

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

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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 Statements of Financial Position as of June 30, 2024 and 2023, 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 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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 County, 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.

Independent Auditor's Report (Continued)


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 County, 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 County, Maryland, Inc.**'s ability to continue as a going concern for a reasonable period of time.

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.


Rockville, Maryland
October 28, 2024

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

Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,060,655	\$ 1,177,637
Accounts receivable	23,972	28,178
Contributions receivable	2,999	-
Certificates of deposit	352,418	346,897
Inventory	476,005	483,407
Prepaid expenses	713	315
Total current assets	1,916,762	2,036,434
Other assets		
Restricted cash - memorial fund	25,528	25,502
Restricted cash - fund for the future	4,367	4,367
Property and equipment, net	20,088	12,617
Deposits	10,480	10,480
Right-of-use assets - operating leases	1,326,090	1,501,730
Total other assets	1,386,553	1,554,696
Total assets	\$ 3,303,315	\$ 3,591,130

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>	2024	2023
Current liabilities		
Accounts payable	\$ 53,132	\$ 40,621
Accrued expenses and payroll	114,345	80,991
MCPL grants payable	86,641	91,488
Deferred revenue	1,789	1,617
Lease liabilities - operating leases	171,719	214,070
Total current liabilities	427,626	428,787
Noncurrent liabilities		
Lease liabilities - operating leases, net of current portion	1,294,115	1,420,886
Total noncurrent liabilities	1,294,115	1,420,886
Total liabilities	1,721,741	1,849,673
Net assets		
Without donor restrictions	753,928	926,963
With donor restrictions	827,646	814,494
Total net assets	1,581,574	1,741,457
Total liabilities and net assets	\$ 3,303,315	\$ 3,591,130

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>	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Book sales	\$ 1,194,954	\$ -	\$ 1,194,954	\$ 1,244,915	\$ -	\$ 1,244,915
Contributions	82,670	124,438	207,108	133,256	195,779	329,035
Donated goods for resale	1,139,404	-	1,139,404	1,119,427	-	1,119,427
Grants	78,091	-	78,091	139,111	-	139,111
Membership dues	9,930	-	9,930	16,769	-	16,769
Programs and events	499	-	499	250	-	250
Annual event						
Gross revenue and donations	1,841	-	1,841	-	-	-
Annual event, net	1,841	-	1,841	-	-	-
Interest	5,602	28	5,630	4,509	25	4,534
Donated facilities	10,800	-	10,800	10,800	-	10,800
Net assets released from restrictions:						
Satisfaction of program restrictions	111,314	(111,314)	-	108,502	(108,502)	-
Total revenue and support	2,635,105	13,152	2,648,257	2,777,539	87,302	2,864,841

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>	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services:	2,305,605	-	2,305,605	2,465,753	-	2,465,753
Support activities:						
Fundraising	35,687	-	35,687	20,947	-	20,947
Management and general	466,848	-	466,848	490,453	-	490,453
Total support activities	502,535	-	502,535	511,400	-	511,400
Total expenses	2,808,140	-	2,808,140	2,977,153	-	2,977,153
Change in net assets	(173,035)	13,152	(159,883)	(199,614)	87,302	(112,312)
Net assets, beginning of year	926,963	814,494	1,741,457	1,126,577	727,192	1,853,769
Net assets, end of year	\$ 753,928	\$ 827,646	\$ 1,581,574	\$ 926,963	\$ 814,494	\$ 1,741,457

