

BOSLER MEMORIAL LIBRARY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bosler Memorial Library
Carlisle, Pennsylvania

We have audited the accompanying financial statements of Bosler Memorial Library (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2016, and the related statements of support and revenue, expenses and other changes in net assets - modified cash basis and cash flows - modified cash basis 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 the modified cash basis of accounting as described in the notes to financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Bosler Memorial Library as of December 31, 2016 and its support and revenue, expenses and other changes in net assets and its cash flows for the year then ended, in accordance with the modified cash basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to the *Summary of Significant Accounting Policies* note of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 20 and 21 are presented for purposes of additional analysis and are 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.

Other Matter - 2015 Financial Statements

The financial statements of the Library as of and for the year ended December 31, 2015, were audited by a predecessor auditor. Their report dated March 10, 2016, indicated that in their opinion, the financial statements present fairly, in all material respects, the assets, liabilities and net assets of Bosler Memorial Library as of December 31, 2015, and the support and revenue, expenses and other changes in net assets and cash flows and other supplementary information for the year then ended in accordance with the modified cash basis of accounting.


GREENAWALT & COMPANY, P.C.

March 9, 2017

Mechanicsburg, Pennsylvania

FINANCIAL STATEMENTS

BOSLER MEMORIAL LIBRARY
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 441,640	\$ 318,489
Prepaid expenses	-	584
Total current assets	<u>441,640</u>	<u>319,073</u>
Property and equipment - net	<u>6,608,311</u>	<u>6,852,615</u>
Other assets		
Investments - G.B. Stuart Foundation Fund	53,964	50,000
Investments - Board Designated Endowment	1,073,942	888,518
Beneficial interest in perpetual trust	162,817	158,308
	<u>1,290,723</u>	<u>1,096,826</u>
Total assets	<u>\$ 8,340,674</u>	<u>\$ 8,268,514</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Payroll withholding and sales tax collected	\$ 1,338	\$ 2,783
Total current liabilities	<u>1,338</u>	<u>2,783</u>
Net assets		
Unrestricted		
Board designated for endowment	1,073,942	888,518
Board designated for property and equipment	6,608,311	6,852,615
Board designated - other	380,143	303,130
Unrestricted and undesignated	4,731	3,025
Total unrestricted	<u>8,067,127</u>	<u>8,047,288</u>
Temporarily restricted	109,392	60,135
Permanently restricted	<u>162,817</u>	<u>158,308</u>
Total net assets	<u>8,339,336</u>	<u>8,265,731</u>
Total liabilities and net assets	<u>\$ 8,340,674</u>	<u>\$ 8,268,514</u>

See accompanying notes and independent auditor's report

BOSLER MEMORIAL LIBRARY
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES
AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Governmental support	\$ 701,544	\$ -	\$ -	\$ 701,544
Contributions	454,428	135,230	-	589,658
Library operations	64,079	-	-	64,079
Rental - net	-	-	-	-
Interest income	2,502	-	-	2,502
Investment income	40,976	-	-	40,976
Net assets released from restrictions	85,973	(85,973)	-	-
Total support and revenue	<u>1,349,502</u>	<u>49,257</u>	<u>-</u>	<u>1,398,759</u>
Expenses				
Program services				
Adult programs	518,298	-	-	518,298
Juvenile programs	230,195	-	-	230,195
Reference program	273,009	-	-	273,009
Total program service	<u>1,021,502</u>	<u>-</u>	<u>-</u>	<u>1,021,502</u>
Support services				
Fundraising	89,163	-	-	89,163
Management and general	153,405	-	-	153,405
Total support services	<u>242,568</u>	<u>-</u>	<u>-</u>	<u>242,568</u>
Total expenses	<u>1,264,070</u>	<u>-</u>	<u>-</u>	<u>1,264,070</u>
Changes in net assets before changes related to collection items not capitalized and net unrealized gains (losses)	85,432	49,257	-	134,689
Changes in net assets related to collection items not capitalized and net unrealized gains (losses)				
Collection items purchased or donated but not capitalized	(130,369)	-	-	(130,369)
Net unrealized gains (losses) on investments	<u>64,776</u>	<u>-</u>	<u>4,509</u>	<u>69,285</u>
Changes in net assets	19,839	49,257	4,509	73,605
Net assets, January 1	<u>8,047,288</u>	<u>60,135</u>	<u>158,308</u>	<u>8,265,731</u>
Net assets, December 31	<u>\$ 8,067,127</u>	<u>\$ 109,392</u>	<u>\$ 162,817</u>	<u>\$ 8,339,336</u>

(Continued)

See accompanying notes and independent auditor's report.

