

CHARLESTON LIBRARY SOCIETY

INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2015
AND
DECEMBER 31, 2014

CHARLESTON LIBRARY SOCIETY
CHARLESTON, SOUTH CAROLINA
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND
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CONTENTS

	<u>PAGE</u>
Independent Accountants' Review Report	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 17

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Charleston Library Society
Charleston, South Carolina

We have reviewed the accompanying financial statements of Charleston Library Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The 2014 financial statements of Charleston Library Society were reviewed by other accountants whose report dated February 26, 2015, stated that, based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Streetman, Jones & Powers, LLC

Streetman, Jones & Powers, LLC
Charleston, South Carolina
February 19, 2016

**CHARLESTON LIBRARY SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,**

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 155,949	\$ 152,155
Prepaid expenses	678	5,290
Investments, at market, short-term	<u>315,000</u>	<u>307,500</u>
Total current assets	<u>471,627</u>	<u>464,945</u>
PROPERTY AND EQUIPMENT		
Land	264,000	264,000
Building, machinery and equipment, net	<u>933,801</u>	<u>919,981</u>
Total property and equipment	<u>1,197,801</u>	<u>1,183,981</u>
OTHER ASSETS		
Investments, at market, long-term	<u>5,618,620</u>	<u>6,112,312</u>
TOTAL ASSETS	<u>\$ 7,288,048</u>	<u>\$ 7,761,238</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade accounts payable	\$ 21,413	\$ 10,664
Deferred Gala revenue	<u>33,550</u>	<u>-</u>
Total current liabilities	<u>54,963</u>	<u>10,664</u>
LONG-TERM LIABILITIES		
Deposit received from tenant	<u>3,200</u>	<u>3,200</u>
NET ASSETS		
Unrestricted net assets	5,780,323	6,134,248
Temporarily restricted net assets	1,433,562	1,597,126
Permanently restricted net assets	<u>16,000</u>	<u>16,000</u>
Total net assets	<u>7,229,885</u>	<u>7,747,374</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,288,048</u>	<u>\$ 7,761,238</u>

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Dues	\$ 392,419	\$ -	\$ -	\$ 392,419
Contributions	154,460	-	-	154,460
Grants	40,000	-	-	40,000
Program Income	199,698	-	-	199,698
Rental Income	61,975	-	-	61,975
Interest and dividends, (net of fees of \$29,258 and \$9,321)	131,546	33,796	-	165,342
Realized gains/(losses)	(55,463)	(17,669)	-	(73,132)
Unrealized gains/(losses)	<u>(268,022)</u>	<u>(85,382)</u>	<u>-</u>	<u>(353,404)</u>
Subtotal	656,613	(69,255)	-	587,358
Net assets released from restriction	<u>94,309</u>	<u>(94,309)</u>	<u>-</u>	<u>-</u>
Total support and revenues	750,922	(163,564)	-	587,358
EXPENSES				
Program services	884,868	-	-	884,868
Supporting services				
General and administrative	196,305	-	-	196,305
Fundraising	<u>23,674</u>	<u>-</u>	<u>-</u>	<u>23,674</u>
Total expenses	<u>1,104,847</u>	<u>-</u>	<u>-</u>	<u>1,104,847</u>
INCREASE (DECREASE) IN NET ASSETS				
	(353,925)	(163,564)	-	(517,489)
Beginning net assets	<u>6,134,248</u>	<u>1,597,126</u>	<u>16,000</u>	<u>7,747,374</u>
Ending Net Assets	<u>\$ 5,780,323</u>	<u>\$ 1,433,562</u>	<u>\$ 16,000</u>	<u>\$ 7,229,885</u>

