

NORWIN PUBLIC LIBRARY ASSOCIATION, INC.

AUDIT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2016

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DEBLASIO & DEBLASIO ASSOCIATES

A PROFESSIONAL CORPORATION

The American Institute of
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS

The Pennsylvania Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Norwin Public Library Association, Inc.

We have audited the accompanying statement of financial position of the Norwin Public Library Association, Inc. (a nonprofit organization), as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Norwin Public Library Association, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DeBlasio, DeBlasio

DeBlasio & DeBlasio Associates
Certified Public Accountants
May 12, 2017

FINANCIAL STATEMENTS

NORWIN PUBLIC LIBRARY ASSOCIATION, INC.

Statement of Financial Position

December 31, 2016

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 195,700
Investments, At Fair Value	1,866,052
Accounts Receivable	170,203
Prepaid Expenses	<u>8,224</u>
Total Current Assets	<u>2,240,179</u>
Fixed Assets, Net of Depreciation	1,808,691
Endowment Funds	
Cash and Cash Equivalents	22,692
Certificates of Deposit	54,500
	<u>1,885,883</u>
TOTAL ASSETS	<u>\$ 4,126,062</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 13,756
Accrued Payroll	6,258
Note Payable - Current Portion	<u>123,275</u>
Total Current Liabilities	<u>143,289</u>
Note Payable - Long Term	<u>177,751</u>
Total Liabilities	<u>321,040</u>
Net Assets	
Unrestricted	3,733,227
Temporarily Restricted	7,934
Permanently Restricted	<u>63,861</u>
Total Net Assets	<u>3,805,022</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,126,062</u>

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

NORWIN PUBLIC LIBRARY ASSOCIATION, INC.

Statement of Activities

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue			
Contributions-Foundations and Trusts	\$ 3,064	\$ -	\$ -
Grants, Gifts, Bequests, and Memorials	143,764	500	-
Norwin School District Referendum	470,203	-	-
United Way Support	7,243	-	-
Fines	8,456	-	-
Photocopier	3,218	-	-
Investment Income	42,146	-	-
Other Income	1,185	-	-
Net Assets released from Restrictions	-	-	-
Total Support and Revenue	<u>\$ 679,279</u>	<u>\$ 500</u>	<u>\$ -</u>
Expenses:			
Program Services			
Library Programs	\$ 641,001	\$ -	\$ -
Supporting Services			
Management and General	<u>52,445</u>	<u>-</u>	<u>-</u>
	<u>693,446</u>	<u>-</u>	<u>-</u>
Investment Activity:			
Unrealized Gain(Loss) on Investments	<u>108,754</u>	<u>-</u>	<u>-</u>
	<u>108,754</u>	<u>-</u>	<u>-</u>
INCREASE IN NET ASSETS	94,587	500	-
NET ASSETS AT BEGINNING OF YEAR	<u>3,638,640</u>	<u>7,434</u>	<u>63,861</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,733,227</u>	<u>\$ 7,934</u>	<u>\$ 63,861</u>

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

NORWIN PUBLIC LIBRARY ASSOCIATION, INC.

Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows From Operating Activities	
Increase in Net Assets	\$ 95,087
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	74,314
(Increase) Decrease in Receivable from Norwin School District	10,327
Increase (Decrease) in Accounts Payable	2,601
(Increase) Decrease in Prepaid Expenses	4,889
Increase (Decrease) in Accrued Payroll	2,270
	<u>189,488</u>
Net Cash Provided/(Used) by Operating Activities	
Cash Flows from Investing Activities	
Payment for Fixed Assets	(7,158)
Decrease in Marketable Securities	(62,059)
	<u>(69,217)</u>
Net Cash Provided/(Used) by Investing Activities	
Cash Flows from Financing Activities	
Repayment of Principal	(117,567)
	<u>(117,567)</u>
Net Cash Provided/(Used) by Financing Activities	
Net (Increase) Decrease in Cash and Cash Equivalents	2,704
Beginning Cash and Cash Equivalents	192,996
Ending Cash and Cash Equivalents	<u>\$ 195,700</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 17,192</u>

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

NOTES TO FINANCIAL STATEMENTS

Norwin Public Library Association, Inc.

Notes to the Financial Statements

December 31, 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Norwin Public Library Association, Inc. (the Organization) is a tax-exempt organization benefiting the public, by whom it is supported. It is operated on a not-for-profit basis, which results in no financial benefit accruing to any specific individual or group of individuals.

A Library Tax Referendum for 1.2 mills was passed on April 4, 2000 and approved by the school board on May 15, 2000. The referendum commenced in 2000 and the current year tax revenues were \$480,530. The Organization receives minimal public support directly from contributions and from the United Way for general purposes. The Organization also receives aid from the Commonwealth of Pennsylvania. For the year ended December 31, 2016 the amount of state aid received was \$104,632. Other revenue received includes Fines and Investment Income.

Financial Statement Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) 958, Not-For-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of less than three months to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

Norwin Public Library Association, Inc.
Notes to the Financial Statements
December 31, 2016

Donated Property and Equipment, Materials, and Services

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expense Allocation

Directly identifiable expense are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures of financial instruments:

Cash, cash equivalents, short-term investments, and promises to give due in less than one year: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

During the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Norwin Public Library Association, Inc.
Notes to the Financial Statements
December 31, 2016

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The federal income tax returns of the Organization for 2013, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Fixed Assets

Fixed assets are carried at cost. Depreciation expense is computed over the estimated useful life of an asset using the straight-line and 200% declining balance methods.

