

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

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2023 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, 2023, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, **Friends of the Library, Montgomery County, Maryland, Inc.** changed its method of accounting for leases due to the adoption of Topic 842 as of July 1, 2022. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of **Friends of the Library, Montgomery County, Maryland, Inc.** as of June 30, 2022 were audited by Aronson LLC who merged with Aprio, LLP as of January 1, 2023, and whose report dated December 7, 2022, expressed an unmodified opinion on those statements.

Independent Auditor's Report (Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **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.

Aprio, LLP

Rockville, Maryland
November 10, 2023

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

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,177,637	\$ 1,181,120
Accounts receivable	28,178	25,489
Contributions receivable	-	5,300
Certificates of deposit	346,897	342,515
Inventory	483,407	545,640
Prepaid expenses	315	16,720
Total current assets	2,036,434	2,116,784
Other assets		
Restricted cash - memorial fund	25,502	25,477
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	-	62,581
Property and equipment, net	12,617	6,145
Deposits	10,480	10,480
Right-of-use assets - operating leases	1,501,730	-
Total other assets	1,554,696	109,050
Total assets	\$ 3,591,130	\$ 2,225,834

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

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

Statements of Financial Position (Continued)

<i>June 30,</i>	2023	2022
Current liabilities		
Accounts payable	\$ 40,621	\$ 30,000
Accrued expenses and payroll	80,991	110,339
MCPL grants payable	91,488	46,905
Deferred revenue	1,617	1,394
Lease liabilities - operating leases	214,070	-
Total current liabilities	428,787	188,638
Noncurrent liabilities		
Deferred rent benefits	-	120,846
Due to chapters	-	62,581
Lease liabilities - operating leases, net of current portion	1,420,886	-
Total noncurrent liabilities	1,420,886	183,427
Total liabilities	1,849,673	372,065
Net assets		
Without donor restrictions	926,963	1,126,577
With donor restrictions	814,494	727,192
Total net assets	1,741,457	1,853,769
Total liabilities and net assets	\$ 3,591,130	\$ 2,225,834

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

<i>For the Years Ended June 30,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Book sales	\$ 1,244,915	\$ -	\$ 1,244,915	\$ 1,146,279	\$ -	\$ 1,146,279
Contributions	133,256	195,779	329,035	129,678	591,141	720,819
Donated goods for resale	1,119,427	-	1,119,427	1,212,138	-	1,212,138
Grants	139,111	-	139,111	66,606	-	66,606
Membership dues	16,769	-	16,769	20,693	-	20,693
Programs and events	250	-	250	400	-	400
Annual event						
Gross revenue and donations	-	-	-	3,209	-	3,209
Less, direct expenses	-	-	-	(688)	-	(688)
Annual event, net	-	-	-	2,521	-	2,521
Interest	4,509	25	4,534	6,897	26	6,923
Donated facilities	10,800	-	10,800	10,800	-	10,800
PPP loan forgiveness	-	-	-	119,435	-	119,435
Net assets released from restrictions:						
Satisfaction of program restrictions	108,502	(108,502)	-	30,315	(30,315)	-
Total revenue and support	2,777,539	87,302	2,864,841	2,745,762	560,852	3,306,614

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 (Continued)

<i>For the Years Ended June 30,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services:	2,465,753	-	2,465,753	2,301,029	-	2,301,029
Support services:						
Fundraising	20,947	-	20,947	11,870	-	11,870
Management and general	490,453	-	490,453	422,807	-	422,807
Total support services	511,400	-	511,400	434,677	-	434,677
Total expenses	2,977,153	-	2,977,153	2,735,706	-	2,735,706
Change in net assets	(199,614)	87,302	(112,312)	10,056	560,852	570,908
Net assets, beginning of year	1,126,577	727,192	1,853,769	1,116,521	166,340	1,282,861
Net assets, end of year	\$ 926,963	\$ 814,494	\$ 1,741,457	\$ 1,126,577	\$ 727,192	\$ 1,853,769

