

**Friends of the Library,
Montgomery County, Maryland, Inc.
Financial Statements
June 30, 2021 and 2020**



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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, 2021 and 2020, 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, 2021 and 2020, 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.

Sygnse, Lember + Co., LLP

December 2, 2021

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

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	\$ 532,794	\$ 191,532
Accounts receivable	41,695	28,719
Certificates of deposit	335,665	332,442
Inventory	690,192	575,958
Prepaid expenses	1,917	5,092
TOTAL CURRENT ASSETS	\$ 1,602,263	\$ 1,133,743
OTHER ASSETS:		
Restricted cash - memorial fund	\$ 25,451	\$ 25,426
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	464,073	46,663
Property and equipment, net	7,167	17,250
Deposits	10,480	10,480
TOTAL OTHER ASSETS	\$ 511,538	\$ 104,186
TOTAL ASSETS	\$ 2,113,801	\$ 1,237,929
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,036	\$ 16,204
Accrued rent and payroll	77,009	60,909
MCPL awards payable	50,275	179,675
Deferred revenue	857	500
Note payable, current portion	-	55,969
TOTAL CURRENT LIABILITIES	\$ 157,177	\$ 313,257
NONCURRENT LIABILITIES:		
Deferred rent benefits	\$ 90,255	\$ 77,706
Due to chapters	464,073	46,663
Note payable, net of current portion	119,435	71,946
TOTAL NONCURRENT LIABILITIES	\$ 673,763	\$ 196,315
TOTAL LIABILITIES	\$ 830,940	\$ 509,572
NET ASSETS:		
Without donor restrictions	\$ 1,116,521	\$ 585,086
With donor restrictions	166,340	143,271
TOTAL NET ASSETS	\$ 1,282,861	\$ 728,357
TOTAL LIABILITIES AND NET ASSETS	\$ 2,113,801	\$ 1,237,929

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,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Book sales	\$ 945,079	\$ -	\$ 945,079	\$ 816,158	\$ -	\$ 816,158
Contributions	163,980	38,586	202,566	55,619	22,898	78,517
Donated goods for resale	2,154,209	-	2,154,209	1,334,954	-	1,334,954
Grants	185,270	-	185,270	80,171	-	80,171
Membership dues	16,425	-	16,425	23,160	-	23,160
Programs and events	1,049	-	1,049	2,371	-	2,371
Annual event:						
Gross revenue and donations	39,582	-	39,582	39,227	-	39,227
Less, direct expenses	(15,693)	-	(15,693)	(10,858)	-	(10,858)
Interest and other income	3,249	25	3,274	6,776	27	6,803
Donated facilities and services	10,800	-	10,800	12,206	-	12,206
Forgiveness of debt	127,915	-	127,915	-	-	-
Net assets released from restrictions	15,542	(15,542)	-	13,494	(13,494)	-
TOTAL REVENUE AND SUPPORT	\$ 3,647,407	\$ 23,069	\$ 3,670,476	\$ 2,373,278	\$ 9,431	\$ 2,382,709
EXPENSES:						
Program services	\$ 2,733,655	\$ -	\$ 2,733,655	\$ 2,382,311	\$ -	\$ 2,382,311
Supporting services:						
Management and general	\$ 358,918	\$ -	\$ 358,918	\$ 378,556	\$ -	\$ 378,556
Fundraising	23,399	-	23,399	33,076	-	33,076
Total supporting services	\$ 382,317	\$ -	\$ 382,317	\$ 411,632	\$ -	\$ 411,632
TOTAL EXPENSES	\$ 3,115,972	\$ -	\$ 3,115,972	\$ 2,793,943	\$ -	\$ 2,793,943
CHANGE IN NET ASSETS	\$ 531,435	\$ 23,069	\$ 554,504	\$ (420,665)	\$ 9,431	\$ (411,234)
NET ASSETS, BEGINNING OF YEAR	585,086	143,271	728,357	1,005,751	133,840	1,139,591
NET ASSETS, END OF YEAR	\$ 1,116,521	\$ 166,340	\$ 1,282,861	\$ 585,086	\$ 143,271	\$ 728,357

