

**RACHEL KOHL COMMUNITY LIBRARY, INC**

**DECEMBER 31, 2015**

RACHEL KOHL COMMUNITY LIBRARY, INC

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
RACHEL KOHL COMMUNITY LIBRARY, INC

We have audited the accompanying financial statements of Rachel Kohl Community Library (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2015, 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, 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 Note 2; 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 of material misstatement.

An audit involves performing procedures to obtain 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 statement of assets, liabilities and net assets Rachel Kohl Community Library as of December 31, 2015, and related statement of support, revenue, expenses and changes in net assets, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

### **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 page 5 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.

Michael J. O'Doherty, P.C.

**December 5, 2016**

Springfield, Pennsylvania

Rachel Kohl Community Library, Inc  
Statement of Assets, Liabilities and  
Net Assets - Modified Cash Basis  
As of December 31, 2015

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 123,901
Total Current Assets	<u>123,901</u>
Fixed Assets, at cost:	
Building	363,000
Accumulated Depreciation	<u>(53,517)</u>
Fixed Assets, net	<u>309,483</u>
Total Assets	<u><u>\$ 433,384</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	\$ 22,309
Total Current Liabilities	<u>22,309</u>
Notes Payable - Non Current Portion	<u>230,573</u>
Total Liabilities	<u>252,882</u>
Net Assets:	
Unrestricted	180,502
Temporarily Restricted	<u>0</u>
Total Net Assets	<u>180,502</u>
Total Liabilities and Net Assets	<u><u>\$ 433,384</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

Rachel Kohl Community Library, Inc  
Statement of Support, Revenue, Expenses and  
Change in Net Assets - Modified Cash Basis  
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Support:				
Township Government	\$ 268,037			\$ 268,037
State and County Governments	41,627			41,627
Total Support	<u>309,664</u>	<u>0</u>	<u>0</u>	<u>309,664</u>
Revenue:				
Contributions, Grants and Gifts	6,958	0		6,958
Fundraising	31,984			31,984
Fines and Other Revenue	33,879			33,879
Investment Income	61	0		61
PA Sales Tax Collected	39			39
Total Revenue	<u>72,921</u>	<u>0</u>	<u>0</u>	<u>72,921</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>382,585</u>	<u>0</u>	<u>0</u>	<u>382,585</u>
<b>EXPENSES</b>				
Salaries, Payroll Taxes and Benefits	240,022			240,022
Purchases for Circulating Library	35,986			35,986
Telephone and Utilities	21,919			21,919
Supplies	4,669			4,669
Insurance	7,228			7,228
Furniture and Equipment	67,832			67,832
PA Sales Tax Paid	491			491
Office, Seminars, and Other Expenses	4,559			4,559
Program Expenses	2,251			2,251
Professional Fees	2,250			2,250
Library Programs	5,908			5,908
Depreciation	9,307			9,307
Property Management	3,250			3,250
Interest	13,237			13,237
<b>TOTAL EXPENSES</b>	<u>418,909</u>	<u>0</u>	<u>0</u>	<u>418,909</u>
<b>CHANGE IN NET ASSETS</b>	<u>(36,324)</u>	<u>0</u>	<u>0</u>	<u>(36,324)</u>
Net Assets, January 1, 2015	<u>216,826</u>	<u>0</u>	<u>0</u>	<u>216,826</u>
Net Assets, December 31, 2015	<u>\$ 180,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,502</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Rachel Kohl Community Library, Inc  
Statement of Cash Flows - Modified Cash Basis  
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (36,324)
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 (27,017)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase and Acquisition of Property and Equipment	<u>-</u>
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NET CASH USED IN INVESTING ACTIVITIES -

CASH FLOWS USED FOR FINANCING ACTIVITIES

Principal Payments on Long Term Debt	<u>(21,225)</u>
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NET CASH USED FOR FINANCING ACTIVITIES (21,225)

NET DECREASE IN CASH AND CASH EQUIVALENTS (48,242)

CASH AND CASH EQUIVALENTS, JANUARY 1, 2015 172,143

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2015 \$ 123,901

See Independent Auditor's Report and Notes to the Financial Statements.

Rachel Kohl Community Library, Inc  
Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended December 31, 2015

	Unrestricted			<u>Total</u>
	<u>Program Expenses</u>	<u>Administration Expenses</u>	<u>Fundraising Expenses</u>	
Library Books, Periodicals, and Publications	\$ 29,055	\$ -		\$ 29,055
Audio-Visual Materials	\$ 6,519	\$ -		6,519
Grant Expenses	\$ 1,902	\$ -		1,902
Wages, Payroll Taxes, and Processing Costs	218,498	\$ 24,278		242,776
Library Supplies	1,690	\$ -		1,690
Telephone	2,486	\$ 277		2,763
Office Supplies and Postage	3,368	\$ 375		3,743
Equipment and Computer Expenses	60,757	\$ 6,751		67,508
Program Expenses	6,557	\$ -		6,557
Legal and Professional	-	\$ 2,250		2,250
Licenses and Permits	-	\$ 1,695		1,695
Other Operating Expenses	1,006	\$ 112		1,118
Utilities	17,240	\$ 1,916		19,156
Property Management		\$ 3,250		3,250
Mortgage Payments	11,913	\$ 1,324		13,237
Promotions	371	\$ -		371
Security	417	\$ 47		464
Depreciation	-	\$ 9,307		9,307
Dues & Memberships	-	\$ 1,074		1,074
Insurances	4,026	\$ 448		4,474
	<u>\$ 365,805</u>	<u>\$ 53,104</u>	<u>\$ -</u>	<u>\$ 418,909</u>

See Independent Auditor's Report and Notes to the Financial Statements.

RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 received 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.

**Unrestricted Net Assets**

Unrestricted net assets consist of resources available for the various programs and administration of the Library which have not been restricted by a donor.

Board designated net assets represents amounts established by the Board of Directors and represents funds which are set aside for future needs of the Library.

Unrestricted, undesignated net assets are available for the various programs and administration of the Library.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor for a particular purpose are recognized as revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end.

When a donor 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." The Library does not imply a time restriction on gifts of long-lived assets.

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of donor restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.



RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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.

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.

RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 4-CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, 2015 consisted of:

Cash – Operating Checking	\$98,992
Cash – Payroll	12,556
Petty Cash	50
PLGIT	28
Property Management	<u>12,275</u>
Total	<u>\$123,901</u>

The Library has an agreement wherein the Library building is managed by a third party property management company. Under the agreement a separate checking account is required to be maintained to cover the costs of the property and the property management.

**NOTE 5-TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2015, 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  
DECEMBER 31, 2015

**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 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, 2015, the monthly payment on the mortgage was \$2,870.58, with a remaining principal balance of \$252,882.

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

	<u>Amount</u>
2016	22,309
2017	23,451
2018	24,651
2019 and beyond	<u>182,471</u>
Total	<u>\$252,882</u>

**NOTE 8—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 5, 2016, the date that the financial statements were available to be issued.