



NEW YORK LIBRARY ASSOCIATION

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

June 30, 2012

NEW YORK LIBRARY ASSOCIATION

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Councilors
New York Library Association
Guilderland, New York

We have audited the accompanying statement of financial position of the New York Library Association (NYLA) (a New York not-for-profit corporation) as of June 30, 2012, and the related statements of activities and change in net assets, and cash flows for the year then ended. These financial statements are the responsibility of NYLA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 1 to the financial statements, NYLA's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, except for membership dues revenue, which is recognized when received. The effects of this departure from accounting principles generally accepted in the United States of America on the financial statements of the New York Library Association are not reasonably determinable.

In addition, NYLA has elected to summarize revenues and expenses for its Sections and Roundtables in the accompanying notes. The assets, liabilities, net assets, revenues, and expenses of the Sections and Roundtables are not included in the basic financial statements. As reflected in Note 5, the effect of this departure from accounting principles generally accepted in the United States of America is a \$308,433 understatement of net assets at June 30, 2012, and a \$47,541 understatement of revenue and a \$42,097 understatement of expenses for the year then ended.

In our opinion, except for recognizing membership dues revenue when received and for the exclusion of the assets, liabilities, net assets, revenues, and expenses of the Sections and Roundtables as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the New York Library Association as of June 30, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information presented on pages 13 through 16 is for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for recognizing membership dues revenue when received and for the exclusion of the assets, liabilities, net assets, revenues, and expenses of the Sections and Roundtables, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bollam Sheedy Torani & Co. LLP

Albany, New York
September 20, 2012

NEW YORK LIBRARY ASSOCIATION
STATEMENT OF FINANCIAL POSITION

	June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and cash equivalents	\$ 116,277	\$ -	\$ 116,277
Marketable securities	888,816	-	888,816
Due (to) from other funds	(216,182)	216,182	-
Accounts receivable	107,943	-	107,943
Pledges receivable	1,000	-	1,000
Inventories	1,969	-	1,969
Prepaid expenses	23,830	-	23,830
Property and equipment, net	711,004	-	711,004
	\$ 1,634,657	\$ 216,182	\$ 1,850,839
LIABILITIES			
Accounts payable	\$ 10,643	\$ -	\$ 10,643
Accrued expenses	19,406	-	19,406
Deferred revenue	82,762	-	82,762
Due to Sections	293,034	-	293,034
Due to Roundtables	15,399	-	15,399
Loan payable	324,061	-	324,061
Total liabilities	745,305	-	745,305
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Unrestricted net assets			
Undesignated	12,552	-	12,552
Board designated			
Endowment Fund	552,415	-	552,415
Vitality Fund	324,385	-	324,385
	876,800	-	876,800
Total unrestricted net assets	889,352	-	889,352
Temporarily restricted net assets	-	216,182	216,182
Total net assets	889,352	216,182	1,105,534
	\$ 1,634,657	\$ 216,182	\$ 1,850,839

The accompanying Notes to Financial Statements are an integral part of these statements.

NEW YORK LIBRARY ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2012			
	Unrestricted		Temporarily	Total
	Undesignated	Designated	Restricted	
REVENUES AND SUPPORT				
Conference	\$ 292,298	\$ -	\$ 10,123	\$ 302,421
Membership dues	150,978	-	-	150,978
Fund contributions	-	691	16,542	17,233
Grant revenue	127,000	-	-	127,000
Bulletin and directory advertising	4,266	-	-	4,266
Publication sale	6	-	-	6
Continuing education	33,726	-	-	33,726
Promotional item sales	9,912	-	-	9,912
Interest and dividends	2,916	30,005	-	32,921
Marketing revenue	21,541	-	-	21,541
Other revenue	25,216	-	-	25,216
Net assets released from restrictions				
Satisfaction of purpose restrictions	43,724	(18,304)	(25,420)	-
Satisfaction of time restrictions	9,005	-	(9,005)	-
Total revenues and support	<u>720,588</u>	<u>12,392</u>	<u>(7,760)</u>	<u>725,220</u>
EXPENSES				
General and administrative	555,130	7,179	-	562,309
Conference	143,760	-	-	143,760
Committees	26,392	-	-	26,392
Total expenses	<u>725,282</u>	<u>7,179</u>	<u>-</u>	<u>732,461</u>
Income (loss) from operations	<u>(4,694)</u>	<u>5,213</u>	<u>(7,760)</u>	<u>(7,241)</u>
NONOPERATING INCOME (EXPENSE)				
Realized loss on sale of marketable securities, net	-	(13,690)	-	(13,690)
Unrealized gain (loss) on marketable securities, net	194	(33,100)	-	(32,906)
Interest expense	(21,277)	-	-	(21,277)
	<u>(21,083)</u>	<u>(46,790)</u>	<u>-</u>	<u>(67,873)</u>
CHANGE IN NET ASSETS	(25,777)	(41,577)	(7,760)	(75,114)
NET ASSETS, beginning of year	<u>38,329</u>	<u>918,377</u>	<u>223,942</u>	<u>1,180,648</u>
NET ASSETS, end of year	<u>\$ 12,552</u>	<u>\$ 876,800</u>	<u>\$ 216,182</u>	<u>\$ 1,105,534</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NEW YORK LIBRARY ASSOCIATION

