

RACHEL KOHL COMMUNITY LIBRARY, INC

DECEMBER 31, 2016

RACHEL KOHL COMMUNITY LIBRARY, INC

DECEMBER 31, 2016

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Independent Accountant’s Review Report	1
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis As of December 31, 2016	2
Statement of Support, Revenue, Expenses, and Change in Net Assets – Modified Cash Basis For the Year Ended December 31, 2016	3
Statement of Cash Flows – Modified Cash Basis For the Year Ended December 31, 2016	4
Statement of Functional Expenses – Modified Cash Basis For the Year Ended December 31, 2016	5
Notes to the Financial Statements	6-9



MICHAEL J. O'DOHERTY, P.C. *Certified Public Accountant*

A Professional Corporation

373 Baltimore Pike • Springfield, Pennsylvania 19064 • (610) 604-4700 • Fax (610) 544-9525

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

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, functional expenses and 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'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 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.

Accountant's Responsibility

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.

Accountant's Responsibility

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.

July 6, 2017

Springfield, Pennsylvania

Rachel Kohl Community Library, Inc
Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
As of December 31, 2016

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 100,665
Total Current Assets	<u>100,665</u>
Fixed Assets, at cost:	
Building	363,000
Accumulated Depreciation	<u>(62,824)</u>
Fixed Assets, net	<u>300,176</u>
Total Assets	<u><u>\$ 400,841</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	\$ 23,353
Total Current Liabilities	<u>23,353</u>
Notes Payable - Non Current Portion	<u>209,122</u>
Total Liabilities	<u>232,475</u>
Net Assets:	
Unrestricted	168,366
Temporarily Restricted	<u>0</u>
Total Net Assets	<u>168,366</u>
Total Liabilities and Net Assets	<u><u>\$ 400,841</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support:				
Township Government	\$ 261,004			\$ 261,004
State and County Governments	49,053			49,053
Total Support	<u>310,057</u>	<u>0</u>	<u>0</u>	<u>310,057</u>
Revenue:				
Contributions, Grants and Gifts	86,464	0		86,464
Fundraising	32,744			32,744
Fines and Other Revenue	33,215			33,215
Investment Income	28	0		28
PA Sales Tax Collected	16			16
Total Revenue	<u>152,467</u>	<u>0</u>	<u>0</u>	<u>152,467</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	<u>0</u>	<u>0</u>		<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>462,524</u>	<u>0</u>	<u>0</u>	<u>462,524</u>
EXPENSES				
Salaries, Payroll Taxes and Benefits	220,828			220,828
Purchases for Circulating Library	34,754			34,754
Telephone and Utilities	21,013			21,013
Supplies	6,316			6,316
Insurance	12,554			12,554
Furniture and Equipment	59,642			59,642
PA Sales Tax Paid	350			350
Office, Seminars, and Other Expenses	4,731			4,731
Program Expenses	3,976			3,976
Professional Fees	0			0
Library Programs	11,435			11,435
Depreciation	9,307			9,307
Keystone Projects	75,049			75,049
Property Management	3,363			3,363
Interest	11,342			11,342
TOTAL EXPENSES	<u>474,660</u>	<u>0</u>	<u>0</u>	<u>474,660</u>
CHANGE IN NET ASSETS	(12,136)	0	0	(12,136)
Net Assets, January 1, 2016	<u>180,502</u>	<u>0</u>	<u>0</u>	<u>180,502</u>
Net Assets, December 31, 2016	<u>\$ 168,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,366</u>

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets		\$ (12,136)
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		(2,829)
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>(20,407)</u>	
NET CASH USED FOR FINANCING ACTIVITIES		<u>(20,407)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(23,236)
CASH AND CASH EQUIVALENTS, JANUARY 1, 2016		<u>123,901</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2016		<u><u>\$ 100,665</u></u>

See accompanying notes and independent accountant's review report.

Rachel Kohl Community Library, Inc
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2016

	Unrestricted			
	Program	Administration	Fundraising	Total
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Total</u>
Library Books, Periodicals, and Publications	\$ 27,631	\$ -		\$ 27,631
Audio-Visual Materials	6,959	-		6,959
Grant Expenses	-	-		-
Wages, Payroll Taxes, and Processing Costs	205,753	22,862		228,615
Library Supplies	3,605	-		3,605
Compliance	-	66		66
Telephone	6,450	717		7,167
Office Supplies and Postage	2,718	303		3,021
Equipment and Computer Expenses	53,674	5,964		59,638
Program Expenses	15,411	-		15,411
Professional Development	-	397		397
Legal and Professional	-	-		-
Licenses and Permits	-	-		-
Other Operating Expenses	443	50		493
Utilities	12,461	1,385		13,846
Keystone Projects	67,544	7,505		75,049
Property Management		3,363		3,363
Capital Improvements & Related Expenses	-	-		-
Mortgage Payments	10,207	1,135		11,342
Promotions	804	-		804
Outreach	-	414		414
Security	216	24		240
Depreciation	-	9,307		9,307
Dues & Memberships	-	2,525		2,525
Insurances	4,290	477		4,767
	<u>\$ 418,166</u>	<u>\$ 56,494</u>	<u>\$ -</u>	<u>\$ 474,660</u>

See accompanying notes and independent accountant's review report.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

NOTE 4-CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2016 consisted of:

Cash – Operating Checking	\$74,004
Cash – Payroll	18,682
Petty Cash	50
PLGIT	28
Property Management	<u>59,649</u>
Total	<u>\$152,413</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, 2016, 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, 2016

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, 2016, the monthly payment on the mortgage was \$2,870.58, with a remaining principal balance of \$232,475.

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

	<u>Amount</u>
2017	23,354
2018	24,548
2019	25,804
2020 and beyond	<u>158,769</u>
Total	<u>\$232,475</u>

NOTE 8—SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 11, 2017, the date that the financial statements were available to be issued.