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

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

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 396,440	\$ 8,391	\$ 175,300	\$ 580,131
Fringe benefits	17,755	912	44,380	63,047
Payroll taxes	32,245	682	14,258	47,185
Total salaries and related expenses	446,440	9,985	233,938	690,363
Advertising	3,020	-	1,053	4,073
Bank and credit card fees	27,867	-	5,394	33,261
Cost of donated goods sold	1,181,660	-	-	1,181,660
Depreciation and amortization	1,251	-	333	1,584
Donated facilities	-	-	10,800	10,800
Dues, fees, and subscriptions	634	1,942	58,089	60,665
Grants to MCPL	171,759	-	-	171,759
Grants to other outside organizations	4,500	-	-	4,500
Insurance	4,499	-	10,227	14,726
Meetings	-	3,191	452	3,643
Parking and travel	235	-	4	239
Postage	3,471	969	2,752	7,192
Printing	8,823	4,175	2,211	15,209
Professional development	-	-	1,821	1,821
Professional fees	31,156	685	156,623	188,464
Public program costs	218,236	-	-	218,236
Occupancy	296,960	-	-	296,960
Repairs and maintenance	12,588	-	-	12,588
Supplies	10,939	-	5,629	16,568
Truck rental and gas	18,995	-	-	18,995
Utilities	22,720	-	1,127	23,847
Total expenses by function	\$ 2,465,753	\$ 20,947	\$ 490,453	\$ 2,977,153

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

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

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 361,857	\$ 5,032	\$ 134,705	\$ 501,594
Fringe benefits	28,795	1,242	32,770	62,807
Payroll taxes	30,377	422	11,309	42,108
Total salaries and related expenses	421,029	6,696	178,784	606,509
Advertising	2,356	-	454	2,810
Bank and credit card fees	28,365	300	5,500	34,165
Cost of donated goods sold	1,356,690	-	-	1,356,690
Depreciation and amortization	770	-	5,537	6,307
Donated facilities	-	-	10,800	10,800
Dues, fees, and subscriptions	225	2,041	4,131	6,397
Fundraising event expenses	-	688	-	688
Grants to MCPL	47,142	-	-	47,142
Insurance	-	-	13,265	13,265
Parking and travel	13	-	4	17
Postage	3,402	294	1,315	5,011
Printing	6,677	1,566	499	8,742
Professional development	1,107	-	-	1,107
Professional fees	22,947	886	152,196	176,029
Public program costs	71,117	-	-	71,117
Occupancy	286,154	-	-	286,154
Repairs and maintenance	7,802	-	-	7,802
Supplies	7,237	87	1,790	9,114
Truck rental and gas	16,204	-	-	16,204
Utilities	21,432	-	1,078	22,510
Website expenses	360	-	47,454	47,814
Total expenses	2,301,029	12,558	422,807	2,736,394
Less expenses included with revenues on the statement of activities:				
Fundraising event expenses	-	(688)	-	(688)
Total expenses by function	\$ 2,301,029	\$ 11,870	\$ 422,807	\$ 2,735,706

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>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (112,312)	\$ 570,908
Adjustments to reconcile change in net assets to net cash (used) provided in operating activities		
Depreciation and amortization	1,584	6,307
Donated goods for resale	(1,119,427)	(1,212,138)
Cost of donated goods sold	1,181,660	1,356,690
PPP loan forgiveness	-	(119,435)
(Increase) decrease in assets		
Contribution receivable	-	(2,800)
Accounts receivable	2,611	13,706
Prepaid expenses	16,405	(14,803)
Right-of-use assets - operating leases	175,236	-
Increase (decrease) in liabilities		
Accounts payable	10,621	964
Accrued rent and payroll	(29,348)	33,330
MCPL grants payable	44,583	(3,370)
Deferred revenue	223	537
Due to chapters	(62,581)	(401,492)
Deferred rent benefits	-	30,591
Lease liabilities - operating leases	(162,856)	-
Net cash (used) provided in operating activities	(53,601)	258,995
Cash flows from investing activities		
Purchases of property and equipment	(8,056)	(5,285)
Reinvested interest	(4,382)	(6,850)
Net cash used in investing activities	(12,438)	(12,135)
Net change in cash and cash equivalents	(66,039)	246,860
Cash, cash equivalents and restricted cash, beginning of year	1,273,545	1,026,685
Cash, cash equivalents and restricted cash, end of year	\$ 1,207,506	\$ 1,273,545
Comprised of:		
Cash and cash equivalents	\$ 1,177,637	\$ 1,181,120
Restricted cash - memorial fund	25,502	25,477
Restricted cash - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	-	62,581
Cash, cash equivalents and restricted cash, end of year	\$ 1,207,506	\$ 1,273,545