STATEMENT OF CASH FLOWS

	<u>Year Ended June 30, 2012</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in net assets	\$ (75,114)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	33,484
Reinvested dividends	(11,341)
Realized gain on sale of marketable securities, net	13,690
Unrealized loss on marketable securities, net	32,906
Decrease (increase) in	
Accounts receivable	(100,898)
Pledges receivable	2,240
Inventory	125
Prepaid expenses	5,130
Increase (decrease) in	
Accounts payable	(7,890)
Accrued expenses	(11,276)
Deferred revenue	28,261
Due to Sections	16,859
Due to Roundtables	1,420
	<u>(72,404)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Proceeds from sale of marketable securities	143,757
Purchase of marketable securities	(334,272)
	<u>(190,515)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	
Principal payments on loan payable	(3,479)
Collection of temporarily restricted contributions	1,640
	<u>(1,839)</u>
Net decrease in cash and cash equivalents	(264,758)
CASH AND CASH EQUIVALENTS, beginning of year	<u>381,035</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 116,277</u>
SUPPLEMENTAL CASH FLOWS INFORMATION	
Cash paid during the year for	
Interest	\$ 21,277

The accompanying Notes to Financial Statements are an integral part of these statements.

NEW YORK LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The New York Library Association (NYLA) was incorporated under New York State not-for-profit corporation laws on November 19, 1929. NYLA's primary objectives are the development and improvement of library and information services and the promotion of library and information professionalism throughout the State of New York.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

b. Basis of Accounting and Financial Statement Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities, except as noted below.

NYLA recognizes revenue from membership dues when received. GAAP requires revenue to be recognized when earned. In addition, NYLA does not report the assets, liabilities, net assets, revenues, and expenses of its Sections and Roundtables in its basic financial statements. GAAP requires the inclusion of the assets, liabilities, net assets, revenues, and expenses of all segments of an entity in its financial statements.

c. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

d. Fair Value Measurement

NYLA reports certain assets at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

e. Recognition of Donor Restrictions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The net assets of NYLA and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed restrictions. Unrestricted net assets consist of both undesignated funds and Board designated funds. Board designated funds may be donor-advised or endowment funds. Undesignated funds reflect the net equity of NYLA.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by the fulfillment of the purpose restriction or the passage of time.

All donor-restricted support is reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NYLA has no permanently restricted net assets.

f. Cash and Cash Equivalents

Cash and cash equivalents include time deposits and certificates of deposit, whether unrestricted or restricted, with an original maturity of three months or less.

NEW YORK LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

g. Marketable Securities

NYLA reports investments in marketable equity securities with readily determinable fair values and all investments in debt securities at fair value. Both realized and unrealized gains and losses are included in the statement of activities and change in net assets.

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of NYLA to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. NYLA determined that there were no other-than-temporary impairments as of June 30, 2012.

h. Accounts Receivable

NYLA establishes an allowance for doubtful accounts based on collection history and a review of open accounts by management. There was no allowance deemed necessary at June 30, 2012.

i. Inventories

Inventories consist of NYLA promotional items and merchandise and are reported at lower of cost (first-in, first out) or realizable market value.

j. Property and Equipment, Net

Property and equipment are valued at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net assets.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is NYLA's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. NYLA reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. The estimated lives used in determining depreciation vary from five to thirty years.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

k. Revenue Recognition

Grants

NYLA received a multi-year grant to provide digital literacy training to librarians in New York State. Grants revenues are recognized when earned.

Conferences

NYLA recognizes revenues from the annual conference when earned.

