

Friends General Conference, Inc.

Financial Statements
Year Ended September 30, 2017



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FRIENDS GENERAL CONFERENCE, INC.

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INDEPENDENT AUDITOR'S REPORT

**The Central Committee
Friends General Conference, Inc.
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Friends General Conference, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 2 to the financial statements, the financial statements of Friends General Conference, Inc. are not consolidated with the financial statements of the Friends Meeting House Fund. In our opinion, in order to conform with U.S. generally accepted accounting principles, Friends General Conference, Inc.'s financial statements should be consolidated with the financial statements of the Friends Meeting House Fund. The effects on the financial statements of this departure are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Friends General Conference, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Friends General Conference Inc.'s 2016 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated March 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP.

**Philadelphia, Pennsylvania
April 17, 2018**

FRIENDS GENERAL CONFERENCE, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2017 with comparative totals for 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 218,672 | \$ 85,658 |
| Accounts receivable | | |
| Contributions receivable | 53,096 | 69,129 |
| Other | - | 9,370 |
| Inventory | 57,524 | 49,953 |
| Prepaid expenses and other | 53,046 | 46,845 |
| Investments | 4,134,680 | 4,068,906 |
| Property and equipment, net | 356,769 | 390,601 |
| Beneficial interest in charitable remainder trusts | 132,200 | 113,800 |
| Beneficial interest in perpetual trusts | <u>352,000</u> | <u>324,000</u> |
| Total assets | <u>\$ 5,357,987</u> | <u>\$ 5,158,262</u> |
| | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 87,464 | \$ 97,880 |
| Deferred revenue | <u>34,688</u> | <u>27,565</u> |
| Total liabilities | <u>122,152</u> | <u>125,445</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | 4,042,882 | 4,000,754 |
| Temporarily restricted | 451,153 | 306,063 |
| Permanently restricted | <u>741,800</u> | <u>726,000</u> |
| Total net assets | <u>5,235,835</u> | <u>5,032,817</u> |
| | | |
| Total liabilities and net assets | <u>\$ 5,357,987</u> | <u>\$ 5,158,262</u> |

See accompanying notes

FRIENDS GENERAL CONFERENCE, INC.

STATEMENT OF ACTIVITIES

Year ended September 30, 2017 with comparative totals for 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals | |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | | | | 2017 | 2016 |
| REVENUE AND SUPPORT | | | | | |
| Contributions and grants | \$ 777,081 | \$ 127,010 | \$ - | \$ 904,091 | \$ 714,496 |
| Gathering program service fees | 683,336 | - | - | 683,336 | 547,917 |
| Distribution sales (net of cost of goods sold of \$69,150 and \$65,234 in 2017 and 2016) | 48,675 | - | - | 48,675 | 77,519 |
| Other | 88,424 | - | - | 88,424 | 93,169 |
| Net assets released from restriction | 47,289 | (47,289) | - | - | - |
| Total revenue and support | <u>1,644,805</u> | <u>79,721</u> | <u>-</u> | <u>1,724,526</u> | <u>1,433,101</u> |
| EXPENSES | | | | | |
| Program services | | | | | |
| Gathering | 734,276 | - | - | 734,276 | 570,209 |
| Distribution and publications | 197,189 | - | - | 197,189 | 192,253 |
| Spiritual deepening | 64,094 | - | - | 64,094 | 64,144 |
| Quaker cloud | 71,862 | - | - | 71,862 | 47,239 |
| Communications | 132,192 | - | - | 132,192 | 219,594 |
| Committee for Nurturing Ministries | 162,126 | - | - | 162,126 | 142,962 |
| Other programs | 45,559 | - | - | 45,559 | 155,742 |
| Supporting services | | | | | |
| Management and general | 328,582 | - | - | 328,582 | 465,348 |
| Fundraising | 265,259 | - | - | 265,259 | 252,111 |
| Total expenses | <u>2,001,139</u> | <u>-</u> | <u>-</u> | <u>2,001,139</u> | <u>2,109,602</u> |
| Change in net assets before other changes | <u>(356,334)</u> | <u>79,721</u> | <u>-</u> | <u>(276,613)</u> | <u>(676,501)</u> |
| OTHER CHANGES | | | | | |
| Investment income | 398,462 | 46,969 | - | 445,431 | 300,725 |
| Change in value of beneficial interest in charitable remainder trusts | - | 18,400 | - | 18,400 | 10,800 |
| Change in discount on contributions receivable | - | - | (12,200) | (12,200) | - |
| Change in value of beneficial interest in perpetual trusts | - | - | 28,000 | 28,000 | 19,000 |
| Total other changes | <u>398,462</u> | <u>65,369</u> | <u>15,800</u> | <u>479,631</u> | <u>330,525</u> |
| CHANGE IN NET ASSETS | 42,128 | 145,090 | 15,800 | 203,018 | (345,976) |
| NET ASSETS | | | | | |
| Beginning of year | <u>4,000,754</u> | <u>306,063</u> | <u>726,000</u> | <u>5,032,817</u> | <u>5,378,793</u> |
| End of year | <u>\$ 4,042,882</u> | <u>\$ 451,153</u> | <u>\$ 741,800</u> | <u>\$ 5,235,835</u> | <u>\$ 5,032,817</u> |

