

FRIENDS GENERAL CONFERENCE

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019



**FRIENDS GENERAL CONFERENCE
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INDEPENDENT AUDITOR'S REPORT

The Central Committee
Friends General Conference
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Friends General Conference (a nonprofit organization) which comprise the statement of financial position as of September 30, 2019 and the related statement of activities and cash flows for the 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 audit. We conducted our audit 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 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.

Board of Directors
Friends General Conference

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends General Conference as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12, Friends General Conference has addressed the ongoing pandemic in progress at the time of the issuance of the audited financial statements. Our opinion on the 2019 financial statements is not modified with respect to this matter.

J. Miller & Associates, LLC

J. MILLER & ASSOCIATES, LLC

Philadelphia, Pennsylvania
April 25, 2020

**FRIENDS GENERAL CONFERENCE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019**

ASSETS

Cash and cash equivalents	\$ 636,978
Accounts receivable	3,507
Inventory	63,000
Prepaid expenses and other	32,811
Investments	3,895,876
Property and equipment, net	297,827
Beneficial interest in charitable remainder trusts	172,000
Beneficial interest in perpetual trusts	<u>368,000</u>
TOTAL ASSETS	<u><u>\$ 5,469,999</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 58,218
Deferred revenue	<u>22,078</u>
TOTAL LIABILITIES	<u>80,296</u>

NET ASSETS

Without Donor Restrictions	4,084,551
With Donor Restrictions	<u>1,305,152</u>
TOTAL NET ASSETS	<u>5,389,703</u>

TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 5,469,999</u></u>
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**FRIENDS GENERAL CONFERENCE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 609,043	\$ 97,791	\$ 706,834
Gathering program service fees	600,425	-	600,425
Distribution sales (net of cost of goods sold of \$66,577)	46,653	-	46,653
Other	56,136	-	56,136
Net assets released from restriction	154,357	(154,357)	-
Total revenue and support	<u>1,466,614</u>	<u>(56,566)</u>	<u>1,410,048</u>
EXPENSES			
Program services	1,135,252	-	1,135,252
Supporting services			
Management and general	457,972	-	457,972
Fundraising	293,396	-	293,396
Total expenses	<u>1,886,620</u>	<u>-</u>	<u>1,886,620</u>
Change in net assets before other changes	<u>(420,006)</u>	<u>(56,566)</u>	<u>(476,572)</u>
OTHER CHANGES			
Investment income	58,945	8,172	67,117
Changes in value of beneficial interest in charitable remainder trusts	-	20,000	20,000
Total other changes	<u>58,945</u>	<u>28,172</u>	<u>87,117</u>
CHANGE IN NET ASSETS	(361,061)	(28,394)	(389,455)
NET ASSETS			
Beginning of year	<u>4,445,612</u>	<u>1,333,546</u>	<u>5,779,158</u>
End of year	<u>4,084,551</u>	<u>1,305,152</u>	<u>5,389,703</u>

See accompanying Notes to Financial Statements.