NEW YORK LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

l. Income Taxes

NYLA is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable New York State law. Contributions to it are tax deductible within the limitations prescribed by the Code. NYLA has been classified as a publicly-supported organization that is not a private foundation under Section 509(a)(1) of the Code.

NYLA files a Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated NYLA's tax positions, including interest and penalties attributable thereto, and concluded that NYLA had taken no tax position that required adjustment in its financial statements as of June 30, 2012.

Forms 990 filed by NYLA are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by NYLA are no longer subject to examination for the fiscal years ended December 31, 2007, and prior.

m. Subsequent Events

NYLA has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through September 20, 2012, the date the financial statements were available to be issued.

NOTE 2 - MARKETABLE SECURITIES

A summary of NYLA's marketable securities is as follows:

	June 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities	\$ 105,570	\$ 15,251	\$ (1,542)	\$ 119,279
Exchange traded funds	42,737	2,356	(2,674)	42,419
Mutual funds	655,173	13,684	(24,082)	644,775
Short-term investments	81,197	1,146	-	82,343
	\$ 884,677	\$ 32,437	\$ (28,298)	\$ 888,816

NOTE 3 - PROPERTY AND EQUIPMENT, NET

A summary of NYLA's property and equipment, net, is as follows:

	June 30, 2012
Land	\$ 27,500
Albany building and improvements	248,834
Guilderland building and improvements	587,804
Furniture and fixtures	28,793
Equipment	70,414
	963,345
Less accumulated depreciation	252,341
Property and equipment, net	\$ 711,004

NEW YORK LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LOAN PAYABLE

A summary of NYLA's loan payable is as follows:

	<u>June 30, 2012</u>
Capital District Community Loan Fund, Inc.	
Loan payable initially in monthly installments of \$2,063, including interest at 6.25%; a balloon payment is due January 1, 2019 (a) (b)	<u>\$ 324,061</u>

- (a) Secured by 6021 State Farm Road (Guilderland) property.
- (b) Refinanced August 27, 2012, payable in monthly installments of \$1,757, including interest at 5.00%. A balloon payment is due September 1, 2022.

Future maturities of long-term debt are as follows:

For the year ending June 30, 2013	\$ 3,845
2014	5,143
2015	5,406
2016	5,683
2017	5,974
Thereafter	<u>298,010</u>
	<u>\$ 324,061</u>

NOTE 5 - SECTIONS AND ROUNDTABLES

The Council of NYLA is authorized by NYLA's by-laws to establish Sections and Roundtables. The Sections and Roundtables report annually to the President of NYLA, and their by-laws or activities cannot conflict with those of NYLA. The details of the Sections' and Roundtables' assets and liabilities are below. These amounts are not included in NYLA's financial statements.

	<u>Sections</u>	<u>Roundtables</u>
Assets		
Due from unrestricted fund	<u>\$ 293,034</u>	<u>\$ 15,399</u>
Net assets	<u>\$ 293,034</u>	<u>\$ 15,399</u>

The details of the Sections' and Roundtables' 2012 revenue and expenses are as follows:

	<u>Revenues</u>	<u>Expenses</u>
<i>Sections</i>		
Academic and Special Libraries Section (ASLS)	\$ 6,544	\$ 6,834
Center for the Book (CB)	19,795	19,335
Library Administration and Management Section (LAMS)	9,218	8,678
Youth Service Section (YSS)	35,239	26,586
Public Libraries Section (PLS)	27,372	23,046
Reference and Adult Service Section (RASS)	5,310	6,201
Section on Management of Information Resources and Technology (SMART)	2,543	3,743
Section of School Librarians (SSL)	71,385	59,659
	<u>\$ 177,406</u>	<u>\$ 154,082</u>
<i>Roundtables</i>	<u>\$ 3,103</u>	<u>\$ 1,683</u>

NEW YORK LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are composed of the following:

	June 30, 2012
Purpose Restrictions	
Disaster Relief Fund	\$ 2,033
Intellectual Freedom	9,974
Legal Defense Fund	696
Mary Bobinski Award	27,600
Scholarship Fund	27,854
	<u>68,157</u>
Time Restrictions	
Capital Grant	19,848
Capital Campaign	128,177
	<u>148,025</u>
	<u>\$ 216,182</u>

NOTE 7 - ENDOWMENT

NYLA's endowment consists of various investments overseen by the Finance Committee of the Council, including endowment funds designated by the Council to function as endowments. Net assets associated with endowment funds, including funds designated by the Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Council of NYLA has interpreted the New York State Not-For-Profit Corporation Law (NPCL) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NYLA would classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. NYLA follows the New York Prudent Management of Institutional Funds Act (Act), which added Article 5-A to the NPCL.