See accompanying notes

FRIENDS GENERAL CONFERENCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2017 with comparative totals for 2016

| | Gathering | Distribution and Publications | Spiritual Deepening | Quaker Cloud | Communications | Nurturing Ministries | Other Programs | Management and General | Fundraising | Totals | |
|---------------------------|-------------------|-------------------------------|---------------------|------------------|-------------------|----------------------|------------------|------------------------|-------------------|---------------------|---------------------|
| | | | | | | | | | | 2017 | 2016 |
| Salaries and benefits | \$ 191,135 | \$ 102,387 | \$ 41,910 | \$ 12,114 | \$ 104,974 | \$ 123,945 | \$ 18,289 | \$ 208,769 | \$ 196,361 | \$ 999,884 | \$ 1,211,017 |
| Advertising | 5,868 | 1,870 | 2,450 | 788 | 5,041 | 834 | - | 2,322 | 3,964 | 23,137 | 21,335 |
| Bank and credit card fees | 11,515 | 345 | 143 | 14 | - | 6 | - | 2,467 | 1,281 | 15,771 | 14,298 |
| Condominium fees | 5,645 | 9,270 | 1,708 | 906 | 1,882 | 4,948 | 2,962 | 4,042 | 3,485 | 34,848 | 41,643 |
| Contracted services | 9,111 | 10,749 | 5,458 | 41,591 | 5,968 | 4,092 | 5,473 | 56,908 | 4,413 | 143,763 | 120,622 |
| Depreciation | 5,481 | 8,999 | 1,658 | 880 | 1,827 | 4,804 | 2,876 | 3,925 | 3,382 | 33,832 | 34,252 |
| Insurance | 1,700 | 1,533 | 282 | 150 | 311 | 819 | 2,517 | 669 | 577 | 8,558 | 8,690 |
| Inventory allowance | - | - | - | - | - | - | - | - | - | - | 16,000 |
| Postage and mailing | 725 | 15,935 | 36 | 68 | 3,015 | 5 | 288 | 5,298 | 10,098 | 35,468 | 32,993 |
| Printing | 10,738 | 3,146 | 695 | 13 | 1,250 | 1,263 | 115 | - | 10,512 | 27,732 | 24,956 |
| Professional fees | 4,147 | 2,405 | 4,600 | 14,157 | 625 | 1,295 | 3,931 | 10,877 | 13,190 | 55,227 | 44,612 |
| Repairs and maintenance | 7,183 | 5,669 | 907 | 482 | 1,000 | 2,630 | 1,574 | 2,149 | 1,928 | 23,522 | 25,361 |
| Room and board | 413,499 | - | - | - | 725 | - | - | - | - | 414,224 | 301,848 |
| Supplies | 1,371 | 2,221 | 182 | 151 | 149 | - | - | 3,444 | 551 | 8,069 | 5,098 |
| Telephone | 793 | 332 | - | - | 300 | - | - | 5,634 | 240 | 7,299 | 10,863 |
| Travel | 25,063 | 8,733 | 3,786 | 427 | 4,825 | 16,821 | 4,313 | 16,639 | 14,810 | 95,417 | 125,533 |
| Utilities | 757 | 1,243 | 229 | 121 | 252 | 664 | 397 | 543 | 467 | 4,673 | 5,593 |
| Miscellaneous | 39,545 | 22,352 | 50 | - | 48 | - | 2,824 | 4,896 | - | 69,715 | 64,888 |
| Total expenses | \$ 734,276 | \$ 197,189 | \$ 64,094 | \$ 71,862 | \$ 132,192 | \$ 162,126 | \$ 45,559 | \$ 328,582 | \$ 265,259 | \$ 2,001,139 | \$ 2,109,602 |

See accompanying notes

FRIENDS GENERAL CONFERENCE, INC.