BOSLER MEMORIAL LIBRARY
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES
AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS (Cont'd.)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Governmental support	\$ 672,816	\$ -	\$ -	\$ 672,816
Contributions	284,901	157,162	-	442,063
Library operations	70,357	-	-	70,357
Rental - net	(18,526)	-	-	(18,526)
Interest income	347	-	-	347
Investment income	124,505	-	-	124,505
Net assets released from restrictions	134,636	(134,636)	-	-
Total support and revenue	<u>1,269,036</u>	<u>22,526</u>	<u>-</u>	<u>1,291,562</u>
Expenses				
Program services				
Adult programs	465,304	-	-	465,304
Juvenile programs	285,022	-	-	285,022
Reference program	238,583	-	-	238,583
Total program service	<u>988,909</u>	<u>-</u>	<u>-</u>	<u>988,909</u>
Support services				
Fundraising	50,005	-	-	50,005
Management and general	146,316	-	-	146,316
Total support services	<u>196,321</u>	<u>-</u>	<u>-</u>	<u>196,321</u>
Total expenses	<u>1,185,230</u>	<u>-</u>	<u>-</u>	<u>1,185,230</u>
Changes in net assets before changes related to collection items not capitalized and net unrealized gains (losses)	83,806	22,526	-	106,332
Changes in net assets related to collection items not capitalized and net unrealized gains (losses)				
Collection items purchased or donated but not capitalized	(141,134)	-	-	(141,134)
Net unrealized gains (losses) on investments	<u>(100,488)</u>	<u>-</u>	<u>(7,460)</u>	<u>(107,948)</u>
Changes in net assets	(157,816)	22,526	(7,460)	(142,750)
Net assets, January 1	<u>8,205,104</u>	<u>37,609</u>	<u>165,768</u>	<u>8,408,481</u>
Net assets, December 31	<u>\$ 8,047,288</u>	<u>\$ 60,135</u>	<u>\$ 158,308</u>	<u>\$ 8,265,731</u>

See accompanying notes and independent auditor's report.

BOSLER MEMORIAL LIBRARY
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ 73,605	\$ (142,750)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	251,955	251,260
Net realized/unrealized (gains) losses on investments and perpetual trusts	(78,715)	4,722
Purchased collections not capitalized	130,369	141,134
Decrease (increase) in Prepaid expenses	584	-
Increase (decrease) in Taxes withheld and collected	(1,445)	43
Net cash provided by operating activities	<u>376,353</u>	<u>254,409</u>
Investing activities		
Purchase of property and equipment	(7,652)	(193,608)
Purchase of collections not capitalized	(130,369)	(141,134)
Purchase of investments	(161,740)	(1,884,975)
Proceeds from sale of investments	46,559	1,823,583
Net cash used in investing activities	<u>(253,202)</u>	<u>(396,134)</u>
Net increase (decrease) in cash and cash equivalents	123,151	(141,725)
Cash and cash equivalents, beginning of year	<u>318,489</u>	<u>460,214</u>
Cash and cash equivalents, ending of year	<u>\$ 441,640</u>	<u>\$ 318,489</u>

See accompanying notes and independent auditor's report

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Bosler Memorial Library provides public library service to residents of the Carlisle area. The goal is to provide the broadest possible offering of books and other materials to meet the patrons' needs for information, culture, education and leisure. The Library provides free loans of books, periodicals, spoken cassettes, videos and other library materials. Librarians assist patrons in locating materials to answer reference or information questions, both on-site and via telephone. Inter-library loan service is available to provide patrons materials which are not available on-site. A variety of children's and adult programs are offered to promote reading and learning.

Basis of accounting

The Library's policy is to present its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The significant modifications to the cash basis of accounting are the capitalization (including recognizing donated fixed assets) and depreciation of property and equipment along with any debt for the acquisition of property and equipment and investments, which are carried at fair market value with the related appreciation or depreciation recognized in the current period and accounted for as revenue or expense.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification. Accordingly, the Library presents its financial position and activities according to three classes of net assets:

Unrestricted

Net assets which may be used for any purpose. They are not restricted by donor-imposed stipulations.