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Dues	\$ 331,687	\$ -	\$ -	\$ 331,687
Contributions	98,201	18,082	-	116,283
Grants	81,346	-	-	81,346
Program Income	141,187	46,100	-	187,287
Rental Income	58,375	-	-	58,375
Interest and dividends, (net of fees of \$26,721 and \$9,468)	161,491	11,493	-	172,984
Realized gains/(losses)	98,115	46,411	-	144,526
Unrealized gains/(losses)	<u>(5,224)</u>	<u>(709)</u>	<u>-</u>	<u>(5,933)</u>
Subtotal	965,178	121,377	-	1,086,555
Net assets released from restriction	<u>123,499</u>	<u>(123,499)</u>	<u>-</u>	<u>-</u>
Total support and revenues	1,088,677	(2,122)	-	1,086,555
EXPENSES				
Program services	778,272	-	-	778,272
Supporting services				
General and administrative	173,288	-	-	173,288
Fundraising	<u>16,699</u>	<u>-</u>	<u>-</u>	<u>16,699</u>
Total expenses	<u>968,259</u>	<u>-</u>	<u>-</u>	<u>968,259</u>
INCREASE (DECREASE) IN NET ASSETS	120,418	(2,122)	-	118,296
Beginning net assets	<u>6,013,830</u>	<u>1,599,248</u>	<u>16,000</u>	<u>7,629,078</u>
Ending Net Assets	<u>\$ 6,134,248</u>	<u>\$ 1,597,126</u>	<u>\$ 16,000</u>	<u>\$ 7,747,374</u>

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 366,885	\$ 94,002	\$ 9,124	\$ 470,011
Employee benefits	32,786	8,425	912	42,123
Retirement	10,796	2,699	-	13,495
Taxes - payroll	<u>27,959</u>	<u>7,164</u>	<u>698</u>	<u>35,821</u>
Total compensation and related expenses	438,426	112,290	10,734	561,450
OTHER EXPENSES				
Utilities	55,367	13,842	-	69,209
Maintenance	74,505	18,626	-	93,131
Insurance	35,603	8,901	-	44,504
Books	27,146	-	-	27,146
Professional fees	-	6,000	-	6,000
Minor equipment	22,369	5,592	-	27,961
Miscellaneous expenses	17,195	4,299	-	21,494
Periodicals	2,938	-	-	2,938
Travel	5,722	-	-	5,722
Development	14,337	-	6,145	20,482
Restoration	14,968	-	-	14,968
Newsletter	9,777	-	4,190	13,967
Advertising	6,077	-	2,605	8,682
Supplies	16,677	-	-	16,677
Video	1,441	-	-	1,441
Bank charges	458	114	-	572
Adult programs	84,113	-	-	84,113
Professional development	-	6,609	-	6,609
Taxes - property	<u>-</u>	<u>5,595</u>	<u>-</u>	<u>5,595</u>
TOTAL EXPENSES BEFORE DEPRECIATION	827,119	181,868	23,674	1,032,661
Depreciation	<u>57,749</u>	<u>14,437</u>	<u>-</u>	<u>72,186</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 884,868</u>	<u>\$ 196,305</u>	<u>\$ 23,674</u>	<u>\$ 1,104,847</u>

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 291,252	\$ 75,094	\$ 9,124	\$ 375,470
Employee benefits	29,224	7,534	912	37,670
Retirement	12,246	3,061	-	15,307
Taxes - payroll	<u>24,526</u>	<u>6,306</u>	<u>698</u>	<u>31,530</u>
Total compensation and related expenses	357,248	91,995	10,734	459,977
OTHER EXPENSES				
Utilities	48,715	12,179	-	60,894
Maintenance	99,090	24,773	-	123,863
Insurance	34,086	8,521	-	42,607
Books	20,862	-	-	20,862
Professional fees	-	6,000	-	6,000
Minor equipment	10,167	2,542	-	12,709
Miscellaneous expenses	8,730	2,183	-	10,913
Periodicals	6,165	-	-	6,165
Travel	3,258	-	-	3,258
Development	5,060	-	2,168	7,228
Restoration	22,096	-	-	22,096
Newsletter	2,981	-	1,277	4,258
Advertising	6,582	-	2,520	9,102
Supplies	14,950	-	-	14,950
Video	835	-	-	835
Bank charges	3,061	28	-	3,089
Adult programs	84,823	-	-	84,823
Professional development	-	7,879	-	7,879
Taxes - property	<u>-</u>	<u>4,797</u>	<u>-</u>	<u>4,797</u>
TOTAL EXPENSES BEFORE DEPRECIATION	728,709	160,897	16,699	906,305
Depreciation	<u>49,563</u>	<u>12,391</u>	<u>-</u>	<u>61,954</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 778,272</u>	<u>\$ 173,288</u>	<u>\$ 16,699</u>	<u>\$ 968,259</u>

