

CLAVERACK FREE LIBRARY AND
READING ROOM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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KARP, ACKERMAN, SKABOWSKI & HOGAN

*Certified Public Accountants
A Professional Corporation*

One Hudson City Centre
Hudson, NY 12534
(518) 828-7618
FAX (518) 828-2105

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Claverack Free Library and Reading Room Association, Inc. (a non-profit organization), which comprise the statement of assets, liabilities and net assets–income tax basis, of as of December 31, 2012 and 2011, the related statements of revenue, expenses and other changes in net assets–income tax basis, and the related statements of functional expenses–income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting Claverack Free Library and Reading Room Association, Inc. uses for income tax purposes; this includes determining that the income tax 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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.

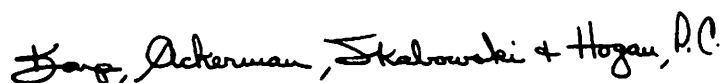
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Claverack Free Library and Reading Room Association, Inc. as of December 31, 2012 and 2011, and its revenue, expenses and changes in net assets for the years then ended, in accordance with the basis of accounting Claverack Free Library and Reading Room Association, Inc. uses for income tax purposes described in Note A.

Basis of Accounting

We draw attention to Note A to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Claverack Free Library and Reading Room Association, Inc. uses for income tax purposes, 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.



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

September 30, 2013

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

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 419,117	\$ 466,782
Grants receivable	12,500	12,125
Other receivables	984	8,226
Pledges receivable	7,172	28,125
Prepaid expenses	<u>1,273</u>	<u>1,059</u>
TOTAL CURRENT ASSETS	\$ 441,046	\$ 516,317
Marketable securities, at cost	481,973	458,132
Fixed assets, net	<u>570,605</u>	<u>415,131</u>
TOTAL ASSETS	<u>\$ 1,493,624</u>	<u>\$ 1,389,580</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,310	\$ 1,070
Accrued expenses	5,500	3,500
Payroll taxes and withholdings payable	<u>930</u>	<u>753</u>
TOTAL LIABILITIES	<u>\$ 25,740</u>	<u>\$ 5,323</u>
NET ASSETS		
Unrestricted	\$ 1,280,603	\$ 1,136,272
Temporarily restricted	177,281	237,985
Permanently restricted	<u>10,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>\$ 1,467,884</u>	<u>\$ 1,384,257</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,493,624</u>	<u>\$ 1,389,580</u>

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,

	2012	2011
UNRESTRICTED NET ASSETS		
Grants:		
Governmental grants	\$ 55,282	\$ 56,820
Other grants	5,000	13,950
Donations:		
General	16,546	16,667
Contributed services	550	800
Special fund raising events, net	7,822	8,898
Other revenue:		
Net realized gains on investments	24,487	5,844
Investment income	16,612	17,843
Miscellaneous income	551	311
TOTAL SUPPORT AND REVENUE	\$ 126,850	\$ 121,133
Net assets released from restrictions:		
Restrictions satisfied by payments	133,379	98,405
TOTAL SUPPORT, REVENUE AND ASSETS RELEASED FROM RESTRICTIONS	\$ 260,229	\$ 219,538
Expenses:		
Program services	\$ 90,551	98,309
General & administrative expenses	21,280	7,310
Fund raising expenses	4,067	36,615
TOTAL EXPENSES	\$ 115,898	\$ 142,234
INCREASE IN UNRESTRICTED NET ASSETS	\$ 144,331	\$ 77,304
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions for new building project	\$ 14,573	\$ 103,900
Government grant for new building project	32,175	75,000
Non-cash contributions for new building project - securities	11,315	6,479
Special fund raising events, net	8,617	-
Restrictions satisfied by payments for new building project	(129,634)	(98,405)
Contributions, other	5,995	-
Restrictions satisfied by payments, other	(3,745)	-
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	\$ (60,704)	\$ 86,974

CLAVERACK 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,

	2012	2011
INCREASE IN NET ASSETS	\$ 83,627	\$ 164,278
NET ASSETS AT BEGINNING OF YEAR	<u>1,384,257</u>	<u>1,219,979</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,467,884</u>	<u>\$ 1,384,257</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, 2012