Temporarily restricted

Amounts received from donors who have imposed restrictions on how the funds are to be utilized or in what time frame they are to be used.

Permanently restricted

Net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income taxes

The Library qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose.

Management has assessed the Library's exposure to income taxes at the entity level as a result of uncertain tax positions taken in the current and previously filed tax returns. Examples of tax positions taken at the entity level include continuing validity of its exempt organization status, potential filing requirement for unrelated business income and other tax positions that could result in income tax liabilities to the Library upon examination by taxing authorities. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, such that the Library has no exposure to income tax liabilities from uncertain tax positions. The Library is no longer subject to federal or state and local income tax examination by tax authorities for years before 2013.

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Inexhaustible collections and books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them and does not sell these items. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Cash and cash equivalents

For purposes of the statements of cash flows, the Library considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Property and equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at fair value at the date of gift. The Library currently has no specific capitalization policy. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building and capital expansion improvements	10 - 40 years
Land improvements	15 - 20 years
Furniture and equipment	5 - 10 years

Major improvements to property and equipment are capitalized and depreciated over the estimated useful life of the asset. Maintenance and normal repairs are expensed as incurred. When assets are sold, the cost and related accumulated depreciation amounts are removed from the books, with any gain or loss being reflected in the statements of activities. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Investments

The Library reports investments in equity securities with readily determinable fair values and all investment in debt securities at fair values with gains and losses included in the statement of support and revenues, expenses and other changes in net assets.

Contributions and donated materials and services

Support that is restricted by the donor 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 – 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 revenue collected and expenses as net assets released from restrictions.

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how those long-lived assets must be maintained, The Library reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or as the assets are used in the Library's activities.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Contributions and donated materials and services (Cont'd.)

The Library receives substantial services donated by volunteers interested in the programs and services provided by the Library to the community. Because of the difficulty in assigning values for these services, those items are not reflected in these financial statements. However, when the value of substantial or specialized donated services or specific donated materials is ascertainable, they are reflected in the financial statements as support received and expenses paid. Specific materials donated for use in providing library programs are recorded as support and expenses of the Library. Specialized services donated in renovations to the building, if any, are included as support with the expense capitalized as building improvements.

Capital campaign pledges

During 2010, the Library sponsored a capital campaign. The contributions are restricted for the new building expansion. Pledges receivable as of December 31, 2016 and 2015 were \$ 2,500 and \$ 23,999, respectively.

Subsequent events

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through March 9, 2017, the date the financial statements were available to be issued.

PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 84,499	\$ 84,499
Land - West Street	56,700	56,700
Land improvements	20,467	20,467
Building	793,746	793,746
Building - Capital Campaign expansion	6,400,593	6,400,593
Furniture and equipment	242,316	234,665
Furniture and equipment - Capital Campaign expansion	<u>487,458</u>	<u>487,458</u>
	8,085,779	8,078,128
Less accumulated depreciation	<u>(1,477,468)</u>	<u>(1,225,513)</u>
Land, buildings and equipment, net	<u>\$ 6,608,311</u>	<u>\$ 6,852,615</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

DONATED MATERIALS

All materials donated to the Library are recorded at their estimated fair market value when received. Donated materials are included as contributions in the statement of support and revenue, expenses and other changes in net assets and consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Program services		
Books	\$ 35,327	\$ 43,201
Audiovisual	2,934	5,024
Management and general		
Office supplies	<u>3,205</u>	<u>4,145</u>
	<u>\$ 41,466</u>	<u>\$ 52,370</u>

RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Specific books and materials	\$ 19,286	\$ 2,170
Educational and other library programs	32,142	5,524
Computers	4,000	2,441
GB Stuart Foundation restricted fund	<u>53,964</u>	<u>50,000</u>
	<u>\$ 109,392</u>	<u>\$ 60,135</u>

Permanently restricted net assets consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trust	<u>\$ 162,817</u>	<u>\$ 158,308</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

BOARD DESIGNATED - OTHER NET ASSETS

The Board has designated the following unrestricted net assets balances as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Board designated - other		
Capital improvements	\$ 97,097	\$ 68,965
Operational reserve	214,247	192,264
Technology and computers	57,585	37,203
Staff continuing education	<u>11,214</u>	<u>4,698</u>
	<u>\$ 380,143</u>	<u>\$ 303,130</u>

