

**Friends of the Library,
Montgomery County, Maryland, Inc.
Financial Statements
June 30, 2019 and 2018**



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Friends of the Library, Montgomery County, Maryland, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of the Library, Montgomery County, Maryland, Inc. as of June 30, 2019 and 2018, 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.

Squire, Lemkin + Company LLP

November 13, 2019

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

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 395,496	\$ 401,106
Accounts receivable	26,237	50,343
Certificate of deposits	325,852	223,739
Prepaid expenses	6,444	5,681
TOTAL CURRENT ASSETS	<u>\$ 754,029</u>	<u>\$ 680,869</u>
OTHER ASSETS:		
Cash and cash equivalents - memorial fund	\$ 25,401	\$ 25,373
Cash and cash equivalents - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	39,635	66,314
Property and equipment, net	28,351	3,932
Deposits	9,750	9,750
TOTAL OTHER ASSETS	<u>\$ 107,504</u>	<u>\$ 109,736</u>
TOTAL ASSETS	<u><u>\$ 861,533</u></u>	<u><u>\$ 790,605</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,396	\$ 14,300
Accrued rent and payroll	68,582	70,569
MCPL awards payable	272,970	201,259
Deferred revenue	8,229	8,213
TOTAL CURRENT LIABILITIES	<u>\$ 366,177</u>	<u>\$ 294,341</u>
NONCURRENT LIABILITIES:		
Deferred rent benefits	\$ 53,200	\$ 46,269
Due to chapters	39,635	66,314
TOTAL CURRENT LIABILITIES	<u>\$ 92,835</u>	<u>\$ 112,583</u>
TOTAL LIABILITIES	<u>\$ 459,012</u>	<u>\$ 406,924</u>
NET ASSETS:		
Without donor restrictions	\$ 268,681	\$ 233,110
With donor restrictions	133,840	150,571
TOTAL NET ASSETS	<u>\$ 402,521</u>	<u>\$ 383,681</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 861,533</u></u>	<u><u>\$ 790,605</u></u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Book sales	\$ 1,115,808	\$ 10,725	\$ 1,126,533	\$ 1,068,236	\$ 9,301	\$ 1,077,537
Contributions	54,005	6,187	60,192	58,679	34,687	93,366
Grants	73,596	-	73,596	88,328	-	88,328
Membership dues	18,161	-	18,161	16,899	-	16,899
Programs and events	3,955	-	3,955	5,701	-	5,701
Annual event:						
Gross revenue and donations	34,541	-	34,541	24,437	-	24,437
Less, direct expenses	(11,769)	-	(11,769)	(8,963)	-	(8,963)
Interest and other income	2,185	26	2,211	2,239	23	2,262
Donated facilities and services	13,990	-	13,990	152,025	-	152,025
Net assets released from restrictions	33,669	(33,669)	-	42,730	(42,730)	-
TOTAL REVENUE AND SUPPORT	\$ 1,338,141	\$ (16,731)	\$ 1,321,410	\$ 1,450,311	\$ 1,281	\$ 1,451,592
EXPENSES:						
Program services	\$ 945,422	\$ -	\$ 945,422	\$ 1,025,599	\$ -	\$ 1,025,599
Supporting services:						
Management and general	\$ 306,870	\$ -	\$ 306,870	\$ 326,795	\$ -	\$ 326,795
Fundraising	50,278	-	50,278	40,769	-	40,769
Total supporting services	\$ 357,148	\$ -	\$ 357,148	\$ 367,564	\$ -	\$ 367,564
TOTAL EXPENSES	\$ 1,302,570	\$ -	\$ 1,302,570	\$ 1,393,163	\$ -	\$ 1,393,163
CHANGE IN NET ASSETS	\$ 35,571	\$ (16,731)	\$ 18,840	\$ 57,148	\$ 1,281	\$ 58,429
NET ASSETS, BEGINNING OF YEAR	233,110	150,571	383,681	175,962	149,290	325,252
NET ASSETS, END OF YEAR	\$ 268,681	\$ 133,840	\$ 402,521	\$ 233,110	\$ 150,571	\$ 383,681