	TOTAL	LIBRARY PROGRAM	MANAGEMENT & GENERAL	FUND RAISING
Payroll	\$ 47,160	\$ 39,351	\$ 7,809	\$ -
Payroll taxes	3,873	3,232	641	-
Workers compensation insurance	585	488	97	-
Professional development	472	472	-	-
Circulating materials	14,558	14,558	-	-
Computer and internet expenses	836	836	-	-
Automation expenses	2,086	2,086	-	-
Inter-library fees	2,576	2,576	-	-
Public programs	5,557	5,557	-	-
Professional fund raiser fees	-	-	-	-
Other fund raising expenses	-	-	-	-
Professional fees	7,000	1,500	5,500	-
Insurance	5,187	-	5,187	-
Repairs and maintenance	6,729	6,729	-	-
Grounds maintenance	1,937	1,937	-	-
Utilities	5,106	5,106	-	-
Telephone	809	809	-	-
Office and library supplies	6,158	3,777	-	2,381
Postage and shipping	1,686	-	319	1,367
Investment management fees and expenses	1,150	-	1,150	-
Bank and credit card charges	577	-	577	-
Dues and fees	343	343	-	-
Depreciation expense	1,194	1,194	-	-
Miscellaneous	319	-	-	319
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 115,898</u>	<u>\$ 90,551</u>	<u>\$ 21,280</u>	<u>\$ 4,067</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	-	-
Professional development	-	-	-	-
Circulating materials	15,720	15,720	-	-
Computer and internet expenses	1,107	1,107	-	-
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	-	-	-	-
Professional fees	11,600	8,100	3,500	-
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	6,947	3,730	-	3,217
Postage and shipping	1,552	-	354	1,198
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	-	-
Miscellaneous	200	-	-	200
	<u>\$ 142,234</u>	<u>\$ 98,309</u>	<u>\$ 7,310</u>	<u>\$ 36,615</u>
TOTAL EXPENSES				

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.

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, 2012 and 2011, cash on deposit in an interest-bearing account with one financial institution exceeded the FDIC limits by \$101, 535 and \$88,910, respectively.

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

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 market 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.

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

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

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.

Income Taxes

The Library is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as an organization that is not a private foundation.

The Library's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2010, 2011, and 2012, are subject to examination by the Internal Revenue Service, generally for three years after having been filed.

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE B – CASH AND CASH EQUIVALENTS

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

	2012	2011
Cash on hand	\$ 80	\$ 80
Checking accounts	140,299	78,683
Cash in brokerage accounts	6,000	18,058
Money market accounts	272,738	369,961
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TOTAL CASH AND CASH EQUIVALENTS	\$ 419,117	\$ 466,782
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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, 2012		
	COST	MARKET VALUE
Equity Funds	\$ 307,398	\$ 312,436
Bond Funds	<u>174,575</u>	<u>186,211</u>
TOTAL INVESTMENTS	<u>\$ 481,973</u>	<u>\$ 498,647</u>

December 31, 2011		
	COST	MARKET VALUE
Equity Funds	\$ 286,446	\$ 282,663
Bond Funds	<u>171,686</u>	<u>183,748</u>
TOTAL INVESTMENTS	<u>\$ 458,132</u>	<u>\$ 466,411</u>

Unrealized gain on marketable securities at December 31, 2012 and 2011 was \$16,674 and \$8,279, 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.

Fair values for all investments are determined by reference to quoted market prices in active markets for identical assets (Level 1 inputs). There were no changes in valuation techniques in the year ended December 31, 2012. The Association recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended December 31, 2012.

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

NOTE C – MARKETABLE SECURITIES (CONTINUED)

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2012 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Marketable securities	\$ 481,973
TOTAL INVESTMENTS	\$ 481,973

Investment return for the year ended December 31, 2012 is summarized as follows:

Interest and dividend income	\$ 16,612
Net realized and unrealized losses on investments carried at fair value	24,487
TOTAL UNRESTRICTED INVESTMENT INCOME	\$ 41,099

NOTE D – FIXED ASSETS

Fixed assets consist of the following at December 31:

	2012	2011
Capitalized new building development costs	\$ 568,999	\$ 412,332
Library building - Route 23B	13,409	13,409
Equipment	27,955	27,955
TOTAL FIXED ASSETS	\$ 610,363	\$ 453,696
Less: Accumulated depreciation	39,758	38,565
FIXED ASSETS, NET	\$ 570,605	\$ 415,131

Depreciation expense for both of the years ended December 31, 2012 and 2011 was \$1,194. The new library building (see NOTE H) is not yet completed and has not been occupied as of the date of these financial statements. Therefore, no depreciation is being taken on the building at present.

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

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 & USE OF FACILITIES

In 2012, the Library received, at no charge, the services of individuals providing two programs for the general public and contributed facility space. The value of these contributed services was estimated to be \$550.

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 was estimated to be \$800.

NOTE G – SPECIAL FUND RAISING EVENTS

Special event income, net consists of the following for the years ended:

December 31, 2012	GROSS REVENUE	EXPENSES	NET RECEIVED
Fall Festival	\$ 3,201	\$ 671	\$ 2,530
Spring Festival	6,064	772	5,292
Garden Party	9,016	399	8,617
SPECIAL EVENTS, NET	\$ 18,281	\$ 1,842	\$ 16,439

December 31, 2011	GROSS REVENUE	EXPENSES	NET RECEIVED
Fall Festival	\$ 4,283	\$ 550	\$ 3,733
Spring Festival	5,858	693	5,165
SPECIAL EVENTS, NET	\$ 10,141	\$ 1,243	\$ 8,898

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

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 September 30, 2013, 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.