

**Friends of the Library,
Montgomery County, Maryland, Inc.
Financial Statements
June 30, 2018 and 2017**



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Friends of the Library, Montgomery County, Maryland, Inc.
Rockville, MD

We have audited the accompanying financial statements of Friends of the Library, Montgomery County, Maryland, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 financial position of the Friends of the Library, Montgomery County, Maryland, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Squire, Lenth & Co., LLP

November 14, 2018

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 467,420	\$ 398,604
Accounts receivable	50,343	28,340
Certificate of deposit	223,739	221,595
Prepaid expenses	5,681	13,122
TOTAL CURRENT ASSETS	<u>\$ 747,183</u>	<u>\$ 661,661</u>
OTHER ASSETS:		
Cash and cash equivalents - memorial fund	\$ 25,373	\$ 25,350
Cash and cash equivalents - fund for the future	4,367	4,367
Property and equipment, net	3,932	14,124
Deposits	9,750	9,750
TOTAL OTHER ASSETS	<u>\$ 43,422</u>	<u>\$ 53,591</u>
TOTAL ASSETS	<u><u>\$ 790,605</u></u>	<u><u>\$ 715,252</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,300	\$ 11,056
Accrued rent and payroll	70,569	57,058
MCPL awards payable	201,259	219,165
Deferred revenue	8,213	8,043
Due to chapters	66,314	58,903
TOTAL CURRENT LIABILITIES	<u>\$ 360,655</u>	<u>\$ 354,225</u>
NONCURRENT LIABILITIES:		
Deferred rent benefits, net of current portion	46,269	35,775
TOTAL LIABILITIES	<u>\$ 406,924</u>	<u>\$ 390,000</u>
NET ASSETS:		
Unrestricted	\$ 233,110	\$ 175,962
Temporarily restricted	121,204	119,923
Permanently restricted	29,367	29,367
TOTAL NET ASSETS	<u>\$ 383,681</u>	<u>\$ 325,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 790,605</u></u>	<u><u>\$ 715,252</u></u>

The accompanying notes are an integral part of these financial statements.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Book sales	\$ 1,068,236	\$ 9,301	\$ -	\$ 1,077,537	\$ 905,413	\$ 12,984	\$ -	\$ 918,397
Contributions	58,679	34,687	-	93,366	56,999	3,755	-	60,754
Grants	88,328	-	-	88,328	52,636	-	-	52,636
Membership dues	16,899	-	-	16,899	15,234	-	-	15,234
Programs and events	5,701	-	-	5,701	10,645	-	-	10,645
Annual event:								
Gross revenue and donations	24,437	-	-	24,437	21,431	-	-	21,431
Less, direct expenses	(8,963)	-	-	(8,963)	(10,711)	-	-	(10,711)
Interest and other income	2,239	23	-	2,262	717	25	-	742
Donated facilities and services	152,025	-	-	152,025	13,739	-	-	13,739
Net assets released from restrictions	42,730	(42,730)	-	-	21,488	(21,488)	-	-
TOTAL REVENUE AND SUPPORT	\$ 1,450,311	\$ 1,281	\$ -	\$ 1,451,592	\$ 1,087,591	\$ (4,724)	\$ -	\$ 1,082,867
EXPENSES:								
Program services	\$ 1,040,854	\$ -	\$ -	\$ 1,040,854	\$ 963,660	\$ -	\$ -	\$ 963,660
Supporting services:								
Management and general	\$ 311,540	\$ -	\$ -	\$ 311,540	\$ 153,748	\$ -	\$ -	\$ 153,748
Fundraising	40,769	-	-	40,769	35,368	-	-	35,368
Total supporting services	\$ 352,309	\$ -	\$ -	\$ 352,309	\$ 189,116	\$ -	\$ -	\$ 189,116
TOTAL EXPENSES	\$ 1,393,163	\$ -	\$ -	\$ 1,393,163	\$ 1,152,776	\$ -	\$ -	\$ 1,152,776
CHANGE IN NET ASSETS	\$ 57,148	\$ 1,281	\$ -	\$ 58,429	\$ (65,185)	\$ (4,724)	\$ -	\$ (69,909)
NET ASSETS, BEGINNING OF YEAR	175,962	119,923	29,367	325,252	241,147	124,647	29,367	395,161
NET ASSETS, END OF YEAR	\$ 233,110	\$ 121,204	\$ 29,367	\$ 383,681	\$ 175,962	\$ 119,923	\$ 29,367	\$ 325,252

The accompanying notes are an integral part of these financial statements.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,

