



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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

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JUNE 30, 2025 AND 2024

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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. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, 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 the Organization as of June 30, 2025, 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 the Organization 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, 2024, were audited by other auditors whose report dated October 28, 2024, 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

***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 the Organization'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 the Organization'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.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
January 22, 2026

Certified Public Accountants

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

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 576,618	\$ 1,060,655
Accounts Receivable	26,926	23,972
Contributions Receivable	1,292	2,999
Certificates of Deposit	917,726	352,418
Inventory	477,888	476,005
Prepaid Expenses	-	713
Total Current Assets	<u>2,000,450</u>	<u>1,916,762</u>
Restricted Cash - Memorial Fund	26,228	25,528
Restricted Cash - Fund for the Future	4,367	4,367
Property and Equipment, Net	16,860	20,088
Deposits	10,480	10,480
Right-of-Use Assets - Operating Leases	<u>1,249,953</u>	<u>1,326,090</u>
Total Assets	<u><u>\$ 3,308,338</u></u>	<u><u>\$ 3,303,315</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 62,110	\$ 53,132
Accrued Expenses and Payroll	90,195	114,345
MCPL Grants Payable	139,136	86,641
Deferred Revenue	2,588	1,789
Lease Liabilities - Operating Leases	<u>194,187</u>	<u>171,719</u>
Total Current Liabilities	488,216	427,626
Lease Liabilities - Operating Leases, Net of Current Portion	<u>1,195,982</u>	<u>1,294,115</u>
Total Liabilities	1,684,198	1,721,741
<b>Net Assets</b>		
Without Donor Restrictions	688,159	753,928
With Donor Restrictions	<u>935,981</u>	<u>827,646</u>
Total Net Assets	<u>1,624,140</u>	<u>1,581,574</u>
Total Liabilities and Net Assets	<u><u>\$ 3,308,338</u></u>	<u><u>\$ 3,303,315</u></u>

See accompanying Notes to Financial Statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	2025 Total
<b>Revenues</b>			
Book Sales	\$ 1,211,595	\$ -	\$ 1,211,595
Grants and Contributions	240,981	234,255	475,236
Donated Goods	1,169,580	-	1,169,580
Membership Dues	8,933	-	8,933
Annual Event	7,022	-	7,022
Interest	35,498	700	36,198
Donated Facilities	10,800	-	10,800
Net Assets Released from Restrictions	126,620	(126,620)	-
<b>Total Revenues</b>	<b>2,811,029</b>	<b>108,335</b>	<b>2,919,364</b>
<b>Expenses</b>			
Program Services	2,360,489	-	2,360,489
Supporting Services			
Management and General	485,048	-	485,048
Fundraising	31,261	-	31,261
<b>Total Supporting Services</b>	<b>516,309</b>	<b>-</b>	<b>516,309</b>
<b>Total Expenses</b>	<b>2,876,798</b>	<b>-</b>	<b>2,876,798</b>
Change in Net Assets	(65,769)	108,335	42,566
Net Assets, Beginning of Year	753,928	827,646	1,581,574
<b>Net Assets, End of Year</b>	<b>\$ 688,159</b>	<b>\$ 935,981</b>	<b>\$ 1,624,140</b>

*See accompanying Notes to Financial Statements.*

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	2024 Total
<b>Revenues</b>			
Book Sales	\$ 1,194,954	\$ -	\$ 1,194,954
Grants and Contributions	160,759	124,440	285,199
Donated Goods	1,139,404	-	1,139,404
Membership Dues	9,930	-	9,930
Program and Events	499	-	499
Annual Event	1,841	-	1,841
Interest	5,604	26	5,630
Donated Facilities	10,800	-	10,800
Net Assets Released from Restrictions	111,314	(111,314)	-
<b>Total Revenues</b>	<b>2,635,105</b>	<b>13,152</b>	<b>2,648,257</b>
<b>Expenses</b>			
Program Services	2,305,605	-	2,305,605
Supporting Services			
Management and General	466,848	-	466,848
Fundraising	35,687	-	35,687
<b>Total Supporting Services</b>	<b>502,535</b>	<b>-</b>	<b>502,535</b>
<b>Total Expenses</b>	<b>2,808,140</b>	<b>-</b>	<b>2,808,140</b>
Change in Net Assets	(173,035)	13,152	(159,883)
Net Assets, Beginning of Year	926,963	814,494	1,741,457
<b>Net Assets, End of Year</b>	<b>\$ 753,928</b>	<b>\$ 827,646</b>	<b>\$ 1,581,574</b>

