

FISHERS ISLAND LIBRARY ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010

FISHERS ISLAND LIBRARY ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010

CONTENTS

Independent Auditor's Report.....	1
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	2
Statement of Revenue and Expenses and Changes in Net Assets - Modified Cash Basis	3
Notes to Financial Statements	4

DOHERTY, BEALS & BANKS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

187 WILLIAMS STREET

POST OFFICE BOX 59

NEW LONDON, CONNECTICUT 06320

STACEY L. GUALTIERI, CPA
KATHLEEN A. STEAMER, CPA
DAVID J. MICELI, CPA
AUDREY A. LEONE, CPA

(860) 443-2033
FAX (860) 444-7086
WWW.DBBCPA.COM

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, 2010, 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 2009 financial statements and in our report dated January 23, 2010, 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, 2010, 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, P.C.

DOHERTY, BEALS & BANKS, P.C.

February 4, 2011

**FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF ASSETS; LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2010
WITH COMPARATIVE TOTALS FOR 2009**

	ASSETS	
	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash on hand	\$ 108	\$ 378
Cash- checking	123,574	99,126
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	123,682	99,504
 PROPERTY AND EQUIPMENT		
Land	1,000	1,000
Land improvements	15,802	15,802
Building	70,000	70,000
Building improvements	158,256	158,256
Furniture and equipment	50,735	50,735
	<hr/>	<hr/>
	295,793	295,793
Less: accumulated depreciation	(178,822)	(171,578)
	<hr/>	<hr/>
TOTAL PROPERTY AND EQUIPMENT	116,971	124,215
 OTHER ASSETS		
Investments- board designated endowment (note 2)	261,880	243,567
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 502,533</u>	<u>\$ 467,286</u>
	LIABILITIES AND NET ASSETS	
 CURRENT LIABILITIES		
Accrued payroll taxes	\$ 7,213	\$ 1,684
 NET ASSETS		
Unrestricted		
Board designated (note 3)	261,880	243,567
Undesignated	201,745	217,340
Total unrestricted net-assets	<hr/>	<hr/>
Temporarily restricted (note 5)	463,625	460,907
Permanently restricted (note 4)	27,000	-
	<hr/>	<hr/>
	4,695	4,695
	<hr/>	<hr/>
TOTAL NET ASSETS	495,320	465,602
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 502,533</u>	<u>\$ 467,286</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, 2010
WITH COMPARATIVE TOTALS FOR 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
SUPPORT AND REVENUE					
School district (note 8)	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ 30,000
Special appeal	49,001	1,000	-	50,001	55,650
Tax levy- Town of Southold	-	-	-	-	7,500
Adopt-a-book	415	-	-	415	489
Donations	48	26,000	-	26,048	8,239
Interest and dividends	3,233	-	-	3,233	2,676
Library charges and fines	414	-	-	414	449
Local library incentive aid	73	-	-	73	1,220
Unrealized gain (loss) for year	15,239	-	-	15,239	21,493
Other	678	-	-	678	116
TOTAL SUPPORT AND REVENUE	109,101	27,000	-	136,101	127,832
EXPENSES					
Librarian and program salary	42,495	-	-	42,495	31,460
Payroll taxes	3,569	-	-	3,569	2,660
Accounting	3,925	-	-	3,925	4,165
Alarm system	360	-	-	360	360
Bank charges	576	-	-	576	553
Books	4,503	-	-	4,503	5,169
Donation	-	-	-	-	1,000
Depreciation	7,244	-	-	7,244	8,265
Insurance	5,333	-	-	5,333	5,861
Utilities	4,786	-	-	4,786	5,395
Maintenance	9,975	-	-	9,975	8,402
Medical insurance	3,090	-	-	3,090	-
Other	1,251	-	-	1,251	5,458
Pension expense	7,047	-	-	7,047	1,425
Performers	5,114	-	-	5,114	6,951
Periodicals and videos	671	-	-	671	419
Printing	2,230	-	-	2,230	1,336
Supplies	2,920	-	-	2,920	2,863
Telephone	1,294	-	-	1,294	891
TOTAL EXPENSES	106,383	-	-	106,383	92,633
CHANGE IN NET ASSETS	2,718	27,000	-	29,718	35,199
NET ASSETS, BEGINNING	460,907	-	4,695	465,602	430,403
NET ASSETS, ENDING	\$ 463,625	\$ 27,000	\$ 4,695	\$ 495,320	\$ 465,602

See notes to financial statements.

FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Fishers Island Library Association, a community gathering place, reaches out and serves the Island by providing literary, informational, cultural and educational enrichment resources and programs throughout the year.

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 2009 in the accompanying financial statements is included to provide a basis for comparison with 2010 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, 2009, 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, 2010**

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 4, 2011, 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:

	2010		2009	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 142,795	\$ 142,795	\$ 139,189	\$ 139,189
Mutual Funds	66,824	52,339	59,681	52,339
Equities	52,261	59,527	44,697	59,527
Total Investments	\$ 261,880	\$ 254,661	\$ 243,567	\$ 251,055

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

3. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of \$261,880 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	\$ 26,000
Modernization of library	1,000
	\$ 27,000

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 2010. Pension expense for the year ended December 31, 2010, is \$7,047.

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:

	2010	2009
Library services	\$ 72,089	\$ 67,504
Management and general	20,252	15,618
Fundraising	14,042	9,511
	\$ 106,383	\$ 92,633

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.