

Rockville Economic Development, Inc.

Financial Statements
and
Independent Auditor's Report

Years Ended June 30, 2025 and 2024

DRAFT - 10-08-25

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Independent Auditor's Report

To the Board of Directors

Rockville Economic Development, Inc.

Rockville, Maryland

We have audited the accompanying financial statements of Rockville Economic Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 Rockville Economic Development, Inc. as of June 30, 2025 and 2024, 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 Rockville Economic Development, 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 Rockville Economic Development, 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 Responsibility 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 Rockville Economic Development, 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 Rockville Economic Development, 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.

SNYDER COHN, PC
North Bethesda, Maryland
September 22, 2025

Rockville Economic Development, Inc.

Statements of Financial Position

June 30	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,380,664	\$ 1,285,161
SBA grants receivable	100,000	137,500
Other grants and contracts receivable	180,593	62,862
Prepaid expenses	9,082	9,448
Total current assets	<u>1,670,339</u>	<u>1,494,971</u>
Property and equipment, net	<u>732</u>	<u>2,199</u>
Other assets:		
Right of use assets - operating lease	241,177	330,465
Right of use assets - finance lease	7,387	14,494
Deposits	2,337	2,337
Website development costs, net	29,457	38,463
Total other assets	<u>280,358</u>	<u>385,759</u>
Total assets	<u><u>\$ 1,951,429</u></u>	<u><u>\$ 1,882,929</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 60,845	\$ 25,878
Accrued payroll and payroll taxes	72,337	72,610
Refundable advance	359,586	231,570
Operating lease liabilities, current portion	98,642	93,304
Finance lease liabilities, current portion	3,876	7,185
Other current liabilities	15,956	19,783
Total current liabilities	<u>611,242</u>	<u>450,330</u>
Other liabilities:		
Operating lease liabilities, net of current portion	195,486	294,128
Finance lease liabilities, net of current portion	3,549	7,686
Total other liabilities	<u>199,035</u>	<u>301,814</u>
Total liabilities	<u>810,277</u>	<u>752,144</u>
Commitments		
Net assets:		
Without donor restrictions	940,655	930,288
With donor restrictions	200,497	200,497
Total net assets	<u>1,141,152</u>	<u>1,130,785</u>
Total liabilities and net assets	<u><u>\$ 1,951,429</u></u>	<u><u>\$ 1,882,929</u></u>

See Accompanying Notes

Rockville Economic Development, Inc.

Statement of Activities

For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
City of Rockville	\$ 1,081,860	\$ -	\$ 1,081,860
MWBC sponsorship	518,954	-	518,954
MWBC SBA grant income	300,000	-	300,000
MWBC program income	88,813	-	88,813
In-kind contributions	17,616	-	17,616
Other income	14,149	-	14,149
Incentives (MOVE/Expansion) funding	149,584	-	149,584
Small business impact funding	59,500	-	59,500
Net assets released from restrictions	-	-	-
Total revenues	<u>2,230,476</u>	<u>-</u>	<u>2,230,476</u>
Expenses:			
Program expenses:			
REDI	1,070,623	-	1,070,623
Maryland Women's Business Center	859,906	-	859,906
Total program expenses	<u>1,930,529</u>	<u>-</u>	<u>1,930,529</u>
Supporting services:			
Management and general	289,080	-	289,080
Fundraising	500	-	500
Total supporting services	<u>289,580</u>	<u>-</u>	<u>289,580</u>
Total expenses	<u>2,220,109</u>	<u>-</u>	<u>2,220,109</u>
Change in net assets	10,367	-	10,367
Net assets - beginning	<u>930,288</u>	<u>200,497</u>	<u>1,130,785</u>
Net assets - ending	<u>\$ 940,655</u>	<u>\$ 200,497</u>	<u>\$ 1,141,152</u>

See Accompanying Notes

Rockville Economic Development, Inc.