*See accompanying Notes to Financial Statements.*

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2025 Total</u>
Salaries	\$ 467,285	\$ 159,228	\$ 9,416	\$ 635,929
Fringe Benefits	40,066	36,202	3,772	80,040
Payroll Taxes	39,385	13,420	794	53,599
Advertising	990	200	-	1,190
Bank and Credit Card Fees	25,715	6,523	-	32,238
Cost of Donated Goods Sold	1,167,697	-	-	1,167,697
Depreciation and Amortization	3,765	3,830	-	7,595
Donated Facilities	-	10,800	-	10,800
Dues, Fees, and Subscriptions	360	44,040	3,378	47,778
Event Expenses	-	-	5,429	5,429
Grants to MCPL	72,184	-	-	72,184
Insurance	-	17,507	-	17,507
Meetings	332	1,440	-	1,772
Parking and Travel	1,049	181	-	1,230
Postage	1,320	-	806	2,126
Printing	5,394	1,280	5,264	11,938
Professional Development	-	4,175	-	4,175
Professional Fees	-	180,775	2,201	182,976
Public Program Costs	167,028	-	-	167,028
Occupancy	293,517	-	-	293,517
Repairs and Maintenance	19,707	-	-	19,707
Supplies	9,116	3,726	201	13,043
Truck Rental and Gas	21,695	-	-	21,695
Utilities	23,884	1,721	-	25,605
<b>Total Expenses</b>	<b><u>\$ 2,360,489</u></b>	<b><u>\$ 485,048</u></b>	<b><u>\$ 31,261</u></b>	<b><u>\$ 2,876,798</u></b>

*See accompanying Notes to Financial Statements.*

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services	Management and General	Fundraising	2024 Total
Salaries	\$ 440,757	\$ 145,807	\$ 14,164	\$ 600,728
Fringe Benefits	41,089	33,709	4,494	79,292
Payroll Taxes	32,704	10,819	1,051	44,574
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	60,015	3,616	63,677
Grants to MCPL	78,171	-	-	78,171
Insurance	12,260	4,042	-	16,302
Meetings	-	308	2,236	2,544
Parking and Travel	999	86	1	1,086
Postage	2,551	1,033	973	4,557
Printing	7,104	-	6,746	13,850
Professional Development	-	2,876	-	2,876
Professional Fees	-	185,028	2,346	187,374
Public Program Costs	162,016	-	-	162,016
Occupancy	289,570	-	-	289,570
Repairs and Maintenance	13,206	-	-	13,206
Supplies	6,688	2,347	60	9,095
Truck Rental and Gas	19,478	-	-	19,478
Utilities	21,882	2,327	-	24,209
<b>Total Expenses</b>	<b><u>\$ 2,305,605</u></b>	<b><u>\$ 466,848</u></b>	<b><u>\$ 35,687</u></b>	<b><u>\$ 2,808,140</u></b>

*See accompanying Notes to Financial Statements.*

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 42,566	\$ (159,883)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	7,596	3,351
Donated Goods for Resale	(1,169,580)	(1,139,404)
Cost of Donated Goods Sold	1,167,697	1,146,806
Operating Lease Expense	215,241	175,640
<u>(Increase) Decrease in</u>		
Contributions Receivable	1,707	(2,999)
Accounts Receivable	(2,954)	4,206
Prepaid Expenses and Deposits	713	(398)
<u>Increase (Decrease) in</u>		
Accounts Payable	8,978	12,511
Accrued Rent and Payroll	(24,150)	33,354
MCPL Grants Payable	52,495	(4,847)
Deferred Revenue	799	172
Lease Liabilities - Operating Leases	(214,769)	(169,122)
Net Cash Provided by (Used in) Operating Activities	86,339	(100,613)
<b>Cash Flows from Investing Activities</b>		
Purchases of Certificates of Deposit	(557,215)	-
Purchases of Property and Equipment	(4,368)	(10,822)
Reinvested Interest	(8,093)	(5,521)
Net Cash Used in Investing Activities	(569,676)	(16,343)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(483,337)	(116,956)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,090,550	1,207,506
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	\$ 607,213	\$ 1,090,550
<b>Supplementary Disclosures of Cash Flow Information</b>		
Cash and Cash Equivalents	\$ 576,618	\$ 1,060,655
Restricted Cash - Memorial Fund	26,228	25,528
Restricted Cash - Fund for the Future	4,367	4,367
<b>Noncash Transactions from Investing and Financing Activities</b>		
Establishment of Operating Right-of-Use Asset	\$ 98,503	\$ -
Establishment of Operating Lease Liability	96,977	-

*See accompanying Notes to Financial Statements.*

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization*

Friends of the Library, Montgomery County, Maryland, Inc. (the Organization), 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. The Organization 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 Accounting*

The Organization has presented its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

*Financial Statement Presentation*

The Organization classifies information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*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 the Organization's management and the Board of Trustees.