NYLA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund;
- b. The purposes of NYLA and the endowment fund;
- c. General economic conditions;
- d. The possible effect of inflation and deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the organization;
- g. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization, and
- h. The investment policies of the organization.

NEW YORK LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - ENDOWMENT - Continued

Interpretation of Relevant Law - Continued

Endowment net asset composition by type of fund:

	June 30, 2012 <hr style="border: 0.5px solid black;"/>
Unrestricted Board-designated endowment funds	\$ 552,415 <hr style="border: 0.5px solid black;"/>

Changes in endowment net assets:

	Year Ended June 30, 2012 <hr style="border: 0.5px solid black;"/>
Unrestricted endowment net assets, beginning of year	\$ 573,339 <hr style="border: 0.5px solid black;"/>
Investment return	
Interest and dividends	10,799
Investment fees	(4,228)
Net loss, realized	(9,930)
Net loss, unrealized	(18,166)
Total investment return	(21,525)
Contributions	601
Unrestricted endowment net assets, end of year	\$ 552,415

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NYLA to retain it as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Councilors. There were no such deficiencies as of June 30, 2012.

Return Objectives and Risk Parameters

NYLA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Councilors, the endowment assets are invested in a manner that is intended to obtain a real rate of return on plan assets so that plan assets both grow in value at a rate that exceeds the rate of inflation over the long-term and that limits yearly volatility to acceptable levels as reviewed and determined by the Finance Committee.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NYLA 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). NYLA targets a diversified asset allocation that attempts to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

NYLA's policy for distributing endowment fund earnings is based on the need to support its programming. Whether any distributions are made from endowment funds is decided annually by the Councilors. Accordingly, over the long term, NYLA expects the current spending policy to allow its endowment to grow at a rate that exceeds the rate of inflation. This is consistent with NYLA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NEW YORK LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 - FUND CONTRIBUTIONS

NYLA's Fund contributions are as follows:

	Year Ended June 30, 2012
Unrestricted Board Designated	
Vitality Fund (a) (b)	\$ 90
Endowment Fund (b)	601
	691
Temporarily Restricted	
Intellectual Freedom	376
Advocacy Support	374
Disaster Relief	12,067
Legal Defense	96
Scholarships	3,629
	16,542
	\$ 17,233

- (a) Supports future needs and operating expenses during economic downturns.
- (b) NYLA is currently in the process of consolidating the Vitality and Endowment Funds. The purpose and policies of the new Fund have not yet been determined.

NOTE 9 - PENSION PLANS

NYLA sponsors two pension plans: a voluntary Section 403(b) pension plan covering all employees which is non-contributory and a tax deferred annuity (TDA) plan. Employees become eligible in the TDA after one year of service. NYLA contributes an amount ranging from 5% to 10% of the employee's salary based on time of service. Total pension expense for the year ended June 30, 2012, was \$13,224.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

a. Operating Leases

NYLA leases various office equipment with monthly lease payments totaling \$431, expiring through February 2013. Lease expense for the year ended June 30, 2012, was \$5,320.

In April 2011, NYLA entered into a sublease agreement for its Albany building with monthly lease payments of \$1,200 through April 2014. Sublease rental income totaled \$21,900 for the year ended June 30, 2012. Sublease income is recorded in other revenues on the statement of activities.

A summary of NYLA's future minimum annual operating lease obligations and sublease income is as follows:

	Lease Expense	Sublease Income
For the year ending June 30, 2013	\$ 2,851	\$ 21,900
2014	-	16,425
	\$ 2,851	\$ 38,325

NEW YORK LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - COMMITMENTS AND CONTINGENCIES - Continued

b. Concentration of Credit Risk

NYLA maintains cash balances in several financial institutions located in the Northeast. Accounts at each institution are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA). At times during the year, NYLA has bank deposits in excess of amounts insured by the FDIC or NCUA.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

NYLA determines the fair value of financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs that may be used to measure fair value:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3 Unobservable inputs that are supported by little or no market activity.

Fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of Deposit: Valued at cost, which approximates fair value.