INVESTMENTS

Investments are presented in the financial statements in the aggregate at fair market value at:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market fund	\$ 15,063	\$ 15,063	\$ 617,449	\$ 617,449
Fixed income funds				
Intermediate Term Bond Funds	164,253	165,565	148,719	149,966
Short-term Bond Funds	129,662	131,888	36,552	37,212
Certificates of deposit	125,000	125,000	-	-
Equities				
Stocks	390,626	428,551	132,988	133,891
Mutual Funds	235,777	261,839	-	-
Beneficial interest in perpetual trust	<u>133,351</u>	<u>162,817</u>	<u>135,162</u>	<u>158,308</u>
	<u>\$ 1,193,732</u>	<u>\$ 1,290,723</u>	<u>\$ 1,070,870</u>	<u>\$ 1,096,826</u>

Investment income consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 34,048	\$ 21,626
Realized/unrealized gains (losses)	<u>78,715</u>	<u>(4,722)</u>
	<u>\$ 112,763</u>	<u>\$ 16,904</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

INVESTMENTS (Cont'd.)

BOARD DESIGNATED ENDOWMENT

Investments are carried at market value. Realized and unrealized gains and losses are reported in the statement of support and revenue, expenses and other changes in net assets. The total investments maintained by the Library consist of two accounts, the Board Designated Endowment Fund and the G.B. Stuart Foundation Fund, and are classified for net assets purposes as follows at December 31, 2016 and 2015:

	2016		
	Unrestricted	Temporarily Restricted	Total
G.B. Stuart Foundation fund	\$ -	\$ 53,964	\$ 53,964
Board designated endowment fund	<u>1,073,942</u>	<u>-</u>	<u>1,073,942</u>
Total investment funds	<u>\$ 1,073,942</u>	<u>\$ 53,964</u>	<u>\$ 1,127,906</u>

	2015		
	Unrestricted	Temporarily Restricted	Total
G.B. Stuart Foundation fund	\$ -	\$ 50,000	\$ 50,000
Board designated endowment fund	<u>888,518</u>	<u>-</u>	<u>888,518</u>
Total investment funds	<u>\$ 888,518</u>	<u>\$ 50,000</u>	<u>\$ 938,518</u>

The Library's investment endowment fund is classified as unrestricted, board-designated as of December 31, 2016 and 2015, in the amount of \$ 1,073,942 and \$ 888,518, respectively.

The Library's investments, classified as such on the statements of assets, liabilities and net assets, consist of a Board Designated Endowment Fund established for the administration of existing and future gifts and contributions to the Bosler Memorial Library and to memorialize and secure those funds for future benefits of the community. The endowment includes funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

INVESTMENTS (Cont'd.)

BOARD DESIGNATED ENDOWMENT (Cont'd.)

Interpretation of relevant law

The Commonwealth of Pennsylvania has not enacted a version of the UPMIFA, or a version of the Uniform Management of Institutional Funds Act (UPMIFA). Governing law resides in 15 Pa. C.S. §5548 "Investment of Trust Funds". The Library has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The Library classifies 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by relevant law. Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of assets related to donor-restricted endowment funds averaged over a period of three preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

Return objectives and risk parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to maintain expenditures supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested based on the standards of a "Prudent Man" that is intent to produce results that exceed the standard indices for each investment classification on an annual basis.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, the Library 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 Library's investment fund asset mix is invested among equities, fixed income and cash equivalents. The Board has determined as asset mix strategy to improve the probability of achieving enhanced real (inflation protected) rates of return.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

INVESTMENTS (Cont'd.)

BOARD DESIGNATED ENDOWMENT (Cont'd.)

Spending policy

The spending policy of the Library is set to provide, as closely as possible, equitable benefits from the endowment for current and future programs. A spending policy has been adopted to fairly meet programmatic requirements of the endowment. The Library appropriates funds determined on a total return basis, e.g. interest, dividends, and appreciation of the principal. Distributions from principal can be made in whole or in part, by a vote of at least 75% of the Board of Directors of the Library and by supplying the Trustee 90 day's written notice of its intention. The Board must then reaffirm its intention no less than one month and no more than 45 days from the date of the original notice.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as permanently restricted net assets. There were no such deficiencies as of December 31, 2016 or 2015. Pennsylvania law allows for aggregation of endowments, therefore endowments with deficiencies are netted with gains and accounted for within temporarily restricted net assets.

