

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

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Friends of the Library, Montgomery County, Maryland, Inc.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of **Friends of the Library, Montgomery County, Maryland, Inc.** (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2022, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends of the Library, Montgomery County, Maryland, Inc.** as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Friends of the Library, Montgomery County, Maryland, Inc.** and to meet our other 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.

Prior Period Financial Statements

The financial statements of **Friends of the Library, Montgomery County, Maryland, Inc.** as of June 30, 2021 were audited by other auditors whose report dated December 2, 2021 expressed an unmodified opinion on those statements.

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.

Independent Auditor's Report (Continued)

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 **Friends of the Library, Montgomery Country, Maryland, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 generally accepted auditing standards, 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 **Friends of the Library, Montgomery Country, Maryland, 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 **Friends of the Library, Montgomery Country, Maryland, Inc.**'s ability to continue as a going concern for a reasonable period of time.

Independent Auditor's Report (Continued)

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.

Aronson LLC

Rockville, Maryland
December 7, 2022

Friends of the Library, Montgomery County, Maryland, Inc.

Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,181,120	\$ 532,794
Accounts receivable	25,489	39,195
Contributions receivable	5,300	2,500
Certificates of deposit	342,515	335,665
Inventory	545,640	690,192
Prepaid expenses	16,720	1,917
Total current assets	2,116,784	1,602,263
Other assets		
Restricted cash - memorial fund	25,477	25,451
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	62,581	464,073
Property and equipment, net	6,145	7,167
Deposits	10,480	10,480
Total other assets	109,050	511,538
Total assets	\$ 2,225,834	\$ 2,113,801
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 30,000	\$ 29,036
Accrued rent and payroll	110,339	77,009
MCPL grants payable	46,905	50,275
Deferred revenue	1,394	857
Total current liabilities	188,638	157,177
Noncurrent liabilities		
Deferred rent benefits	120,846	90,255
Due to chapters	62,581	464,073
Note payable	-	119,435
Total noncurrent liabilities	183,427	673,763
Total liabilities	372,065	830,940
Net assets		
Without donor restrictions	1,126,577	1,116,521
With donor restrictions	727,192	166,340
Total net assets	1,853,769	1,282,861
Total liabilities and net assets	\$ 2,225,834	\$ 2,113,801

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Friends of the Library, Montgomery County, Maryland, Inc.

Statements of Activities and Changes in Net Assets

For the Years Ended June 30,	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Book sales	\$ 1,146,279	\$ -	\$ 1,146,279	\$ 945,079	\$ -	\$ 945,079
Contributions	129,678	591,141	720,819	162,574	38,586	201,160
Donated goods for resale	1,212,138	-	1,212,138	2,154,209	-	2,154,209
Grants	66,606	-	66,606	185,270	-	185,270
Membership dues	20,693	-	20,693	16,425	-	16,425
Programs and events	400	-	400	1,049	-	1,049
Annual event						
Gross revenue and donations	3,209	-	3,209	39,582	-	39,582
Less, direct expenses	(688)	-	(688)	(15,693)	-	(15,693)
Annual event, net	2,521	-	2,521	23,889	-	23,889
Interest	6,897	26	6,923	3,249	25	3,274
Donated facilities and services	10,800	-	10,800	12,206	-	12,206
PPP loan forgiveness	119,435	-	119,435	127,915	-	127,915
Net assets released from restrictions:						
Satisfaction of program restrictions	30,315	(30,315)	-	15,542	(15,542)	-
Total revenue and support	2,745,762	560,852	3,306,614	3,647,407	23,069	3,670,476
Expenses						
Program services:	2,301,029	-	2,301,029	2,733,655	-	2,733,655
Support services:						
Fundraising	11,870	-	11,870	23,399	-	23,399
Management and general	422,807	-	422,807	358,918	-	358,918
Total support services	434,677	-	434,677	382,317	-	382,317
Total expenses	2,735,706	-	2,735,706	3,115,972	-	3,115,972
Change in net assets	10,056	560,852	570,908	531,435	23,069	554,504
Net assets, beginning of year	1,116,521	166,340	1,282,861	585,086	143,271	728,357
Net assets, end of year	1,126,577	727,192	1,853,769	1,116,521	166,340	1,282,861

The accompanying Notes to Financial Statements 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,

