

Grove City Community Library

Financial Statements – Modified Cash Basis

**Year Ended December 31, 2023
with Independent Accountant's Review Report**

MaherDuessel

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GROVE CITY COMMUNITY LIBRARY

YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

Independent Accountant's Review Report

Financial Statements- Modified Cash Basis:

Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis	1
Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis	2
Statement of Functional Expenses – Modified Cash Basis	3
Statement of Cash Flows - Modified Cash Basis	4
Notes to Financial Statements – Modified Cash Basis	5

Independent Accountant's Review Report

Board of Trustees Grove City Community Library

We have reviewed the accompanying modified cash basis financial statements (financial statements) of Grove City Community Library (Library), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2023 and the related statements of revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to financial statements – modified cash basis. 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 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.

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 the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 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 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.

Maher Duessel

Pittsburgh, Pennsylvania
November 12, 2024

GROVE CITY COMMUNITY LIBRARY, INC.

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2023

Assets	
Cash and cash equivalents	\$ 85,499
Fixed assets, net of accumulated depreciation	<u>601,994</u>
Total Assets	<u><u>\$ 687,493</u></u>
Liabilities and Net Assets	
Liabilities:	
Payroll taxes payable	<u>\$ 5,439</u>
Total Liabilities	<u>5,439</u>
Net Assets:	
Without donor restrictions	676,417
With donor restrictions	<u>5,637</u>
Total Net Assets	<u>682,054</u>
Total Liabilities and Net Assets	<u><u>\$ 687,493</u></u>

See accompanying notes to financial statements- modified cash basis
and independent accountant's review report.

GROVE CITY COMMUNITY LIBRARY, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues:			
Contributions and grants	\$ 152,688	\$ -	\$ 152,688
Fines and other operating revenues	44,006		44,006
Fundraising	19,771	-	19,771
Net investment income (Loss)	5,303	-	5,303
Total revenues	221,768	-	221,768
Expenses:			
Program	196,259	-	196,259
Management and general	32,002	-	32,002
Fundraising	1,828	-	1,828
Total expenses	230,089	-	230,089
Change in net assets before changes related to collection items not capitalized	(8,321)	-	(8,321)
Changes in net assets related to collection items not capitalized:			
Collection items purchased	(14,121)	-	(14,121)
Change in Net Assets	(22,442)	-	(22,442)
Net Assets:			
Beginning of year	698,859	5,637	704,496
End of year	\$ 676,417	\$ 5,637	\$ 682,054

See accompanying notes to financial statements- modified cash basis
and independent accountant's review report.

GROVE CITY COMMUNITY LIBRARY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

	Program	Management and General	Fundraising	Total
Salaries	\$ 118,104	\$ 25,487	\$ -	\$ 143,591
Payroll taxes and benefits	14,822	2,720	-	17,542
Operating	33,467	2,805	-	36,272
Collection supplies	4,786	-	-	4,786
Fundraising	-	-	1,828	1,828
Programs	2,606	-	-	2,606
Depreciation	21,681	-	-	21,681
Miscellaneous	793	990	-	1,783
	<u>\$ 196,259</u>	<u>\$ 32,002</u>	<u>\$ 1,828</u>	<u>\$ 230,089</u>
Total expenses	<u>\$ 196,259</u>	<u>\$ 32,002</u>	<u>\$ 1,828</u>	<u>\$ 230,089</u>

See accompanying notes to financial statements- modified cash basis
and independent accountant's review report.

GROVE CITY COMMUNITY LIBRARY, INC.

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:

Change in net assets	\$ (22,442)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	21,681
Net realized and unrealized (gains) losses on investments	(3,743)
Change in:	
Payroll taxes payable	(3,911)
Net cash provided by (used in) operating activities	(8,415)

Cash Flows From Investing Activities:

Purchase of investments	(156)
Sale of investments	79,566
Net cash provided by (used in) investing activities	79,410
Net Increase (Decrease) in Cash and Cash Equivalents	70,995

Cash and Cash Equivalents:

Beginning of year	14,504
End of year	\$ 85,499

See accompanying notes to financial statements- modified cash basis
and independent accountant's review report.

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

1. Library and Nature of Activities

The function of the Grove City Community Library, Inc. (Library) is to promote literacy enhancement and entertainment to the people of the surrounding community. The Library is funded through donations, pledges, and fundraisers, as well as, receiving support from local municipalities and other non-profit libraries. These funds are used to purchase literacy inventory, as well as, to maintain the fixed assets.

2. Summary of Significant Accounting Principles

Basis of Accounting

The Library's financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting, other than accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when received, rather than when promised or earned, and expenses are recognized when cash is disbursed, rather than when the obligation is incurred. Long-term debt, including operating lease liabilities, is not recorded as a liability under the modified cash basis of accounting. Under the modified cash basis, the financial transactions of the Library (except for investments being recorded at fair value, the capitalization of fixed assets and related depreciation, and the recording of payroll accruals) are record when the actual cash transaction occurs, regardless of when the revenue is earned of the expense obligations are incurred.

Financial Statement Presentation

The Library reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed restriction or stipulations as to purpose or use.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will meet either the actions of the Library and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources are maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

investments for general or specific purposes. When a donor-restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and changes in net assets - modified cash basis as net assets released from restrictions. 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. It is the Library's policy to report contributions with restrictions whose restrictions are met in the same fiscal year as contributions without donor restrictions. At December 31, 2023, the Library had \$5,637 in net assets with donor restrictions restricted as an endowment.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are valued at fair values.