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,							
	2021				2020			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs:								
Salaries and wages	\$ 286,058	\$ 113,828	\$ 16,319	\$ 416,205	\$ 391,197	\$ 130,342	\$ 18,122	\$ 539,661
Fringe benefits	29,067	29,061	3,837	61,965	29,019	26,539	4,101	59,659
Payroll taxes	21,291	8,472	1,215	30,978	29,386	9,791	1,361	40,538
Total personnel costs	\$ 336,416	\$ 151,361	\$ 21,371	\$ 509,148	\$ 449,602	\$ 166,672	\$ 23,584	\$ 639,858
Advertising	1,015	226	-	1,241	2,020	358	-	2,378
Bank and credit card fees	23,933	7,553	300	31,786	19,263	3,990	588	23,841
Cost of donated goods sold	2,039,975	-	-	2,039,975	1,496,066	-	-	1,496,066
Depreciation and amortization	660	10,422	-	11,082	1,367	10,705	-	12,072
Donated facilities	-	10,800	-	10,800	-	10,800	-	10,800
Donated services	-	-	-	-	-	-	1,406	1,406
Dues, fees, and subscriptions	100	3,180	865	4,145	100	2,173	936	3,209
Fundraising event expenses	-	-	15,693	15,693	-	-	10,858	10,858
Grants to MCPL	-	-	-	-	45,103	-	-	45,103
Insurance	4,798	11,606	-	16,404	4,066	18,761	-	22,827
Meetings	82	-	-	82	878	5,565	-	6,443
Parking and travel	-	-	-	-	1,927	175	50	2,152
Postage	3,051	1,731	-	4,782	4,617	3,241	789	8,647
Printing	4,152	185	-	4,337	10,265	1,791	2,511	14,567
Professional development	-	315	50	365	-	350	39	389
Professional fees	3,588	111,888	-	115,476	10,907	101,003	2,360	114,270
Public program costs	55,954	-	-	55,954	36,218	40	-	36,258
Rent	208,673	-	-	208,673	231,270	-	-	231,270
Repairs and maintenance	6,004	-	-	6,004	6,707	-	-	6,707
Supplies	7,578	669	-	8,247	15,989	5,177	-	21,166
Truck rental and gas	13,265	-	-	13,265	21,826	-	-	21,826
Utilities	23,238	1,133	-	24,371	22,693	1,103	-	23,796
Website expenses	1,173	47,849	813	49,835	1,427	46,652	813	48,892
TOTAL EXPENSES	\$ 2,733,655	\$ 358,918	\$ 39,092	\$ 3,131,665	\$ 2,382,311	\$ 378,556	\$ 43,934	\$ 2,804,801
Less expenses included with revenues on the statements of activities:								
Fundraising event expenses	-	-	(15,693)	(15,693)	-	-	(10,858)	(10,858)
TOTAL EXPENSES BY FUNCTION	\$ 2,733,655	\$ 358,918	\$ 23,399	\$ 3,115,972	\$ 2,382,311	\$ 378,556	\$ 33,076	\$ 2,793,943
Percent of total expenses	87.7%	11.5%	0.8%	100.0%	85.3%	13.5%	1.2%	100.0%

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,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 554,504	\$ (411,234)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,082	12,072
Donated goods for resale	(2,154,209)	(1,334,954)
Cost of donated goods sold	2,039,975	1,496,066
Forgiveness of debt	(127,915)	-
Decrease (increase) in assets:		
Accounts receivable	(12,976)	(2,482)
Prepaid expenses	3,175	1,352
Deposits	-	(730)
Increase (decrease) in liabilities:		
Accounts payable	12,832	(192)
Accrued rent and payroll	16,100	(7,673)
MCPL awards payable	(129,400)	(93,295)
Deferred revenue	357	(7,729)
Due to chapters	417,410	7,028
Deferred rent benefits	12,549	24,506
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 643,484	\$ (317,265)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (999)	\$ (971)
Reinvested interest	(3,223)	(6,590)
NET CASH USED IN INVESTING ACTIVITIES	\$ (4,222)	\$ (7,561)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	\$ 119,435	\$ 127,915
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 119,435	\$ 127,915
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 758,697	\$ (196,911)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: BEGINNING OF YEAR	267,988	464,899
END OF YEAR	\$ 1,026,685	\$ 267,988
COMPRISED OF:		
Cash and cash equivalents	\$ 532,794	\$ 191,532
Restricted cash - memorial fund	25,451	25,426
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	464,073	46,663
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 1,026,685	\$ 267,988

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, 2021 AND 2020

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 - Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of FOLMC, management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of FOLMC, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 and held for the chapters 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, 2021 and 2020, there is no allowance for uncollectible accounts, and all amounts are deemed collectible in one year.

Certificate of Deposits - 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

Inventory - FOLMC accepts contributions of books, magazines, movies, video games, comics, board games, puzzles, and music (vinyl, CDs and cassette tapes) for resale to customers in its stores or through a third party seller. These contributed goods are recorded at their estimated fair value based on subsequent sales and are reflected as inventory on the statements of financial position. FOLMC does not record inventory until donated goods are sorted to determine whether they will be offered for sale or discarded.

