

**Friends of the
Bernardsville Public Library Inc.**

Financial Statements

December 31, 2016 and 2015

WASILEWSKI & KEATING, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

117 SOUTH MAPLE AVENUE

BASKING RIDGE, NEW JERSEY 07920

PHONE: (908) 953-0919 – FAX: (908) 953-0557

INDEPENDENT ACCOUNTANTS COMPILATION REPORT

Friends of the Bernardsville Public Library, Inc.
1 Anderson Hill Rd.
Bernardsville, NJ 07924

Management is responsible for the accompanying financial statements of Friends of the Bernardsville Public Library, Inc., which comprise the statement of assets, liabilities and net assets-modified cash basis as of December 31, 2016 and 2015, and the related statements of revenue and expenses and cash flows-modified cash basis for the years then ended and for determining that the modified cash basis is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles accepted in the United States of America.

Wasilewski & Keating, P.C.

June 2, 2017

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
AS AT DECEMBER 31, 2016 AND 2015
(MODIFIED CASH BASIS)

ASSETS

	<u>2016</u>	<u>2015</u>
CASH AND CASH EQUIVALENTS:		
Checking account	\$ 41,773	\$ 34,631
Debit card account	1,329	2,491
Money market account	95,455	96,311
Bingo account	4,976	1,733
Cash in custodian account-Fidelity Investments	<u>76,808</u>	<u>70,207</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>220,341</u>	<u>205,373</u>
INVESTMENTS-At Fair Market Values:		
Mutual Funds	169,526	163,677
Common Stock	<u>999</u>	<u>1,047</u>
TOTAL INVESTMENTS	<u>170,525</u>	<u>164,724</u>
TOTAL ASSETS	<u>\$ 390,866</u>	<u>\$ 370,097</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	<u>NONE</u>	<u>NONE</u>
NET ASSETS:		
Unrestricted	153,114	136,675
Permanently restricted	<u>237,752</u>	<u>233,422</u>
TOTAL NET ASSETS	<u>390,866</u>	<u>370,097</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 390,866</u>	<u>\$ 370,097</u>

See accompanying notes and independent accountants' compilation report.

FRIENDS OF THE BENARDSVILLE PUBLIC LIBRARY, INC.
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(MODIFIED CASH BASIS)

	2016			2015		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT & REVENUES:						
Contributions	\$ 37,103	\$ --	\$ 37,103	\$ 39,141	\$ --	\$ 39,141
Special Events	8,016	--	8,016	4,782	--	4,782
Book rental fees & note cards/misc.	252	--	252	563	--	563
Interest and Dividends	5,648	--	5,648	9,682	--	9,682
Net appreciation/(depreciation) in fair value of investments	540	5,330	5,870	(626)	(10,016)	(10,642)
Net assets released from restrictions - Satisfaction of purpose restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL PUBLIC SUPPORT & REVENUES	<u>52,559</u>	<u>4,330</u>	<u>56,889</u>	<u>53,542</u>	<u>(10,016)</u>	<u>43,526</u>
EXPENSES:						
Programs	29,610	--	29,610	36,974	--	36,974
Administration	3,059	--	3,059	3,066	--	3,066
Fundraising	<u>3,451</u>	<u>--</u>	<u>3,451</u>	<u>2,670</u>	<u>--</u>	<u>2,670</u>
TOTAL EXPENSES	<u>36,120</u>	<u>--</u>	<u>36,120</u>	<u>42,710</u>	<u>--</u>	<u>42,710</u>
INCREASE/(DECREASE) IN NET ASSETS	16,439	4,330	20,769	10,832	(10,016)	816
NET ASSETS-BEGINNING OF YEAR	<u>136,675</u>	<u>233,422</u>	<u>370,097</u>	<u>125,843</u>	<u>243,438</u>	<u>369,281</u>
NET ASSETS-END OF YEAR	<u>\$ 153,114</u>	<u>\$ 237,752</u>	<u>\$ 390,866</u>	<u>\$ 136,675</u>	<u>\$ 233,422</u>	<u>\$ 370,097</u>

See accompanying notes and independent accountants' compilation report.