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (517,489)	\$ 118,296
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	72,186	61,954
Net realized (gains) losses on investments	73,132	(144,526)
Net unrealized (gains) losses on investments	353,404	5,933
Decrease (increase) in:		
Prepaid expenses	4,612	1,571
Increase (decrease) in:		
Accounts payable	10,749	2,277
Deferred Gala revenue	33,500	-
Net cash provided by operating activities	<u>30,094</u>	<u>45,505</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(76,978)	(8,058)
Purchase of furniture	(9,028)	(6,195)
Purchase of roof and ballustrade	-	(130,413)
Proceeds from sale of marketable securities	1,643,158	1,508,587
Purchase of marketable securities	(1,573,708)	(1,428,060)
Net cash (used in) investing activities	<u>(16,556)</u>	<u>(64,139)</u>
Net increase (decrease) in cash	13,538	(18,634)
Cash and cash equivalents at beginning of year	<u>142,411</u>	<u>161,045</u>
Cash and Cash Equivalent at End of Year	<u>\$ 155,949</u>	<u>\$ 142,411</u>
Supplemental Disclosure of Cash Flow Information:		
Unrealized gains (losses)	\$ (353,404)	\$ (5,933)

See accompanying notes to financial statements and independent accountants' review report.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies

A. Nature of activities

Founded in 1748, the Charleston Library Society (the Society) is the South's oldest cultural institution and the third oldest library in the United States. For more than 250 years, it has collected, preserved and made available cultural materials for the use of its members and researchers around the world. Today, it is a circulating library and a repository of rare books periodicals, manuscripts, clippings, maps, directories, almanacs and visual materials.

B. Basis of Accounting

The financial statements of the Charleston Library Society have been prepared on the accrual basis of accounting, whereby revenue is recognized at the time it is earned and expenditures are recorded at the time they are incurred. Accordingly the financials reflect all significant receivables, payables, and other liabilities.

C. Revenue Recognition

The Society adopted ASC Topic 958, Not-For-Profit Entities. Under ASC Topic 958, the Society is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor or grantor imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor or grantor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor or grantor-imposed stipulations that the assets be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Support that is restricted by the donor or grantor 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 or grantor-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 activities as net assets released from restrictions. The Society did not receive any permanently restricted contributions or assets in 2015 and 2014.

D. Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks, certificates of deposit and money market funds.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

E. Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

F. Investments

The Society investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, and money-market accounts. The Society accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Alternative investments are stated at the fair value of their underlying assets and allocated to the net asset funds in proportion to the funds' ownership percentage. The realized and unrealized gain or loss on investments is reflected in the statements of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statements of financial position date.

Investment income and gains restricted by donors are reported as increases or decreases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

G. Investment Policy

The Society's investment policy intends for the Society to invest in assets that would produce results exceeding the investment's purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Society expects its Investment Fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate-of-return objective, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on marketable equity and debt securities and money-market accounts to achieve its long-term return objectives within prudent risk constraints.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

H. Fair Value of Financial Instruments

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 is effective for the Society's financial assets and liabilities for the years ended December 31, 2015 and 2014. The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes. Accounts receivable and accounts payable are stated at cost, which approximates fair value, due to their short term to maturity.

I. Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements, generally in excess of \$500, are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

J. Collections

The Society follows the Financial Accounting Standards Board FASB ASC 958-310-50. Collection items acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted funds and as decreases in temporarily restricted net assets if purchased with donor-restricted funds. Gains from the sale of collection items that are not reinvested in the purchase of new collection items are recorded as increases in unrestricted net assets. Contributions of collection items are not recorded in the Statements of Activities. A collection inventory is maintained that list a description of the item, source, and storage location. See Note 7 - Collections.

K. Compensated Absences

Employees of the Society are entitled to paid vacations, paid sick days and personal days off, depending on job classification and length of service. After one year of service, each employee earns 20 personal days ratably through the year. No liability was recorded for estimated unused personal time as of December 31, 2015 and 2014, as all eligible employees had used their personal days.

L. In-Kind Contributions

The Society's records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

L. In-Kind Contributions (continued)

No amounts have been reflected in the financial statements for donated services. The Society pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society with campaign solicitations and various committee assignments. In-kind tangible contributions for the years ended December 31, 2015 and 2014 were \$4,218 and \$5,919.

M. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

N. Advertising

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total \$8,682 and \$9,102 for years ended December 31, 2015 and 2014, respectively.

O. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, if any, as defined by the Code, is subject to federal income tax. The Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an association other than a private foundation.

Management has evaluated the tax positions of the Society and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2015 and 2014. The Society's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Society is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

2. Investments

Investments held by the Society are in various accounts at a national brokerage firm. Investment fees are netted against gains and losses. Investments are stated at fair market value and consist of the following:

	As of December 31,			
	2015		2014	
	FMV	Cost	FMV	Cost
Money Market	\$ 405,290	\$ 405,290	\$ 174,747	\$ 174,747
Fixed income mutual funds				
Domestic	1,199,092	1,227,370	1,242,789	1,264,553
International	241,402	273,500	360,014	372,754
Equity mutual funds				
Domestic	2,277,769	1,545,920	2,402,106	1,567,195
International	1,345,490	1,409,168	1,413,055	1,279,950
Real estate	464,577	424,888	827,101	766,271
	<u>\$ 5,933,620</u>	<u>\$ 5,286,136</u>	<u>\$ 6,419,812</u>	<u>\$ 5,425,470</u>

Investment Maturities

To meet the operational and capital needs of The Charleston Library Society, the Board of Trustees has elected to adopt a spending policy for the withdrawal of funds for budgetary needs. The Board meets annually to review the costs of operation, portfolio values, total return of the Endowment and Restricted funds and determine a spending rate to be applied in the current year of operation. On average, the spending rate is expected to range from 4% to 10% per year. Once the spending rate for the current year is established, it will be multiplied against the 3 year rolling average market value of the base. The base will include the endowment assets, operating funds and the Jockey/Ross funds as of 12/31. The Board may also elect to establish a fixed dollar amount as the spending requirement for any fund. The Board has elected to withdrawal \$315,000 from investments for the 2015/2016 budget.

Maturities for the above listed investments are as follows:

	2015	2014
<u>Maturity Range in Years</u>		
3 months - 1 year	\$ 405,290	\$ 174,747
Spending policy, current	315,000	307,500
Mutual funds, long-term	4,748,753	5,110,464
Real estate funds, long-term	464,577	827,101
Total investments	<u>\$ 5,933,620</u>	<u>\$ 6,419,812</u>

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

F. Investments (continued)

The following schedule summarizes the investment return in the statement of activities for the years ended December 31 :

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 6,419,812	\$ 6,375,844
Donations	6,638	1,278
Interest	14	12
Dividends	203,907	207,885
Management fees	(38,579)	(36,189)
Realized gains (losses)	(73,132)	144,526
Unrealized gains(losses)	(353,404)	(5,933)
Transfers to operating	(231,636)	(258,500)
Net cash equivalents, reported as cash	<u>-</u>	<u>(9,111)</u>
Ending investment balance	<u>\$ 5,933,620</u>	<u>\$ 6,419,812</u>

3. Summary of Fair Value Exposure

ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Society's own assumptions in determining the fair value of investments)

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

Level 1: Fair Value Measurements

Investments in Mutual funds and Securities - The fair value of the Society's investments in mutual funds and marketable equity and debt securities is based on quoted market prices.

Level 2: Fair Value Measurements

Investments other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair Value Measurements

These investments have no observable inputs for the asset or liability. There are no level 3 investments.

The inputs and methodology used for valuing the Society's financial assets and liabilities are not indicators of the risks associated with those instruments.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

3. Summary of Fair Value Exposure (continued)

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 405,290	\$ -	\$ -	\$ 405,290
Mutual Funds	5,063,753	-	-	5,063,753
Real asset funds	-	464,577	-	464,577
	\$ 5,469,043	\$ 464,577	\$ -	\$ 5,933,620

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 174,747	\$ -	\$ -	\$ 174,747
Mutual Funds	5,417,964	-	-	5,417,964
Real asset funds	-	827,101	-	827,101
	\$ 5,592,711	\$ 827,101	\$ -	\$ 6,419,812

4. Temporarily Restricted Net Assets

The Society has temporarily restricted net assets are available for the following purposes and years as of December 31, 2015 and 2014:

