

**FISHERS ISLAND LIBRARY ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**FISHERS ISLAND LIBRARY ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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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, 2018, 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.

### **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, 2018, and its 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Summarized Comparative Information**

We have previously audited the Fishers Island Library Association's December 31, 2017 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated February 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

*Aldrich, Mulcahy & Associates, LLC*

Waterford, CT  
February 26, 2019

**FISHERS ISLAND LIBRARY ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND  
NET ASSETS - MODIFIED CASH BASIS  
AS OF DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017**

<b>ASSETS</b>		
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash on hand	\$ 228	\$ 228
Cash- checking	299,911	238,091
	300,139	238,319
<b>PROPERTY AND EQUIPMENT</b>		
Land	1,000	1,000
Land improvements	15,802	15,802
Building	70,000	70,000
Building improvements	606,438	603,920
Furniture and equipment	71,770	69,398
	765,010	760,120
Less: accumulated depreciation	(313,101)	(285,717)
	451,909	474,403
<b>OTHER ASSETS</b>		
Investments- board designated endowment (note 3)	571,538	609,526
<b>TOTAL ASSETS</b>	<b>\$ 1,323,586</b>	<b>\$ 1,322,248</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued payroll taxes	\$ 6,376	\$ 3,419
<b>NET ASSETS</b>		
Unrestricted		
Board designated (note 4)	571,538	609,526
Undesignated	602,506	581,284
Total unrestricted net assets	1,174,044	1,190,810
Temporarily restricted (note 7)	138,471	123,324
Permanently restricted (note 5)	4,695	4,695
	1,317,210	1,318,829
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,323,586</b>	<b>\$ 1,322,248</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, 2018**  
**WITH COMPARATIVE TOTALS FOR 2017**

REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
Grants	\$ 2,000	\$ 10,165	\$ -	\$ 12,165	\$ 95,483
School district	51,000	-	-	51,000	51,000
Adopt-a-book	207	-	-	207	130
Donations	114,912	7,500	-	122,412	135,422
Interest and dividends	17,345	-	-	17,345	15,393
Local library incentive aid	1,418	-	-	1,418	1,404
Unrealized & realized gain (loss) for year	(48,925)	-	-	(48,925)	63,382
Other	525	-	-	525	15,533
Released from restriction:					
Purpose restrictions met	2,518	(2,518)	-	-	-
<b>TOTAL REVENUE</b>	<b>141,000</b>	<b>15,147</b>	<b>-</b>	<b>156,147</b>	<b>377,747</b>
<b>EXPENSES</b>					
Librarian and program salary	50,000	-	-	50,000	50,000
Payroll taxes	3,182	-	-	3,182	3,394
Accounting	7,639	-	-	7,639	9,831
Alarm system	-	-	-	-	60
Bank charges	6,213	-	-	6,213	5,773
Books	4,245	-	-	4,245	4,977
Depreciation	27,384	-	-	27,384	23,845
Insurance	5,036	-	-	5,036	10,706
Utilities	7,338	-	-	7,338	5,867
Maintenance	14,749	-	-	14,749	14,089
Medical insurance	12,681	-	-	12,681	13,534
Other	5,071	-	-	5,071	11,624
Pension expense	2,000	-	-	2,000	2,000
Performers	2,362	-	-	2,362	2,526
Periodicals and videos	20	-	-	20	-
Printing	257	-	-	257	255
Capital Campaign	4,267	-	-	4,267	9,820
Supplies	2,150	-	-	2,150	2,135
Telephone	3,172	-	-	3,172	3,984
<b>TOTAL EXPENSES</b>	<b>157,766</b>	<b>-</b>	<b>-</b>	<b>157,766</b>	<b>174,420</b>
<b>CHANGE IN NET ASSETS</b>	<b>(16,766)</b>	<b>15,147</b>	<b>-</b>	<b>(1,619)</b>	<b>203,327</b>
<b>NET ASSETS, BEGINNING</b>	<b>1,190,810</b>	<b>123,324</b>	<b>4,695</b>	<b>1,318,829</b>	<b>1,115,502</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,174,044</b>	<b>\$ 138,471</b>	<b>\$ 4,695</b>	<b>\$ 1,317,210</b>	<b>\$ 1,318,829</b>

See accountants report and accompanying notes.