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,

	2019				2018			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs:								
Salaries and wages	\$ 371,925	\$ 110,811	\$ 27,881	\$ 510,617	\$ 382,459	\$ 94,213	\$ 23,844	\$ 500,516
Fringe benefits	15,844	26,152	4,457	46,453	21,920	5,510	1,377	28,807
Payroll taxes	29,119	9,146	818	39,083	28,533	9,102	1,980	39,615
Total personnel costs	\$ 416,888	\$ 146,109	\$ 33,156	\$ 596,153	\$ 432,912	\$ 108,825	\$ 27,201	\$ 568,938
Advertising	2,100	2,851	95	5,046	-	3,100	590	3,690
Bank and credit card fees	24,587	4,623	836	30,046	36,839	3,428	2,469	42,736
Depreciation and amortization	2,867	5,502	-	8,369	9,894	298	-	10,192
Donated facilities	-	10,800	-	10,800	-	10,800	-	10,800
Donated services	825	-	2,365	3,190	825	138,400	2,000	141,225
Dues, fees, and subscriptions	100	1,589	1,027	2,716	1,348	848	195	2,391
Fundraising event expenses	-	-	11,769	11,769	-	-	8,963	8,963
Grants to MCPL	138,663	-	-	138,663	134,307	-	-	134,307
Insurance	-	11,430	-	11,430	5,235	1,316	329	6,880
Meetings	3,570	3,708	-	7,278	5,682	2,706	-	8,388
Parking and travel	25	208	-	233	303	93	31	427
Postage	4,080	4,034	636	8,750	3,012	3,324	613	6,949
Printing	11,732	2,905	5,105	19,742	18,920	2,846	1,700	23,466
Professional development	-	6,041	166	6,207	-	834	10	844
Professional fees	9,935	56,348	6,819	73,102	12,249	37,291	5,591	55,131
Public program costs	52,907	1,534	-	54,441	82,696	233	40	82,969
Rent	207,023	-	-	207,023	208,140	-	-	208,140
Repairs and maintenance	8,414	1,558	-	9,972	8,891	164	-	9,055
Supplies	7,836	5,643	65	13,544	15,308	6,804	-	22,112
Truck rental and gas	30,242	-	-	30,242	29,280	-	-	29,280
Utilities	21,491	660	-	22,151	19,758	660	-	20,418
Website expenses	2,137	41,327	8	43,472	-	4,825	-	4,825
TOTAL EXPENSES	\$ 945,422	\$ 306,870	\$ 62,047	\$ 1,314,339	\$ 1,025,599	\$ 326,795	\$ 49,732	\$ 1,402,126
Less expenses included with revenues on the statements of activities:								
Fundraising event expenses	-	-	(11,769)	(11,769)	-	-	(8,963)	(8,963)
TOTAL EXPENSES BY FUNCTION	\$ 945,422	\$ 306,870	\$ 50,278	\$ 1,302,570	\$ 1,025,599	\$ 326,795	\$ 40,769	\$ 1,393,163
Percent of total expenses	<u>72.5%</u>	<u>23.6%</u>	<u>3.9%</u>	<u>100.0%</u>	<u>73.6%</u>	<u>23.5%</u>	<u>2.9%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 18,840	\$ 58,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,369	10,192
Decrease (increase) in assets:		
Accounts receivable	24,106	(22,003)
Prepaid expenses	(763)	7,441
Increase (decrease) in liabilities:		
Accounts payable	2,096	3,244
Accrued rent and payroll	(1,987)	13,511
MCPL awards payable	71,711	(17,906)
Deferred revenue	16	170
Due to chapters	(26,679)	7,411
Deferred rent benefits	6,931	10,494
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 102,640</u>	<u>\$ 70,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (32,788)	\$ -
Reinvested interest	(2,113)	(2,144)
Purchase of certificate of deposit	(100,000)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (134,901)</u>	<u>\$ (2,144)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (32,261)	\$ 68,839
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>497,160</u>	<u>428,321</u>
END OF YEAR	<u>\$ 464,899</u>	<u>\$ 497,160</u>
COMPRISED OF:		
Cash and cash equivalents	\$ 395,496	\$ 401,106
Cash and cash equivalents - memorial fund	25,401	25,373
Cash and cash equivalents - fund for the future	4,367	4,367
Cash and cash equivalents - amounts held for chapters	39,635	66,314
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 464,899</u>	<u>\$ 497,160</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1. **Organization** - Friends of the Library, Montgomery County, Maryland, Inc. (FOLMC) was organized in 1983 as a non-profit corporation to support public libraries in Montgomery County, Maryland by assisting the libraries with their public information activities, by working with the county and local library boards and committees, and by creating library volunteer opportunities. FOLMC also encourages gifts, memorials, and endowments, sponsors community events and activities, and supports fundraising efforts for the benefit of library service.