Temporarily Restricted Purpose	Beginning Balance Dec. 31, 2014	Contributions Gains Investment Income	Disbursements	Realized and Unrealized Gains	Ending Balance Dec. 31, 2015
Purchase and restore library***	\$ 1,551,026	\$ 33,796	\$ (48,209)	\$ (103,051)	\$ 1,433,562
2016 Gala	46,100	-	(46,100)	-	-
	\$ 1,597,126	\$ 33,796	\$ (94,309)	\$ (103,051)	\$ 1,433,562

Temporarily Restricted Purpose	Beginning Balance Dec. 31, 2013	Contributions Gains Investment Income	Disbursements	Realized and Unrealized Gains	Ending Balance Dec. 31, 2014
Purchase and restore library***	\$ 1,540,404	\$ 29,575	\$ (64,655)	\$ 45,702	\$ 1,551,026
2015 Gala	58,844	46,100	(58,844)	-	46,100
	\$ 1,599,248	\$ 75,675	\$ (123,499)	\$ 45,702	\$ 1,597,126

*** Equals the Ross/Jockey fund in Trust.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

5. Permanently Restricted Net Assets

The Society has permanently restricted net assets of \$16,000 as of December 31, 2015 and 2014, representing the corpus of a restricted gift. The earnings on these funds have been identified by the donor as temporarily restricted and are to be used for the preservation and restoration of the Hinson collection. Accordingly, the investment income related to the permanently restricted funds has been accounted for within temporarily restricted investment earnings on the statements of activities.

6. Property and equipment

Property and equipment consist of the following:

	December 31,	
	2015	2014
Buildings	\$ 1,450,345	\$ 1,450,346
Furniture and fixtures	109,228	100,400
Office equipment	161,003	83,820
	1,720,576	1,634,566
Less accumulated depreciation	(786,775)	(714,585)
Property & Equipment, net of depreciation	\$ 933,801	\$ 919,981

Depreciation expense is \$72,186 and \$61,954 for the years ending December 31, 2015 and 2014, respectively.

7. Collections

The Society follows the Financial Accounting Standards Board FASB ASC 958-310-50, collection items acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted funds and as decreases in temporarily restricted net assets if purchased with donor-restricted funds. Contributions of collection items are not recorded in the statements of activities. There were no purchases or donations of museum collection items for either of the years ended December 31, 2015 and 2014. The collection contains historically significant original letters and legal documents that are considered priceless and are maintained in a vault and bound in a light protected environment.

8. Concentration of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash in banks and investments managed by brokerage firms.

The cash in the banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Society's uninsured cash balances were zero as of December 31, 2015 and 2014.

The Society has credit risk in the investment funds managed by a trust department. The trust department holds these funds in a fiduciary capacity and they are not held as collateral for the trustee's creditors. Credit risk is managed by investment policies.

**CHARLESTON LIBRARY SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

9. Operating Lease Commitment

The Society leases office equipment under an agreement that expires October 2018 which requires the Society to pay sales tax and usage fees in addition to the monthly base rent of \$235.

The minimum lease commitment under this lease is as follows for the years ending December 31:

	<u>2015</u>
2016	\$ 2,825
2017	2,825
2018	<u>1,883</u>
	<u>\$ 7,533</u>

10. Retirement Plan

During 2012, the Society terminated and transferred the plan assets to the other existing qualified retirement plan under IRS Code 403(b) for all full-time employees. Eligible employees may contribute up to 100 percent of pretax annual compensation, as defined by the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. The Society contributes a matching contribution and a nondiscretionary contribution to eligible employees as defined in the Plan document. The matching contribution to the Plan is equal to 3 percent of the eligible participant's compensation, as defined, for those participant's contributing at least 3 percent of compensation. The Society's nondiscretionary contribution to the Plan is equal to 3 percent of compensation for eligible employees. Contributions are subject to Internal Revenue Service limitations. The Society's retirement expense for the years ended December 31, 2015 and 2014 were \$13,495 and \$15,307.

11. Related Party

During 2015, the Executive Director's daughter serves as the assistant bookkeeper and assistant librarian.

12. Subsequent Events

Management has evaluated subsequent events through February 19, 2016, the financial report date, and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or disclosed in the financial statements.