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(MODIFIED CASH BASIS)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in net assets	\$ 20,769	\$ 816
Adjustments to reconcile increase/(decrease) in net assets to net cash used by operating activities		
(Gain)/Loss on investment securities	(5,870)	10,642
Donated securities included in contributions	<u>(1,036)</u>	<u>(1,047)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,863</u>	<u>10,411</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	--	--
Sale of Investment Securities	<u>1,105</u>	<u>3,409</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>1,105</u>	<u>3,409</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in accounts payable	<u>--</u>	<u>--</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>--</u>	<u>--</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,968	13,820
 CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR	<u>205,373</u>	<u>191,553</u>
 CASH AND CASH EQUIVALENTS-END OF YEAR	<u>\$ 220,341</u>	<u>\$ 205,373</u>
 SUPPLEMENTAL DISCLOSURES		
Interest Paid	NONE	NONE
Income Taxes	NONE	NONE

See accompanying notes and independent accountants' compilation report.

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES-Friends of the Bernardsville Library, Inc. (“the Association”) was organized to assist and promote the Free Public Library of the Borough of Bernardsville, County of Somerset, State of New Jersey. They are supported primarily through contributions and fundraising events.

BASIS OF ACCOUNTING – The Association’s policy is to keep its accounts and records and prepare its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of investment income receivable and accrued expenses. Such variances are presumed to be immaterial. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect fair value of investments. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

FINANCIAL STATEMENT PRESENTATION – The financial statement presentation follows the guidance of the accounting standards relating to financial statements of not-for-profit organizations. Under these standards, the Association is required to report 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, as applicable to its operations.

USE OF ESTIMATES – The preparation of these financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVESTMENTS – The Association’s investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of Assets, Liabilities and Net Assets. Unrealized gains and losses are included in the statement of Revenue and Expenses.

CONTRIBUTED SERVICES – The Association receives a certain amount of services donated by its members in carrying out the organization’s activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

INCOME TAX – The Association qualifies as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is also exempt from state and local income taxes.

The Association recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Association had no uncertain tax positions that would require financial statement recognition or disclosure. The Association is no longer subject to examination by the applicable taxing jurisdictions for periods prior to December 31, 2013.

CASH AND CASH EQUIVALENTS – The Association considers all highly liquid investments available for current use with an initial maturity of three months or less, to be cash equivalents.

EVALUATION OF SUBSEQUENT EVENTS – The Association has evaluated subsequent events through June 2, 2017, the date which the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at fair value as of December 31, 2016 and 2015 are summarized as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2016</u>			
Mutual Funds	\$ 15,333	\$ 154,193	\$ 169,526
Common Stock	<u>999</u>	<u>--</u>	<u>999</u>
Total	<u>\$ 16,332</u>	<u>\$ 154,193</u>	<u>\$ 170,525</u>
<u>December 31, 2015</u>			
Mutual Funds	\$ 14,813	\$ 148,864	\$ 163,677
Common Stock	<u>1,047</u>	<u>--</u>	<u>1,047</u>
Total	<u>\$ 15,860</u>	<u>\$ 148,864</u>	<u>\$ 164,724</u>

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent funds the Association received as a beneficiary of an estate of a deceased benefactor. The will restricted the use of the funds to the capital improvements of the Bernardsville Public Library.

NOTE 4 CASH AND CASH CONCENTRATION

The statement of Assets, Liabilities and Net Assets as of December 31, 2016 and 2015 included cash in checking and money market accounts at various banks. These accounts were within federally insured limits at December 31, 2016 and 2015.

NOTE 5 FAIR VALUE MEASUREMENT

The Association's investments are reported at fair value in the accompanying statement of assets, liabilities and net assets. The methods used to measure fair value

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair value of mutual funds, common stocks and money market accounts are based on quoted market prices.

The following tables set forth, by level within the fair value hierarchy, the Association's investments at fair value as of December 31, 2016 and 2015.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>Fair Value Measurement at Reporting Date Using:</u>		
<u>December 31, 2016</u>		
Mutual Funds		
Domestic Stock Funds	\$ 39,885	\$ 39,885
Balanced Funds	65,458	65,458
Fixed Income Funds	<u>64,183</u>	<u>64,183</u>
	<u>169,526</u>	<u>169,526</u>
Common Stock		
Consumer Discretionary	<u>999</u>	<u>999</u>
Total	<u>\$170,525</u>	<u>\$170,525</u>
<u>December 31, 2015</u>		
Mutual Funds		
Domestic Stock Funds	\$ 38,083	\$ 38,083
Balanced Funds	63,080	63,080
Fixed Income Funds	<u>62,514</u>	<u>62,514</u>
	<u>163,677</u>	<u>163,677</u>
Common Stock		
Technology	<u>1,047</u>	<u>1,047</u>
Total	<u>\$164,724</u>	<u>\$164,724</u>

FRIENDS OF THE BERNARDSVILLE PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 RISKS AND UNCERTAINTIES

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.