Realized and unrealized gains or losses are determined based on specific identification by comparison of asset cost to net proceeds received at the time of disposal or changes in the difference between fair values and cost, respectively. Realized and unrealized gains or losses are reflected in the applicable net assets without donor restrictions or net assets with donor restrictions.

Fixed Assets

Fixed assets with a value of \$1,000 or greater are capitalized at cost and depreciated over the estimated useful lives of the respective assets on a straight-line basis.

Leases

In accordance with the modified cash basis of accounting, operating lease payments are recorded as part of expense at the time of the lease payment. Right of-use assets and operating lease liabilities associated with operating leases have not been recorded. Finance leases are included in fixed assets on the statements of assets, liabilities, and net assets - modified cash basis.

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

Compensated Absences

Employees of the Library are entitled to paid vacation depending on the length of service and other factors. No carryover to future years of these compensated absences is permitted and, accordingly, no liability has been recorded in the accompanying modified cash basis financial statements. The Library's policy is to recognize the costs of compensated absences when actually paid to employees.

Collections

The collections of the Library, which were acquired through purchases and contributions since the Library's inception, are not recognized as assets on the statement of assets, liabilities, and net assets - modified cash basis. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Revenue and Revenue Recognition

Contributions that the Library receives from Grove City, local governments, and grants are generally available for unrestricted use for operating purposes.

Contributed Services

Many volunteers make significant contributions to the Library, principally in the areas of administration and fundraising. The value of the volunteers' contributed time is not reflected in the accompanying financial statements, in accordance with the modified cash basis of accounting.

Concentration of Risk Factors

The Library's main source of revenue is earned through state and local government funding, as well as contributions from individuals, foundations, Libraries, and businesses in the Western Pennsylvania area. In addition, its employees and vendors primarily reside in the Grove City area. Thus, economic, political, and demographic influences on the Western Pennsylvania area have a substantial impact on the Library's operations.

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

Income Taxes

The Internal Revenue Service considers the Library exempt from federal income tax as defined in Section 501(c)(3) of the Internal Revenue Code and is considered to be “other than a private foundation.” Further, the Library annually files a Form 990.

Accordingly, no provision for income taxes is recorded in the financial statements. The Library has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements.

Functional Expenses

The costs of providing the various programs and support services have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets - modified cash basis. Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated based on the job descriptions of certain staff and the average costs to fulfill the mission of the Library.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent asset and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*,” is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of adoption was not considered material to the financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Accountant's Review Report date, which is the date the financial statements were available to be issued.

3. Cash and Cash Equivalents

Cash and cash equivalents are deposited at local banks and financial institutions. At December 31, 2023, the carrying amounts of the Library's deposits were \$85,499 and the bank balances were \$97,009. All of the bank balances were federally insured by the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2023.

4. Fixed Assets

Fixed assets for the year ended December 31, 2023 consisted of the following:

Finance lease- right-of-use asset	\$ 150,000
Leasehold improvements	723,465
Equipment	20,075
Furniture and fixtures	<u>102,430</u>
Total fixed assets	995,970
Less: accumulated depreciation	<u>(393,976)</u>
Net fixed assets	<u><u>\$ 601,994</u></u>

Finance Lease

In 1987, the Library entered into a lease agreement with the Borough of Grove City for their present library facility. In exchange for the \$150,000 in advance payments, the Library was given a 99-year leasehold interest. The \$150,000 has been capitalized and is being amortized over 99 years using the straight-line method. The weighted average remaining

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

lease term totaled 62.6 years. The total amortization of the finance lease cost totaled \$1,515 for the year ending December 31, 2023.

5. Endowments

As required by the modified cash basis of accounting, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. In Pennsylvania, those laws are found in 15 Pa C.S. 5548.

Investment Policies- The investment objective of the Library is to diversify investments to the greatest extent possible to minimize risks while achieving desired investment returns. The primary goal of the investments is to provide perpetual funding for the Library's operational needs and maximize total return

Spending Policies - As the investment goal is to maximize total return, it is understood that some of the principal growth in addition to the income may be used annually for operational needs.

Interpretation of Relevant Law - The Board of Trustees has interpreted the law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as net assets with donor restrictions (a) the original value of gifts donated to the temporary or permanent endowment, (b) the original value of any subsequent gifts to the temporary or permanent endowment, and (c) accumulations to the temporary or permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All unspent appreciation, depreciation and income is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Library in a manner consistent with 15 Pa C.S. 5548.

The following schedule summarizes the Library's changes in the endowment net assets as of December 31, 2023:

Endowment assets, January 1, 2023	\$ 5,637
Change in endowment assets	-
Endowment assets, December 31, 2023	<u>\$ 5,637</u>

GROVE CITY COMMUNITY LIBRARY, INC.

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2023

6. Operating Leases

In August 2020, the Library entered into a five year copier lease requiring monthly payments of \$300 through August 2025. Lease expense for the year ending December 31, 2023 was \$3,600. Future minimum lease payments at December 31 are as follows:

December 31, 2024	\$	3,600
December 31, 2025		2,400

7. Liquidity and Availability

The Library manages its liquid resources by focusing on government funding, donations, grants, and investments to ensure it has adequate revenue to cover the programs that are being conducted. The Library prepares detailed budgets which are monitored throughout the year by the Library Director and the Board.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2023:

Cash and cash equivalents	\$	85,499
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions		<u>(5,637)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>79,862</u>

8. Litigation

The Library is a party in litigation against the former director of the Library for alleged theft of assets. The Library received \$25,000 in insurance proceeds during 2023, from a claim filed by the Library with its insurance carrier regarding the loss of assets. The insurance proceeds are included in Fines and Other Operating Revenues on the statement of revenues, expenses, and changes in net assets – modified cash basis.