**FISHERS ISLAND LIBRARY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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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 2016, 2017, and 2018 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 2017 in the accompanying financial statements is included to provide a basis for comparison with 2018 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, 2017, from which the comparative total amounts were derived.

**FISHERS ISLAND LIBRARY ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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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 Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, for assets and liabilities measured at fair value on a recurring basis. The codification established a common definition for fair value to be applied to existing generally accepted accounting principles that requires the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, FASB ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

- Level 1—Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable market-based inputs or unobservable inputs that are corroborate by market data.
- Level 3—Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.
- The carrying values of cash in bank, receivables, accounts payable, and loan payable that are short-term in nature approximate fair value.

**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 96% in fixed income and a maximum aggregate exposure of 4% 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



**FISHERS ISLAND LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 26, 2019, 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 2018. Pension expense for the year ended December 31, 2018 was \$2,000; the year ended December 31, 2017 was \$2,000.

**3. INVESTMENTS**

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

	2018		2017	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 64,486	\$ 64,486	\$ 59,747	\$ 59,747
Mutual Funds	175,740	184,950	179,703	178,453
Exchanged Traded & Closed end funds	311,693	297,982	345,926	297,982
Equities-common stock	19,619	33,496	24,150	33,496
Total Investments	\$ 571,538	\$ 516,428	\$ 609,526	\$ 569,678

**4. BOARD DESIGNATED NET ASSETS**

Board designated net assets at December 31, 2018 consist of \$571,538 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 2017 capital campaign	\$ 138,471
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**FISHERS ISLAND LIBRARY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. ENDOWMENT FUNDS**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for board designated endowment assets that attempt to provide future growth sufficient to offset normal inflation plus reasonable program spending to preserve the constant dollar value and purchasing power of the endowment for future generations. The Organization's spending and investment policies work together to achieve this objective. 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 objective is to achieve a total rate of return that is above the median performance of similarly managed funds on a risk adjusted basis. The endowment assets have a long term time horizon that runs concurrent with the endurance of the Organization. As such, these funds can assume a time horizon that extends well beyond a normal market cycle. 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 investing its assets to achieve its long-term return objectives within prudent risk parameters. The spending policy's objective is to achieve a balance between providing support for the funding of Organization operating needs and to provide a relatively predictable, constant and stable stream of earnings for future use. The value of the Endowment is reviewed periodically at the Board of Directors meetings. The Board Designated Endowment accounts for the entire Investment Account balance which is detailed in Note 3.

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 609,526	\$ 4,695	\$ 614,221
Net investment income	10,347	-	10,347
Net realized and unrealized depreciation	(48,925)	-	(48,925)
Reimbursement from Operating	500	-	500
Expenditures	-	-	-
Endowment net assets, end	<u>\$ 571,448</u>	<u>\$ 4,695</u>	<u>\$ 576,143</u>

**8. 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:

	<u>2018</u>	<u>2017</u>
Library services	\$ 103,211	\$ 111,960
Management and general	34,526	36,621
Fundraising	<u>20,029</u>	<u>25,839</u>
	<u>\$ 157,766</u>	<u>\$ 174,420</u>

**FISHERS ISLAND LIBRARY ASSOCIATION  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Librarian and program salary	\$ 36,000	\$ 8,000	\$ 6,000	\$ 40,000
Payroll taxes	2,440	424	318	3,182
Accounting	-	7,639	-	7,639
Bank charges	-	6,213	-	6,213
Books	4,245	-	-	4,245
Depreciation	20,994	3,651	2,738	27,384
Insurance	3,861	671	504	5,036
Utilities	5,626	978	734	7,338
Maintenance	11,308	1,967	1,475	14,749
Medical Insurance	8,243	2,536	1,902	12,681
Other	5,071	-	-	5,071
Pension expense	1,300	400	300	2,000
Performers	2,362	-	-	2,362
Periodicals and videos	20	-	-	20
Printing	-	-	257	257
Capital Campaign	-	-	4,267	4,267
Supplies	2,150	-	-	2,150
Telephone	2,432	423	317	3,172
	<u>\$ 106,051</u>	<u>\$ 32,903</u>	<u>\$ 18,812</u>	<u>\$ 157,766</u>

*See accountants report and accompanying notes .*