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.

Note Payable - FOLMC accounts for its payroll protection program loan using the debt model. The funds received are recorded as a loan liability. If certain circumstances are met and the loan is legally forgiven, FOLMC will record the loan forgiveness as a gain in the year forgiven.

Revenue Recognition - FOLMC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All contributions and grants are considered to be available without donor restrictions 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 support with donor restrictions that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. 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. Membership dues are considered unconditional contributions. FOLMC recognizes revenue from sales of books at a point in time when it satisfies a performance obligation of transferring control over the book to a customer. Online book sales are recorded based on contract details. Registration fees for events are considered exchange revenue and are recognized at a point in time when the performance obligation of the event occurs. Funds received in advance of the occurrence of an event are considered deferred revenue. All

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

exchange revenue for FOLMC is recognized at a point in time. 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. 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. Donated books are recorded as a contribution when donated based on estimated fair market values.

Advertising Expenses - FOLMC uses advertising to promote its programs among audiences it serves. Advertising costs are expensed as they are incurred.

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.

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. Accordingly, certain expenses have been allocated among the programs and supporting services benefited and other costs are directly allocated to the specific activity benefited.

The only expenses that were indirectly allocated among the functional categories were personnel costs. The allocation method used to allocate these costs was time and effort.

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, 2021 and 2020.

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, 2021 and 2020, no unrecognized tax provision or benefit exists.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

Note 4. **Property and Equipment** - Property and equipment at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and office equipment	\$ 78,555	\$ 77,556
Leasehold improvements	31,733	31,733
Subtotals	\$ 110,288	\$ 109,289
Less, Accumulated depreciation and amortization	<u>(103,121)</u>	<u>(92,039)</u>
Property and equipment, net	<u>\$ 7,167</u>	<u>\$ 17,250</u>

Note 5. **Note Payable** - On March 16, 2021, FOLMC received authorization from the Small Business Administration (SBA) for a \$119,435 Paycheck Protection Program loan. This was the second Payroll Protection loan received. The loan bears interest at 1.00% per annum and matures on March 16, 2026. The loan may be forgiven if certain circumstances are met. Payments of principal and interest are deferred during the loan's deferral period. The deferral period is either sixteen months after the loan proceeds are disbursed; or 10 months after the last day of FOLMC's loan forgiveness covered period.

The estimated future maturities of notes payable for the years ending June 30, are as follows:

2022	\$ --
2023	31,043
2024	32,871
2025	33,201
2026	<u>22,320</u>
Total	<u>\$ 119,435</u>

Note 6. **Related Entities** - FOLMC has 17 affiliates that serve as local chapters of the Organization. FOLMC has no ownership or voting interests in these local chapters and the activities of chapters are self-governed, subject to the provisions of the articles of incorporation and by-laws of FOLMC. FOLMC makes available resources for technical support, offers counsel on ethical and legal best practices, provides fund-raising assistance, as well as insurance coverage to the local chapters. As of June 30, 2021 and 2020, FOLMC held \$464,073 and \$46,663 of Chapter funds in a non-current liability account. These funds correlate with the cash and cash equivalents held for chapters account on the statements of financial position. There are no shared expenses between the entities as of June 30, 2021 and 2020. During the year ended June 30, 2021, FOLMC received \$25,000 of restricted donations from the affiliates.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7. **Net Assets With Donor Restrictions** - Net assets with donor restrictions were composed of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Library resources	\$ 73,339	\$ 41,664
County library programs	40,091	48,722
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
Vehicle	1,180	1,180
World language	585	585
Scholarship fund	556	556
MCDPL directors	78	78
Other	72	72
Endowments	<u>29,818</u>	<u>29,793</u>
Totals	<u>\$ 166,340</u>	<u>\$ 143,271</u>

Note 8. **Endowments** - 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 without donor restrictions.

Original donor-restricted gift amounts required to be maintained in perpetuity at both June 30, 2021 and 2020 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>

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 net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, FOLMC considers the following factors in making a determination to allocate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources, and (7) the investment policies of FOLMC.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8. **Endowments** (Continued)

Return Objectives and Risk Parameters - FOLMC has adopted investment policies, approved by the Board, 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 over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in money market accounts, which are intended to result in a consistent rate of return that has sufficient liquidity, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy - FOLMC has no formally established policy for the appropriation of endowment assets for expenditure. However, it has been the practice of FOLMC, under direction of the Board, that the interest and dividends on the funds are appropriated for spending when transferred or deposited into operating accounts.