Statement of Activities

For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
City of Rockville	\$ 995,330	\$ -	\$ 995,330
MWBC sponsorship	218,222	-	218,222
MWBC SBA grant income	255,000	-	255,000
MWBC program income	84,106	-	84,106
In-kind contributions	17,615	-	17,615
Other income	8,615	-	8,615
Incentives (MOVE/Expansion) funding	72,780	-	72,780
Small business impact funding	342,400	-	342,400
Net assets released from restrictions	60,000	(60,000)	-
Total revenues	<u>2,054,068</u>	<u>(60,000)</u>	<u>1,994,068</u>
Expenses:			
Program expenses:			
REDI	1,136,225	-	1,136,225
Maryland Women's Business Center	865,526	-	865,526
Total program expenses	<u>2,001,751</u>	<u>-</u>	<u>2,001,751</u>
Supporting services:			
Management and general	208,281	-	208,281
Fundraising	2,175	-	2,175
Total supporting services	<u>210,456</u>	<u>-</u>	<u>210,456</u>
Total expenses	<u>2,212,207</u>	<u>-</u>	<u>2,212,207</u>
Change in net assets	(158,139)	(60,000)	(218,139)
Net assets - beginning	<u>1,088,427</u>	<u>260,497</u>	<u>1,348,924</u>
Net assets - ending	<u>\$ 930,288</u>	<u>\$ 200,497</u>	<u>\$ 1,130,785</u>

See Accompanying Notes

Rockville Economic Development, Inc.

Statement of Functional Expenses

For the year ended June 30, 2025

	Programs			Supporting Services		
	REDI	MWBC	Total Programs	Management and General	Fundraising	Total
Amortization	\$ 3,112	\$ 3,659	\$ 6,771	\$ 336	\$ -	\$ 7,107
Consultants	38,994	59,695	98,689	-	-	98,689
Depreciation	4,571	5,374	9,945	527	-	10,472
Economic development	92,598	-	92,598	169	-	92,767
Employee benefits	32,484	60,511	92,995	8,332	-	101,327
Incentives (MOVE/Expansion) payments	149,584	-	149,584	-	-	149,584
Insurance	4,627	3,154	7,781	286	-	8,067
Marketing	121,485	13,058	134,543	-	-	134,543
MWBC grant payout	-	9,734	9,734	-	-	9,734
Office expense	21,407	66,014	87,421	28,180	-	115,601
Other program expenses	6,546	9,290	15,836	2,802	500	19,138
Printing and copying	862	1,014	1,876	99	-	1,975
Professional fees	34,176	2,339	36,515	189,339	-	225,854
Rent	38,649	80,509	119,158	4,458	-	123,616
Salaries	402,000	472,654	874,654	46,365	-	921,019
Seminars and education	14,117	9,468	23,585	-	-	23,585
Small business impact payments	59,500	-	59,500	-	-	59,500
Taxes:						
Other	557	-	557	-	-	557
Payroll	24,388	43,537	67,925	2,254	-	70,179
Telephone	2,450	10,019	12,469	2,183	-	14,652
Transportation	18,516	9,877	28,393	3,750	-	32,143
Total expenses	\$ 1,070,623	\$ 859,906	\$ 1,930,529	\$ 289,080	\$ 500	\$ 2,220,109

See Accompanying Notes

Rockville Economic Development, Inc.

Statement of Functional Expenses

For the year ended June 30, 2024

	Programs			Supporting Services		Total
	REDI	MWBC	Total Programs	Management and General	Fundraising	
Amortization	\$ -	\$ -	\$ -	\$ 7,104	\$ -	\$ 7,104
Consultants	-	-	-	-	-	-
Depreciation	4,317	5,587	9,904	568	-	10,472
Economic development:	18,822	-	18,822	-	-	18,822
Employee benefits	29,904	67,814	97,718	6,225	-	103,943
Incentives (MOVE/Expansion) payments	72,780	-	72,780	-	-	72,780
Insurance	1,787	5,254	7,041	235	-	7,276
Marketing	128,012	43,082	171,094	2,436	-	173,530
MWBC grant payout	-	-	-	-	-	-
Office expense	33,877	12,302	46,179	21,444	-	67,623
Other program expenses	20,064	6,323	26,387	237	-	26,624
Printing and copying	1,397	589	1,986	253	-	2,239
Professional fees	20,523	90,258	110,781	109,055	2,175	222,011
Rent	33,686	76,916	110,602	4,438	-	115,040
Salaries	375,733	486,249	861,982	49,496	-	911,478
Seminars and education	17,947	15,973	33,920	-	-	33,920
Small business impact payments	342,400	-	342,400	-	-	342,400
Taxes:						
Other	-	-	-	200	-	200
Payroll	20,090	45,447	65,537	2,221	-	67,758
Telephone	4,904	4,914	9,818	3,361	-	13,179
Transportation	9,982	4,818	14,800	1,008	-	15,808
Total expenses	\$ 1,136,225	\$ 865,526	\$ 2,001,751	\$ 208,281	\$ 2,175	\$ 2,212,207

See Accompanying Notes

Rockville Economic Development, Inc.