	2022				2021			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Salaries	\$ 361,857	\$ 5,032	\$ 134,705	\$ 501,594	\$ 286,058	\$ 16,319	\$ 113,828	\$ 416,205
Fringe benefits	28,795	1,242	32,770	62,807	29,067	3,837	29,061	61,965
Payroll taxes	30,377	422	11,309	42,108	21,291	1,215	8,472	30,978
Total salaries and related expenses	421,029	6,696	178,784	606,509	336,416	21,371	151,361	509,148
Advertising	2,356	-	454	2,810	1,015	-	226	1,241
Bank and credit card fees	28,365	300	5,500	34,165	23,933	300	7,553	31,786
Cost of donated goods sold	1,356,690	-	-	1,356,690	2,039,975	-	-	2,039,975
Depreciation and amortization	770	-	5,537	6,307	660	-	10,422	11,082
Donated facilities	-	-	10,800	10,800	-	-	10,800	10,800
Dues, fees, and subscriptions	225	2,041	4,131	6,397	100	865	3,180	4,145
Fundraising event expenses	-	688	-	688	-	15,693	-	15,693
Grants to MCPL	47,142	-	-	47,142	-	-	-	-
Insurance	-	-	13,265	13,265	4,798	-	11,606	16,404
Meetings	-	-	-	-	82	-	-	82
Parking and travel	13	-	4	17	-	-	-	-
Postage	3,402	294	1,315	5,011	3,051	-	1,731	4,782
Printing	6,677	1,566	499	8,742	4,152	-	185	4,337
Professional development	1,107	-	-	1,107	-	50	315	365
Professional fees	22,947	886	152,196	176,029	3,588	-	111,888	115,476
Public program costs	71,117	-	-	71,117	55,954	-	-	55,954
Rent	286,154	-	-	286,154	208,673	-	-	208,673
Repairs and maintenance	7,802	-	-	7,802	6,004	-	-	6,004
Supplies	7,237	87	1,790	9,114	7,578	-	669	8,247
Truck rental and gas	16,204	-	-	16,204	13,265	-	-	13,265
Utilities	21,432	-	1,078	22,510	23,238	-	1,133	24,371
Website expenses	360	-	47,454	47,814	1,173	813	47,849	49,835
Total expenses	2,301,029	12,558	422,807	2,736,394	2,733,655	39,092	358,918	3,131,665
Less expenses included with revenues on the statement of activities:								
Fundraising event expenses	-	(688)	-	(688)	-	(15,693)	-	(15,693)
Total expenses by function	\$ 2,301,029	\$ 11,870	\$ 422,807	\$ 2,735,706	\$ 2,733,655	\$ 23,399	\$ 358,918	\$ 3,115,972

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Friends of the Library, Montgomery County, Maryland, Inc.

Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 570,908	\$ 554,504
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,307	11,082
Donated goods for resale	(1,212,138)	(2,154,209)
Cost of donated goods sold	1,356,690	2,039,975
PPP loan forgiveness	(119,435)	(127,915)
(Increase) decrease in assets		
Contribution receivable	(2,800)	(2,500)
Accounts receivable	13,706	(10,476)
Prepaid expenses	(14,803)	3,175
Increase (decrease) in liabilities		
Accounts payable	964	12,832
Accrued rent and payroll	33,330	16,100
MCPL grants payable	(3,370)	(129,400)
Deferred revenue	537	357
Due to chapters	(401,492)	417,410
Deferred rent benefits	30,591	12,549
Net cash provided by operating activities	258,995	643,484
Cash flows from investing activities		
Purchases of property and equipment	(5,285)	(999)
Reinvested interest	(6,850)	(3,223)
Net cash used by investing activities	(12,135)	(4,222)
Cash flows from financing activities		
Proceeds from note payable	-	119,435
Net cash provided by financing activities	-	119,435
Net change in cash and cash equivalents	246,860	758,697
Cash, cash equivalents and restricted cash, beginning of year	1,026,685	267,988
Cash, cash equivalents and restricted cash, end of year	\$ 1,273,545	\$ 1,026,685
Comprised of:		
Cash and cash equivalents	1,181,120	532,794
Restricted cash - memorial fund	25,477	25,451
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	62,581	464,073
Cash, cash equivalents and restricted cash, end of year	\$ 1,273,545	\$ 1,026,685

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

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, supports fundraising efforts for the benefit of library services, and operates two used bookstores in Montgomery County.

Basis of presentation: The financial statements of FOLMC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets of FOLMC and changes therein 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. The net assets may be used at the discretion of FOLMC management and the board of trustees. During the year ended June 30, 2022, the board of trustees internally designated \$17,500 for the Friends Fund which was established to help Montgomery County Public Library (MCPL) address impacts from COVID.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash, cash equivalents and restricted cash: 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. Restricted cash includes amounts held for the endowment and amounts held for the chapters and 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 write off uncollectible receivables when management determines the receivables will not be collected. At June 30, 2022 and 2021, there is no allowance for uncollectible accounts, and all amounts are deemed collectible in one year.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

Certificates of deposit: The certificates of deposit are 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.

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 valued at the lower of cost or net realizable value and are reflected as inventory on the statements of financial position. Cost is the estimated fair value based on subsequent sales. 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.