Equity Securities, Mutual Funds, and Exchange Traded Funds: Valued at the closing price reported in the active market in which the individual security is traded.

Assets measured at fair value on a recurring basis are summarized below:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 82,343	\$ -	\$ -	\$ 82,343
Equity Securities				
Financial	24,999	-	-	24,999
Health care	19,559	-	-	19,559
Technology	54,281	-	-	54,281
Utilities	20,440	-	-	20,440
	<u>119,279</u>	<u>-</u>	<u>-</u>	<u>119,279</u>
Exchange Traded Funds				
Large growth funds	32,080	-	-	32,080
Latin America stock funds	10,339	-	-	10,339
	<u>42,419</u>	<u>-</u>	<u>-</u>	<u>42,419</u>
Mutual Funds				
Financial funds	23,010	-	-	23,010
Intermediate bond funds	154,790	-	-	154,790
International stock funds	55,642	-	-	55,642
Large cap blend funds	153,782	-	-	153,782
Large cap growth funds	108,148	-	-	108,148
Real estate funds	40,380	-	-	40,380
Small cap blend funds	109,023	-	-	109,023
	<u>644,775</u>	<u>-</u>	<u>-</u>	<u>644,775</u>
	<u>\$ 888,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,816</u>

NEW YORK LIBRARY ASSOCIATION

SUPPLEMENTAL INFORMATION - DUE TO SECTIONS AND ROUNDTABLES

	Year Ended June 30, 2012
	<u>2012</u>
DUE TO SECTIONS	
Academic and Special Libraries Section (ASLS)	\$ 15,934
Center for the Book (CB)	460
Library Administration and Management Section (LAMS)	14,978
Public Libraries Section (PLS)	56,333
Reference and Adult Services Section (RASS)	8,949
Section of School Librarians (SSL)	117,342
Section on Management of Information Resources and Technology (SMART)	11,840
Youth Services Section (YSS)	<u>67,198</u>
	<u>\$ 293,034</u>
DUE TO (FROM) ROUNDTABLES	
Bibliographic instruction (BIRT)	\$ 263
Correctional outreach (CORT)	609
Empire Friends of New York State (EFR)	3,479
Ethnic services (ESRT)	2,555
Finding inspiration in literature and movies (FILM)	1,197
Government documents (GIRT)	2,284
Intellectual freedom (IFRT)	(396)
Library services to special population (RLSP)	626
New members (NMRT)	1,130
Retiree Roundtable (RRT)	1,045
Rural Libraries Roundtable (RLRT)	1,200
Social responsibilities (SRRT)	<u>1,407</u>
	<u>\$ 15,399</u>

NEW YORK LIBRARY ASSOCIATION

SUPPLEMENTAL INFORMATION - CONFERENCE REVENUES AND EXPENSES

	Year Ended June 30, 2012		
	Undesignated	Designated	Total
REVENUES			
Program advertising	\$ 3,879	\$ -	\$ 3,879
Equipment	2,135	-	2,135
Exhibit	108,019	-	108,019
Hotel and housing	2,544	-	2,544
Hotel rebates	7,928	-	7,928
Local arrangements	2,215	-	2,215
Meals and reception	37,235	-	37,235
Registration	119,473	-	119,473
Sponsorship	8,369	-	8,369
Scholarship Fund event	10,123	-	10,123
Miscellaneous	501	-	501
	\$ 302,421	\$ -	\$ 302,421
EXPENSES			
Administrative	\$ 7,202	\$ -	\$ 7,202
Decorator	7,371	-	7,371
Equipment rental	20,914	-	20,914
Exhibit hall rental	7,261	-	7,261
Hotel and housing	7,303	-	7,303
Local arrangements	1,805	-	1,805
Meals and reception	52,947	-	52,947
Photographer	1,200	-	1,200
Program	16,707	-	16,707
Refunds	1,940	-	1,940
Speaker fees	7,202	-	7,202
Supplies	4,164	-	4,164
Scholarship Fund event	7,744	-	7,744
	\$ 143,760	\$ -	\$ 143,760

NEW YORK LIBRARY ASSOCIATION

SUPPLEMENTAL INFORMATION - COMMITTEES EXPENSES

	Year Ended June 30, 2012		
	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
Awards committee	\$ 22	\$ -	\$ 22
Civil service task force committee	25	-	25
Continuing education	14,848	-	14,848
Disaster relief fund expenses	10,430	-	10,430
Finance committee	145	-	145
Intellectual freedom and due process	209	-	209
Legislative, net of sponsorships	(654)	-	(654)
Membership	1,367	-	1,367
	<u>\$ 26,392</u>	<u>\$ -</u>	<u>\$ 26,392</u>