Estimates

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

Books and Periodicals

The collections, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items is acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Compensated Absences

Employees of the Organization are entitled to paid vacations, depending on the job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

Norwin Public Library Association, Inc.
Notes to the Financial Statements
December 31, 2016

NOTE 2: RESTRICTIONS ON NET ASSETS

At December 31, 2016 the Library had both permanent and temporarily restricted net assets. Substantially all of the permanent restrictions on net assets relate to the Endowment Fund. This Endowment Fund represents resources that are subject to restrictions of gift instruments which require in perpetuity that the principal be invested and that only the income from investments be used. The temporarily restricted net assets are related to the Butterfly Garden.

NOTE 3: FIXED ASSET FUND

Property and Equipment consist of the following at December 31, 2016

Land	\$ 127,432
Building	2,391,751
Land Improvements	12,596
Bookshelves	208,487
Computer Equipment	53,600
Furniture and Fixtures	109,840
Accumulated Depreciation	<u>(1,095,015)</u>
	<u>\$1,808,691</u>

NOTE 4: CERTIFICATES OF DEPOSIT

The certificates bear interest ranging from .145% to .993% and have maturities ranging from five to twenty five months, with penalties for early withdrawal.

NOTE 5: ENDOWMENT FUNDS

Endowment fund investments are reflected at fair value. Current earnings from this fund are reflected as net investment income on the Statement of Activities.

NOTE 6: RETIREMENT PLAN

The Simple IRA plan covers all employees who have earned at least \$5,000 per year during any two preceding years, and who are expected to earn at least \$5,000 in the current year. Employer contributions are mandatory, and can be made on a dollar-for-dollar match (limited to 3% of each employee's eligible compensation). The Organization can elect to match as little as 1% of participating employee's compensation, limited to two years in any five-year period. The Organization utilized the 1% provision in the years ended December 31, 2004 and 2005, and matched 3% of each employee's eligible compensation for each year after December 31, 2006. Employer contributions to the plan for 2016 were \$5,970.

NOTE 7: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned. The Association does not have a policy for custodial credit risk on deposits. At December 31, 2016, the carrying amount of the Association's deposits was \$218,392 and the bank balance was \$219,723. Of the bank balance, \$219,723 was covered by federal deposit insurance and \$0 was exposed to custodial credit.

NOTE 8: INVESTMENTS

Fair Value Measurements

The Library adopted the accounting standard for measuring fair value in accordance with generally accepted accounting principles during the year ended December 31, 2010. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. The adoption of the standard did not have a material impact on the financial statements.

Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The standard defines the three levels of the fair value hierarchy:

- Level 1 - Observable inputs such as quoted prices in active markets.
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The asset's or liability's 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. The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Norwin Public Library Association, Inc.
Notes to the Financial Statements
December 31, 2016

The estimated fair values of financial instruments are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Fixed income	\$ 626,939	\$ 626,939
Mutual Funds and Stocks classified as Available-For-Sale Securities	1,239,113	1,239,113
Endowment Funds		
Certificates of Deposit	<u>54,500</u>	<u>54,500</u>
	<u>\$1,920,552</u>	<u>\$1,920,552</u>

Investment income totaled \$42,146 for the year.

NOTE 9: NOTE PAYABLE

On September 15, 2003 the Norwin Public Library Association, Inc. entered into a loan agreement through the Westmoreland County Industrial Development Authority with S & T Bank, formally Irwin Bank & Trust Company, for the purpose of constructing a new building. Principal amount of the note is \$1,750,000. The balance outstanding at December 31, 2016 is \$ 301,026. Terms are as follows:

Interest Rate	4.61%
Term:	21 Years
Repayment Schedule:	Payments of interest only until May 1, 2005 followed by 234 monthly consecutive principal and interest payments of \$11,227.
Collateral:	Property and all additions and fixtures located at Caruthers Lane, Irwin, PA. Also, all records and proceeds relating to the property, additions and fixtures.
Guarantors:	None

Norwin Public Library Association, Inc.
Notes to the Financial Statements
December 31, 2016

The future scheduled maturity of long-term debt is as follows:

Years ending December 31:	
2017	\$123,275
2018	129,162
2019	<u>48,589</u>
	<u>\$301,026</u>

NOTE 10: SUBSEQUENT EVENTS

The Library had no subsequent events during the period January 1, 2017 through May 12, 2017, which is the date the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

NORWIN PUBLIC LIBRARY
 Summary of Functional Expenses
 For the Year Ended December 31, 2016

Item of Expense	Library Program Services	Management and General	Total
Advertising	\$ 4,010	\$ -	\$ 4,010
Audiovisuals	16,265	-	16,265
Books	54,600	-	54,600
Computer	1,191	132	1,323
Conference/Dues	3,279	364	3,643
Databases On-Line	3,123	-	3,123
Depreciation	74,314	-	74,314
Insurance	17,237	1,915	19,152
Interest	15,473	1,719	17,192
Maintenance - Building	38,373	4,264	42,637
Microfilm	960	-	960
Mileage	740	82	822
Miscellaneous	869	97	965
Payroll Expense:			
ADP Fees	3,969	441	4,410
Gross	265,917	29,546	295,463
Taxes	23,211	2,579	25,790
Employee Benefits	20,197	2,244	22,441
Periodicals	5,990	-	5,990
Photocopier	3,111	346	3,457
Postage	353	39	392
Professional Fees	39,716	4,413	44,129
Program Expense	9,736	-	9,736
Supplies & Printing	12,490	1,388	13,879
Telephone	4,247	472	4,719
Utilities	21,632	2,404	24,035
Total Expenses	\$ 641,001	\$ 52,445	\$ 693,446