*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 the Organization, 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*

For purposes of reporting cash flows, the Organization 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.

*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. The Organization 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, 2025 and 2024, there is no allowance for credit losses, and all amounts are deemed collectible in one year.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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*

The Organization 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. The Organization 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. The Organization 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.

*Right-of-Use Assets and Lease Liabilities*

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 the Organization will exercise that option. The Organization 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 the Organization made the short-term lease election.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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*

The Organization 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*

The Organization 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 the Organization 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 the Organization for book sales. The balance of contract assets totaled \$26,926, \$23,972, and \$28,178 at June 30, 2025, June 30, 2024, and June 30, 2023, respectively. Contract liabilities include deferred revenue, which represent gift cards which have been purchased but unused. Contract liabilities totaled \$2,588, \$1,789, and \$1,617 at June 30, 2025, June 30, 2024, and June 30, 2023, respectively.

*Contributions and Grants*

The Organization 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.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Contributions and Grants (Continued)*

When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Membership dues are considered unconditional contributions.

*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*

The Organization uses advertising to promote its programs among audiences it serves. Advertising costs are expensed as they are incurred. During the years ended June 30, 2025 and 2024, advertising expense was \$1,190 and \$751, respectively.

*Functional Allocation of Expenses*

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The Organization incurs expenses that directly relate to, and can be assigned to, a program or supporting activity. 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*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the years ended June 30, 2025 and 2024, as the Organization had no taxable net unrelated business income.

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s Form 990 is subject to examination by the taxing authorities for three years after filing.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Use of Estimates*

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

*Reclassifications*

Certain 2024 amounts have been reclassified for comparative purposes.

**2. LIQUIDITY AND AVAILABLE RESOURCES**

The Organization's cash flows have seasonal variations due to the timing of contributions and grant and other revenues, and vendor payments. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following represents the Organization's financial assets at June 30, 2025 and 2024:

	2025	2024
Cash, Cash Equivalents, and Restricted Cash	\$ 607,213	\$ 1,090,550
Accounts Receivable	26,926	23,972
Contributions Receivable	1,292	2,999
Certificates of Deposit	917,726	352,418
Less Amounts Restricted by Donors for Purpose (including Endowment)	(935,981)	(827,646)
Financial Assets and Liquidity Resources Available to Meet Cash Needs for General Expenditures within One Year	\$ 617,176	\$ 642,293

**3. CONCENTRATIONS**

The Organization maintains cash balances at a financial institution. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balances exceeded the FDIC limits.

Management believes the risk in these situations to be minimal.

One contributor accounted for 94% of accounts receivable as of June 30, 2025, and one donor comprised 52% of contribution revenue for the year ended June 30, 2025.

One contributor accounted for 88% of accounts receivable as of June 30, 2024, and one donor comprised 31% of contribution revenue for the year ended June 30, 2024.

**4. RETIREMENT PLAN**

The Organization sponsors a 403(b) defined contribution retirement plan for all employees. Employees are eligible to participate immediately upon employment. The Organization does not make any matching contributions into the plan.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024**

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2025 and 2024:

Description	2025	2024
Furniture and Equipment	\$ 68,134	\$ 63,766
Leasehold Improvements	<u>40,478</u>	<u>40,478</u>
Total Property and Equipment	<b>108,612</b>	104,244
Less Accumulated Depreciation and Amortization	<u>(91,752)</u>	<u>(84,156)</u>
Property and Equipment, Net	<u><b>\$ 16,860</b></u>	<u>\$ 20,088</u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024, was \$7,596 and \$3,351, respectively.

**6. LEASES**

Upon adoption of the new lease standard ASC 842, the Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right-of-use underlying assets for the lease term, and the lease liabilities represent the Organization'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. The Organization 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, 2025 and 2024, was 2.95% and 2.88%, respectively. As of June 30, 2025 and 2024, the weighted-average remaining lease term for the Organization's operating leases was approximately 6.26 years and 8.2 years, respectively.