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 Year Ended June 30, 2024

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 440,757	\$ 14,164	\$ 145,807	\$ 600,728
Fringe benefits	41,089	4,494	33,709	79,292
Payroll taxes	32,704	1,051	10,819	44,574
Total salaries and related expenses	514,550	19,709	190,335	724,594
Advertising	751	-	-	751
Bank and credit card fees	27,229	-	6,598	33,827
Cost of donated goods sold	1,146,806	-	-	1,146,806
Depreciation and amortization	2,298	-	1,053	3,351
Donated facilities	-	-	10,800	10,800
Dues, fees, and subscriptions	46	3,616	60,015	63,677
Grants to MCPL	78,171	-	-	78,171
Insurance	12,260	-	4,042	16,302
Meetings	-	2,236	308	2,544
Parking and travel	999	1	86	1,086
Postage	2,551	973	1,033	4,557
Printing	7,104	6,746	-	13,850
Professional development	-	-	2,876	2,876
Professional fees	-	2,346	185,028	187,374
Public program costs	162,016	-	-	162,016
Occupancy	289,570	-	-	289,570
Repairs and maintenance	13,206	-	-	13,206
Supplies	6,688	60	2,347	9,095
Truck rental and gas	19,478	-	-	19,478
Utilities	21,882	-	2,327	24,209
Total expenses by function	\$ 2,305,605	\$ 35,687	\$ 466,848	\$ 2,808,140

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 (continued)

<i>For the Year Ended June 30, 2023</i>	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.

Statements of Cash Flows

<i>For the Years Ended June 30,</i>	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (159,883)	\$ (112,312)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	3,351	1,584
Donated goods for resale	(1,139,404)	(1,119,427)
Cost of donated goods sold	1,146,806	1,181,660
(Increase) decrease in assets		
Contribution receivable	(2,999)	-
Accounts receivable	4,206	2,611
Prepaid expenses	(398)	16,405
Right-of-use assets - operating leases	175,640	175,236
Increase (decrease) in liabilities		
Accounts payable	12,511	10,621
Accrued rent and payroll	33,354	(29,348)
MCPL grants payable	(4,847)	44,583
Deferred revenue	172	223
Due to chapters	-	(62,581)
Lease liabilities - operating leases	(169,122)	(162,856)
Net cash used in operating activities	(100,613)	(53,601)
Cash flows from investing activities		
Purchases of property and equipment	(10,822)	(8,056)
Reinvested interest	(5,521)	(4,382)
Net cash used in investing activities	(16,343)	(12,438)
Net change in cash and cash equivalents	(116,956)	(66,039)
Cash, cash equivalents and restricted cash, beginning of year	1,207,506	1,273,545
Cash, cash equivalents and restricted cash, end of year	\$ 1,090,550	\$ 1,207,506
Comprised of:		
Cash and cash equivalents	\$ 1,060,655	\$ 1,177,637
Restricted cash - memorial fund	25,528	25,502
Restricted cash - fund for the future	4,367	4,367
Cash, cash equivalents and restricted cash, end of year	\$ 1,090,550	\$ 1,207,506

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. The balance of this fund was \$0 and \$17,500 for the years ended June 30, 2024 and 2023, respectively.

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 is included in other assets.

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

Notes to Financial Statements

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 credit losses based on an annual review of all outstanding amounts. The allowance for credit losses reflects the best estimate of probable losses determined principally on historical collection experience and other factors, including current market factors, and forecasted economic conditions. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for credit losses. Receivables are written off when deemed uncollectible. At June 30, 2024 and 2023, there is no allowance for credit losses, and all amounts are deemed collectible in one year.

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.

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

Notes to Financial Statements

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.

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.

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

Notes to Financial Statements

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 \$23,972, \$28,178, and \$25,489 at June 30, 2024, June 30, 2023, and June 30, 2022, respectively. Contract liabilities include deferred revenue, which represent gift cards which have been purchased but unused. Contract liabilities totaled \$1,789, \$1,617, and \$1,394 at June 30, 2024, June 30, 2023, and June 30, 2022, respectively.

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.

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

Notes to Financial Statements

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, 2024 and 2023, advertising expense was \$751 and \$4,073, 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.

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, 2024 and 2023.

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, 2024 and 2023, no unrecognized tax positions or benefit exists. Tax years from 2021 through the current year remain open for examination by tax authorities.

