

**JOSEPHINE COMMUNITY LIBRARIES, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2016**

Karen M Bodeving, CPA PC



Certified
Public
Accountant

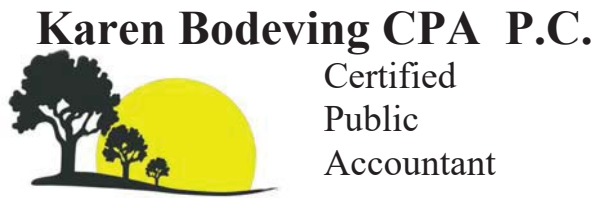
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To the Board of Directors
Josephine Community Libraries, Inc.,
Grants Pass, Oregon

We have reviewed the accompanying statements of financial position of Josephine Community Libraries, Inc., (a nonprofit organization) as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note L and M to the financial statements, accounting principles generally accepted in the United States of America require that the fair market value of below market leases be recognized as contribution revenue and the same amount be recognized as lease expense. The effects of these departures from accounting principles generally accepted in the United States of America have not been determined.

Karen M Bodeving CPA PC
March 22, 2017



325 NE 7th Street
Grants Pass, OR

PHONE (541) 479-3625
FAX (541) 479-4555
E-MAIL karen@bodeving.com
WEB SITE <http://www.bodevingcpa.com>

Josephine Community Library
Statement of Financial Position
June 30, 2016

ASSETS

Cash and cash equivalents	\$	430,642
Accounts receivable		29,750
Investments		162,409
Prepaid Expenses		6,287
Property and equipment		<u>291,211</u>

TOTAL ASSETS \$ 920,299

LIABILITIES

Accounts Payable		187
Accrued Payroll and payroll taxes		13,488
Accrued Vacation		8,396
Deferred Revenue		<u>114,672</u>

TOTAL LIABILITIES \$ 136,744

NET ASSETS

Unrestricted	\$	<u>783,556</u>
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TOTAL NET ASSETS \$ 783,556

TOTAL LIABILITIES AND NET ASSETS \$ 920,299

See accompanying notes and independent accountant's report.

Josephine Community Library
Statement of Activities
Year ended June 30, 2016

	<u>Unrestricted</u>
REVENUES, GAINS AND OTHER SUPPORT	
Contributions	\$ 739,637
Program service fees	27,522
Investment return	3,341
Fundraising	<u>35,798</u>
 TOTAL REVENUES, GAINS AND OTHER SUPPORT	 \$ 806,299
 EXPENSES	
Program services	\$ 585,089
Supporting services	
Management and general	87,548
Fund-raising	<u>52,830</u>
 TOTAL EXPENSES	 \$ <u>725,467</u>
 CHANGE IN NET ASSETS	 80,832
 NET ASSETS AT BEGINNING OF YEAR	 \$ 702,724
 NET ASSETS AT END OF YEAR	 <u>\$ 783,556</u>

See accompanying notes and independent accountant's report.

Josephine Community Library
Statement of Functional Expenses
Year ended June 30, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Library Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation and related Expenses				
Compensation				
Staff	315,147	41,928	16,771	373,846
Payroll Taxes	28,756	4,559	1,753	35,068
	<u>343,903</u>	<u>46,487</u>	<u>18,525</u>	<u>408,914</u>
Advertising	17,897	2,837	1,091	21,825
Automation & Computer Services	59,222	-	-	59,222
Depreciation	60,117	9,531	3,666	73,314
Dues	-	560	-	560
Fees	1,806	286	110	2,203
Fundraising expense	-		20,289	20,289
Insurance				
Property and casualty	3,925	981	-	4,906
Workers compensation	1,321	330	-	1,651
Directors and officers		3,212	-	3,212
Legal and Professional	6,963	11,605	4,642	23,210
Library Disposable Collection	3,607	-	-	3,607
Occupancy				
Repairs & Maintenance	3,330	528	203	4,061
Utilities	24,924	3,951	1,520	30,395
Bldg supplies	2,699	428	165	3,292
Security	2,073	329	126	2,528
Postage	4,144	657	253	5,054
Printing and Copying	12,555	1,990	766	15,311
Programs and Events	12,412	-	-	12,412
Small Equipment	-	-	-	
Supplies, office	14,071	2,231	858	17,160
Telephone	6,022	955	367	7,344
Travel and Training	1,962	311	120	2,393
Volunteer expenses	2,135	338	130	2,603
	<u>\$ 585,089</u>	<u>\$ 87,548</u>	<u>\$ 52,830</u>	<u>\$ 725,467</u>

See accompanying notes and independent accountant's report.

