

CLAVERACK FREE LIBRARY AND  
READING ROOM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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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, 2011 and 2010, 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 the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As described in Note A, the financial statements were prepared on the basis of accounting the Organization 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, 2011 and 2010, 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 1, 2012

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

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 466,782	\$ 385,328
Grants receivable	12,125	13,125
Other receivables	8,226	7,571
Pledges receivable	28,125	-
Prepaid expenses	<u>1,059</u>	<u>937</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 516,317</b>	<b>\$ 406,961</b>
Marketable securities, at cost	458,132	467,674
Fixed assets, net	<u>415,131</u>	<u>351,184</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,389,580</u></b>	<b><u>\$ 1,225,819</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,070	\$ 1,079
Accrued expenses	3,500	3,500
Payroll taxes and withholdings payable	<u>753</u>	<u>1,261</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 5,323</u></b>	<b><u>\$ 5,840</u></b>
 <b>NET ASSETS</b>		
Unrestricted	\$ 1,136,272	\$ 1,058,968
Temporarily restricted	237,985	151,011
Permanently restricted	<u>10,000</u>	<u>10,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,384,257</u></b>	<b><u>\$ 1,219,979</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,389,580</u></b>	<b><u>\$ 1,225,819</u></b>

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

CLAVERACK 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,

	2011	2010
<b>UNRESTRICTED NET ASSETS</b>		
Grants:		
Governmental grants	\$ 56,820	\$ 54,909
Other grants	13,950	7,939
Donations:		
General	16,667	21,549
Contributed services	800	1,600
Special fund raising events (net)	8,898	7,978
Other revenue:		
Net realized gains on investments	5,844	33,616
Investment income	17,843	15,732
Miscellaneous income	311	365
TOTAL SUPPORT AND REVENUE	\$ 121,133	\$ 143,688
Net assets released from restrictions:		
Restrictions satisfied by payments	98,405	316,216
TOTAL SUPPORT, REVENUE AND ASSETS RELEASED FROM RESTRICTIONS	\$ 219,538	\$ 459,904
Expenses:		
Program services	\$ 98,663	\$ 90,469
General & administrative expenses	6,956	7,233
Fund raising expenses	36,615	15,350
TOTAL EXPENSES	\$ 142,234	\$ 113,052
INCREASE IN UNRESTRICTED NET ASSETS	\$ 77,304	\$ 346,852
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions for new building project	\$ 103,900	\$ 22,273
Government grant for new building project	75,000	-
Non-cash contributions - securities	6,479	-
Restrictions satisfied by payments	(98,405)	(316,216)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	\$ 86,974	\$ (293,943)

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,

	2011	2010
INCREASE IN NET ASSETS	\$ 164,278	\$ 52,909
NET ASSETS AT BEGINNING OF YEAR	<u>1,219,979</u>	<u>1,167,070</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,384,257</u>	<u>\$ 1,219,979</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, 2011

	TOTAL	LIBRARY PROGRAM	MANAGEMENT & GENERAL	FUND RAISING
Payroll	\$ 45,638	\$ 45,638	\$ -	\$ -
Payroll taxes	3,616	3,616	-	-
Workers compensation insurance	556	556	-	-
Books, periodicals, DVDs and reference materials	15,084	15,084	-	-
Electronic media and computer expenses	1,743	1,743	-	-
Automation expenses	1,464	1,464	-	-
Inter-library fees	2,152	2,152	-	-
Public programs	4,541	4,541	-	-
Professional fund raiser fees	32,000	-	-	32,000
Other fund raising expenses	4,615	-	-	4,615
Professional fees	3,500	-	3,500	-
Consulting fees	8,100	8,100	-	-
Insurance	1,338	-	1,338	-
Repairs and maintenance	1,339	1,339	-	-
Grounds maintenance	2,255	2,255	-	-
Utilities	5,028	5,028	-	-
Telephone	1,141	1,141	-	-
Office and library supplies	4,084	4,084	-	-
Investment management fees and expenses	1,769	-	1,769	-
Bank and credit card charges	349	-	349	-
Dues and fees	728	728	-	-
Depreciation expense	1,194	1,194	-	-
	<u>\$ 142,234</u>	<u>\$ 98,663</u>	<u>\$ 6,956</u>	<u>\$ 36,615</u>
<b>TOTAL EXPENSES</b>				