MCPL grants payable: MCPL grants payable represents funds available for request by MCPL. The grants payable is calculated based on the net profit of the Wheaton bookstore each fiscal year.

Note payable: FOLMC accounted for its Paycheck Protection Program (PPP) loan using the debt model. The funds received were recorded as a loan liability. Certain circumstances were met and the loan was legally forgiven, FOLMC recorded the loan forgiveness as a gain in the year forgiven.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

Revenue recognition: FOLMC recognizes program revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Program revenue: FOLMC recognizes revenue from sales of books at a point in time when it transfers 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 event occurs. Funds received in advance of the occurrence of an event are considered deferred revenue. All exchange revenue for FOLMC is recognized at a point in time. Interest and other income are recorded as revenue when earned.

Contract assets and liabilities: Contract assets include accounts receivable, which represent amounts due to FOLMC for book sales. The balance of contract assets totaled \$25,489, \$39,195, and \$28,719 at June 30, 2022, June 30, 2021, and July 1, 2020, respectively. Contract liabilities include deferred revenue, which represent gift cards which have been purchased but unused. Contract liabilities totaled \$1,394, \$857, and \$500 at June 30, 2022, June 30, 2021, and July 1, 2020, respectively.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

Grants and contributions: FOLMC recognizes grants and 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 and changes in net assets 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.

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 changes in net assets. 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.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

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, 2022 and 2021.

Accounting for uncertain tax positions: 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, 2022 and 2021, no unrecognized tax positions or benefit exists. Tax years from 2019 through the current year remain open for examination by tax authorities.

Adoption of recent accounting pronouncement: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosure about contributed nonfinancial assets received, disaggregated by category. This ASU has been adopted by FOLMC for the year ended June 30, 2022. The adoption had no impact on the statements of financial position and the statements of activities and changes in net assets but resulted in additional disclosures.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for FOLMC on July 1, 2022. FOLMC is currently evaluating the impact of the adoption of the new standard on its financial statements.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. There is no impact on net assets or changes in net assets as a result of the reclassifications.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

Subsequent events: In preparing these financial statements, FOLMC has evaluated subsequent events and transactions for potential recognition or disclosure through December 7, 2022, which is the date the financial statements were available to be issued.

- 2. 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.

- 3. Property and equipment** Property and equipment consists of the following at:

June 30,	2022	2021
Furniture and office equipment	\$ 78,555	\$ 78,555
Leasehold improvements	37,018	31,733
Total Property and equipment at cost	115,573	110,288
Less: Accumulated depreciation and amortization	(109,428)	(103,121)
Property and equipment, net	\$ 6,145	\$ 7,167

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$6,307 and \$11,082, respectively.

- 4. Notes payable** FOLMC entered into a note payable agreement with a financial institution for a loan in the amount of \$127,915 on April 15, 2020, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The PPP loan had a two-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments were deferred for sixteen months after the date of disbursement. The PPP loan could be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loans may be partially or wholly forgiven if the funds were used for certain qualifying expenses as described in the CARES Act. On June 2, 2021, FOLMC was notified that the Small Business Administration approved FOLMC's loan forgiveness application and the balance of the loan was recognized as income.

Friends of the Library, Montgomery County, Maryland, Inc.

Notes to Financial Statements

FOLMC entered into a second note payable agreement with a financial institution for a loan in the amount of \$119,435 on March 16, 2021, pursuant to the PPP under the CARES Act. The PPP loan had a five-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments were deferred for sixteen months after the date of disbursement. The PPP loan could be prepaid at any time prior to the maturity with no prepayment penalties. The CARES Act provides the PPP loan may be partially or wholly forgiven if the funds were used for certain qualifying expenses as described in the CARES Act. On January 26, 2022, FOLMC was notified that the Small Business Administration approved FOLMC's loan forgiveness application and the balance of the loan was recognized as income.

5. Related entities

FOLMC has various 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 fundraising assistance, as well as insurance coverage to the local chapters. In November 2021, one of the affiliates voted to dissolve its corporate charter and requested that any remaining chapter funds be transferred to a branch related restricted net asset account. Total funds of \$419,326 were recognized as restricted contributions and transferred from the liability account. In February 2022, FOLMC Board of Trustees voted to change the chapter model of the organization. The existing chapters were asked to dissolve their corporate charters held with the State of Maryland, and submit articles of dissolution and transfer any remaining funds held by the chapters to FOLMC. FOLMC would credit funds received from the chapters to individual accounts on the books of FOLMC that are maintained for each of the related library branches. As of June 30, 2021, FOLMC held funds in its accounts for 13 of its affiliated chapters totaling \$464,073. During the year ended June 30, 2022, FOLMC received \$154,206 directly from four of the previously chartered chapters which were credited to branch related restricted net asset accounts. FOLMC also held funds in the chapter related liability accounts it had established in prior years for 10 other chapters totaling \$62,581 as of June 30, 2022. These funds correlate with the cash and cash equivalents – amounts held for chapters on the statements of financial position. 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

