

**PRINCE GEORGE'S COUNTY MEMORIAL
LIBRARY SYSTEM FOUNDATION, INC.**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED JUNE 30, 2022 AND 2021

DEBLANC + MURPHY
ACCOUNTANTS AND ADVISORS

DeBlanc, Murphy & Murphy, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Prince George's County Memorial Library System Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Prince George's County Memorial Library System Foundation, Inc. (a Maryland nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 Prince George's County Memorial Library System Foundation, Inc. as of June 30, 2022 and 2021, 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 Prince George's County Memorial Library System Foundation, 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 Prince George's County Memorial Library System Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prince George's County Memorial Library System Foundation, 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 Prince George's County Memorial Library System Foundation, 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.



La Plata, Maryland
January 23, 2023

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>ASSETS</u>	
	<u>2022</u>	<u>June 30,</u> <u>2021</u>
Current assets:		
Cash	\$ 113,730	\$ 103,607
Restricted cash	2,437,638	825,825
Contribution receivable	2,851	
Prepaid expenses	42,683	-
Due from related party	1,063	-
Merchandise	3,877	-
	<u>2,601,842</u>	<u>929,432</u>
Total current assets		
Property and equipment:		
Computer equipment	508,887	482,996
Less: Accumulated depreciation	<u>(99,324)</u>	<u>-</u>
Property and equipment, net	<u>409,563</u>	<u>482,996</u>
Total assets	<u>\$ 3,011,405</u>	<u>\$ 1,412,428</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 10,250	\$ 7,830
Sales tax payable	186	43
Due to related party	<u>10,292</u>	<u>62</u>
Total current liabilities	<u>20,728</u>	<u>7,935</u>
Net assets without donor restrictions:		
Undesignated	555,890	578,668
Net assets with donor restrictions	<u>2,434,787</u>	<u>825,825</u>
Total net assets	<u>2,990,677</u>	<u>1,404,493</u>
Total liabilities and net assets	<u>\$ 3,011,405</u>	<u>\$ 1,412,428</u>

See accompanying notes.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2022			Year ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2021 Total
Revenue and support:				
Contributions	\$ 38,048	\$ 1,023,977	\$ 1,062,025	\$ 1,333,009
Fundraising and special events	17,250	-	17,250	38,612
Grants	-	786,910	786,910	70,495
Donated material and services	195,192	-	195,192	158,378
Total revenue and support	<u>250,490</u>	<u>1,810,887</u>	<u>2,061,377</u>	<u>1,600,494</u>
Net assets released from restrictions	<u>201,925</u>	<u>(201,925)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>452,415</u>	<u>1,608,962</u>	<u>2,061,377</u>	<u>1,600,494</u>
Expenses:				
Program services:				
Program activities	<u>373,693</u>	<u>-</u>	<u>373,693</u>	<u>89,879</u>
Total program services	<u>373,693</u>	<u>-</u>	<u>373,693</u>	<u>89,879</u>
Supporting services:				
Administration	20,007	-	20,007	20,554
Fundraising	<u>81,493</u>	<u>-</u>	<u>81,493</u>	<u>134,022</u>
Total supporting services	<u>101,500</u>	<u>-</u>	<u>101,500</u>	<u>154,576</u>
Total expenses	<u>475,193</u>	<u>-</u>	<u>475,193</u>	<u>244,455</u>
Excess of support and revenue over expenses	<u>(22,778)</u>	<u>1,608,962</u>	<u>1,586,184</u>	<u>1,356,039</u>
Net assets, beginning of year	<u>578,668</u>	<u>825,825</u>	<u>1,404,493</u>	<u>48,454</u>
Net assets, end of year	<u>\$ 555,890</u>	<u>\$ 2,434,787</u>	<u>\$ 2,990,677</u>	<u>\$ 1,404,493</u>

See accompanying notes.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services			Total
	Program Activities	Total Program Services	Administration	Fundraising	Total Supporting Services	
Personnel:						
In-kind salaries	\$ 11,493	\$ 11,493	\$ 7,663	\$ 57,466	\$ 65,129	\$ 76,622
In-kind fringe benefits	2,873	2,873	1,915	14,367	16,282	19,155
Total personnel	14,366	14,366	9,578	71,833	81,411	95,777
Operational:						
Advertising	7,798	7,798	-	-	-	7,798
Auditing	-	-	3,535	-	3,535	3,535
Bank service charges	-	-	239	-	239	239
Book for sale	-	-	-	2,116	2,116	2,116
Book from Birth Program	10,167	10,167	-	-	-	10,167
Branch programming	58,972	58,972	-	-	-	58,972
Coffee supply - merchandise	-	-	-	668	668	668
Computer equipment	1,781	1,781	-	-	-	1,781
Contribution to PGCMLS	3,871	3,871	-	-	-	3,871
Depreciation expense	99,324	99,324	-	-	-	99,324
Dues and subscriptions	429	429	300	-	300	729
Fundraising supplies	-	-	-	200	200	200
Furniture and fixtures	8,778	8,778	-	-	-	8,778
In-kind office supplies and equipment	520	520	347	2,600	2,947	3,467
In-kind - Operation Warm Program	95,948	95,948	-	-	-	95,948
Insurance	-	-	963	-	963	963
Internet and data service	9,109	9,109	-	-	-	9,109
IT consulting services	10,375	10,375	-	-	-	10,375
Library material - Electronic	1,977	1,977	-	-	-	1,977
Library material processing	462	462	-	-	-	462
Miscellaneous general	252	252	-	-	-	252
Office supplies and equipment	2,234	2,234	45	-	45	2,279
Postage	378	378	-	-	-	378
PR special program	2,188	2,188	-	-	-	2,188
Professional fees	1,699	1,699	-	-	-	1,699
Software licensing and support	41,414	41,414	5,000	-	5,000	46,414
Supplies - food and kitchen	1,613	1,613	-	-	-	1,613
Transaction fees	-	-	-	3,627	3,627	3,627
Travel	38	38	-	-	-	38
T-Shirts	-	-	-	449	449	449
Total operational expenses	359,327	359,327	10,429	9,660	20,089	379,416
Total expenses	\$ 373,693	\$ 373,693	\$ 20,007	\$ 81,493	\$ 101,500	\$ 475,193