Changes in endowment net assets for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment net assets, Beginning of year	\$ <u>888,518</u>	\$ <u>874,388</u>
Investment return		
Interest and dividend income	24,693	15,659
Net realized and unrealized gains and losses	69,405	2,738
Investment-related fees	<u>(6,888)</u>	<u>(9,006)</u>
Total investment return	<u>87,210</u>	<u>9,391</u>
Board designated transfer	<u>137,536</u>	<u>59,879</u>
Appropriation of endowment assets for expenditure	<u>(39,322)</u>	<u>(55,140)</u>
	<u>\$ 1,073,942</u>	<u>\$ 888,518</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

BENEFICIAL INTEREST IN PERPETUAL TRUST

The Library is a beneficiary of the Samuel C. Hertzler perpetual trust and is entitled to a 1/8 interest in the income of the trust to be used for work among women. The trust is held by M&T Investment Group with quarterly investment income payments distributed to the Library.

The value of the split-interest trust agreement as of December 31, 2016 and 2015 is \$ 162,817 and \$ 158,308, respectively. These values reflect a net increase (decrease) of \$ 4,509 and (\$ 7,460) for the years ended December 31, 2016 and 2015, respectively. Income received from the split-interest agreements for the years ended December 31, 2016 and 2015 was \$ 5,773 and \$ 5,620, respectively.

FAIR VALUE MEASUREMENTS

Fair value accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority to unobservable inputs.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets that are recorded at fair value on a recurring basis are investments including the Endowment Fund and split-interest trusts. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Common stock, and fixed income funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interest in perpetual and remainder trusts: Fair value of the beneficial interest in perpetual trusts was based on the percentage of ownership of the respective trust assets, which approximates the present value of the estimated future cash flows to be received from the trusts. The present value method is utilized as the underlying assets of each individual trust are not in control of the Organization.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016

FAIR VALUE MEASUREMENTS (Cont'd.)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of years ended December 31, 2016 and 2015:

	2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 15,063	\$ 15,063	\$ -	\$ -
Fixed income funds				
Intermediate Term Bond Funds	165,565	165,565	-	-
Short-term Bond Funds	131,888	131,888	-	-
Certificates of deposit	125,000	125,000	-	-
	<u>422,453</u>	<u>422,453</u>	-	-
Equities				
Stocks	428,551	428,551	-	-
Mutual Funds	261,839	261,839	-	-
	<u>690,390</u>	<u>690,390</u>	-	-
Beneficial interest in perpetual trust	162,817	-	-	162,817
Total	<u>\$ 1,290,723</u>	<u>\$ 1,127,906</u>	<u>\$ -</u>	<u>\$ 162,817</u>
	2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 617,449	\$ 617,449	\$ -	\$ -
Fixed income funds				
Intermediate Term Bond Funds	149,966	149,966	-	-
Short-term Bond Funds	37,212	37,212	-	-
Certificates of deposit	-	-	-	-
	<u>187,178</u>	<u>187,178</u>	-	-
Equities				
Stocks	133,891	133,891	-	-
Mutual Funds	-	-	-	-
	<u>133,891</u>	<u>133,891</u>	-	-
Beneficial interest in perpetual trust	158,308	-	-	158,308
Total	<u>\$ 1,096,826</u>	<u>\$ 938,518</u>	<u>\$ -</u>	<u>\$ 158,308</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2016 AND 2015

FAIR VALUE MEASUREMENTS (Cont'd.)

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 158,308	\$ 165,768
Purchases, sales, issuances and settlements (net)	10,282	3,990
Investment income distributions	<u>(5,773)</u>	<u>(11,450)</u>
Balance, end of year	<u>\$ 162,817</u>	<u>\$ 158,308</u>

CONTINUING OPERATIONS

Continuation of an entity's operations is usually assumed in financial accounting in the absence of evidence to the contrary. However, an operation which depends primarily on support from agencies of the government is always subject to legislative action which could significantly affect the amount of support it receives.

PENSION PLAN

The Library participates in a 403-b Tax Deferred Annuity Plan in conjunction with local non-profit organizations. This contributory Plan covers all employees who meet the minimum wage and service requirements. The Library expenses its contributions as paid. The Library contributes an amount equal to 2% of each permanent employee's annual salary after one year. Pension expense was \$ 6,657 for December 31, 2016.

CONCENTRATION OF CREDIT RISK

The Library maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. As of December 31, 2016 and 2015, the uninsured cash balances were \$ 196,974 and \$ 94,692, respectively.