6. Net assets with donor restrictions Net assets with donor restrictions were available for the following purposes as of June 30:

	2022	2021
Library resources	\$ 635,392	\$ 73,339
County library programs	38,711	40,091
Children’s resources	9,481	9,431
Accessible computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library board	2,204	2,204
Vehicle	1,230	1,180
World language	585	585
Scholarship fund	556	556
MCDPL directors	78	78
Other	127	72
Endowment	29,842	29,818
Total net assets with donor restrictions	\$ 727,192	\$ 166,340

7. 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, 2022 and 2021 are comprised of the following items:

Farinholt/Edlow Memorial Fund	\$ 25,000
Endowment Fund for the Future	4,367
Total endowment funds	\$ 29,367

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.

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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.

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 of Trustees, 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 of Trustees has interpreted the law governing endowments in Maryland to permit spending on underwater endowments in accordance with prudent measures required under law.

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Endowment net assets composition by type of fund as of June 30, 2022 and 2021 is as follows:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
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	-	477	477
Total endowment funds	\$ -	\$ 29,844	\$ 29,844

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
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
Total endowment funds	\$ -	\$ 29,818	\$ 29,818

Changes in endowment net assets during the years ended June 30, 2022 and 2021 are as follows:

Endowments	Without Restrictions	With Restrictions	Total
Endowments, June 30, 2021	\$ -	\$ 29,818	\$ 29,818
Investment income, net of fees	-	26	26
Endowments, June 30, 2022	\$ -	\$ 29,844	\$ 29,844

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Endowments	Without Restrictions	With Restrictions	Total
Endowments, June 30, 2020	\$ -	\$ 29,793	\$ 29,793
Investment income, net of fees	-	25	25
Endowments, June 30, 2021	\$ -	\$ 29,818	\$ 29,818

8. In-kind contributions

FOLMC received gifts-in-kind for the years ended June 30:

	2022	2021
Goods for resale	\$ 1,212,138	\$ 2,154,209
Facilities	10,800	10,800
Services	-	1,406
Total donated goods for resale, facilities and services	\$ 1,222,938	\$ 2,166,145

FOLMC recognized in-kind contributions within revenue and support, including goods for resale, facilities and services. Unless otherwise noted, in-kind contributions did not have any donor-imposed restrictions. FOLMC estimates the fair value of the goods for resale based on subsequent sales. The fair value of the facilities is based on recent comparable rental prices. Contributed services are reported at the estimated fair value in the financial statements based on current rates for similar services.

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9. Operating leases

On September 15, 2019, FOLMC extended the 2015 noncancellable 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 and changes in net assets. For the years ended June 30, 2022 and 2021, amortization of deferred rent benefits totaled \$841 and \$1,053, respectively.

On December 5, 2021, FOLMC signed an agreement to expand the lease of the Rockville bookstore. The new lease expanded the leased premises to 8,302 square feet of gross leasable area and changed the term of the lease through October 31, 2026 with a five year option term.

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.

FOLMC received donated office space located in the Rockville Memorial Library from Montgomery County for administrative offices. For both the years ended June 30, 2022 and 2021, 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 the vehicle to transport books between the store and warehouse.

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Future minimum lease payments under non-cancellable leases at June 30, 2022 are as follows:

June 30		Total
2023	\$	208,202
2024		214,070
2025		210,664
2026		213,740
2027		30,523
Thereafter		74,775
Total	\$	951,974

10. 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.

11. Availability and liquidity

The following represents FOLMC's financial assets at June 30, 2022 and 2021:

	2022	2021
Cash, cash equivalents, and restricted cash	\$ 1,273,545	\$ 1,026,685
Contributions receivable	5,300	2,500
Accounts receivable	25,489	39,195
Certificates of deposit	342,515	335,665
Total financial assets	1,646,849	1,404,045
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	(727,192)	(166,340)
Amounts held for chapters	(62,581)	(464,073)
Financial assets available to meet general expenditures over the next year	\$ 857,076	\$ 773,632

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.

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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.

12. Change in accounting estimate

FOLMC uses subsequent sales to estimate the valuation of donated goods for resale, the cost of donated goods sold and inventory balances. During the year ended June 30, 2022, FOLMC adjusted their calculations to account for Thriftbook sales at an estimated realization rate to provide a more accurate estimate of these amounts. The change in the estimate resulted in ending inventory being decreased by approximately \$517,000. Donated goods for resale and the costs of donated goods sold also decreased by approximately \$1,450,000 and \$1,193,000, respectively.