See accompanying notes.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services		Supporting Services			Total
	Program Activities	Total Program Services	Administration	Fundraising	Total Supporting Services	
Personnel:						
In-kind salaries	\$ 18,870	\$ 18,870	\$ 12,580	\$ 94,348	\$ 106,928	\$ 125,798
In-kind fringe benefits	<u>4,717</u>	<u>4,717</u>	<u>3,145</u>	<u>23,587</u>	<u>26,732</u>	<u>31,449</u>
Total personnel	<u>23,587</u>	<u>23,587</u>	<u>15,725</u>	<u>117,935</u>	<u>133,660</u>	<u>157,247</u>
Operational:						
Bank service charges	-	-	442	-	442	442
Branch programming	22,192	22,192	513	-	513	22,705
Contribution to PGCMLS	24,280	24,280	-	-	-	24,280
Dues and subscription	-	-	236	-	236	236
Fundraising supplies	-	-	-	6,853	6,853	6,853
In-kind office supplies and equipment	170	170	113	848	961	1,131
Library Material - Books	5,139	5,139	-	-	-	5,139
Library Material - Electronic	8,326	8,326	-	-	-	8,326
Office supplies and equipment	6,185	6,185	789	-	789	6,974
Postage	-	-	188	-	188	188
Professional fees	-	-	2,500	-	2,500	2,500
Software licensing and support	-	-	48	-	48	48
Transaction fees	-	-	-	4,253	4,253	4,253
T-Shirts	-	-	-	4,133	4,133	4,133
Total operational expenses	<u>66,292</u>	<u>66,292</u>	<u>4,829</u>	<u>16,087</u>	<u>20,916</u>	<u>87,208</u>
Total expenses	<u>\$ 89,879</u>	<u>\$ 89,879</u>	<u>\$ 20,554</u>	<u>\$ 134,022</u>	<u>\$ 154,576</u>	<u>\$ 244,455</u>

See accompanying notes.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,586,184	\$ 1,356,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	99,324	-
Changes in:		
Accounts receivable	(2,851)	-
Prepaid expenses	(42,683)	-
Due from related party	(1,063)	25
Merchandise	(3,877)	-
Accounts payable	2,420	6,841
Sales tax payable	143	43
Due to related party	<u>10,230</u>	<u>(2)</u>
Net cash provided by operating activities	<u>1,647,827</u>	<u>1,362,946</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(25,891)</u>	<u>(482,996)</u>
Net cash used by investing activities	<u>(25,891)</u>	<u>(482,996)</u>
Net increase in cash	1,621,936	879,950
Cash at beginning of year	<u>929,432</u>	<u>49,482</u>
Cash at end of year	<u>\$ 2,551,368</u>	<u>\$ 929,432</u>

See accompanying notes.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. Organization and summary of significant accounting policies

A. Nature of activities

Prince George's County Memorial Library System Foundation, Inc. (the Foundation) was incorporated under the laws of Maryland in July 2014. The primary objective of the Foundation is to raise funds and advance the mission of the Prince George's County Memorial Library System.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Gifts to the Foundation are tax-deductible.

B. Basis of accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

C. Financial statement presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, either restricted for a purpose or maintained in perpetuity.

D. Revenue recognition

In accordance with the Financial Accounting Standards Board in FASB 958-605-45 - "*Contributions Received*", contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions either for a purpose or maintained in perpetuity, depending on the nature of the restriction. When a

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. Organization and summary of significant accounting policies (continued)

D. Revenue recognition (continued)

restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

E. Use of estimates

The preparation of financial statements in accordance 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.

F. Cash and cash equivalents

For purposes of reporting cash flows, the Foundation considers deposits in checking and savings accounts, certificates of deposit, and other highly liquid debt instruments with original maturities of six months or less to be cash equivalents.

