

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2021 AND 2020**



Murphy & Murphy, CPA, LLC

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Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the period and year 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.

Auditor's 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 audits 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 auditor's 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 auditor considers 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 Prince George's County Memorial Library System Foundation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the period and year then ended in accordance with accounting principles generally accepted in the United States of America.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
November 30, 2021

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

STATEMENTS OF FINANCIAL POSITION

	<u>ASSETS</u>	
	<u>2021</u>	<u>June 30,</u> <u>2020</u>
Current assets:		
Cash	\$ 103,607	\$ 24,632
Restricted cash	825,825	24,850
Due from related party	<u>-</u>	<u>25</u>
Total current assets	<u>929,432</u>	<u>49,507</u>
Property and equipment:		
Computer equipment	482,996	-
Less: Accumulated depreciation	<u>-</u>	<u>-</u>
Property and equipment, net	<u>482,996</u>	<u>-</u>
Total assets	<u>\$ 1,412,428</u>	<u>\$ 49,507</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 7,830	\$ 989
Sales tax payable	43	-
Due to related party	<u>62</u>	<u>64</u>
Total current liabilities	<u>7,935</u>	<u>1,053</u>
Net assets without donor restrictions:		
Undesignated	578,668	23,604
Net assets with donor restrictions	<u>825,825</u>	<u>24,850</u>
Total net assets	<u>1,404,493</u>	<u>48,454</u>
Total liabilities and net assets	<u>\$ 1,412,428</u>	<u>\$ 49,507</u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2021			Period ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2020 Total
Revenue and support:				
Contributions	\$ 69,579	\$ 1,263,430	\$ 1,333,009	\$ 19,693
Fundraising and special events	38,612	-	38,612	-
Grants	-	70,495	70,495	-
Donated services	158,378	-	158,378	107,909
Total revenue and support	<u>266,569</u>	<u>1,333,925</u>	<u>1,600,494</u>	<u>127,602</u>
Net assets released from restrictions	<u>532,950</u>	<u>(532,950)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>799,519</u>	<u>800,975</u>	<u>1,600,494</u>	<u>127,602</u>
Expenses:				
Program services:				
Program activities	89,879	-	89,879	18,307
Total program services	<u>89,879</u>	<u>-</u>	<u>89,879</u>	<u>18,307</u>
Supporting services:				
Administration	20,554	-	20,554	11,480
Fundraising	134,022	-	134,022	81,312
Total supporting services	<u>154,576</u>	<u>-</u>	<u>154,576</u>	<u>92,792</u>
Total expenses	<u>244,455</u>	<u>-</u>	<u>244,455</u>	<u>111,099</u>
Excess of support and revenue over expenses	<u>555,064</u>	<u>800,975</u>	<u>1,356,039</u>	<u>16,503</u>
Net assets, beginning of year	<u>23,604</u>	<u>24,850</u>	<u>48,454</u>	<u>31,951</u>
Net assets, end of year	<u>\$ 578,668</u>	<u>\$ 825,825</u>	<u>\$ 1,404,493</u>	<u>\$ 48,454</u>

See accompanying notes.

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

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD ENDED JUNE 30, 2021

	Program Services			Supporting Services			Total
	Program Activities	Program Services	Total	Administration	Fundraising	Supporting Services	
Personnel:							
In-kind salaries	\$ 18,870	\$ 18,870		\$ 12,580	\$ 94,348	\$ 106,928	\$ 125,798
In-kind fringe benefits	4,717	4,717		3,145	23,587	26,732	31,449
Total personnel	23,587	23,587		15,725	117,935	133,660	157,247
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 subscriptions	-	-		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	66,292	66,292		4,829	16,087	20,916	87,208
Total expenses	\$ 89,879	\$ 89,879		\$ 20,554	\$ 134,022	\$ 154,576	\$ 244,455

