

CLAVERACK FREE LIBRARY AND
READING ROOM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Claverack Free Library and Reading Room Association, Inc.
Claverack, New York

We have audited the accompanying statements of assets, liabilities and net assets (income tax basis) of Claverack Free Library and Reading Room Association, Inc. (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of revenue, expenses and other changes in net assets (income tax basis) and statements of functional expenses (income tax basis) for the years then ended. These financial statements are the responsibility of Claverack Free Library and Reading Room Association, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 A, these financial statements were prepared on the basis of accounting Claverack Free Library and Reading Room Association, Inc. uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Claverack Free Library and Reading Room Association, Inc. as of December 31, 2010 and 2009, and its revenue, expenses and changes in net assets for the years then ended, in conformity with the basis of accounting described in Note A.

Karp, Ackerman, Skabowski & Hogan, P.C.

KARP, ACKERMAN, SKABOWSKI & HOGAN, P.C.
Certified Public Accountants

June 14, 2011

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF ASSETS, LIABILITIES AND
 NET ASSETS (INCOME TAX BASIS)
 DECEMBER 31,

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 385,328	\$ 594,028
Grants receivable	13,125	12,125
Other receivables	7,571	3,387
Prepaid expenses	937	957
Certificate of deposit	<u>-</u>	<u>73,590</u>
TOTAL CURRENT ASSETS	\$ 406,961	\$ 684,087
Marketable securities, at cost	467,674	444,058
Fixed assets, net	351,184	41,672
Deposit on new library building	<u>-</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 1,225,819</u>	<u>\$ 1,174,817</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,079	\$ 3,131
Accrued expenses	3,500	3,500
Payroll taxes and withholdings payable	<u>1,261</u>	<u>1,116</u>
TOTAL LIABILITIES	<u>\$ 5,840</u>	<u>\$ 7,747</u>
 NET ASSETS		
Unrestricted	\$ 1,048,867	\$ 703,025
Temporarily restricted	151,011	444,954
Permanently restricted	<u>20,101</u>	<u>19,091</u>
TOTAL NET ASSETS	<u>\$ 1,219,979</u>	<u>\$ 1,167,070</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,225,819</u>	<u>\$ 1,174,817</u>

The accompanying notes are an integral part of these financial statements.

CLAVERRACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF REVENUE, EXPENSES AND OTHER
 CHANGES IN NET ASSETS (INCOME TAX BASIS)
 FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
UNRESTRICTED NET ASSETS		
Grants:		
Governmental grants	\$ 54,909	\$ 54,409
Other grants	7,939	6,744
Donations:		
General	21,549	14,393
Contributed services	1,600	1,100
Special fund raising events (net)	7,978	8,676
Other Revenue		
Net realized gain (loss) on investments	32,606	(22,073)
Investment income	15,732	23,375
Miscellaneous income	365	431
TOTAL SUPPORT AND REVENUE	<u>\$ 142,678</u>	<u>\$ 87,055</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>316,216</u>	<u>16,787</u>
TOTAL SUPPORT, REVENUE AND ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 458,894</u>	<u>\$ 103,842</u>
Expenses:		
Program services	\$ 90,469	\$ 88,207
General & administrative expenses	7,233	10,973
Fund raising expenses	15,350	20,356
TOTAL EXPENSES	<u>\$ 113,052</u>	<u>\$ 119,536</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 345,842</u>	<u>\$ (15,694)</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions for building project	\$ 22,273	\$ -
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(316,216)</u>	<u>(16,787)</u>
(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>\$ (293,943)</u>	<u>\$ (16,787)</u>

The accompanying notes are an integral part of these financial statements.

CLAVERRACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF REVENUE, EXPENSES AND OTHER
 CHANGES IN NET ASSETS (INCOME TAX BASIS) (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
PERMANENTLY RESTRICTED NET ASSETS		
Net realized gain (loss) on investments	\$ <u>1,010</u>	\$ <u>(1,858)</u>
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	\$ <u>1,010</u>	\$ <u>(1,858)</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 52,909	\$ (34,339)
NET ASSETS AT BEGINNING OF YEAR	<u>1,167,070</u>	<u>1,201,409</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,219,979</u>	<u>\$ 1,167,070</u>