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	FUND RAISING
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
Other fund raising 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 and expenses	1,155	-	1,155	-
Bank and credit card charges	573	-	573	-
Depreciation expense	1,194	1,194	-	-
Miscellaneous expenses	129	129	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 113,052</b>	<b>\$ 90,469</b>	<b>\$ 7,233</b>	<b>\$ 15,350</b>

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



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 maintains its books according to the accrual method of accounting.

Income Taxes

The Library is a non-profit organization 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 during 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

The Library maintains 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, 2011 and 2010, cash on deposit in an interest-bearing account with one financial institution exceeded the FDIC limits by \$88,910 and \$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 restriction. Gains and losses are reflected as increases or decreases in unrestricted 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.

Reclassification

The breakdown of net assets on the balance sheet has been reclassified. Permanently restricted net assets have been restated to the original endowment amount made to the Library. Unrestricted net assets were increased for the difference.

**NOTE B – CASH AND CASH EQUIVALENTS**

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

	2011	2010
Cash on hand	\$ 80	\$ 80
Checking accounts	78,682	30,886
Cash in brokerage accounts	18,059	8,541
Money market accounts	369,961	345,821
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 466,782</b>	<b>\$ 385,328</b>

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

**NOTE C – MARKETABLE SECURITIES**

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

DECEMBER 31, 2011

	COST	MARKET VALUE
Equity Funds	\$ 286,446	\$ 282,663
Bond Funds	<u>171,686</u>	<u>183,748</u>
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 458,132</u></u>	<u><u>\$ 466,411</u></u>

DECEMBER 31, 2010

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

Unrealized gain on marketable securities at December 31, 2011 and 2010 was \$8,279 and \$13,782, respectively.

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

The initial bequest of one of the trusts in the amount of \$10,000 is a permanently restricted endowment. 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 ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE D – FIXED ASSETS**

Fixed assets consist of the following at December 31:

	2011	2010
Capitalized new building development costs	\$ 412,332	\$ 347,191
Library building - Route 23B	13,409	13,409
Equipment	<u>27,955</u>	<u>27,955</u>
<b>TOTAL FIXED ASSETS</b>	<b>\$ 453,696</b>	<b>\$ 388,555</b>
Less: Accumulated depreciation	<u>38,565</u>	<u>37,371</u>
<b>FIXED ASSETS, NET</b>	<b><u>\$ 415,131</u></b>	<b><u>\$ 351,184</u></b>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$1,194 and \$1,194, 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 and grants to the Library designated for the new building renovation capital project.

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

**NOTE F – CONTRIBUTED SERVICES**

In 2011 the Library received, at no charge, the services of individuals providing adult and children's programs for the general public. The value of these contributed services, four sessions in all, was estimated to be \$800.

In 2010 the Library received the use of the local fire company building, at no charge, to hold various public programs throughout the year. The value of this service was estimated to be \$1,600 based on the amount the fire company would charge for use of this space from the general public.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, 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, 2011	GROSS REVENUE	EXPENSES	NET RECEIVED
Fall Festival	\$ 4,283	\$ 550	\$ 3,733
Spring Festival	<u>5,858</u>	<u>693</u>	<u>5,165</u>
SPECIAL EVENTS, NET	<u><u>\$ 10,141</u></u>	<u><u>\$ 1,243</u></u>	<u><u>\$ 8,898</u></u>

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>

**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 building was occupied by the fire company until December 2011. The Library is in the process of raising funds through its Capital Campaign to do a complete and extensive renovation of the new building. It is too early in the process to set a time frame for the occupation of the new facility.

**NOTE I – SUBSEQUENT EVENTS**

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through June 1, 2012, 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.