Statements of Cash Flows

For the years ended June 30	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 10,367	\$ (218,139)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,472	10,472
Adjustments to right of use asset - operating	89,288	67,382
Adjustments to right of use asset - finance	7,107	7,104
(Increase) decrease in:		
SBA grant receivable	37,500	(25,000)
Other grants and contracts receivable	(117,731)	104,849
Prepaid expenses	366	(6,030)
Deposits	-	(350)
Increase (decrease) in:		
Accounts payable	34,967	(80,542)
Accrued payroll and payroll taxes	(273)	3,475
Refundable advance	128,016	(90,180)
Other current liabilities	(3,827)	4,949
Operating lease liabilities	(93,304)	(88,178)
Net cash provided by (used in) operating activities	<u>102,948</u>	<u>(310,188)</u>
Cash flows from financing activities:		
Payments made on finance lease liability	<u>(7,445)</u>	<u>(6,982)</u>
Net increase (decrease) in cash and cash equivalents	95,503	(317,170)
Cash and cash equivalents - beginning	<u>1,285,161</u>	<u>1,602,331</u>
Cash and cash equivalents - ending	<u>\$ 1,380,664</u>	<u>\$ 1,285,161</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ -	\$ -
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Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 1: Summary of significant accounting policies:

The Rockville Economic Development, Inc. (REDI) is a nonprofit organization based in Rockville, Maryland. The City of Rockville formed the Organization in 1997 to proactively support existing industry, work with entrepreneurs, attract new businesses to the city and promote the city as a great business location. REDI provides businesses with the necessary tools to establish themselves in Rockville and offers guidance and support to business ventures in the city.

REDI also operates the Maryland Women's Business Center (MWBC) to help meet the needs of entrepreneurs, especially women-owned businesses, through classes, counseling, and assistance at every stage of the business cycle. REDI also promotes and manages incentive programs to assist new and expanding companies as they locate or grow in the city, and small business impact programs that assist small and medium-sized businesses in Rockville stabilize and revitalize.

Basis of accounting - REDI's financial statements are prepared on the accrual basis of accounting. Therefore, revenues and the related assets are recognized when earned, and expenses and the related liabilities are recognized when the obligations are incurred.

Basis of presentation - REDI is required to report 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 and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - For purposes of the financial statement presentation, cash includes demand accounts with original maturities of three months or less.

Property and equipment - Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. REDI capitalizes all expenditures in excess of \$2,500. Depreciation expense for each year ended June 30, 2025 and 2024 was \$1,466.

Grants and contracts receivable - Grants and contracts receivable are reported at their outstanding balances. Management periodically evaluates the adequacy of the allowance for doubtful accounts. At June 30, 2025 and 2024, all receivables were determined to be collectible, therefore an allowance was not necessary.

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 1: Summary of significant accounting policies: (continued)

Net assets and contributions - In the accompanying financial statements, net assets and revenue have been classified based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

Net assets without donor restrictions - Represents net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Represents net assets that are subject to donor-imposed purpose or time restrictions.

Revenue recognition - The five-step model requires REDI to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as REDI satisfies a performance obligation. REDI's revenues consist of the following elements:

Program and registration revenue is recognized in the period when the services are provided or after the specific training is held.

Grants and contributions are recognized as revenue in the year in which non-reciprocal payments are received and/or unconditional promises are made. REDI evaluates whether a contribution is conditional, which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

Contributions are considered to be available for general use 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 with donor restrictions revenue and support in the accompanying statements of activities. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year that the contributions are recognized.

All revenue is recognized at a point in time when the training occurs, or grants are received and conditions are met.

Refundable advance - Cash received by REDI related to project expenses of future reporting periods is recorded as a refundable advance on the statements of financial position. Such advances will be recognized in future reporting periods at the time the project expenses occur.

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 1: Summary of significant accounting policies: (continued)

Contributed services and materials - REDI records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. For the year ended June 30, 2025 and 2024, in-kind contributions consisted of rent provided to MWBC in the amount of \$17,616 and \$17,615, respectively. These amounts are reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Federal income taxes - REDI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. REDI is not a private foundation.

Accounting for uncertainty in income taxes - REDI accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for uncertain tax positions.