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, 2023 and 2022, 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 \$1,000 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.

Leases: For operating leases with initial lease terms greater than 12 months, right-of-use (ROU) assets – operating leases and lease liabilities – operating leases are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use assets – operating leases and the related liabilities are included in lease liabilities – operating leases in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as lease expense in the accompanying Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that FOLMC will exercise that option. FOLMC determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which FOLMC made the short-term lease election.

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

Notes to Financial Statements

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.

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 \$28,178, \$25,489, and \$39,195 at June 30, 2023, June 30, 2022, and July 1, 2021, respectively. Contract liabilities include deferred revenue, which represent gift cards which have been purchased but unused. Contract liabilities totaled \$1,617, \$1,394, and \$857 at June 30, 2023, June 30, 2022, and July 1, 2021, 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. During the year ended June 30, 2023 and 2022, advertising expense was \$4,073 and \$2,811, respectively.

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

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.

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, 2023 and 2022.

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, 2023 and 2022, no unrecognized tax positions or benefit exists. Tax years from 2020 through the current year remain open for examination by tax authorities.

Adoption of recent accounting pronouncement: FOLMC adopted Accounting Standards Codification 842, *Leases*, (ASC 842) effective July 1, 2022. This standard requires lessees to recognize leases on the Statements of Financial Position as ROU assets – operating leases and lease liabilities – operating leases based on the value of the discounted future lease payments. In adopting ASC 842, FOLMC elected to use the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs.

Upon adoption, FOLMC recognized ROU assets – operating leases and lease liabilities – operating leases in the amounts of \$1,676,966 and \$1,797,812, respectively, using the modified retrospective alternative method. No cumulative-effect adjustments were required.

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 November 10, 2023, which is the date the financial statements were available to be issued.

2. Concentration of credit risk

FOLMC maintains cash balances at three commercial banks, in both operating and interest-bearing money market accounts. These balances can exceed the Federal Deposit Insurance Corporation (FDIC) insured deposit limit of \$250,000 per financial institution. At June 30, 2023 and 2022, FOLMC's cash balances held at the commercial bank exceeded the FDIC limit by approximately \$412,000 each year. FOLMC seeks to maximize its interest income while limiting its exposure and reducing amounts in excess of the FDIC limit. Management does not believe that this results in any significant credit risk. FOLMC has not experienced any losses through the date when the financial statements were available to be issued.

3. Property and equipment

Property and equipment consists of the following at:

June 30,	2023	2022
Furniture and office equipment	\$ 52,945	\$ 78,555
Leasehold improvements	40,478	37,018
Total Property and equipment at cost	93,423	115,573
Less: Accumulated depreciation and amortization	(80,806)	(109,428)
Property and equipment, net	\$ 12,617	\$ 6,145

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$1,584 and \$6,307, respectively.

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

Notes to Financial Statements

4. Related entities

Prior to 2023, FOLMC had various affiliates that served as local chapters of the organization. FOLMC had no ownership or voting interests in these local chapters and the activities of chapters were self-governed, subject to the provisions of the articles of incorporation and by-laws of FOLMC. FOLMC made available resources for technical support, offered counsel on ethical and legal best practices, provided fund-raising 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 notified of the change and were given options for next steps including dissolution of their corporate charters held with the State of Maryland and transfer of any remaining funds held by the chapters for the benefit of their respective branches to FOLMC in accordance with their bylaws. 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. 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 ten 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, 2023, FOLMC recognized contributions of \$99,187 directly from the remainder of the previously chartered chapters which were credited to branch related restricted net asset accounts and no longer held funds in the chapter related liability accounts.