Note 2. **Summary of Significant Accounting Policies**

Accounting Method - FOLMC uses the accrual basis of accounting, whereby revenue is recorded when earned and expenses are recorded when incurred.

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

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

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

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.

Cash and Cash Equivalents - For purposes of reporting cash flows, FOLMC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash related to the endowment is included in other assets.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable are stated at unpaid balances estimated by management to be the net realizable value and are due under normal trade terms requiring payment within 30 days of the invoice date. FOLMC provides for losses on accounts receivable using the allowance method, whereby receivables are carried at their original amount less an estimate for doubtful receivables based on an annual review of all outstanding amounts. It is FOLMC's policy to charge off uncollectible receivables when management determines the receivables will not be collected. At June 30, 2019 and 2018, there is no allowance for uncollectible accounts, and all amounts are deemed collectible in one year.

Certificate of Deposits - The certificate of deposit is recorded at fair value. Fair value is the equivalent of the original amount on deposit plus any accrued but unpaid interest. Interest income is recorded on the accrual basis when earned.

Property and Equipment - Property and equipment are stated at cost and consist of furniture, office equipment and leasehold improvements. FOLMC capitalizes all property and equipment with a useful life greater than one year and a cost basis of \$500 or more. Depreciation for furniture and office equipment is calculated over an estimated useful life of three to seven years on a straight-line basis. Depreciation of leasehold improvements is computed on a straight-line basis over the shorter of the lease term or the useful life of the improvement. When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Repairs and maintenance are expensed when incurred.

Revenue Recognition - Monetary contributions and grants are recognized as revenue when received or when an unconditional promise to give has been received and sufficient documentation exists. The fair value of contributions of books is recognized when the books are sold. All contributions and grants are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Revenue from membership dues is recognized over an annual period from when the dues are received. Membership dues attributable to future periods are included in deferred revenue. Revenue from programs, events, and special events is recorded when the program or events are held and the revenue is earned. Interest and other income are recorded as revenue when earned.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2. Summary of Significant Accounting Policies (Continued)

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. FOLMC received significant in-kind consulting services in 2018 related to an operational assessment. 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.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited and other costs are directly allocated to the specific activity benefited.

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

Income Taxes - FOLMC is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended, and classified as other than a private foundation. However, income from certain activities not directly related to FOLMC's tax-exempt purpose may be subject to taxation as unrelated business income. No provision for income taxes was required for the years ended June 30, 2019 and 2018.

Accounting for Uncertain Tax Provisions - FOLMC follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated FOLMC's tax positions and concluded that FOLMC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended June 30, 2019 and 2018, no unrecognized tax provision or benefit exists.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Net assets previously reported as unrestricted are now reported as without donor restriction, and net assets previously reported as temporarily restricted and permanently restricted are now reported as with donor restriction. FOLMC, has adjusted the presentation of these statements accordingly, and the ASU has been applied retrospectively to all periods presented.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3. **Concentration of Credit Risk** - The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each institution. The accounts maintained by FOLMC may, at times, exceed federally insured limits. FOLMC seeks to maximize its interest income while limiting its exposure and reducing amounts in excess of the FDIC limit. Management does not consider this a significant concentration of credit risk.

Note 4. **Property and Equipment** - Property and equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Furniture and office equipment	\$ 76,585	\$ 43,797
Leasehold improvements	31,733	31,733
Subtotals	<u>\$ 108,318</u>	<u>\$ 75,530</u>
Less, Accumulated depreciation and amortization	<u>(79,967)</u>	<u>(71,598)</u>
Property and equipment, net	<u>\$ 28,351</u>	<u>\$ 3,932</u>

Note 5. **Net Assets With Donor Restrictions** - Net assets with donor restrictions were composed of the following as of June 30:

	<u>2019</u>	<u>2018</u>
County library programs	\$ 52,115	\$ 58,665
Library resources	29,065	40,254
Children's resources	9,431	9,431
Accessible computers	4,915	4,915
Griffen/Moreland Scholarship	4,071	4,071
Library board	2,204	2,204
Vehicle	982	--
World language	585	585
Scholarship fund	556	556
MCDPL directors	78	78
Other	72	72
Endowments	<u>29,766</u>	<u>29,740</u>
Totals	<u>\$ 133,840</u>	<u>\$ 150,571</u>