The accompanying notes are an integral part of these financial statements.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENT OF FUNCTIONAL EXPENSES (INCOME TAX BASIS)
 FOR THE YEAR ENDED DECEMBER 31, 2010

	TOTAL	LIBRARY PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING
Payroll	\$ 45,026	\$ 45,026	-	-
Payroll taxes	4,012	4,012	-	-
Workers compensation insurance	571	571	-	-
Books, periodicals, DVDs and reference materials	15,624	15,624	-	-
Electronic media and computer expenses	2,398	2,398	-	-
Automation expenses	1,548	1,548	-	-
Inter library fees	2,152	2,152	-	-
Public programs	5,668	5,668	-	-
Professional fund raiser fees	10,510	-	-	10,510
Annual appeal expenses	4,840	-	-	4,840
Professional fees	3,500	-	3,500	-
Rent expense	1,600	1,600	-	-
Insurance	2,005	-	2,005	-
Repairs and maintenance	1,501	1,501	-	-
Grounds maintenance	1,693	1,693	-	-
Utilities	3,319	3,319	-	-
Telephone	1,268	1,268	-	-
Office and library supplies	2,766	2,766	-	-
Investment management fees	1,155	-	1,155	-
Bank charges and fees	573	-	573	-
Depreciation expense	1,194	1,194	-	-
Miscellaneous expenses	129	129	-	-
TOTAL EXPENSES	\$ 113,052	\$ 90,469	\$ 7,233	\$ 15,350

The accompanying notes are an integral part of these financial statements.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES (INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	TOTAL	LIBRARY PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING
Payroll	\$ 43,393	\$ 43,393	-	-
Payroll taxes	3,596	3,596	-	-
Workers compensation insurance	561	561	-	-
Books, periodicals, DVDs and reference materials	16,746	16,746	-	-
Electronic media and computer expenses	1,049	1,049	-	-
Automation expenses	1,503	1,503	-	-
Public programs	4,223	4,223	-	-
Professional fundraiser fees	16,350	-	-	16,350
Annual appeal expenses	4,006	-	-	4,006
Professional fees	7,557	-	7,557	-
Rent expense	1,100	1,100	-	-
Insurance	1,839	-	1,839	-
Repairs and maintenance	2,844	2,844	-	-
Grounds maintenance	1,989	1,989	-	-
Utilities	4,736	4,736	-	-
Telephone	1,429	1,429	-	-
Office and library supplies	4,085	4,085	-	-
Investment management fees	962	-	962	-
Bank charges and fees	615	-	615	-
Depreciation expense	782	782	-	-
Miscellaneous expenses	171	171	-	-
TOTAL EXPENSES	\$ 119,536	\$ 88,207	\$ 10,973	\$ 20,356

The accompanying notes are an integral part of these financial statements.
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CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Claverack Free Library and Reading Room Association, Inc. (the "Library") is located in Claverack, New York within Columbia County, and was organized as a not-for-profit corporation without capital stock under the laws of the State of New York. The Library provides patrons and children with materials and resources needed for independent learning, research and recreational reading. The Library's support comes primarily from municipal grants and contributions from the general public.

Basis of Accounting

The Library's policy is to prepare its financial statements on the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Library keeps its books on the accrual method of accounting.

Income Taxes

Claverack Free Library and Reading Room Association, Inc. is a non-profit organization that is exempt from certain federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence 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.

Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Claverack Free Library and Reading Room Association, Inc., maintains its cash in bank deposit accounts that, at times, exceed federally insured limits. The Library has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. At December 31, 2010, cash on deposit in an interest-bearing account with one financial institution exceeded the FDIC limits by \$ 69,006.

Cash equivalents consist of all temporary investments with an original maturity of three months or less.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fixed Assets

Acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful life of the asset.

Marketable Securities

Investments in equity and debt securities are stated at cost. Contributions of securities are valued at their fair market value as of the date of the contribution.

Investment income is reported as an increase in unrestricted net assets unless the donor placed restrictions on the income's use. Income that is restricted is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws placed temporary or permanent restrictions on those gains and losses. Donor-restricted investment income and gains whose restrictions are met in the same reporting period are reported as unrestricted income.