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

Notes to Financial Statements

Recently Adopted Accounting Guidance: In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, or (“CECL”), which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning net assets as of the beginning of the fiscal year of adoption.

The adoption of CECL did not have a material impact. A cumulative effect adjustment to beginning net assets was not required. Financial assets and liabilities held by the Organization subject to the “expected credit loss” model prescribed by CECL include trade and other receivables as well as contract assets.

Subsequent events: In preparing these financial statements, FOLMC has evaluated subsequent events and transactions for potential recognition or disclosure through October 28, 2024, 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, 2024 and 2023, FOLMC’s cash balances held at the commercial bank exceeded the FDIC limit by approximately \$190,000 and \$412,000 respectively. 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,	2024	2023
Furniture and office equipment	\$ 63,766	\$ 52,945
Leasehold improvements	40,478	40,478
Total Property and equipment at cost	104,244	93,423
Less: Accumulated depreciation and amortization	(84,156)	(80,806)
Property and equipment, net	\$ 20,088	\$ 12,617

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

Notes to Financial Statements

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$3,351 and \$1,584, respectively.

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 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. 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.

5. Net assets with donor restrictions

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

	2024	2023
Library resources	\$ 781,120	\$ 764,770
Children’s resources	60	3,477
Accessible computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library board	2,204	2,204
World language	3,651	3,651
Scholarship fund	556	556
MCDPL directors	56	56
Other	1,116	925
Endowment	29,897	29,869
Total net assets with donor restrictions	\$ 827,646	\$ 814,494

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

Notes to Financial Statements

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, 2024 and 2023 are comprised of the following items:

Farinholt/Edlow Memorial Fund	\$ 25,000
Endowment Fund for the Future	4,367
<hr/>	
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.

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.

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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.

Endowment net assets composition by type of fund as of June 30, 2024 and 2023 is as follows:

June 30, 2024	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	-	530	530
Total endowment funds	\$ -	\$ 29,897	\$ 29,897

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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

Changes in endowment net assets during the years ended June 30, 2024 and 2023 are as follows:

Endowments	Without Restrictions	With Restrictions	Total
Endowments, June 30, 2023	\$ -	\$ 29,869	\$ 29,869
Investment income, net of fees	-	28	28
Endowments, June 30, 2024	\$ -	\$ 29,897	\$ 29,897

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

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7. In-kind contributions

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

	2024	2023
Goods for resale	\$ 1,139,404	\$ 1,119,427
Facilities	10,800	10,800
Total donated goods for resale and facilities	\$ 1,150,204	\$ 1,130,227

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.

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, 2024 and 2023 was 2.88%. As of June 30, 2024 and 2023, the weighted-average remaining lease term for FOLMC's operating leases was approximately 8.2 years and 7.3 years, respectively.

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.

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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, 2024.

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, 2024 and 2023, 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.

For both of the years ended June 30, 2024 and 2023, total operating lease cost was \$220,588.

Cash paid for operating leases for the years ended June 30, 2024 and 2023 was \$208,202, and \$214,070, respectively.

Future minimum lease payments under non-cancellable leases at June 30, 2024 are as follows:

June 30	Total
2025	\$ 211,714
2026	213,740
2027	220,152
2028	226,757
2029	233,559
Thereafter	525,022
Total	1,630,944
Less: imputed interest	(165,110)
Lease liabilities – operating leases	\$ 1,465,834

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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, 2024 and 2023:

	2024	2023
Cash, cash equivalents, and restricted cash	\$ 1,090,550	\$ 1,207,506
Contributions receivable	2,999	-
Accounts receivable	23,972	28,178
Certificates of deposit	352,418	346,897
Total financial assets	1,469,939	1,582,581
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	(827,646)	(814,494)
Financial assets available to meet general expenditures over the next year	\$ 642,293	\$ 768,087

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.