	2018			2017				
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs:								
Salaries and wages	\$ 382,459	\$ 94,213	\$ 23,844	\$ 500,516	\$ 354,520	\$ 71,830	\$ 16,751	\$ 443,101
Fringe benefits	21,920	5,510	1,377	28,807	22,099	6,289	1,038	29,426
Payroll taxes	28,533	9,102	1,980	39,615	29,007	6,430	1,261	36,698
Total personnel costs	\$ 432,912	\$ 108,825	\$ 27,201	\$ 568,938	\$ 405,626	\$ 84,549	\$ 19,050	\$ 509,225
Advertising	-	3,100	590	3,690	826	2,917	16	3,759
Bank and credit card fees	36,839	3,428	2,469	42,736	35,573	3,031	2,561	41,165
Depreciation and amortization	9,894	298	-	10,192	10,129	788	-	10,917
Donated facilities	-	10,800	-	10,800	-	10,260	540	10,800
Donated services	825	138,400	2,000	141,225	-	-	2,939	2,939
Dues, fees, and subscriptions	1,348	848	195	2,391	100	615	390	1,105
Grants to MCPL	134,307	-	-	134,307	168,382	-	-	168,382
Insurance	5,235	1,316	329	6,880	11,524	2,350	540	14,414
Meetings	5,682	2,706	-	8,388	4,225	6,780	90	11,095
Parking and travel	303	93	31	427	174	213	30	417
Postage	3,012	3,324	613	6,949	3,224	2,928	2,246	8,398
Printing	18,920	2,846	1,700	23,466	11,384	4,935	3,134	19,453
Professional development	-	834	10	844	-	6,567	70	6,637
Professional fees	27,504	22,036	5,591	55,131	18,017	22,264	3,665	43,946
Public program costs	82,696	233	40	82,969	34,879	347	-	35,226
Rent	208,140	-	-	208,140	197,241	-	-	197,241
Repairs and maintenance	8,891	164	-	9,055	5,724	-	-	5,724
Supplies	15,308	6,804	-	22,112	10,253	4,442	48	14,743
Truck rental and gas	29,280	-	-	29,280	25,882	-	-	25,882
Utilities	19,758	660	-	20,418	19,458	550	-	20,008
Website expenses	-	4,825	-	4,825	1,039	212	49	1,300
TOTAL EXPENSES	\$ 1,040,854	\$ 311,540	\$ 40,769	\$ 1,393,163	\$ 963,660	\$ 153,748	\$ 35,368	\$ 1,152,776
Percent of total expenses	<u>74.7%</u>	<u>22.4%</u>	<u>2.9%</u>	<u>100.0%</u>	<u>83.6%</u>	<u>13.3%</u>	<u>3.1%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 58,429	\$ (69,909)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,192	10,917
Decrease (increase) in assets:		
Accounts receivable	(22,003)	(19,430)
Prepaid expenses	7,441	350
Increase (decrease) in liabilities:		
Accounts payable	3,244	(4,893)
Accrued rent and payroll	13,511	3,796
MCPL awards payable	(17,906)	(14,238)
Deferred revenue	170	972
Due to chapters	7,411	34,608
Deferred rent benefits	10,494	13,953
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 70,983</u>	<u>\$ (43,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawal of restricted cash	\$ -	\$ 5,806
Reinvested interest	(2,144)	(1,767)
Purchase of certificate of deposit	-	(114,420)
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (2,144)</u>	<u>\$ (110,381)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 68,839	\$ (154,255)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>428,321</u>	<u>582,576</u>
END OF YEAR	<u>\$ 497,160</u>	<u>\$ 428,321</u>
COMPRISED OF:		
Cash and cash equivalents	\$ 467,420	\$ 398,604
Cash and cash equivalents - memorial fund	25,373	25,350
Cash and cash equivalents - fund for the future	4,367	4,367
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 497,160</u>	<u>\$ 428,321</u>
SUPPLEMENTAL DISCLOSURES		
NONCASH ACTIVITIES:		
Gain/(loss) on disposal of property and equipment:		
Property and equipment - cost	\$ -	\$ 13,715
Property and equipment - accumulated depreciation	-	(13,715)
Total gain/(loss) on disposal of property and equipment	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1. **Organization** - Friends of the Library, Montgomery County, Maryland, Inc. (FOLMC) was organized in 1983 as a non-profit corporation to support public libraries in Montgomery County, Maryland by assisting the libraries with their public information activities, by working with the county and local library boards and committees, and by creating library volunteer opportunities. FOLMC also encourages gifts, memorials, and endowments, sponsors community events and activities, and supports fundraising efforts for the benefit of library service.