NEW YORK LIBRARY ASSOCIATION

SUPPLEMENTAL INFORMATION - GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended June 30, 2012		
	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
Salaries	\$ 270,314	\$ -	\$ 270,314
Employee benefits	15,344	-	15,344
Payroll taxes	21,719	-	21,719
Pension	13,224	-	13,224
Total salaries and related expenses	<u>320,601</u>	<u>-</u>	<u>320,601</u>
Advocacy initiatives	20,042	-	20,042
American Library Association	3,994	-	3,994
Bank charges	10,397	7,179	17,576
Bulletin	8,001	-	8,001
Council and Executive Board	7,793	-	7,793
Depreciation	33,484	-	33,484
Dewey Fellowship	672	-	672
Equipment rental and maintenance	11,288	-	11,288
Insurance	7,563	-	7,563
Marketing	4,197	-	4,197
Membership database	25,328	-	25,328
Occupancy	17,580	-	17,580
Postage	3,655	-	3,655
Printing	1,786	-	1,786
Professional services	12,550	-	12,550
Promotional	2,869	-	2,869
Scholarship	6,200	-	6,200
Supplies	7,431	-	7,431
Telephone	7,991	-	7,991
Travel	1,515	-	1,515
Web site	8,698	-	8,698
Miscellaneous	31,495	-	31,495
	<u>\$ 555,130</u>	<u>\$ 7,179</u>	<u>\$ 562,309</u>



September 20, 2012

Councilors
New York Library Association
6021 State Farm Road
Guilderland, New York 12084

Dear Councilors:

We are pleased to present this report related to our audit of the financial statements of the New York Library Association (NYLA) for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for NYLA's financial reporting process.

This report is intended solely for the information and use of the Councilors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to NYLA.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Ronald L. Guzior, Partner

RLG/dmc

NEW YORK LIBRARY ASSOCIATION

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended June 30, 2012**

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated June 16, 2011.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by NYLA.

NYLA did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

NYLA reports member dues revenue on a cash basis. NYLA also excludes the assets, liabilities, net assets, revenues, and expenses of NYLA's Sections and Roundtables from the financial statements. Both of these reporting policies are not in accordance with accounting principles generally accepted in the United States of America.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

Financial Statement Disclosures

In our meetings with you, we discussed with you the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Grant awarded for Digital Literacy program;
- Refinancing of State Farm Road mortgage, and
- Merger of Vitality and Endowment funds during 2013 fiscal year.

NEW YORK LIBRARY ASSOCIATION

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended June 30, 2012**

Audit Adjustments

Audit adjustments recorded by NYLA are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Unposted Adjustments

There were no unposted adjustments noted during our audit of the financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the NYLA are attached as Exhibit C.

Letter Communicating Significant Deficiency

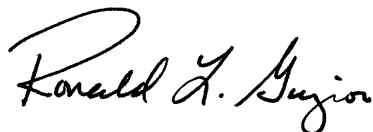
We have separately communicated the significant deficiency identified during our audit of the financial statements.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to you.

This letter is intended solely for the information and use of the Councilors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



Ronald L. Guzior, Partner

RLG/dmc

NEW YORK LIBRARY ASSOCIATION
SUMMARY OF ACCOUNTING ESTIMATES
Year Ended June 30, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in NYLA's June 30, 2012, financial statements:

Area	Accounting Policy	Estimation Process
Depreciation	Depreciation is computed based on an asset's estimated useful life using the straight-line method. Lives vary between three and thirty years.	The estimated lives used in determining depreciation are based on the type of asset and the historical experience of NYLA.