LEASE COMMITMENTS

In 2013, the Library entered into a four-year lease agreement for a copier machine with monthly lease payments of \$ 310.

The following table summarizes future lease payments required

2017	\$ 930
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SUPPLEMENTARY INFORMATION

BOSLER MEMORIAL LIBRARY

SCHEDULES OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS **YEARS ENDED DECEMBER 31, 2016 AND 2015**

2016

	Programs		Reference	Fundraising	Administrative and General	Total
	Adult	Juvenile				
Salaries	\$ 249,230	\$ 127,469	\$ 135,037	\$ 56,484	\$ 81,498	\$ 649,718
Payroll taxes	23,223	11,877	12,583	1,783	7,594	57,060
Employee benefits	17,804	7,304	6,848	3,196	10,500	45,652
Depreciation	118,822	39,305	61,125	11,514	21,189	251,955
Utilities and telephone	31,048	10,270	15,972	3,009	5,537	65,836
Building and grounds maintenance	11,729	3,880	6,033	1,137	2,092	24,871
Insurance	15,944	5,274	8,202	1,545	2,843	33,808
Professional fees	1,502	768	814	115	491	3,690
Trust administrative fees	-	-	-	-	7,237	7,237
Programs and public relations	23,408	11,972	12,683	-	-	48,063
Accounting and payroll	6,694	3,424	3,627	514	2,189	16,448
Equipment rental and maintenance	5,606	1,854	2,884	543	1,000	11,887
Postage	823	421	446	63	269	2,022
Office expense	6,393	3,270	3,464	491	2,091	15,709
Supplies and collection maintenance	439	225	238	-	-	902
Printing	1,105	565	599	85	361	2,715
Miscellaneous	714	365	387	55	233	1,754
Dues and memberships	926	474	502	71	303	2,276
Travel and conferences	2,874	1,471	1,558	-	-	5,903
Shipping - collections	14	7	7	-	-	28
Bank charges	-	-	-	-	5,510	5,510
Taxes	-	-	-	-	2,468	2,468
Fundraising - direct costs	-	-	-	8,558	-	8,558
Total functional expenses	\$ 518,298	\$ 230,195	\$ 273,009	\$ 89,163	\$ 153,405	\$ 1,264,070

(Continued)

See independent auditor's report on supplementary information.

BOSLER MEMORIAL LIBRARY

SCHEDULES OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (Cont'd.) **YEARS ENDED DECEMBER 31, 2016 AND 2015**

2015

	Programs		Reference	Fundraising	Administrative and General	Total
	Adult	Juvenile				
Salaries	\$ 221,494	\$ 168,192	\$ 123,533	\$ 20,109	\$ 66,928	\$ 600,256
Payroll taxes	19,696	14,957	10,985	1,788	5,952	53,378
Employee benefits	17,725	13,460	9,886	1,609	5,356	48,036
Depreciation	110,247	36,481	56,732	9,750	20,607	233,817
Utilities and telephone	33,518	11,091	17,248	2,964	6,266	71,087
Building and grounds maintenance	11,148	8,465	6,217	1,012	3,369	30,211
Insurance	15,655	5,180	8,056	1,384	2,927	33,202
Professional fees	1,072	814	350	220	659	3,115
Trust administrative fees	-	-	-	-	9,040	9,040
Programs and public relations	19,970	15,164	-	375	-	35,509
Accounting and payroll	-	-	-	-	15,981	15,981
Equipment rental and maintenance	2,172	1,648	1,211	197	657	5,885
Postage	291	221	95	3,031	31	3,669
Office expense	7,682	5,833	2,505	68	814	16,902
Supplies and collection maintenance	1,017	771	565	-	-	2,353
Printing	1,211	919	395	3,978	128	6,631
Miscellaneous	714	542	233	2,843	75	4,407
Dues and memberships	1,197	909	391	340	127	2,964
Travel and conferences	410	311	134	337	43	1,235
Shipping - collections	85	64	47	-	-	196
Bank charges	-	-	-	-	7,356	7,356
Taxes	-	-	-	-	-	-
Fundraising - direct costs	-	-	-	-	-	-
Total functional expenses	\$ 465,304	\$ 285,022	\$ 238,583	\$ 50,005	\$ 146,316	\$ 1,185,230

See independent auditor's report on supplementary information.