**FRIENDS GENERAL CONFERENCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019**

	PROGRAM SERVICES												Management and General	Fundraising	Totals 2019
	Distribution and		Spiritual	Quaker	Ministry		Nuturing	Institutional	Other	Total					
	Gathering	Publications	Deepening	Cloud	Communications	on Racism and Youth	Ministries	Assessment	Programs	Program Services					
Salaries	\$ 155,199	\$ 49,425	\$ 87,915	\$ 19,446	\$ -	\$ 45,499	\$ 21,865	\$ 15,240	\$ 2,843	\$ 397,432	\$ 168,279	\$ 154,294	\$ 720,005		
Payroll taxes	11,461	3,303	6,263	1,401	-	3,358	1,547	1,156	203	28,692	15,743	11,394	55,829		
Employee benefits	41,656	15,254	19,599	5,815	-	9,452	4,558	321	784	97,439	51,154	41,176	189,769		
Temporary help	196	1,230	-	-	-	19,080	-	-	-	20,506	-	-	20,506		
Staff training	675	-	427	-	-	-	-	-	-	1,102	283	935	2,320		
Advertising	1,512	1,715	4,051	-	5,850	-	-	191	-	13,319	4,777	1,155	19,251		
Bank and credit card fees	6,314	1,258	-	-	-	-	-	-	-	7,572	1,407	3,029	12,008		
Condominium fees	11,321	2,516	1,257	1,257	3,145	3,145	1,251	-	6	23,898	6,558	4,403	34,859		
Contracted Services	5,642	4,937	3,803	42,658	3,875	2,027	1,858	-	-	64,800	33,695	6,326	104,821		
Depreciation	11,369	2,243	2,576	1,366	454	1,816	645	525	126	21,120	7,855	5,458	34,433		
Insurance	800	-	-	-	-	-	-	-	650	1,450	7,000	-	8,450		
Postage and mailing	4,525	25,815	10	28	663	17	28	-	3	31,089	1,000	4,387	36,476		
Printing	10,577	6,623	896	-	1,443	371	-	255	-	20,165	(2,280)	17,865	35,750		
Professional fees	30,466	2,516	4,129	1,466	5,750	1,466	-	6,198	-	51,991	20,715	24,306	97,012		
Repairs and maintenance	4,571	-	-	-	-	-	-	-	-	4,571	20,332	549	25,452		
Room and board	244,772	-	-	-	-	-	-	-	-	244,772	50,367	-	295,139		
Supplies	2,033	50	101	-	110	55	-	-	-	2,349	2,844	779	5,972		
Telephone	246	225	240	-	-	240	-	-	-	951	6,047	100	7,098		
Travel	20,480	1,812	5,646	-	3,066	11,106	2,933	4,332	2,135	51,510	16,954	16,780	85,244		
Utilities	-	-	-	-	-	-	-	-	-	-	5,067	-	5,067		
Other program costs	47,278	1,638	1,560	-	48	-	-	-	-	50,524	4,396	460	55,380		
Bad debt expense	-	-	-	-	-	-	-	-	-	-	35,779	-	35,779		
Total expenses	\$ 611,093	\$ 120,560	\$ 138,473	\$ 73,437	\$ 24,404	\$ 97,632	\$ 34,685	\$ 28,218	\$ 6,750	\$ 1,135,252	\$ 457,972	\$ 293,396	\$ 1,886,620		

See accompanying Notes to Financial Statements.

**FRIENDS GENERAL CONFERENCE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (389,455)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation	34,433
Net realized and unrealized gain on investments	(35,383)
Change in value of beneficial interest in charitable remainder trusts	(20,000)
(Increase) decrease in	
Accounts receivable	(3,507)
Contributions receivable	56,679
Prepaid expenses and other	5,952
(Increase) decrease in	
Accounts payable and accrued expenses	(162,796)
Deferred revenue	(7,454)
Net cash used for operating activities	<u>(521,531)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(605,301)
Proceeds from sale of investments	<u>1,053,395</u>
Net cash provided by investing activities	<u>448,094</u>

Net change in cash	(73,437)
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CASH

Beginning of year	<u>710,415</u>
Ending of year	<u><u>\$ 636,978</u></u>

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 NATURE OF ORGANIZATION

Friends General Conference (the “Organization”), is a nonprofit organization whose purpose is to provide resources and opportunities that educate and invite members to experience God’s living presence, and to discern and follow God’s leadings. The Organization is supported through contributions and investment income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Implementation of New Accounting Standards

On August 18, 2016, FASB issued Accounting Standards Update (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. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Financial Statement Presentation

Currently, there are two classes of net assets for nonprofit organizations: net assets with donor restrictions and net assets without donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Cash and Cash Equivalents

Cash consists of cash on deposit in interest-bearing accounts and demand deposits. Cash equivalents consist of highly liquid investments with original maturities of 91 days or less.

Inventory

Inventory is stated at the lower of cost or fair value, using the first-in, first out method. It consists primarily of books and pamphlets for resale.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities. Investment income is recorded as earned.

The Organization invests in professionally managed portfolios that contain various types of securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment is carried at cost if purchased and at fair value at the date of donation if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets. The following is a summary of estimated useful lives used:

Building	40 years
Building improvements	20 years
Equipment	7 years

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Charitable Remainder Trusts

The beneficial interest in charitable remainder trusts is reported at the fair value of the related assets less the present value of the payments expected to be made to other beneficiaries.

Beneficial Interest in Perpetual Trusts

The beneficial interest in perpetual trusts is reported at fair value and is equal to the Organization's share of the assets in the trusts.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

Functional Allocation of Expenses

The cost of providing various program and supporting services have been presented on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based primarily upon the relative time spent by the Organization's employees on each function.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization has adopted an accounting standard regarding uncertain tax positions. The standard prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that if had no uncertain tax positions as defined in the standard.

NOTE 3 CONCENTRATION OF RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and accounts receivable. The Organization maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits.

