIBRARY ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**FISHERS ISLAND LIBRARY ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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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, 2015, 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, 2015, 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, 2014 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated April 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

*Aldrich, Mulcahy & Associates, LLC*

Waterford, CT  
March 21, 2016

**FISHERS ISLAND LIBRARY ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND  
NET ASSETS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS FOR 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash on hand	\$ 228	\$ 228
Cash- checking	97,510	41,000
<b>TOTAL CURRENT ASSETS</b>	97,738	41,228
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,000	1,000
Land improvements	15,802	15,802
Building	70,000	70,000
Building improvements	344,324	344,324
Furniture and equipment	57,487	57,487
	488,613	488,613
Less: accumulated depreciation	(241,742)	(221,481)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	246,871	267,132
<b>OTHER ASSETS</b>		
Investments- board designated endowment (note 3)	399,553	516,054
<b>TOTAL ASSETS</b>	<b>\$ 744,162</b>	<b>\$ 824,414</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued payroll taxes	\$ 7,232	\$ 8,058
<b>NET ASSETS</b>		
Unrestricted		
Board designated (note 4)	399,553	516,054
Undesignated	332,682	295,607
Total unrestricted net assets	732,235	811,661
Temporarily restricted (note 6)	-	-
Permanently restricted (note 5)	4,695	4,695
<b>TOTAL NET ASSETS</b>	736,930	816,356
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 744,162</b>	<b>\$ 824,414</b>

*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, 2015**  
**WITH COMPARATIVE TOTALS FOR 2014**

	Unrestricted	Temporarily	Permanently	Totals	
		Restricted	Restricted	2015	2014
<b>SUPPORT AND REVENUE</b>					
School district	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Adopt-a-book	399	-	-	399	421
Donations	90,336	25,646	-	115,982	131,945
Interest and dividends	20,826	-	-	20,826	27,183
Library charges and fines	220	-	-	220	306
Local library incentive aid	2,345	-	-	2,345	4,434
Unrealized gain (loss) for year	(137,172)	-	-	(137,172)	11,819
Other	800	-	-	800	-
Released from restriction:					
Purpose restrictions met	25,646	(25,646)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>53,400</b>	<b>-</b>	<b>-</b>	<b>53,400</b>	<b>226,108</b>
<b>EXPENSES</b>					
Librarian and program salary	46,705	-	-	46,705	45,386
Payroll taxes	3,928	-	-	3,928	3,801
Accounting	6,482	-	-	6,482	7,366
Alarm system	360	-	-	360	300
Bank charges	270	-	-	270	301
Books	4,694	-	-	4,694	4,520
Depreciation	20,261	-	-	20,261	14,351
Insurance	12,705	-	-	12,705	8,794
Utilities	6,381	-	-	6,381	9,521
Maintenance	12,046	-	-	12,046	15,501
Medical insurance	-	-	-	-	-
Other	4,613	-	-	4,613	7,371
Pension expense	2,014	-	-	2,014	2,000
Performers	1,627	-	-	1,627	675
Periodicals and videos	433	-	-	433	250
Printing	267	-	-	267	442
Special events	6,148	-	-	6,148	1,508
Supplies	2,433	-	-	2,433	1,891
Telephone	1,459	-	-	1,459	1,375
<b>TOTAL EXPENSES</b>	<b>132,826</b>	<b>-</b>	<b>-</b>	<b>132,826</b>	<b>125,353</b>
<b>CHANGE IN NET ASSETS</b>	<b>(79,426)</b>	<b>-</b>	<b>-</b>	<b>(79,426)</b>	<b>100,755</b>
<b>NET ASSETS, BEGINNING</b>	<b>811,661</b>	<b>-</b>	<b>4,695</b>	<b>816,356</b>	<b>715,601</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 732,235</b>	<b>\$ -</b>	<b>\$ 4,695</b>	<b>\$ 736,930</b>	<b>\$ 816,356</b>

See accountants report and accompanying notes.

**FISHERS ISLAND LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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**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 2012, 2013, and 2014 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 2014 in the accompanying financial statements is included to provide a basis for comparison with 2015 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, 2014, from which the comparative total amounts were derived.

**FISHERS ISLAND LIBRARY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**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 March 21, 2016, 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 2015. Pension expense for the year ended December 31, 2015 was \$2,014; the year ended December 31, 2014 was \$2,000.



**FISHERS ISLAND LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**3. INVESTMENTS**

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

	2015		2014	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 115,030	\$ 115,030	\$ 123,883	\$ 123,883
Mutual Funds	218,447	189,311	253,391	165,436
Equities	66,076	114,356	138,780	114,356
Total Investments	\$ 399,553	\$ 418,697	\$ 516,054	\$ 403,675

**4. BOARD DESIGNATED NET ASSETS**

Board designated net assets at December 31, 2015 consist of \$399,553 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. 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:

	2015	2014
Library services	\$ 87,608	\$ 84,489
Management and general	25,067	25,522
Fundraising	20,151	15,342
	\$ 132,826	\$ 125,353