Funds With Deficiencies - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board has interpreted the law governing endowments in Maryland to permit spending on underwater endowments in accordance with prudent measures required under law.

Endowment net assets composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ --	\$ 29,367	\$ 29,367
Accumulated investment gains	--	451	451
Totals	<u>\$ --</u>	<u>\$ 29,818</u>	<u>\$ 29,818</u>

Changes in endowment net assets for the fiscal year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2020	\$ --	\$ 29,793	\$ 29,793
Interest and dividends, net of fees	--	25	25
Balance at June 30, 2021	<u>\$ --</u>	<u>\$ 29,818</u>	<u>\$ 29,818</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8. **Endowments** (Continued)

Endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ --	\$ 29,367	\$ 29,367
Accumulated investment gains	--	426	426
Totals	<u>\$ --</u>	<u>\$ 29,793</u>	<u>\$ 29,793</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2019	\$ --	\$ 29,766	\$ 29,766
Interest and dividends, net of fees	--	27	27
Balance at June 30, 2020	<u>\$ --</u>	<u>\$ 29,793</u>	<u>\$ 29,793</u>

Note 9. **Operating Leases** - On September 15, 2019, FOLMC extended the 2015 non-cancellable operating lease for its Rockville bookstore in order to coincide with the expiration date of a warehouse lease that was entered into on the same day with the same landlord. The leased premises is 6,266 square feet of gross leasable area and 12,500 square feet of warehouse space. Upon commencement, the extended lease calls for a base monthly rent of \$10,576, subject to an annual increase of three percent, plus 11.13% of real estate taxes, assessments, and common area maintenance costs. The warehouse lease requires monthly minimum rental payments of \$2,083 that escalate annually by 3%, plus operating costs and real estate taxes. The extended lease expires on October 31, 2029 for both the premise and the warehouse, 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, 2021 and 2020, amortization of deferred rent benefits totaled \$1,053 per year.

FOLMC also rents space from Montgomery County for a bookstore at the Wheaton Library. Per the cancellable lease agreements, FOLMC pays 10% of its annual gross book sales as rent for this location.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9. **Operating Leases** (Continued)

FOLMC received donated office space located in the Rockville Memorial Library from Montgomery County for administrative offices. For both the years ended June 30, 2021 and 2020, the estimated value of the donated facilities was \$10,800.

FOLMC entered into an operating vehicle lease service agreement in October 2019 for fixed payments of \$1,050 for sixty months in order to use to transport books between the store and warehouse.

Future minimum lease payments under non-cancellable leases at June 30, 2021 are as follows:

<u>For the years ending June 30,</u>	
2022	\$ 159,987
2023	164,787
2024	169,731
2025	174,823
2026	180,067
Thereafter	<u>639,831</u>
Total	<u>\$ 1,489,226</u>

Note 10. **Forgiveness of Debt** - As of June 30, 2020, FOLMC had a note payable balance of \$127,915, related to a Paycheck Protection Program with M&T Bank.

On November 24, 2020, the Organization received authorization that the loan in it's entirety was forgiven and the SBA remitted the loan payment to M&T Bank.

Note 11. **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 12. **Reclassifications** - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 13. **Availability and Liquidity** - The following represents FOLMC's financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,026,685	\$ 267,988
Accounts receivable	41,695	28,719
Certificates of deposit	<u>335,665</u>	<u>332,442</u>
Total financial assets	<u>\$ 1,404,045</u>	<u>\$ 629,149</u>
 Amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 166,340	\$ 143,271
Amounts held for chapters	464,073	46,663
Less net assets with purpose restrictions to be met in less than a year	<u>(20,902)</u>	<u>(29,964)</u>
Total amounts not available to be used within one year	<u>\$ 609,511</u>	<u>\$ 159,970</u>
 Financial assets available to meet general expenditures over the next year	 <u>\$ 794,534</u>	 <u>\$ 469,179</u>

FOLMC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. FOLMC has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and certificates of deposit.

For purposes of analyzing resources available to meet general expenditures over a one-year period, FOLMC considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next year, FOLMC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 14. **Subsequent Events** - In preparing these financial statements, FOLMC has evaluated subsequent events and transactions for potential recognition or disclosure through December 2, 2021, which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Financial impact could occur though such potential impact is unknown at this time.

In August 2021, FOLMC amended their lease for the Rockville bookstore. The amended lease is effective September 1, 2021 and expands the leased premises by 2,036 square feet.