Note 2. **Summary of Significant Accounting Policies**

Accounting Method - FOLMC uses the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation - FOLMC presents its financial statements in conformity with the accounting standards codification topic relating to *Financial Statements of Not-for-Profit Organizations*, issued by the Financial Accounting Standards Board. Accordingly, the net assets of FOLMC are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Under these provisions, net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FOLMC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets resulting from contributions and whose use by FOLMC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of FOLMC pursuant to those stipulations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by FOLMC.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2. **Summary of Significant Accounting Policies** (Continued)

Cash and Cash Equivalents - For purposes of reporting cash flows, FOLMC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash related to the endowment is included in other assets.

Accounts Receivable - Accounts receivable are stated at unpaid balances estimated by management to be the net realizable value and are due under normal trade terms requiring payment within 30 days of the invoice date. FOLMC provides for losses on accounts receivable using the allowance method, whereby receivables are carried at their original amount less an estimate for doubtful receivables based on an annual review of all outstanding amounts. It is FOLMC's policy to charge off uncollectible receivables when management determines the receivables will not be collected. At June 30, 2018 and 2017, there is no allowance for uncollectible accounts, and all amounts are deemed collectible in one year.

Certificate of Deposit - The certificate of deposit is recorded at fair value. Fair value is the equivalent of the original amount on deposit plus any accrued but unpaid interest. Interest income is recorded on the accrual basis when earned.

Property and Equipment - Property and equipment are stated at cost and consist of furniture, office equipment and leasehold improvements. FOLMC capitalizes all property and equipment with a useful life greater than one year and a cost basis of \$500 or more. Depreciation for furniture and office equipment is calculated over an estimated useful life of three to seven years on a straight-line basis. Depreciation of leasehold improvements is computed on a straight-line basis over the shorter of the lease term or the useful life of the improvement. When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Repairs and maintenance are expensed when incurred.

Revenue Recognition - Monetary contributions and grants are recognized as revenue when received or when an unconditional promise to give has been received and sufficient documentation exists. The fair value of contributions of books is recognized when the books are sold. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2. **Summary of Significant Accounting Policies** (Continued)

Revenue from membership dues is recognized over an annual period from when the dues are received. Membership dues attributable to future periods are included in deferred revenue. Revenue from programs, events, and special events is recorded when the program or events are held and the revenue is earned. Interest and other income are recorded as revenue when earned.

In-Kind Contributions - Contributions in-kind, such as donated facilities, printed design services, and consulting, are recorded as contributions at their estimated fair value at the time goods or services are provided. FOLMC received significant in-kind consulting services in 2018 related to an operational assessment. Volunteer services are not recognized as they do not meet the definition of in-kind contributions under accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Direct costs associated with specific programs are recorded as program expenses while overhead expenses are allocated based on salaries charged to the various programs.

Income Taxes - FOLMC is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended, and classified as other than a private foundation. However, income from certain activities not directly related to FOLMC's tax-exempt purpose may be subject to taxation as unrelated business income. No provision for income taxes was required for the years ended June 30, 2018 and 2017.

Accounting for Uncertain Tax Provisions - FOLMC follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated FOLMC's tax positions and concluded that FOLMC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended June 30, 2018 and 2017, no unrecognized tax provision or benefit exists.

Note 3. **Concentration of Credit Risk** - The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each institution. The accounts maintained by FOLMC may, at times, exceed federally insured limits. FOLMC seeks to maximize its interest income while limiting its exposure and reducing amounts in excess of the FDIC limit. Management does not consider this a significant concentration of credit risk.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 4. **Property and Equipment** - Property and equipment at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Furniture and office equipment	\$ 43,797	\$ 43,797
Leasehold improvements	<u>31,733</u>	<u>31,733</u>
Subtotals	\$ 75,530	\$ 75,530
Less, Accumulated depreciation and amortization	<u>(71,598)</u>	<u>(61,406)</u>
Property and equipment, net	<u>\$ 3,932</u>	<u>\$ 14,124</u>

Note 5. **Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
County library programs	\$ 58,665	\$ 67,466
Library resources	40,254	30,195
Children's resources	9,431	9,431
Accessible computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library board	2,204	2,204
World language	585	585
Scholarship fund	556	556
Farinholt/Edlow Memorial	373	350
MCDPL directors	78	78
Other	<u>72</u>	<u>72</u>
Totals	<u>\$ 121,204</u>	<u>\$ 119,923</u>

Note 6. **Permanently Restricted Net Assets** - The Farinholt/Edlow Memorial Fund was established with a bequest and the income generated from this fund is temporarily restricted based on the donor's intentions. The Endowment Fund for the Future was established during fiscal year 2002 and the income generated from this fund is unrestricted.

