

**RACHEL KOHL COMMUNITY LIBRARY, INC**

**DECEMBER 31, 2018**

RACHEL KOHL COMMUNITY LIBRARY, INC

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

A Professional Corporation

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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, 2018, 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, 2018, and related statement of support, revenue, expenses and changes in net assets, cash flows, and functional expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Michael J. O'Doherty, P.C.

**May 13, 2019**

Springfield, Pennsylvania

Rachel Kohl Community Library, Inc  
Statement of Assets, Liabilities and  
Net Assets - Modified Cash Basis  
As of December 31, 2018

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 214,393
Escrow Account	551
Total Current Assets	<u>214,944</u>
Fixed Assets, at cost:	
Building	363,000
Accumulated Depreciation	<u>(81,442)</u>
Fixed Assets, net	<u>281,558</u>
Total Assets	<u><u>\$ 496,502</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	\$ 15,437
Total Current Liabilities	<u>15,437</u>
Notes Payable - Non Current Portion	<u>208,653</u>
Total Liabilities	<u>224,090</u>
Net Assets:	
Without donor restrictions	<u>272,412</u>
Total Net Assets	<u>272,412</u>
Total Liabilities and Net Assets	<u><u>\$ 496,502</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, 2018

	<b><u>Without Donor Restrictions</u></b>
<b>SUPPORT AND REVENUE</b>	
Support:	
Municipalities	\$ 313,368
State and County Governments	49,527
Use of Contributed Building Costs	<u>14,524</u>
Total Support	<u>377,419</u>
Revenue:	
Contributions, Grants and Gifts	55,360
Fundraising	60,476
Library Revenue	29,931
Rental	10,847
Investment Income	<u>53</u>
Total Revenue	<u>156,667</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u><u>534,086</u></u>
<b>EXPENSES</b>	
Library Programs	328,978
Administration	38,399
Fundraising	<u>3,711</u>
<b>TOTAL EXPENSES</b>	<u><u>371,088</u></u>
<b>CHANGE IN NET ASSETS</b>	<u>162,998</u>
Net Assets, January 1, 2018	<u>109,414</u>
Net Assets, December 31, 2018	<u><u>\$ 272,412</u></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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets		\$ 162,998
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	<u>\$ 9,310</u>	
Total Adjustments		<u>9,310</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 172,308

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in Escrow Deposit		<u>10,071</u>
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NET CASH USED IN INVESTING ACTIVITIES 10,071

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Borrowings on Long Term Debt		-
Principal Payments on Long Term Debt		<u>(32,214)</u>

NET CASH USED FOR FINANCING ACTIVITIES (32,214)

NET INCREASE IN CASH AND CASH EQUIVALENTS 150,165

CASH AND CASH EQUIVALENTS, JANUARY 1, 2018 64,228

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2018 \$ 214,393

Rachel Kohl Community Library, Inc  
Statement of Functional Expenses - Modified Cash Basis  
For the Year Ended December 31, 2018

	Without Doner Restrictions			Total
	Program <u>Expenses</u>	Administration <u>Expenses</u>	Fundraising <u>Expenses</u>	
Payroll	\$ 198,724	\$ 22,081		\$ 220,805
Payroll Taxes	19,557	2,174		21,731
Purchases for Circulating Library	27,335	-		27,335
Occupancy	22,330	2,482		24,812
Library Programs	7,003	-		7,003
Furniture and Equipment	3,524	392		3,916
Telephone	1,679	187		1,866
Utilities	13,476	1,498		14,974
Library Supplies	1,254	-		1,254
Fundraising			3,711	3,711
Interest	8,613	957		9,570
Insurances	7,092	788		7,880
Depreciation	9,310	-		9,310
Professional	-	2,750		2,750
Property Management		3,000		3,000
Office Supplies and Postage	1,453	162		1,615
Other Operating Expenses	798	89		887
Security	54	6		60
Dues & Memberships	-	1,080		1,080
Keystone Grant For Public Libraries	6,776	753		7,529
	<u>\$ 328,978</u>	<u>\$ 38,399</u>	<u>\$ 3,711</u>	<u>\$ 371,088</u>

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

RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**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 expensed when acquired.

Basis of Presentation

Net Assets

The financial statements report net assets and changes in net assets based on the existence or absence of restrictions on use that are placed by donors. The Library has no net assets with donor restrictions. Consequently, the Library reports information regarding its financial position and activities as net assets without donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

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.



RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor.

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 \$5,000. 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 Library reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years.

RACHEL KOHL COMMUNITY LIBRARY, INC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**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, 2018 consisted of:

Cash – Operating Checking	\$175,024
Cash – Payroll	39,291
Petty Cash	50
PLGIT	<u>28</u>
Total	<u>\$214,393</u>

**NOTE 5-ESCROW DEPOSIT**

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

**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, 2018

**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. In April 2017, the interest rate was reduced from 5% to 4.5%, 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, 2018, the monthly payment on the mortgage was \$2,8717.43, with a remaining principal balance of \$181,218.

The Library refinanced the mortgage effective January 1, 2019 with a fixed interest rate of 3.5% and a term of 30 years. The new monthly payment as of January 1, 2019 is \$804.19

In 2017, the Library executed a \$50,000 promissory note with an individual for the purposes of funding operations. The note is interest free and is required to be repaid \$1,000 per month beginning July 1, 2018.

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

	<u>Amount</u>
2019	15,437
2020	15,560
2021	15,686
2022	12,817
2023	3,953
2024 and beyond	<u>160,637</u>
Total	<u>\$224,090</u>

**NOTE 8—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 13, 2019, the date that the financial statements were available to be issued.