Interest and penalties, if any, are accrued as a component of general and administrative expenses when assessed. REDI has identified its tax status as a tax-exempt entity under Section 501(c)(3) and its determination that it has no unrelated business income as tax positions; however, REDI has determined that such tax positions do not result in an uncertainty requiring recognition. Income tax years ended prior to June 30, 2022 are no longer subject to audit by taxing authorities.

Accounting pronouncements adopted - On July 1, 2023, the REDI adopted ASU 2016-13 Financial Instruments – Credit Losses (topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL methodology is applicable to financial assets measured as amortized costs, including loan receivables and held-to-maturity debt securities. REDI adopted ASC 326 using the modified method for all financial assets measured at amortized costs. The REDI has analyzed its financial assets and deemed that no adjustment is necessary. Therefore, total net assets and changes in net assets are unchanged due to the adoption of this new standard. The REDI will continue to analyze their financial assets for expected credit loss under this new standard.

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 1: Summary of significant accounting policies: (continued)

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2: Liquidity and availability:

The following reflects REDI's financial assets on June 30, 2025 and 2024, respectively, reduced by amounts that are not available for general use because of donor-imposed purpose restrictions within one year of the balance sheet date.

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 1,380,664	\$ 1,285,161
Accounts receivable	280,593	200,362
	<u>1,661,257</u>	<u>1,485,523</u>
Less those unavailable for general expenditure within one year, due to:		
Refundable advance	(359,586)	(231,570)
Amounts designated for purpose and time restrictions	<u>(200,497)</u>	<u>(200,497)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,101,174</u>	<u>\$ 1,053,456</u>

As part of the REDI's liquidity management plan, it manages its operations within a balanced budget and invests cash in excess of daily requirements in their money market account. REDI has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 3: Property and equipment:

Property and equipment consisted of the following at June 30:

	2025	2024
Leasehold improvements	\$ 50,974	\$ 50,974
Furniture and fixtures	6,730	6,730
Equipment	13,851	13,851
	<u>71,555</u>	<u>71,555</u>
Less: accumulated depreciation	<u>(70,823)</u>	<u>(69,356)</u>
Total property and equipment	<u>\$ 732</u>	<u>\$ 2,199</u>

Note 4: Website development costs:

REDI accounts for website development costs in accordance with ASC 350-40 (Accounting for Internal Use Software Costs). Under ASC 350-40, all costs related to the planning activities of software and website development costs are expensed as incurred. Costs incurred as part of the application development stage can be capitalized, and costs associated with post-implementation should be expensed as incurred. During 2014, REDI incurred \$17,190 for application development costs, which are being amortized over 7 years as the project was completed. For the years ended June 30, 2021 and 2020, REDI incurred an additional \$23,870 and \$5,175 for application development costs, respectively, which will be amortized over 7 years. The project was completed in 2021. For the years ended June 30, 2025, and 2024, REDI incurred an additional \$-0- and \$10,000 website development costs, respectively, which will be amortized over 7 years. Amortization expense for each year ended June 30, 2025 and 2024 was \$9,006.

At June 30, 2025 estimated amortization expense for the years ending June 30 are as follows:

2026	\$ 9,006
2027	9,006
2028	6,586
2029	<u>4,859</u>
	<u>\$ 29,457</u>

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 5: Commitments and leases:

Beginning on July 1, 2022, REDI began to account for its office space, phone system, and copier leases under the guidance within Account Standards Update (ASU) 2016-02 Leases (Topic 842). Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

REDI has elected to use the retrospective method at the beginning of the period of adoption through a cumulative effect adjustment by which the liability is calculated as the present value of the remaining lease payments at the date of adoption using its incremental borrowing rate as of the date of adoption.

Right of Use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating and finance lease ROU assets and liabilities were recognized at the date of adoption of the standard (July 1, 2022) based on the present value of lease payments over the remaining lease term. REDI uses the implicit rate when it is readily determinable. Since REDI's leases did not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free borrowing rate as of the date of adoption. The risk-free rate ranges from 2.85% to 2.88% based on the lease term. After calculating the present value of the lease payments, operating lease ROU assets were reduced by the unamortized portion of any lease incentives previously received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. REDI's lease terms may include options to extend or terminate the lease when it is reasonably certain to exercise, or not exercise, the option.