Permanently restricted net assets at both June 30, 2018 and 2017 are comprised of the following items:

Farinholt/Edlow Memorial Fund	\$ 25,000
Endowment Fund for the Future	<u>4,367</u>
Total	<u>\$ 29,367</u>

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6. **Permanently Restricted Net Assets** (Continued)

Interpretation of Relevant Law - The state of Maryland has enacted the Uniform Prudential Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after the effective date of the act. The Board of Trustees of FOLMC has interpreted UPMIFA as requiring reasonable action to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FOLMC classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees of FOLMC, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, FOLMC considers the following factors in making a determination to allocate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of FOLMC and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of FOLMC.
- The investment policies of FOLMC.

Return Objectives and Risk Parameters - FOLMC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FOLMC must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees and currently carried out by FOLMC, the endowment assets are invested in a manner that is intended to preserve principal while earning as much income as possible assuming a low level of investing risk.

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6. **Permanently Restricted Net Assets** (Continued)

Endowment net assets composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> --</u>	\$ <u> 373</u>	\$ <u> 29,367</u>	\$ <u> 29,740</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ <u> --</u>	\$ <u> 350</u>	\$ <u> 29,367</u>	\$ <u> 29,717</u>
Investment income	<u> --</u>	<u> 23</u>	<u> --</u>	<u> 23</u>
Endowment net assets, end of year	\$ <u> --</u>	\$ <u> 373</u>	\$ <u> 29,367</u>	\$ <u> 29,740</u>

Endowment net assets composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u> --</u>	\$ <u> 350</u>	\$ <u> 29,367</u>	\$ <u> 29,717</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ <u> --</u>	\$ <u> 325</u>	\$ <u> 29,367</u>	\$ <u> 29,692</u>
Investment income	<u> --</u>	<u> 25</u>	<u> --</u>	<u> 25</u>
Endowment net assets, end of year	\$ <u> --</u>	\$ <u> 350</u>	\$ <u> 29,367</u>	\$ <u> 29,717</u>

FRIENDS OF THE LIBRARY, MONTGOMERY COUNTY, MARYLAND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7. **Operating Leases** - On April 1, 2015, FOLMC amended the 2013 non-cancellable operating lease for its Rockville bookstore to include terms for the expansion of leased premises, from 3,266 square feet to 6,266 square feet of gross leasable area. Upon commencement, the amended lease increases the initial base monthly rent from \$4,240 to a base monthly rent of \$9,396, subject to an annual increase of three percent, plus 11.13% of real estate taxes, assessments, and common area maintenance costs. The amended lease expires on February 28, 2026, and has a one-time option to terminate the lease seven years from the commencement date. In addition, on July 1, 2014, the lessor provided a leasehold improvement incentive totaling \$19,363, which was reported as a deferred rent benefit in the statements of financial position and will be amortized over the remaining life of the amended lease. Amortization of deferred rent benefits are reported as an offset of rent expense in the statements of activities. For the years ended June 30, 2018 and 2017, amortization of deferred rent benefits totaled \$1,633 and \$1,633, respectively.

Future minimum lease payments under non-cancellable leases at June 30, 2018 are as follows:

<u>For the years ending June 30,</u>		
2019		\$ 122,316
2020		125,985
2021		129,765
2022		133,658
2023		137,668
Thereafter		<u>387,770</u>
Total		<u>\$ 1,037,162</u>

FOLMC also rents space from Montgomery County for a bookstore at the Old Silver Spring Library. Per the cancellable lease agreements, FOLMC pays 10% of its annual gross book sales as rent for these locations.

FOLMC received donated office space located in the Rockville Memorial Library from Montgomery County for administrative offices. For both of the years ended June 30, 2018 and 2017, the estimated value of the donated office space is \$10,800.

Note 8. **Retirement Plan** - FOLMC sponsors a 403(b) defined contribution retirement plan for all full time employees. Employees are eligible to participate immediately upon employment. FOLMC does not make any matching contributions into the plan.

Note 9. **Subsequent Events** - FOLMC evaluated subsequent events for potential required disclosure through November 14, 2018, which is the date the financial statements were available to be issued.