

Northern Lights Library Network

Moorhead, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter Evert & Associates

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Independent Auditor's Report

Governing Board
Northern Lights Library Network
Moorhead, Minnesota

We have audited the accompanying financial statements of Northern Lights Library Network, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance that 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 Northern Lights Library Network as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
September 30, 2016

NORTHERN LIGHTS LIBRARY NETWORK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 63,678	\$ 156,979
Grants Receivable	21,891	21,891
Prepaid Expense	1,125	1,361
Total Current Assets	<u>86,694</u>	<u>180,231</u>
Investments	280,839	180,554
Equipment - Net	<u>3,168</u>	<u>4,659</u>
 TOTAL ASSETS	 <u>\$ 370,701</u>	 <u>\$ 365,444</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 15,994	\$ 646
Capital Lease Payable - Current	1,797	1,599
Accrued Salaries and Vacation	22,524	21,520
Total Current Liabilities	<u>40,315</u>	<u>23,765</u>
Capital Lease Payable	483	2,280
Total Liabilities	<u>40,798</u>	<u>26,045</u>
Net Assets:		
Unrestricted	329,903	338,332
Temporarily Restricted	-	1,067
Total Net Assets	<u>329,903</u>	<u>339,399</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 370,701</u>	 <u>\$ 365,444</u>

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

NORTHERN LIGHTS LIBRARY NETWORK
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue:				
Government Grants	\$ 218,730	\$ -	\$ 218,825	\$ -
Program Fees	11,700	-	11,653	-
Interest	963	-	1,261	-
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	1,067	(1,067)	-	-
Total Support and Revenue	232,460	(1,067)	231,739	-
Expense:				
Program Services	165,408	-	183,500	-
Support Services:				
Management and General	75,481	-	72,495	-
Total Expense	240,889	-	255,995	-
Change in Net Assets	(8,429)	(1,067)	(24,256)	-
Net Assets - Beginning of Year	338,332	1,067	362,588	1,067
Net Assets - End of Year	\$ 329,903	\$ -	\$ 338,332	\$ 1,067

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

NORTHERN LIGHTS LIBRARY NETWORK
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR 2015

	<u>2016</u>		<u>2015</u>	
	<u>Total Program Services</u>	<u>Support Services Management & General</u>	<u>Total All Services</u>	<u>Total All Services</u>
Salaries and Wages	\$ 60,174	\$ 54,588	\$ 114,762	\$ 104,606
Payroll Taxes	4,478	4,062	8,540	8,170
Employee Benefits	4,267	3,871	8,138	7,788
Total Personnel Costs	<u>68,919</u>	<u>62,521</u>	<u>131,440</u>	<u>120,564</u>
Resource Sharing	16,200	-	16,200	15,600
Continuing Education	15,152	-	15,152	15,789
Spotlight on Books	14,404	-	14,404	11,440
Occupancy	14,400	-	14,400	10,289
Professional Fees	-	12,960	12,960	18,244
Travel	11,147	-	11,147	13,507
Office Expense	10,622	-	10,622	13,476
Special Projects	9,406	-	9,406	6,869
Memberships and Subscriptions	2,190	-	2,190	2,019
Insurance	1,102	-	1,102	1,161
Interest	375	-	375	546
Grants and Assistance	-	-	-	25,000
Depreciation	1,491	-	1,491	1,491
	<u>1,491</u>	<u>-</u>	<u>1,491</u>	<u>1,491</u>
Total Expense	<u>\$ 165,408</u>	<u>\$ 75,481</u>	<u>\$ 240,889</u>	<u>\$ 255,995</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTHERN LIGHTS LIBRARY NETWORK
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2015

	Total Program Services	<u>Support Services</u> Management & General	Total All Services
Salaries and Wages	\$ 57,535	\$ 47,071	\$ 104,606
Payroll Taxes	4,494	3,676	8,170
Employee Benefits	4,284	3,504	7,788
Total Personnel Costs	<u>66,313</u>	<u>54,251</u>	<u>120,564</u>
Resource Sharing	15,600	-	15,600
Continuing Education	15,789	-	15,789
Spotlight on Books	11,440	-	11,440
Occupancy	10,289	-	10,289
Professional Fees	-	18,244	18,244
Travel	13,507	-	13,507
Office Expense	13,476	-	13,476
Special Projects	6,869	-	6,869
Memberships and Subscriptions	2,019	-	2,019
Insurance	1,161	-	1,161
Interest	546	-	546
Grants and Assistance	25,000	-	25,000
Depreciation	1,491	-	1,491
Total Expense	<u>\$ 183,500</u>	<u>\$ 72,495</u>	<u>\$ 255,995</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

NORTHERN LIGHTS LIBRARY NETWORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