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$636,978
Accounts receivable	<u>3,507</u>
	<u><u>\$640,485</u></u>

The Organization manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near term operating needs, and maintain sufficient reserves to provide reasonable assurance that long term obligations will be discharged. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 5 INVESTMENTS

Investments consisted of the following at September 30, 2019:

Common stocks	\$ 2,936,944
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	776,249
Obligations of U.S. Government Agencies	<u>182,685</u>
Total	<u><u>\$ 3,895,878</u></u>

The Quaker Growth and Income Fund (the "Fund") is a co-mingled investment fund sponsored by Friends Fiduciary Corporation ("Fiduciary"). Fiduciary is a Quaker nonprofit corporation which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Fiduciary's mission is to provide investment and trusteeship services for Friends meetings, schools and other nonprofit, tax-exempt organizations. The Fund's investment objective is to provide long-term total return by investing its assets in a balanced portfolio of common stocks and fixed income investments.

Cash and money market funds held in investment funds follows. These amounts are included in cash and cash equivalents on the statement of financial position.

Cash and money market funds in investment accounts	<u><u>\$ 530,060</u></u>
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**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 6 FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

Description	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable inputs Level 2	Significant Unobservable Inputs Level 3
Investment Portfolio:				
Fixed income securities	\$ 182,685	\$ -	\$ 182,685	-
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	776,249	-	776,249	-
Common stocks	2,936,944	2,936,944	-	-
Total Investments	3,895,878	2,936,944	958,934	-
Beneficial interest in charitable remainder trusts	172,000	-	-	172,000
Beneficial interest in perpetual trusts	368,000	-	-	368,000
	<u>\$ 4,435,878</u>	<u>\$ 2,936,944</u>	<u>\$ 958,934</u>	<u>\$ 540,000</u>

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

Building	\$ 267,500
Building improvements	830,373
Equipment	<u>79,095</u>
	1,176,968
Less: accumulated depreciation	<u>(879,141)</u>
	<u><u>\$ 297,827</u></u>

Depreciation expense for the year ended September 30, 2019 was \$34,433.

NOTE 8 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Organization has been named as remaining beneficiary of several irrevocable charitable remainder trusts administered by third party administrators. The agreements provide for the lead beneficiaries to receive annual distributions until their death, and that, upon their death, the Organization is to receive the remainder. The amounts of the remainder and payments to be made to the lead beneficiaries are estimated and have been reduced to present value.

NOTE 9 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is the income beneficiary of two perpetual trusts. Fiduciary serves as these trusts. The principal portions of the trusts are permanently restricted and the income distributions are unrestricted.

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Purpose restrictions				
Gathering - limited term endowment	\$ 92,998	\$ -	\$ -	\$ 92,998
Gathering of Friends	29,657		20,000	9,657
Gathering Endowment	-	32,395		32,395
Western Yearly Meeting Scholarship Fund	680	5,000	3,300	2,380
Spiritual deepening	38,700	11,000	38,700	11,000
Publications Growth Fund	9,464	32,072		41,536
Other purpose restrictions	58,154	17,469	35,678	39,945
Total Purpose Restrictions	229,653	97,936	97,678	229,911
Time restrictions:				
Beneficial interest in charitable remainder trusts	152,000	-	-	152,000
Contributions receivable	21,979	-	21,979	-
Endowment appreciation	183,914	8,027	-	191,941
Endowment fund	378,000	-	34,700	343,300
Beneficial interest in perpetual trusts				-
Laura & Augustus Cadwallader Fund	3,500	-	-	3,500
Susanna Parry Fund	364,500	-	-	364,500
Total Time Restrictions	1,103,893	8,027	56,679	1,055,241
Total	\$1,333,546	\$105,963	\$154,357	\$1,285,152

**FRIENDS GENERAL CONFERENCE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

NOTE 11 ENDOWMENT FUNDS

In August 2008, an accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The Organization is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosure about an organization’s endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Organization has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

NOTE 12 RETIREMENT PLAN

Friends General Conference participant in the Friends Pension Plan, a multi-employer defined benefit plan. Employees who customarily are employed for 1,000 hours or more per year are eligible to participate in the plan. Friends General Conference contributed \$85,426 to the plan for the year ended September 30, 2019. Separate projected benefit liabilities and asset information are not determinable with respect to the Organization’s participation in the plan.

NOTE 12 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 25, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred that require recognition or disclosure in the financial statements.

In April 2020, in response to the emerging COVID-19 pandemic, FGC cancelled its usual in-person Gathering scheduled for Summer 2020 and is replacing it with an online only virtual Gathering. It is uncertain what the economic impact of this rapidly evolving crisis will be on the overall economy and the effect on FGC’s assets, programs and operations. As this crisis continues to unfold, FGC management will make ongoing strategic decisions to manage operations and monitor cash flow.