

RACHEL KOHL COMMUNITY LIBRARY, INC

DECEMBER 31, 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
RACHEL KOHL COMMUNITY LIBRARY, INC
Glen Mills, Pa

We have reviewed the accompanying statement of assets, liabilities and net assets – modified cash basis of Rachel Kohl Community Library, Inc. (a nonprofit organization) as of December 31, 2014, and the related statements of support, revenue, expenses and changes in net assets – modified cash basis and the statement of cash flows – modified cash basis, for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 these financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to conduct a 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 review, 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 the modified cash basis of accounting, as described in Note 2.



Michael J. O'Doherty, P.C.
February 18, 2015
Springfield, Pennsylvania

Rachel Kohl Community Library, Inc
Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
As of December 31, 2014

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 172,143
Total Current Assets	<u>172,143</u>
Fixed Assets, at cost:	
Building	363,000
Accumulated Depreciation	(44,210)
Fixed Assets, net	<u>318,790</u>
Total Assets	<u><u>\$ 490,933</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	\$ 21,136
Total Current Liabilities	<u>21,136</u>
Notes Payable - Non Current Portion	<u>252,971</u>
Total Liabilities	<u>274,107</u>
Net Assets:	
Unrestricted	216,826
Temporarily Restricted	<u>0</u>
Total Net Assets	<u>216,826</u>
Total Liabilities and Net Assets	<u><u>\$ 490,933</u></u>

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Support, Revenue, Expenses and
Change in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support:				
Township Government	\$ 247,819			\$ 247,819
State and County Governments	41,214			41,214
Total Support	<u>289,033</u>	<u>0</u>	<u>0</u>	<u>289,033</u>
Revenue:				
Contributions, Grants and Gifts	25,243	998		26,241
Fundraising	40,107			40,107
Fines and Other Revenue	84,868			84,868
Investment Income	186	0		186
PA Sales Tax Collected	826			826
Total Revenue	<u>151,230</u>	<u>998</u>	<u>0</u>	<u>152,228</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	6,769	(6,769)		0
TOTAL SUPPORT AND REVENUE	<u>447,032</u>	<u>(5,771)</u>	<u>0</u>	<u>441,261</u>
EXPENSES				
Salaries, Payroll Taxes and Benefits	189,903			189,903
Purchases for Circulating Library	27,455			27,455
Telephone and Utilities	22,556			22,556
Supplies	6,476			6,476
Insurance	6,151			6,151
Furniture and Equipment	85,810			85,810
PA Sales Tax Paid	753			753
Office, Seminars, and Other Expenses	4,632			4,632
Program Expenses	3,802			3,802
Professional Fees	2,350			2,350
Library Programs	2,732			2,732
Depreciation	9,307			9,307
Mortgage Interest	14,256			14,256
TOTAL EXPENSES	<u>376,183</u>	<u>0</u>	<u>0</u>	<u>376,183</u>
CHANGE IN NET ASSETS	70,849	(5,771)	0	65,078
Net Assets, January 1, 2014	<u>145,977</u>	<u>5,771</u>	<u>0</u>	<u>151,748</u>
Net Assets, December 31, 2014	<u>\$ 216,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,826</u>

See accompanying notes and independent accountant's review report.

Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets		\$ 65,078
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	<u>\$ 9,307</u>	
Total Adjustments		<u>9,307</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		74,385
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and Acquisition of Property and Equipment	<u>-</u>	
NET CASH USED IN INVESTING ACTIVITIES		-
CASH FLOWS USED FOR FINANCING ACTIVITIES		
Principal Payments on Long Term Debt	<u>(20,191)</u>	
NET CASH USED FOR FINANCING ACTIVITIES		<u>(20,191)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		54,194
CASH AND CASH EQUIVALENTS, JANUARY 1, 2014		<u>117,949</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2014		<u><u>\$ 172,143</u></u>

See accompanying notes and independent accountant's review report.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1-NATURE OF ACTIVITIES

Rachel Kohl Community Library, Inc. (the Library) is a nonprofit organization that was organized as a nonprofit organization under the laws of the Commonwealth of Pennsylvania in 1979. Its stated purpose is to provide a Public Library for the residents in the communities of Bethel Township, Chadds Ford Township, Chester Heights Borough, Concord Township and Thornbury Township.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Library have been prepared on the modified cash basis of accounting, which differs from U.S. generally accepted accounting principles. Under the modified cash basis, certain revenue and the related assets are recognized when receive rather than when earned and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. Consequently the Library has not recognized receivables from donors or accounts payable to vendors and the related effects on the change in net assets in the accompanying financial statements.

Library materials are expense when acquired.

Financial Statement Presentation

The Library reports 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 Library presents a statement of cash flows.

Use of Estimates

The preparation of financial statements includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

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

All 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 activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

The Library maintains accounts at several financial institutions and one investment program located in Pennsylvania. The accounts in all financial institutions are insured by the FDIC for balances up to \$250,000. Act 72 collateralizes the investment program account.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014

Property and Equipment

The Library capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into 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.

NOTE 3-INCOME TAX STATUS

The Library is classified as a Section 501 (c) (3) Organization under the Federal Internal Revenue Code and Section 13.2210(e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal and state income taxes.

NOTE 4-CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2014 consisted of:

Cash – Checking and Savings	\$151,186
Cash – Payroll	15,903
Petty Cash	50
PLGIT	28
Certificate of Deposit	<u>4,976</u>
Total	<u>\$172,143</u>

NOTE 5-TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2014, the Library had no temporarily restricted net assets.

NOTE 6-SOURCES OF SUBSTANTIAL SUPPORT

The Library receives a substantial amount of its support from state, county and township governments. If a significant reduction in the level of this support were to occur, there would be an effect on the Library's programs and activities.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2014

NOTE 7—LIBRARY BUILDING AND MORTGAGE

In 2010, the Library acquired the former Concord Township Office Building. The purchase price of the building was \$363,000. Under the terms of the purchase, the Library executed a promissory note for \$363,000 payable to Concord Township. The Library is using temporarily restricted net assets for the mortgage payments.

The interest rate on the mortgage is variable, with an initial rate of 5%, and a term of 15 years. The interest rate is fixed at 5% for the first five years, with potential interest rate adjustments for each five-year period thereafter. The interest rate increases are subject to a cap of no more than 2% for each five-year period.

As of December 31, 2014, the monthly payment on the mortgage was \$2,870.58, with a remaining principal balance of \$274,107.

The following is a schedule of expected future mortgage principal payments:

	<u>Amount</u>
2015	\$19,414
2016	22,217
2017	23,354
2018 and beyond	<u>209,122</u>
Total	<u>\$274,107</u>

NOTE 8—SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2015, the date that the financial statements were available to be issued.