The Organization is obligated under an operating lease for space in Rockville, Maryland. On September 15, 2019, the Organization 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, 2031, 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, the Organization 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, 2025.

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**6. LEASES (CONTINUED)**

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

The Organization received donated office space located in the Rockville Memorial Library from Montgomery County for administrative offices. For both the years ended June 30, 2025 and 2024, the estimated value of the donated facilities was \$10,800.

The Organization entered into an operating vehicle lease service agreement in April 2025 for fixed payments of \$1,526 for seventy-two months in order to use the vehicle to transport books between the store and warehouse.

For the years ended June 30, 2025 and 2024, total operating lease cost was \$215,241 and \$175,640, respectively.

Cash paid for operating leases for the years ended June 30, 2025 and 2024, was \$209,040 and \$208,202, respectively.

Future minimum lease payments under non-cancellable leases at June 30, 2025, are as follows:

For the Years Ending June 30,

2026	\$	232,052
2027		238,464
2028		245,069
2029		251,871
2030		236,480
Thereafter		319,001
Total Undiscounted Minimum Lease Payments		1,522,937
Less Discount to Present Value		(132,768)
Total Operating Lease Liability		\$ 1,390,169

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of June 30, 2025 and 2024:

Description	2025	2024
Library Resources	\$ 888,950	\$ 781,120
Children's Resources	120	60
Accessible Computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library Board	1,354	2,204
World Language	3,651	3,651
Scholarship Fund	556	556
MCDPL Directors	1	56
Other	1,768	1,116
Endowment	30,595	29,897
Total Donor Restricted Net Assets	\$ 935,981	\$ 827,646

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**7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions during the years ended June 30, 2025 and 2024, as follows:

Description	2025	2024
Library Resources	\$ (125,715)	\$ (107,836)
MCDPL Directors	(55)	-
Library Board	(850)	-
Children's Resources	-	(3,478)
Total Net Assets Released from Restrictions	\$ (126,620)	\$ (111,314)

**8. ENDOWMENT**

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, 2025 and 2024, 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 the Organization 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, the Organization 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, the Organization 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 the Organization.

**Return Objectives and Risk Parameters:** The Organization 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.

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8. ENDOWMENT (CONTINUED)

**Return Objectives and Risk Parameters (continued):** 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:** The Organization has no formally established policy for the appropriation of endowment assets for expenditure. However, it has been the practice of the Organization, 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, 2025 and 2024, is as follows:

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
<b>Donor-Restricted Endowment Funds</b>			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 29,367	\$ 29,367
Accumulated Investment Gains	-	1,228	1,228
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 30,595</b>	<b>\$ 30,595</b>
June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
<b>Donor-Restricted Endowment Funds</b>			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 29,367	\$ 29,367
Accumulated Investment Gains	-	528	528
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 29,895</b>	<b>\$ 29,895</b>

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**8. ENDOWMENT (CONTINUED)**

Changes in endowment net assets during the years ended June 30, 2025 and 2024, are as follows:

<u>Endowments</u>	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Endowments, June 30, 2024	\$ -	\$ 29,895	\$ 29,895
Investment Income, Net of Fees	-	700	700
 Endowments, June 30, 2025	 \$ -	 \$ 30,595	 \$ 30,595
 <u>Endowments</u>	 <u>Without Restrictions</u>	 <u>With Restrictions</u>	 <u>Total</u>
Endowments, June 30, 2023	\$ -	\$ 29,869	\$ 29,869
Investment Income, Net of Fees	-	26	26
 Endowments, June 30, 2024	 \$ -	 \$ 29,895	 \$ 29,895

**9. RELATED ENTITIES**

The Organization supports Montgomery County Public Libraries (MCPL) by providing supplemental funding, programs, and materials and equipment to augment public funding. Although MCPL is the primary partner of the Organization in mission and service delivery, they are separate entities.

**10. IN-KIND CONTRIBUTIONS**

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

	<u>2025</u>	<u>2024</u>
Goods for Resale	\$ 1,169,580	\$ 1,139,404
Facilities	10,800	10,800
Total Donated Goods for Resale and Facilities	<u>\$ 1,180,380</u>	<u>\$ 1,150,204</u>

The Organization 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. The Organization 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.

**11. SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 22, 2026, which is the date the financial statements were available to be issued.