<u>Increase (Decrease) in Cash</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (9,496)	\$ (24,256)
Total Adjustments	<u>18,079</u>	<u>(6,760)</u>
Net Cash Provided (Used) by Operating Activities	8,583	(31,016)
Cash Flows from Investing Activities:		
Purchase of Investments	(175,800)	(32,968)
Proceeds from Redemption of Investments	<u>75,515</u>	<u>57,494</u>
Net Cash Provided (Used) by Investing Activities	(100,285)	24,526
Cash Flows from Financing Activities:		
Principal Payments on Capital Lease	<u>(1,599)</u>	<u>(1,424)</u>
Net (Decrease) in Cash and Cash Equivalents	(93,301)	(7,914)
Cash - Beginning of Year	<u>156,979</u>	<u>164,893</u>
Cash - End of Year	<u>\$ 63,678</u>	<u>\$ 156,979</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ 375</u>	<u>\$ 546</u>

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

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

Northern Lights Library Network (Organization) was formed to encourage and develop cooperative activities among public libraries, academic libraries, special libraries, and school media centers. Such activities include, but are not limited to, sharing of resources, long-range planning for cooperative programs, a delivery system for services and programs, a bibliographic database, and a communication system. The Organization is governed by a governing board of eleven appointed members of member libraries. The governing board may appoint such officers, directors, and employees for the Organization as may be necessary for the proper management and operation of the Organization's affairs. The Organization's membership consists of existing libraries in twenty-three county area in northwestern Minnesota.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

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

Investments

The Organization carries its investments at market value.

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All major expenditures over \$1,000 for equipment are capitalized at cost if purchased, or an estimated market value if donated. Depreciation is provided through the use of the straight-line method over an estimated useful life.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Accounts Receivable and Doubtful Accounts

The Organization extends credit on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management. Fundraising expenses are considered minimal and included with management and general.

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization is a government entity formed under Minnesota Statutes and also has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as a governmental entity that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2013 and later remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through September 30, 2016 which is the date financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services in northwestern Minnesota. The amounts due for services provided are from the State of Minnesota, individuals, or other institutions, substantially all of whom are local residents. In addition, grants receivable are from the State of Minnesota.

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. Equipment

The Organization owned the following as of:

	June 30,		<u>Useful Lives</u>
	2016	2015	
Equipment	\$ 12,091	\$ 12,091	5 years
Less Accumulated Depreciation	8,923	7,432	
	\$ 3,168	\$ 4,659	

Depreciation expense of \$1,491 was recorded for both the years ended June 30, 2016 and 2015.

4. Investments

The Organization held the following investments as of:

	June 30,			
	2016		2015	
	Cost	Market Value	Cost	Market Value
Certificates of Deposit	\$ 280,839	\$ 280,839	\$ 180,554	\$ 180,554

Interest income in the years ending June 30, 2016 and 2015 was \$963 and \$1,261, respectively.

5. Capital Leases

The Organization leases certain equipment under noncancelable leases. The lease has been capitalized and included in equipment in the amount of \$7,455. The following is a schedule of future minimum lease payments:

<u>Due in the Year Ending June 30,</u>	
2017	\$ 1,970
2018	493
Total	2,463
Less Imputed Interest of 11.55%	183
Net Amount Due	2,280
Less Portion Due Within One (1) Year	1,797
Long-term Portion	\$ 483

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following as of:

	June 30,	
	2016	2015
Spotlight on Books	\$ -	\$ 1,067

7. Operating Lease

Rental commitments under a noncancelable lease for office space in effect at June 30, 2016 total \$14,400. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2017	\$ 14,400

The rental expense was \$14,400 and \$10,289 for the years ended June 30, 2016 and 2015, respectively.

8. Retirement Plan

The Organization participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Organization are covered by the Public Employees Retirement Fund (PERF). PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. The Organization only has members in the Coordinated Plan.

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the state legislature.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

NORTHERN LIGHTS LIBRARY NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

8. Retirement Plan (continued)

Benefits are based on a member's highest salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.50%, respectively, of their annual covered salary. The Organization is required to contribute 7.25% and 7.50% of covered payroll for Coordinated Plan members for the years ended June 30, 2016 and 2015, respectively. Organization's contributions to the PERF for the years ending June 30, 2016 and 2015, was \$7,707 and \$7,211, respectively, equal to the contractually required contributions for each year as set by state statute.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA. That report may be obtained on the web at mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota, 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Depreciation	\$ 1,491	\$ 1,491
Increases (Decreases) in Current Liabilities:		
Accounts Payable	15,348	(6,357)
Accrued Salaries and Vacation	1,004	(533)
Decreases (Increases) in Current Assets:		
Prepaid Expenses	<u>236</u>	<u>(1,361)</u>
Total Adjustments	<u>\$ 18,079</u>	<u>\$ (6,760)</u>