NEW YORK LIBRARY ASSOCIATION

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended June 30, 2012

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
To adjust depreciation expense on equipment	\$ (774)	\$ -	\$ -	\$ -	\$ 774
To remove balance in accrued interest	(490)	-	-	(490)	-
To adjust accrued expenses for professional fees	-	2,350	-	-	2,350
Statement of Activities and Change in Net Assets Effect			(3,614)	\$ (490)	\$ 3,124
Statement of Financial Position Effect	<u>\$ (1,264)</u>	<u>\$ 2,350</u>	<u>\$ (3,614)</u>		

NEW YORK LIBRARY ASSOCIATION
CERTAIN WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended June 30, 2012

Representation Letter



New York Library Association

6021 State Farm Road, Gardenburg, NY 12084
518-432-6982 • 518-427-1607 FAX
info@nyla.org
www.nyla.org

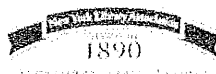
September 20, 2012

Bollam, Sheedy, Torani & Co. LLP
26 Computer Drive West
Albany, New York 12205

In connection with your audit of the statement of financial position of the New York Library Association (NYLA) as of June 30, 2012, and the related statements of activities and change in net assets and cash flows for the year then ended, we confirm, we are responsible for the fair presentation in the financial statements of financial position, change in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP), except for membership revenue which is recognized when received instead of on the accrual basis, and the assets, liabilities, net assets, revenues, and expenses of the Sections and Roundtables are not included in the basic financial statements.

We confirm, to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with GAAP, except for recognizing membership dues revenue when received and the exclusion of the assets, liabilities, net assets, revenues, and expenses of NYLA's Sections and Roundtables, and there have been no changes during the year ended June 30, 2012, in NYLA's accounting principles and practices.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Councilors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting NYLA involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting NYLA received in communications from employees, former employees, analysts, regulators, or others.
6. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect NYLA's ability to record, process, summarize, and report financial data.



7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practice.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. NYLA has no significant amounts of idle property and equipment.
 - b. NYLA has no plans or intentions to discontinue any significant services or activities.
 - c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related-party relationships, transactions, and/or related amounts receivable or payable including sales, purchases, loans, transfers, leasing arrangements, and/or guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
 - b. Security agreements in effect under the Uniform Commercial Code.
 - c. Liens and/or encumbrances on assets and all other pledges of assets.
 - d. Investments in debt and/or equity securities.
 - e. Leases and/or material amounts of rental obligations under long-term leases.
 - f. All significant estimates and/or material concentrations known to management which are to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification (ASC). Significant estimates are estimates at the statement of financial position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - g. Concentrations of credit risk.
 - h. All recordable contributions, by appropriate net asset class.
 - i. Reclassifications between net asset classes.
 - j. Composition of assets in amounts needed to comply with all donor restrictions.
 - k. Deferred revenue from exchange transactions.
 - l. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - m. Tax status.
 - n. Board designated unrestricted net assets.

10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables, including contributions, to their estimated net collectible amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2012.


11. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - d. Transfers or designations of net assets or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
 - e. Long-lived assets, including intangibles, which are impaired or to be disposed of.
 - f. Guarantees, written or oral, under which NYLA is contingently liable.
 - g. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - h. Lines-of-credit or similar arrangements.
 - i. Agreements to repurchase assets previously sold.
 - j. Contractual obligations for construction or purchase of real property, equipment, other assets, or intangibles.
 - k. Liabilities which are subordinated to any other actual or possible liabilities of NYLA.
 - l. Conditional promises to give.
 - m. Refundable advances.
 - n. Derivative financial instruments.

- o. Authoritative accounting pronouncements or accounting standards updates that have been issued, but that we have not yet adopted.
 - p. Deferred tax assets or liabilities.
 - q. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2012, or expected retroactive insurance premium adjustments applicable to periods through June 30, 2012.
 - r. Material losses to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - s. Environmental clean-up obligations.
 - t. Amounts held for others under agency or split interest agreements.
12. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with the Contingencies Topic of the Accounting Standards Codification and we have not consulted a lawyer concerning litigation, claims, or assessments.
13. NYLA has satisfactory title to all owned assets.
14. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.
15. We are responsible for and agree to the proposed adjustments to the trial balances identified during the audit, and we will post all adjustments accordingly.
16. With respect to the supplemental information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
17. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates.
18. There are no such estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.
19. We have no knowledge of concentrations existing at the date of the financial statements, that make NYLA vulnerable to the risk of a near term severe impact, that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of contributors, grantors, funding sources, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that severe impact means a significantly disruptive effect on the normal functioning of an organization.

