

RACHEL KOHL COMMUNITY LIBRARY, INC

DECEMBER 31, 2020

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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, 2020, 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; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Michael J. O'Doherty, P.C.

August 20, 2021

Springfield, Pennsylvania

Rachel Kohl Community Library, Inc
Statement of Assets, Liabilities and
Net Assets - Modified Cash Basis
As of December 31, 2020

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 343,076
Escrow Account	3,088
Total Current Assets	<u>346,164</u>
Fixed Assets, at cost:	
Building	363,000
Capital Improvements	204,937
Accumulated Depreciation	<u>(104,769)</u>
Fixed Assets, net	<u>463,168</u>
Total Assets	<u><u>\$ 809,332</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current Portion of Notes Payable	\$ 15,686
PPP Loan Payable	49,862
Total Current Liabilities	<u>65,548</u>
Notes Payable - Non Current Portion	<u>176,407</u>
Total Liabilities	<u>241,955</u>
Net Assets:	
Without donor restrictions	<u>567,377</u>
Total Net Assets	<u>567,377</u>
Total Liabilities and Net Assets	<u><u>\$ 809,332</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, 2020

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE	
Support:	
Municipalities	\$ 288,832
State and County Governments	51,333
Use of Contributed Building Costs	<u>6,933</u>
Total Support	<u>347,098</u>
Revenue:	
Contributions, Grants and Gifts	99,294
Fundraising	54,831
Library Revenue	14,553
Rental	10,834
Investment Income	<u>486</u>
Total Revenue	<u>179,998</u>
TOTAL SUPPORT AND REVENUE	<u><u>527,096</u></u>
EXPENSES	
Library Programs	320,001
Administration	38,448
Fundraising	<u>3,466</u>
TOTAL EXPENSES	<u><u>361,915</u></u>
CHANGE IN NET ASSETS	<u>165,181</u>
Net Assets, January 1, 2020	<u>402,196</u>
Net Assets, December 31, 2020	<u><u>\$ 567,377</u></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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 165,181
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	<u>\$ 14,019</u>
Total Adjustments	<u>14,019</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 179,200

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in Escrow Deposit	(1,733)
Purchase and Acquisition of Property and Equipment	<u>(204,937)</u>

NET CASH USED IN INVESTING ACTIVITIES (206,670)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program	49,862
Principal Payments on Long Term Debt	<u>(14,268)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 35,594

NET INCREASE IN CASH AND CASH EQUIVALENTS 8,124

CASH AND CASH EQUIVALENTS, JANUARY 1, 2020 334,952

CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020 \$ 343,076

Interest Expense Paid For the Year Ended December 31, 2020 totalled \$5,575

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, 2020

	Without Donor Restrictions			Total
	Program <u>Expenses</u>	Administration <u>Expenses</u>	Fundraising <u>Expenses</u>	
Payroll	\$ 216,156	\$ 24,018		\$ 240,174
Payroll Taxes	19,757	2,196		21,953
Purchases for Circulating Library	15,639	-		15,639
Occupancy	21,289	2,366		23,655
Library Programs	3,046	-		3,046
Furniture and Equipment	836	93		929
Telephone	2,208	246		2,454
Utilities	9,811	1,091		10,902
Library Supplies	934	-		934
Fundraising			3,466	3,466
Interest	5,017	558		5,575
Insurances	7,331	815		8,146
Depreciation	14,019	-		14,019
Professional	-	2,950		2,950
Property Management		3,000		3,000
Office Supplies and Postage	630	71		701
Other Operating Expenses	3,328	370		3,698
Security	-	-		-
Dues & Memberships	-	674		674
Keystone Grant For Public Libraries	-	-		-
	<u>\$ 320,001</u>	<u>\$ 38,448</u>	<u>\$ 3,466</u>	<u>\$ 361,915</u>

See accompanying notes and independent accountant's review report.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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.

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, 2020

NOTE 4-CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2020 consisted of:

Cash – Operating Checking	\$307,690
Cash – Payroll	29,056
PayPal Bank	1,318
Petty Cash	50
PLGIT	<u>4,962</u>
Total	<u>\$343,076</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.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll	Time and effort
Insurances	Time and effort
Occupancy	Square footage
Utilities	Time and effort
Professional Services	Full time equivalent
Telephone	Time and effort

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8– AVAILABILITY AND LIQUIDITY

The following represents the Library’s financial assets at December 31, 2020:

Financial assets at year-end:	
Cash and Cash Equivalents	<u>\$343,076</u>
Total financial assets	343,076
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>-0-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$343,076</u>

The Library’s goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 9–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 \$2,871.43, 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. As of December 31, 2020 the remaining principal was \$172,093.

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9-LIBRARY BUILDING AND MORTGAGE (Cont.)

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 and promissory note payments:

	<u>Amount</u>
2021	\$15,686
2022	11,817
2023	3,953
2024	4,094
2025	4,239
2026 and beyond	<u>152,304</u>
Total	<u>\$192,093</u>

NOTE 10 - OTHER OPERATING EXPENSES - LOCAL EFFORT

The Library benefits from the payment of certain operating expenses that are paid by the Concord Township. The Library is not required to reimburse the Township for these expenses. For the year ended December 31, 2020, the expenses were as follows:

Trash removal & recycling	\$ 1,506
Landscaping	4,352
Winter maintenance & plowing	812
License and Inspection	150
Supplies	<u>113</u>
Total	<u>\$ 6,933</u>

RACHEL KOHL COMMUNITY LIBRARY, INC
NOTES TO FINANCIAL STATEMENTS
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NOTE 11– COVID 19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which has impacted global business operations.

During 2020, the Library reduced its operating levels following the declaration of the pandemic.

During the year ended December 31, 2020, the Library received a first draw Paycheck Protection Program (PPP) loan in the amount of \$49,862. The PPP Loan program was created under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent qualifying expenses and if staffing level and salary maintenance requirements are met. The Library may use the funds on qualifying expenses over a covered period from eight to twenty four weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years with interest accruing at a rate of 1.00 percent, with monthly payments of principal and interest beginning ten months after the conclusion of the covered period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. The Library submitted a request for forgiveness and was notified on February 26, 2021 that the first draw PPP loan was forgiven. The Library will recognize \$49,862 received under the PPP loan program as other income in the statement of operations in 2021.

If SBA determines the Library was not initially eligible under the program or concludes that the Library did not have any adequate basis for making the good-faith certification of the necessity of the loan at the time of application, the loan could become payable on demand. Although management considers it probable that the Library was initially eligible for the loan and subsequent forgiveness, the SBA has the ability to review the Library’s loan file for a period subsequent to the date the loan was forgiven and could request additional documentation to support the Library’s initial eligibility for the loan and the request for forgiveness. In the event the SBA subsequently determines the Library did not meet the initial eligibility requirements for the PPP loan or did not qualify for forgiveness, the SBA may pursue legal remedies at its discretion.

NOTE 12–SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2021, the date that the financial statements were available to be issued.