Josephine Community Library
Statement of Cash Flows
Year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 80,832
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	73,314
In-kind items included in Contributions	(13,835)
In-kind items included in Expenses	13,835
(Increase) decrease in operating assets:	
Accounts receivable	(17,386)
Prepaid expenses	(352)
Fixed asset purchases	(179,109)
Increase (decrease) in operating liabilities:	
Accounts payable	(771)
Accrued Payroll and Payroll taxes	5,266
Deferred Revenue	52,507
Accrued Vacation	<u>4,322</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 18,623
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in Certificate of Deposit (60 mo)	<u>(2,021)</u>
NET CASH USED BY INVESTING ACTIVITIES	\$ (2,021)
CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 16,602
BEGINNING CASH AND CASH EQUIVALENTS	<u>414,040</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 430,642</u>

See accompanying notes and independent accountant's report.

JOSEPHINE COMMUNITY LIBRARIES, INC.,

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Josephine Community Libraries, Inc., (the Organization) is to raise funds and to operate the public libraries of Josephine County, Oregon which were closed due to lack of county funds. The libraries are operated by this charitable organization and are open to the public. It has an advance ruling by the Internal Revenue Service that the Organization classifying as a 501(c) 3 for tax purposes. The advance ruling period ended on June 30, 2012 after which time a final determination will be made.

501(c) 3 organizations are commonly referred to as charitable. Organizations that are charitable are eligible to receive tax deductible contributions. They are not organized for the benefit of their memberships, but instead are organized for specific purposes, and the majority of their monies come from public donors. None of its monies may influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

The Organization serves Josephine County, Oregon, by operating the Main Library branch in Grants Pass. There are three satellite branches that the organization also operates:

- Illinois Valley (Cave Junction, Oregon)
- Williams (Williams, Oregon)
- Wolf Creek (Wolf Creek, Oregon)

Up until May, 2007 all libraries in Josephine County were operated through the county government. In May, 2007 all libraries were closed due to lack of public funding. In September, 2007 this Organization was formed to reopen and operate the libraries. The Main (Grants Pass) Branch was reopened in December 2008, the Illinois Valley Branch was reopened September 2009 and the Williams Branch was reopened in November 2009, and Wolf Creek Branch was reopened in December 2009. Josephine County provided \$300,000 in seed money in operating expenses to reopen the Libraries in January 2009.

The Library Branches are open to the public and you need not be a member to borrow books. Library cards are free. There is no direct membership benefit. Memberships are the vehicle in which contributions are received on a monthly basis.

There are few paid staff members. The Library Branches are mostly staffed with volunteers. No monetary value has been placed on the volunteer staffing in these financial statements.

The Buildings, prior purchased Book Collections, Materials, Furniture and Equipment are still under ownership of Josephine County and are leased for \$1 per year for each of the branches.

NOTE B – CASH AND CASH EQUIVELANTS

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of 24 months or less to be cash equivalents. All investments are in the form of cash, checking, savings or Certificates of Deposit.

NOTE C – CONCENTRATION OF RISK

Concentration of Risk

The Federal Deposit Insurance Corporation (FDIC) Limit was \$250,000 on June 31, 2016. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

The Organization held deposits and Certificate of Deposit's in the following institutions at June 30, 2016. A CD held at Umpqua Bank maturing 3/21/17 is classified as an investment as it has over a 2 year maturity.

<u>Institution</u>	<u>Amount at 6/30/2016</u>
Washington Federal Bank	25,740
Bank of the Cascades	149,280
State Farm Bank	248,463
Umpqua Bank – Certificate of Deposit	162,409
Evergreen Federal	4,726
	<hr/>
Total Cash and Certificates of Deposits in institutions	<u>593,051</u>

NOTE D - INVESTMENTS

A Certificate of Deposit, maturing 3/21/17 is recorded as an investment in these financial statements, the initial maturity being greater than 24 months.