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

Notes to Financial Statements

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

	2023	2022
Library resources	\$ 764,770	\$ 635,392
County library programs	-	38,711
Children’s resources	3,477	9,481
Accessible computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library board	2,204	2,204
Vehicle	-	1,230
World language	3,651	585
Scholarship fund	556	556
MCDPL directors	56	78
Other	925	125
Endowment	29,869	29,844
	\$ 814,494	\$ 727,192

6. 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, 2023 and 2022 are comprised of the following items:

Farinholt/Edlow Memorial Fund	\$ 25,000
Endowment Fund for the Future	4,367
	\$ 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, 2023 and 2022 is as follows:

June 30, 2023	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	-	502	502
Total endowment funds	\$ -	\$ 29,869	\$ 29,869

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

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Changes in endowment net assets during the years ended June 30, 2023 and 2022 are as follows:

Endowments	Without Restrictions	With Restrictions	Total
Endowments, June 30, 2022	\$ -	\$ 29,844	\$ 29,844
Investment income, net of fees	-	25	25
Endowments, June 30, 2023	\$ -	\$ 29,869	\$ 29,869

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

7. In-kind contributions

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

	2023	2022
Goods for resale	\$ 1,119,427	\$ 1,212,138
Facilities	10,800	10,800
Total donated goods for resale and facilities	\$ 1,130,227	\$ 1,222,938

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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8. Operating leases

Upon adoption of the new lease standard ASC 842, FOLMC evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the FOLMC's right to use underlying assets for the lease term, and the lease liabilities represent FOLMC's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. FOLMC has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.88%. As of June 30, 2023, the weighted-average remaining lease term for FOLMC's operating leases was approximately 8.2 years.

FOLMC is obligated under an operating lease for space in Rockville, Maryland. 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.

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, which is reasonably certain to be exercised. Therefore, the payments associated with the extension are included in the ROU assets and the lease liabilities recognized as of June 30, 2023.

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, 2023 and 2022, 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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For the year ended June 30, 2023, total operating lease cost was \$220,588.

Cash paid for operating leases for the year ended June 30, 2023 was \$208,202.

Future minimum lease payments under non-cancellable leases at June 30, 2023 are as follows:

June 30	Total
2024	\$ 214,070
2025	211,714
2026	213,740
2027	220,152
2028	226,757
Thereafter	758,580
Total	1,845,013
Less: imputed interest	(210,057)
Lease liabilities – operating leases	\$ 1,634,956

For the year ended June 30, 2022, under FASB ASC 840 (pre-adoption of the new standard, ASC 842), the difference between rent expense recognized on a straight-line basis and actual cash payments under the lease, as well as the utilized tenant improvement allowance, is reflected in deferred rent and is included in the balance of deferred rent on the accompanying Statements of Financial Position. Total rent expense for all operating leases was \$286,154 for the year ended June 30, 2022. For the year ended June 30, 2022, amortization of deferred rent benefits totaled \$841.

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

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9. 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.

10. Availability and liquidity The following represents FOLMC’s financial assets at June 30, 2023 and 2022:

	2023	2022
Cash, cash equivalents, and restricted cash	\$ 1,207,506	\$ 1,273,545
Contributions receivable	-	5,300
Accounts receivable	28,178	25,489
Certificates of deposit	346,897	342,515
Total financial assets	1,582,581	1,646,849

Less: amounts not available to be used within one year:

Net assets with donor restrictions	(814,494)	(727,192)
Amounts held for chapters	-	(62,581)

Financial assets available to meet general expenditures over the next year	\$ 768,087	\$ 857,076
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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.