In June 2014, REDI entered into an operating lease agreement for office space in Rockville, Maryland. During the year ended June 30, 2020, REDI extended the operating lease agreement to October 31, 2022. The extension contains an abatement of rent for the first three months of the extension starting in September 2019, and a leasehold improvement allowance for a maximum of \$43,350.

During the year ended June 30, 2022, REDI extended the operating lease agreement to April 30, 2028. The extension contains an abatement of rent for the first six months of the extension starting in November 2022, and a leasehold improvement allowance for a maximum of \$34,680.

In September 2022, REDI entered into a finance lease for copier equipment. The lease expires in September 2027. In October 2019, REDI entered into a finance lease for phone system equipment. The lease has been renewed and expires in September 2025.

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 5: Commitments and leases: (continued)

Maturities of lease liabilities for the years ending June 30 are as follows:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 105,572	\$ 4,020	\$ 109,592
2027	108,212	3,323	111,535
2028	92,279	294	92,573
Less: interest	<u>(11,935)</u>	<u>(212)</u>	<u>(12,147)</u>
Present value of lease liabilities	<u>\$ 294,128</u>	<u>\$ 7,425</u>	<u>\$ 301,553</u>

Additional information about the REDI's leases as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Lease costs:		
Operating lease costs	\$ 89,334	\$ 89,334
Finance lease costs:		
Amortization of right of use assets	7,107	7,104
Interest on lease liabilities	<u>315</u>	<u>518</u>
Total lease costs	<u>\$ 96,756</u>	<u>\$ 96,956</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 102,997	\$ 100,485
Operating cash flows from finance leases	315	518
Financing cash flows from finance leases	7,445	6,982
Right of use assets obtained in exchange for:		
New operating lease liabilities	\$ -	\$ -
New finance lease liabilities	-	-
Weighted average remaining lease term		
Operating leases	2.83 years	3.83 years
Finance leases	1.99 years	2.52 years
Weighted average discount rate		
Operating leases	2.88%	2.88%
Finance leases	2.88%	2.87%

Rockville Economic Development, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Note 6: Net assets with donor restrictions:

The net assets with donor restrictions of \$200,497 were available for the Maryland Women's Business Center as of June 30, 2025, and 2024, respectively. At June 30, 2025, \$200,497 of net assets with donor restrictions was related to funds received from the Washington Commanders.

Net assets with donor restrictions released for purpose restrictions during the year ended June 30, 2025, and 2024 were \$-0- for each year respectively. Net assets released for time restrictions during the year ended June 30, 2025, and 2024 were \$-0- and \$60,000, respectively.

Note 7: Board designated net assets:

Board designated net assets are included in net assets without donor restrictions on the statements of financial position and consist of amounts set aside for operating reserves to support the organization's day-to-day operations in the event of unforeseen shortfalls in revenue or higher than expected expenses. These reserves may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Board designated net assets at June 30, 2025 and 2024 were \$305,573 and \$269,833, respectively.

Note 8: Concentrations:

REDI maintains its cash balances at various financial institutions. The accounts at each of these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At various times throughout the year, cash balances at these institutions exceeded the federally insured limits. REDI has not experienced any losses with respect to its cash balances. Starting in 2023, sweep accounts were utilized to reduce this risk.

Additionally, REDI received 61% and 71% of total revenue from the City of Rockville, 13% and 5% of total revenue from Montgomery County, and 13% and 14% of total revenue from the Small Business Administration, for the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, 94% and 85% of total receivables were due from 2 grantors, respectively.

Note 9: Retirement plan:

REDI sponsors a retirement plan that is available to all employees. Under the plan, REDI contributes up to a 3% match of all eligible employees' salaries to the plan. Total retirement plan expense was \$26,412 and \$26,162 for the years ended June 30, 2025 and 2024, respectively.

Rockville Economic Development, Inc.

Notes to Financial Statements

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Note 10: Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to specific functional areas of REDI are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services on the basis of employee timesheets. Payroll taxes and benefits and shared overhead costs (such as professional fees and contract services, depreciation and amortization, rent, equipment rental, printing and publication, telephone and internet, office supplies, insurance, postage and shipping, and other expenses) that benefit multiple functional areas have been allocated among the programs and supporting services on the basis of direct salary costs.

Note 11: Award contingencies:

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs or unspent funds. Management is of the opinion that no material liability exists for unallowable costs.

Note 12: Subsequent events:

Subsequent events have been evaluated through September 22, 2025, which is the date the financial statements were available to be issued.