

RACHEL KOHL COMMUNITY LIBRARY, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022



RACHEL KOHL COMMUNITY LIBRARY, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rachel Kohl Community Library, Inc.
Glen Mills, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rachel Kohl Community Library, Inc., which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2022, and the related statements of support, revenue, and expenses - modified cash basis, functional expenses - modified cash basis, cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rachel Kohl Community Library, Inc. as of December 31, 2022, and the results of its activities and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Rachel Kohl Community Library, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for 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 that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rachel Kohl Community Library, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rachel Kohl Community Library, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rachel Kohl Community Library, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
September 28, 2023

RACHEL KOHL COMMUNITY LIBRARY, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 652,343
Escrow account	342
Total current assets	652,685
Land, property, and equipment	
Building	363,000
Capital improvements	329,774
Less: accumulated depreciation	(138,492)
Total property and equipment	554,282
TOTAL ASSETS	\$ 1,206,967

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	
Notes payable - current portion	\$ 7,953
Other current liabilities	4,931
Total current liabilities	12,884
Long-term liabilities	
Notes payable - long-term portion	161,283
TOTAL LIABILITIES	174,167

NET ASSETS

Net Assets	
Without donor restrictions	1,032,800
TOTAL LIABILITIES AND NET ASSETS	\$ 1,206,967

RACHEL KOHL COMMUNITY LIBRARY, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

SUPPORT AND REVENUE

Support

Municipalities	\$ 350,366
State and county governments	54,002
Contributed building costs	9,888
Total Support	<u>414,256</u>

Revenue

Contributions, grants and gifts	7,771
Fundraising	65,547
Library revenue	22,123
Rental	13,325
Investment Income	3,218
Other income	2,374
Total Revenue	<u>114,358</u>

Total Support and Revenue	<u>528,614</u>
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EXPENSES

Programs	337,756
Management and general	67,132
Fundraising	8,442
Total Expenses	<u>413,330</u>

Change in net assets	115,284
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Net assets, beginning of year	917,516
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Net assets, end of year	<u>\$ 1,032,800</u>
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See accompanying Notes to Financial Statements.

RACHEL KOHL COMMUNITY LIBRARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

	Programs	Management and General	Fundraising	Total Expenses
Payroll	\$ 204,757	\$ 50,926	\$ 4,244	\$ 259,927
Payroll taxes	19,108	4,752	396	24,256
Depreciation	17,180	156	13	17,349
Dues and memberships	880	-	100	980
Fundraising	-	-	3,621	3,621
Furniture and equipment	1,061	-	-	1,061
Insurance	7,208	977	36	8,221
Interest	-	4,883	-	4,883
Library programs	9,336	-	-	9,336
Library supplies	34	-	-	34
Occupancy	28,634	260	22	28,916
Office supplies and postage	-	415	-	415
Other operating expenses	472	655	-	1,127
Professional fees	-	3,450	-	3,450
Property management fees	2,971	27	2	3,000
Purchases of circulating library	33,950	-	-	33,950
Telephone	2,160	540	-	2,700
Utilities	10,005	91	8	10,104
Total	<u>\$ 337,756</u>	<u>\$ 67,132</u>	<u>\$ 8,442</u>	<u>\$ 413,330</u>

See accompanying Notes to Financial Statements.

RACHEL KOHL COMMUNITY LIBRARY, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 115,284
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	17,349
(Increase) in escrow deposit	(77)
Increase in other liabilities	3,410
Net cash provided by operating activities	<u>135,966</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(120,247)</u>
Net cash used in investing activities	<u>(120,247)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of long-term debt	<u>(7,171)</u>
Net cash used for financing activities	<u>(7,171)</u>
Net increase in cash	8,548
Cash and cash equivalents, beginning of year	<u>643,795</u>
Cash and cash equivalents, end of year	<u><u>\$ 652,343</u></u>
SUPPLEMENTAL INFORMATION:	
Cash paid during the year for interest	4,883

See accompanying Notes to Financial Statements.

RACHEL KOHL COMMUNITY LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 ORGANIZATION

Rachel Kohl Community Library, Inc. (“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 accounting principles generally accepted in the United States of America. 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.

Financial Statement Presentation

To ensure the observance of limitations and restrictions on the use of resources available to the Library, its net assets and revenues have been reported according to the following classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets may be used at the discretion of the Library’s management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions or law. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. These donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2022, the Library did not have any net assets with donor restrictions.

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.

Cash and Cash Equivalents

The Library considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

RACHEL KOHL COMMUNITY LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Library 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. Depreciation expense for the year ended December 31, 2022, totaled \$17,349.

Contributions, Grants and Gifts Revenue

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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from 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 asset is specifically restricted by the donor.

State, County and Municipalities Revenue

The Library receives annual funding from the state, county and five townships- Bethel Township, Chadds Ford Township, Chester Heights Borough, Concord Township and Thornbury Township. These funds are recognized as an increase in net assets without restrictions when received.

RACHEL KOHL COMMUNITY LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Library is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements. The Library follows accounting guidance for uncertain tax positions. The Library believes that it has appropriate support for any tax position taken and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing the Library's programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Accordingly, salaries, payroll taxes and benefits are allocated among programs, management and general and fundraising categories based on the time effort towards those activities and their related costs. Directly identifiable expenses are charged to program and supporting services based upon invoices received. Management and general expenses include those expenses that are not directly identifiable with any other specific function and provide for the overall support and direction of the Library.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Library maintains cash accounts, which at times, may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor. As of December 31, 2022, the cash balance in the amount of \$189,844 exceeded the insured limit.

NOTE 4 LIQUIDITY AND AVAILABILITY

The following represents the Library's financial assets at December 31, 2022:

Financial assets, at year-end	
Cash and cash equivalents	\$ 652,343
Total Financial assets available to meet cash needs for general expenditure within one year	<u> 652,343</u>

The Library's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Library regularly monitors liquidity required to meet its operating needs and other contractual commitments.

**RACHEL KOHL COMMUNITY LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

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 MORTGAGE PAYABLE

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 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, 2022, the remaining principal was \$165,236.

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. As of December 31, 2022, the remaining principal was \$4,000.

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 7,953
2024	4,093
2025	4,239
2026	4,390
2027	4,546
Thereafter	144,015
Total	<u>\$ 169,236</u>

NOTE 7 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. Such expenses are included within occupancy in the statement of functional expenses - modified cash basis. The Library records these benefits as in-kind support. For the year ended December 31, 2022, the expenses were as follows:

Lawn maintenance	\$ 7,210
Trash and recycling	2,678
Total	<u>\$ 9,888</u>

**RACHEL KOHL COMMUNITY LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

NOTE 8 RELATED PARTY TRANSACTIONS

The donations made by board members for the Library's annual fund raiser amounted to \$3,100 for the year ended December 31, 2022.

NOTE 9 SUBSEQUENT EVENTS

The Library has evaluated subsequent events through September 28, 2023, the date which the financial statements were available to be issued.