G. Net assets

Net assets are classified as without donor restrictions or with donor restrictions based on existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

Without donor restrictions: The purpose of each net asset without donor restrictions component and any designations thereon are set forth below.

Undesignated net assets: Net assets whose use is not restricted by donors or internally designated for other uses.

Board-designated net assets: Board-designated net assets consist of amounts designated by the Board of Directors for a particular use and can only be spent through Board authorization.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. Organization and summary of significant accounting policies (continued)

G. Net assets (continued)

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts are to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, this is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 4 for details on net assets with donor restrictions.

H. Advertising

The costs of advertising costs are expensed as incurred. There were \$7,798 and \$0 advertising costs incurred for the years ended June 30, 2022 and 2021, respectively.

I. Income taxes

The Foundation is exempt from income taxes on income derived from any source related to its tax-exempt purpose under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not have any net unrelated business income for the years ended June 30, 2022 and 2021.

J. Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Many expenses are attributable to specific programs and are assigned directly to the respective program. Salaries and benefits and other shared expenses are allocated on the basis of time and effort estimates as well as review by management.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

2. Concentrations and credit risk

Donated services

Donated services are recorded at their fair market value at the date of donation and are reported as unrestricted support and expenses on the statements of activities.

Credit risk

The Foundation maintains cash balances with one financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2022 and 2021, uninsured balances were \$2,310,591 and \$679,432, respectively.

3. Liquidity and availability of financial assets

The following reflects the Foundation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside as board-designated net assets that could be drawn upon if the governing board approved that action.

As of June 30, 2022 and 2021, financial assets available for general use within one year were comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 113,730	\$ 103,607
Restricted cash	<u>2,437,638</u>	<u>825,825</u>
Financial assets available, gross	2,551,368	929,432
Less those available for general expenditures within one year due to:		
Net assets with donor restrictions	<u>(2,434,787)</u>	<u>(825,825)</u>
Net financial assets available	<u>\$ 116,581</u>	<u>\$ 103,607</u>

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

4 Net assets with donor restrictions

Net assets with donor restrictions for a specific purpose consisted of the following:

	<u>2022</u>	<u>2021</u>
Specific Purpose or Time Restriction:		
American Library Association	\$ -	\$ 3,500
Book-from-Birth	26,343	-
Butterfly	2,526	-
Capital Area Fliers - Ann Dixon Memorial	220	220
Capital One grant - Work Force Development	61,126	13,217
Damien Downing - Dream Lab	300	100
Digital Collection/Equity	2,054	-
Digital Divide - Washington Football	3,694	-
Estate of Jean Rotherham HY Grant	727,606	-
Frances Richardson Memorial Fund	100	-
Friends of New Carrollton	28,139	29,010
Friends of the Baden Library	100	100
General Branch Projects	500	500
Local Impact Grant for OH Kids Achieve Club	-	31,124
Margaret Ann Ross - Memory of Ann Dixon	300	300
Miscellaneous	851	-
Scwab Charitable - Pull Up Fund	1,570,378	737,004
Summer for Your Library Project	3,401	550
Tammy Craft - Dream Lab	-	200
Walter Meinhardt - Baden Renovation Fund	<u>10,000</u>	<u>10,000</u>
Total funds with donor restrictions	<u>\$ 2,437,638</u>	<u>\$ 825,825</u>

5. Uncertain tax positions

The Foundation has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

5. Uncertain tax positions (continued)

The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's net assets, change in net assets or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2022 and June 30, 2021.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2020.

6. Related party transactions

The Foundation provides critical philanthropic support to the Prince George's County Memorial Library System (the Library). For the years ended June 30, 2022 and 2021, donated services from the Library totaled to \$99,244 and \$158,378, respectively.

Amounts due from the Library were \$1,063 and \$0 as of June 30, 2022 and 2021, respectively. Amounts due to the Library were \$10,292 and \$62 as of June 30, 2022 and 2021, respectively. This is for activities managed and directly paid from the Library's account, and the balance was reimbursed to the Library subsequently in fiscal year 2023.

PRINCE GEORGE'S COUNTY MEMORIAL LIBRARY SYSTEM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

7. Donated materials and services

The Library contributed services to the Foundation such as allocated personnel salaries, fringe benefits, office supplies, and small equipment. These were used in the Foundation's programs and activities. In-kind contributions are summarized below for the years ended June 30, 2022 and June 30, 2021:

	<u>2022</u>	<u>2021</u>
Salaries	\$ 76,622	\$ 125,798
Fringe benefits	19,155	31,449
Office supplies and equipment	<u>3,467</u>	<u>1,131</u>
	<u>\$ 99,244</u>	<u>\$ 158,378</u>

The Foundation received new winter coats for use in its Operation Warm Program from Macy's and Wawa. These items are recorded as inventory and revenue at their estimated fair value at the date of donation and are expensed when used in the Foundation's program. The value for these winter coats is \$95,948 and \$0, for the years ended June 30, 2022 and 2021, respectively.

8. Subsequent events

The Foundation evaluated subsequent events through January 23, 2023, which is the date the financial statements were available to be issued.