See accompanying notes.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services		Supporting Services			Total
	Program Activities	Total Program Services	Administration	Fundraising	Supporting Services	
Personnel:						
In-kind salaries	\$ 12,910	\$ 12,910	\$ 8,606	\$ 64,547	\$ 73,153	\$ 86,063
In-kind fringe benefits	3,227	3,227	2,152	16,137	18,289	21,516
Total personnel	16,137	16,137	10,758	80,684	91,442	107,579
Operational:						
Bank service charges	-	-	179	-	179	179
Branch programming	1,116	1,116	214	-	214	1,330
Dues and subscription	-	-	41	-	41	41
In-kind office supplies and equipment	49	49	33	248	281	330
Office supplies and equipment	211	211	-	-	-	211
Software licensing and support	469	469	-	-	-	469
Supplies - food and kitchen	325	325	44	-	44	369
Transaction fees	-	-	211	380	591	591
Total operational expenses	2,170	2,170	722	628	1,350	3,520
Total expenses	\$ 18,307	\$ 18,307	\$ 11,480	\$ 81,312	\$ 92,792	\$ 111,099

See accompanying notes.

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

STATEMENTS OF CASH FLOWS

	<u>Year ended</u> <u>June 30, 2021</u>	<u>Period ended</u> <u>June 30, 2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,356,039	\$ 16,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in:		
Due from related party	25	(25)
Accounts payable	6,841	(79)
Accrued expenses	-	(284)
Sales tax payable	43	-
Due to related party	(2)	64
Net cash provided by operating activities	<u>1,362,946</u>	<u>16,179</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(482,996)</u>	<u>-</u>
Net cash used by investing activities	<u>(482,996)</u>	<u>-</u>
Net increase in cash	879,950	16,179
Cash at beginning of year	<u>49,482</u>	<u>33,303</u>
Cash at end of year	<u>\$ 929,432</u>	<u>\$ 49,482</u>

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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 8 for details on net assets with donor restrictions.

H. Advertising

The costs of advertising costs are expensed as incurred. There were no advertising costs incurred for the years ended June 30, 2021 and 2020.

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, 2021 and 2020.

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, 2021 AND 2020

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, 2021 and 2020, uninsured balances were \$679,432 and \$-, respectively.

3. Liquidity and availability of financial assets

The following reflects the Foundation's financial assets as of June 30, 2021 and 2020, 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, 2021 and 2020, financial assets available for general use within one year were comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 103,607	\$ 24,632
Restricted cash	<u>825,825</u>	<u>24,850</u>
Financial assets available, gross	929,432	49,482
Less those available for general expenditures within one year due to:		
Net assets with donor restrictions	<u>(825,825)</u>	<u>(24,850)</u>
Net financial assets available	<u>\$ 103,607</u>	<u>\$ 24,632</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

4 Net assets with donor restrictions

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

Specific Purpose or Time Restriction:	<u>2021</u>	<u>2020</u>
Capital One Grant for Ready, Set, Bank Project	\$ -	\$ 20,000
Summer for Your Library Project	550	4,350
General Branch Projects	500	500
Local Impact Grant for OH Kids Achieve Club	31,124	-
Friends of the Baden Library	100	-
Walter Meinhardt - Baden Renovation Fund	10,000	-
Capital Area Fliers - Ann Dixon Memorial	220	-
Margaret Ann Ross - Memory of Ann Dixon	300	-
Damien Downing - Dream Lab	100	-
Scwab Charitable - Pull Up Fund	737,004	-
Tammy Craft - Dream Lab	200	-
Capital One grant - Work Force Development	13,217	-
Friends of New Carrollton	29,010	-
American Library Association	3,500	-
	<u> </u>	<u> </u>
Total funds with donor restrictions	<u>\$ 825,825</u>	<u>\$ 24,850</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. 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, 2021 and June 30, 2020.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

5. Uncertain tax positions (continued)

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 2019.

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, 2021 and 2020, donated services from the Library totaled to \$158,378 and \$107,909, respectively.

Amounts due from the Library were \$- and \$25 as of June 30, 2021 and 2020, respectively. Amounts due to the Library were \$62 and \$64 as of June 30, 2021 and 2020, respectively.

7. Donated 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 period ended June 30, 2021 and year ended June 30, 2020:

	<u>2021</u>	<u>2020</u>
Salaries	\$ 125,798	\$ 86,063
Fringe benefits	31,449	21,516
Office supplies and equipment	1,131	330
	<u>\$ 158,378</u>	<u>\$ 107,909</u>

8. Subsequent events

The Foundation evaluated subsequent events through November 30, 2021, which is the date the financial statements were available to be issued.