Note 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, 2019 and 2018 are comprised of the following items:

Farinholt/Edlow Memorial Fund	\$ 25,000
Endowment Fund for the Future	<u>4,367</u>
Total	<u>\$ 29,367</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6. Endowments (Continued)

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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6. Endowments (Continued)

Endowment net assets composition by type of fund as of June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ --	\$ 29,367	\$ 29,367
Accumulated investment gains	--	399	399
Totals	<u>\$ --</u>	<u>\$ 29,766</u>	<u>\$ 29,766</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2018	\$ --	\$ 29,740	\$ 29,740
Interest and dividends, net of fees	--	26	26
Balance at June 30, 2019	<u>\$ --</u>	<u>\$ 29,766</u>	<u>\$ 29,766</u>

Endowment net assets composition by type of fund as of June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ --	\$ 29,367	\$ 29,367
Accumulated investment gains	--	373	373
Totals	<u>\$ --</u>	<u>\$ 29,740</u>	<u>\$ 29,740</u>

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2017	\$ --	\$ 29,717	\$ 29,717
Interest and dividends, net of fees	--	23	23
Balance at June 30, 2018	<u>\$ --</u>	<u>\$ 29,740</u>	<u>\$ 29,740</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7. **Operating Leases** - On April 1, 2015, FOLMC amended the 2013 non-cancellable operating lease for its Rockville bookstore to include terms for the expansion of leased premises, from 3,266 square feet to 6,266 square feet of gross leasable area. Upon commencement, the amended lease increases the initial base monthly rent from \$4,240 to a base monthly rent of \$9,396, subject to an annual increase of three percent, plus 11.13% of real estate taxes, assessments, and common area maintenance costs. The amended lease expires on February 28, 2026, and has a one-time option to terminate the lease seven years from the commencement date. In addition, on July 1, 2014, the lessor provided a leasehold improvement incentive totaling \$19,363, which was reported as a deferred rent benefit in the statements of financial position and will be amortized over the remaining life of the amended lease. Amortization of deferred rent benefits are reported as an offset of rent expense in the statements of activities. For the years ended June 30, 2019 and 2018, amortization of deferred rent benefits totaled \$1,633 per year.

Future minimum lease payments under non-cancellable leases at June 30, 2019 are as follows:

<u>For the years ending June 30,</u>		
2020		\$ 125,985
2021		129,765
2022		133,658
2023		137,668
2024		141,798
Thereafter		<u>245,973</u>
Total		<u>\$ 914,847</u>

FOLMC also rents space from Montgomery County for a bookstore at the Old Silver Spring 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 of the years ended June 30, 2019 and 2018, the estimated value of the donated office space is \$10,800.

Note 8. **Retirement Plan** - FOLMC sponsors a 403(b) defined contribution retirement plan for all full time employees. Employees are eligible to participate immediately upon employment. FOLMC does not make any matching contributions into the plan.

Note 9. **Related Entities** - FOLMC has 17 affiliates that serve as local chapters of the Organization. FOLMC has no ownership or voting interests in these local chapters. However, FOLMC does provide technical and fund-raising assistance to the local chapters. As of June 30, 2019 and 2018, FOLMC held \$39,635 and \$66,314 of Chapter donations in a non-current liability account. These funds correlate with the cash and cash equivalents held for chapters account on the statement of financial position. There are no shared expenses between the entities as of June 30, 2019 and 2018.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10. **Availability and Liquidity** - The following represents FOLMC's financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 395,496	\$ 401,106
Accounts receivable	26,237	50,343
Certificate of deposit	<u>325,852</u>	<u>223,739</u>
Total current financial assets	<u>\$ 747,585</u>	<u>\$ 675,188</u>
Amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 133,840	\$ 150,571
Less net assets with purpose restrictions to be met in less than a year	<u>(32,629)</u>	<u>(33,669)</u>
Total amounts not available to be used within one year	<u>\$ 101,211</u>	<u>\$ 116,902</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 646,374</u>	<u>\$ 558,286</u>

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

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

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

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

Note 12. **Subsequent Events** - On September 8, 2019, FOLMC moved the Wheaton Book Store from the Silver Spring Library to the new Wheaton Library. They are leasing the space from the county under the same agreement, and pay 10% of its annual gross book sales as rent for this location.

FOLMC evaluated subsequent events for potential required disclosure through November 13, 2019, which is the date the financial statements were available to be issued.