NOTE E – PROMISES TO GIVE

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Monthly automatic contributions are recognized as received as termination of said contribution could occur at any time, and there is no quantification of the longevity of the promise.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal 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.

NOTE F – CONTRIBUTED SERVICES

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the branches. The Organization receives more than 3,000 volunteer hours per month.

NOTE G – CONTRIBUTIONS

Contributions

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

NOTE H – INCOME TAXES

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization has an advance ruling by the Internal Revenue Service that the Organization classifying as a 501(c) 3 for tax purposes. The advance ruling period ended on June 30, 2012.

NOTE I - UNCERTAIN TAX POSITIONS:

The Organization federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations. The Company would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

NOTE J – ESTIMATES

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.

NOTE K –PROPERTY AND EQUIPMENT

The Organization capitalizes all property and equipment with a cost of \$2,000 if purchased, and a fair value of \$2,000 at date of donation if received by contribution. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. 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. 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years. Software is depreciated over three years.

Categories of Equipment are:

<u>Description</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Architect fees	7	8,658	1,082
Wiring for Cable at Williams	39	3,000	241
Collection	5	391,564	251,418
Computer Server	5	19,500	19,500
Furniture - Childrens Library	7	15,420	827
Lighting	39	22,658	2,639
Improvements - Childrens Library	7	33,215	595
IV Furniture and Fixtures	7	3,742	67
IV Shelving	7	6,257	112
Machinery and Equipment	5	53,129	39,359
Software	3	5,352	5,352
Microfische Equipment	7	4,300	3,991
Welcome and Check Desks	7	17,147	12,002
Self-Check Machine	7	2,500	2,321
Shelving	7	46,867	3,301
Telephone System	7	833	773
Telephones	7	3,024	2,376
		637,166	345,956

NOTE L- DESCRIPTION OF THE LEASING ARRANGEMENTS

The three buildings below, prior purchased Book Collections, Materials, Furniture and Equipment are still under ownership of Josephine County and are leased for \$1 per year for each of the branches. The Lease will terminate at 11:59 pm on December 31, 2020. The Organization must have dedicated trust fund accounts for repairs and renovations, beginning January 31, 2011 with Josephine County named as the beneficiary, as follows:

Branch	Minimum yearly deposit:	Maximum yearly deposit:	Until amount in fund is achieved:
Main (Grants Pass)	\$5,000	\$50,000	\$50,000
Illinois Valley (Cave Junction)	\$3,500	\$35,000	\$35,000
Williams (Williams)	\$1,500	\$15,000	\$15,000

Leased Book Collections, Materials, Furniture and Equipment are co-mingled but each asset is separately identified.

The Wolf Creek Building is owned by the Josephine County Library Foundation, and available for use at no charge. The Josephine County Library Foundation pays for repairs and maintenance of this building.

NOTE M- BELOW MARKET LEASES

The Fair Market Value of the leases in the above note is not readily determinable without costly professional commercial appraisals. The buildings are government owned and have functional obsolescence for the Fair Market Value to be derived. There is no alternative use to the public as office space or other public leases, as long-standing library book collections are included in these leases and not easily removed from the premises as a whole. Accordingly, any recognition of contribution income or rental expense would be conjuncture and is therefore not recognized in these financial statements.

NOTE N- RELATED ORGANIZATIONS

The Josephine County Library Foundation is also an IRS 501(c) 3, with a primary exempt purpose of Library support in Josephine County. The Josephine County Library Foundation owns and maintains the Wolf Creek Branch Building in which the Josephine Community Libraries, Inc. keeps open to the public. In addition, the Josephine Community Libraries, Inc., applies for and receives grants for various operation and capitalization issues when needed. These are separate entities with separate boards of directors, but a common goal of keeping the Libraries in Josephine County open.

NOTE O- SUBSEQUENT EVENTS:

Management has evaluated subsequent events through March 22, 2017, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.