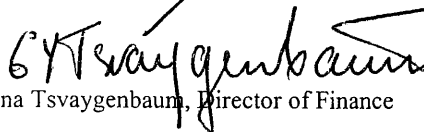
20. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3) not-for-profit organization, and we have complied with the IRS regulations regarding this exemption.
21. We have disclosed to you all political expenditures and all lobbying activities of NYLA.
22. NYLA has complied with all of the charitable registration laws in the states in which it solicits funds from the general public.
23. We have responded fully to all inquiries made to us by you during your audit.
24. We are responsible for determining that significant events or transactions that have occurred since the statement of financial position date and through September 20, 2012, have been recognized or disclosed in the financial statements. No events or transactions, other than those disclosed in the financial statements have occurred subsequent to the statement of financial position date and through September 20, 2012, that would require recognition or disclosure in the financial statements. We further represent that as of September 20, 2012, the financial statements were complete in a form and format that complied with GAAP, except for recognizing membership dues revenue when received and the exclusion of the assets, liabilities, net assets, revenues, and expenses of NYLA's Sections and Roundtables, and all approvals necessary for issuance of the financial statements had been obtained.
25. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
26. Galina Tsvaygenbaum, Director of Finance, has overseen the services provided by BST Advisors, LLC and has established and maintained internal controls, including the monitoring of ongoing activities related to adjusting journal entries and drafting of financial statements.

Very truly yours,

NEW YORK LIBRARY ASSOCIATION



Jeremy Johannesen, Executive Director



Galina Tsvaygenbaum, Director of Finance



September 20, 2012

Councilors
New York Library Association
6021 State Farm Road
Guilderland, New York 12084

Dear Councilors:

In planning and performing our audit of the financial statements of the New York Library Association (NYLA) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered NYLA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NYLA's internal control. Accordingly, we do not express an opinion on the effectiveness of NYLA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiency to be a significant deficiency:

Segregation of Duties

Finding: As noted in prior years, one person has the primary responsibility for performing most of the accounting and financial duties. As a result, NYLA is missing some of the aspects of internal accounting control which rely upon adequate segregation of duties.

Suggestion: We recognize that NYLA is not large enough to make employment of additional personnel solely for the purpose of segregating incompatible duties cost-effective. The Councilors' and Executive Director's supervision and periodic review procedures currently in place help mitigate the lack of proper segregation of duties and should be continued.

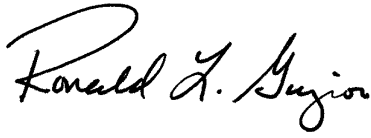
As discussed during our fieldwork, an item that could be considered to strengthen the procedures currently in place is as follows:

- A Council member should periodically, at least monthly, review banking activity and cancelled checks for propriety.

This communication is intended solely for the information and use of the Councilors, management, and others within the New York Library Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

A handwritten signature in black ink that reads "Ronald L. Guzior". The signature is written in a cursive style with a large, looping initial 'R'.

Ronald L. Guzior, Partner

RLG/dmc



September 20, 2012

Councilors
New York Library Association
6021 State Farm Road
Guilderland, New York 12084

Dear Councilors:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the New York Library Association (NYLA) for the year ended June 30, 2012. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving NYLA's practices and procedures.

COMMENTS RELATED TO SAS 99

As required by the Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, we performed certain procedures to inquire as to the existence of any fraudulent activity and of management's opinion regarding the possibility of fraud occurring. As a result of these inquiries, we noted the following:

1. Credit Cards

Observation: Credit card activity does not always have proper segregation of duties.

Suggestion: Senior officials, by virtue of their positions, are able to more easily circumvent internal controls, especially as they relate to the approval of travel expenses and personal reimbursement. Therefore, the Councilors should consider reviewing the monthly credit card statement and/or expense reimbursement forms. Implementation of this procedure will help to ensure that the Board is aware of charges incurred by management.

2. Code of Conduct

Observation: NYLA may want to consider creating a Code of Conduct to be reviewed and signed annually by management and Councilors.

Suggestion: The reinforcement of ethical values is a best practice and reminds employees about NYLA's values and expected behavior. NYLA discusses expectations in its Leadership Manual, but the manual does not address some sensitive topics. A formal Code of Conduct would assist NYLA in reinforcing acceptable behavior.

New York Library Association
September 20, 2012
Page 2

This letter is solely for the information and use of the Councilors, management, and others within the New York Library Association and is not intended to be and should not be used by anyone other than the specified parties. We appreciate serving the New York Library Association and would be happy to assist you in addressing and implementing any of the comments and suggestions in this letter.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

A handwritten signature in black ink that reads "Ronald L. Guzior". The signature is written in a cursive style with a large initial 'R'.

Ronald L. Guzior, Partner

RLG/emt