NOTE B - CASH AND CASH EQUIVALENTS

The balances comprising cash and cash equivalents are as follows at December 31:

	2010	2009
Cash on hand	\$ 80	\$ -
Checking accounts	30,886	20,976
Cash in brokerage accounts	8,541	481,837
Money market accounts	345,821	91,215
TOTAL CASH AND CASH EQUIVALENTS	\$ 385,328	\$ 594,028

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C - MARKETABLE SECURITIES

Marketable securities consist of mutual funds traded on the national stock exchanges. Securities are shown at cost for financial statement purposes. Cost and market value are as follows:

DECEMBER 31, 2010		
	COST	MARKET VALUE
Equity Funds	\$ 307,833	\$ 310,676
Bond Funds	<u>159,841</u>	<u>170,780</u>
TOTAL INVESTMENTS	<u><u>\$ 467,674</u></u>	<u><u>\$ 481,456</u></u>

DECEMBER 31, 2009		
	COST	MARKET VALUE
Equity Funds	\$ 282,622	\$ 273,299
Bond Funds	<u>161,436</u>	<u>170,046</u>
TOTAL INVESTMENTS	<u><u>\$ 444,058</u></u>	<u><u>\$ 443,345</u></u>

Unrealized gain (loss) on marketable securities at December 31, 2010 and 2009 was \$13,782 and (\$713), respectively.

The marketable securities are held in two trust accounts in which the principal is currently held in trust and the income from these investments is available for all operating expenses of the Library. Therefore, the investments themselves are classified as non-current in the statement of assets, liabilities and net assets.

The principal amount of one of the trusts is a permanently restricted endowment. This trust accounts for \$18,977 and \$17,964 of the cost and \$20,313 and \$18,804 of the market value shown in the table above at December 31, 2010 and 2009. In addition, \$1,125 and \$1,127 of the cash and cash equivalents at December 31, 2010 and 2009 are part of the endowment principal.

The principal of the other trust is available for all operating expenses of the Library as needed without restriction.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2010	2009
Capitalized building development costs	\$ 347,191	\$ 36,485
Equipment	<u>27,955</u>	<u>27,955</u>
TOTAL FIXED ASSETS	\$ 375,146	\$ 64,440
Less: Accumulated depreciation	<u>23,962</u>	<u>22,768</u>
FIXED ASSETS, NET	<u>\$ 351,184</u>	<u>\$ 41,672</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$1,194 and \$782, respectively. The new library building (see NOTE H) has not been occupied as of the date of these financial statements and, therefore, no depreciation is being taken on the building at present.

NOTE E - NET ASSETS

Temporarily restricted net assets consist of donations to the Library designated for the new building renovation capital project.

Permanently restricted net assets consist of an endowment of principal held in trust for the Library with all income paid out for use in its general operations.

NOTE F - CONTRIBUTED SERVICES

The Library received, at no charge, the use of the local fire company building to hold various public programs throughout the year. The value of this service has been estimated to be \$1,600 based on the charge the fire company would ask for the use of this space from the general public.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G - SPECIAL FUND RAISING EVENTS

Special event income (net) consists of the following for the year ended :

DECEMBER 31, 2010	GROSS REVENUE	EXPENSES	NET RECEIVED
Fall Festival	\$ 4,192	\$ 776	\$ 3,416
Spring Festival	<u>5,533</u>	<u>971</u>	<u>4,562</u>
SPECIAL EVENTS, NET	<u><u>\$ 9,725</u></u>	<u><u>\$ 1,747</u></u>	<u><u>\$ 7,978</u></u>

DECEMBER 31, 2009	GROSS REVENUE	EXPENSES	NET RECEIVED
Fall Festival	\$ 3,475	\$ 525	\$ 2,950
Spring Festival	<u>6,434</u>	<u>708</u>	<u>5,726</u>
SPECIAL EVENTS, NET	<u><u>\$ 9,909</u></u>	<u><u>\$ 1,233</u></u>	<u><u>\$ 8,676</u></u>

NOTE H – PURCHASE OF NEW LIBRARY BUILDING

On November 22, 2010, the Library purchased a former firehouse to serve as its future library facility. The present plan is to renovate the building to serve its new function and transfer library operations to the new facility in late summer of 2011. The building has not been placed in service as of December 31, 2010; therefore, no depreciation expense has been taken on the various acquisition and renovation costs incurred to date.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through June 14, 2011, the date the financial statements were available to be issued. The Library did not have any subsequent events requiring reporting or disclosure in the financial statements.