STATEMENT OF CASH FLOWS

Year ended September 30, 2017 with comparative totals for 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 203,018 | \$(345,976) |
| <i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i> | | |
| Depreciation | 33,832 | 34,252 |
| Net realized and unrealized gain on investments | (418,684) | (235,978) |
| Change in value of beneficial interest in charitable remainder trusts | (18,400) | (10,800) |
| Change in discount on contributions receivable | 12,200 | - |
| Change in value of beneficial interest in perpetual trusts | (28,000) | (19,000) |
| (Increase) decrease in | | |
| Accounts receivable | 13,203 | 43,337 |
| Inventory | (7,571) | 8,651 |
| Prepaid expenses and other | (6,201) | 23,548 |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (10,416) | (15,623) |
| Deferred revenue | 7,123 | (9,322) |
| Net cash used for operating activities | <u>(219,896)</u> | <u>(526,911)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (176,533) | (130,600) |
| Proceeds from sale of investments | 529,443 | 563,848 |
| Purchase of property and equipment | <u>-</u> | <u>(8,400)</u> |
| Net cash provided by investing activities | <u>352,910</u> | <u>424,848</u> |
| Net change in cash | 133,014 | (102,063) |
| CASH | | |
| Beginning of year | <u>85,658</u> | <u>187,721</u> |
| Ending of year | <u>\$ 218,672</u> | <u>\$ 85,658</u> |

See accompanying notes

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(1) NATURE OF OPERATIONS

Friends General Conference, Inc. (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.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

U.S. generally accepted accounting principles require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control, or (b) other kinds of control coupled with an economic interest. A review of the control and financial structures of the Friends Meeting House Fund resulted in a conclusion that Friends General Conference, Inc. is required by U.S. generally accepted accounting principles to include the Friends Meeting House Fund in its financial statements. Management has elected not to consolidate the Friends Meeting House fund because it believes it would make the financial statements misleading.

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "***net assets released from restriction.***"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that neither expire by passage of time, nor can be satisfied by actions of the Organization.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the financial statements for the year ended September 30, 2016, from which the summarized information was derived.

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. The Organization does not charge interest on outstanding balances.

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 and Investment Income

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 (**See Note 4**). 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.

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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 costs of providing various program and supporting services have been presented on a functional basis in the statements 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 it had no uncertain tax positions as defined in the standard.

Concentrations of Credit 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. Accounts receivable consist primarily of contributions receivable from a capital campaign (**See Note 3**). Management performs ongoing evaluations of accounts receivable for potential credit losses. Collateral is not required.

(3) CONTRIBUTIONS RECEIVABLE

Amount due in:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------------|------------------------|
| Less than one year | \$ 9,596 | \$13,500 |
| One to five years | <u>55,700</u> | <u>55,629</u> |
| | 65,296 | 69,129 |
| Less discount to net present value | <u>(12,200)</u> | <u>-</u> |
| | <u>\$ 53,096</u> | <u>\$69,129</u> |

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(4) INVESTMENTS

Investments consisted of the following at September 30,:

| | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|
| Money market funds | \$ 187,965 | \$ 133,316 |
| Note receivable – Friends Meeting House Fund | 45,000 | 45,000 |
| Obligations of U.S. Government Agencies | 380,058 | 570,680 |
| Units in The Consolidated Fund of Friends Fiduciary Corporation | 729,985 | 556,227 |
| Marketable equity securities | <u>2,791,672</u> | <u>2,763,683</u> |
| | <u>\$4,134,680</u> | <u>\$4,068,906</u> |

The Consolidated 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.

Investment income consisted of the following for the year ended September 30,:

| | <u>2017</u> | <u>2016</u> |
|------------------------------|------------------|------------------|
| Interest and dividends | \$ 43,190 | \$ 83,524 |
| Realized and unrealized gain | 418,684 | 235,978 |
| Management fees | <u>(16,443)</u> | <u>(18,777)</u> |
| | <u>\$445,431</u> | <u>\$300,725</u> |

(5) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30,:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------|-------------------|
| Land | \$ 267,500 | \$ 267,500 |
| Building and improvements | 819,513 | 819,513 |
| Equipment | <u>79,095</u> | <u>79,095</u> |
| | 1,166,108 | 1,166,108 |
| Less accumulated depreciation | <u>(809,339)</u> | <u>(775,507)</u> |
| | <u>\$ 356,769</u> | <u>\$ 390,601</u> |

(6) 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.

(7) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

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

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and periods:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Releases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|-------------------|---------------------------|
| Purpose restrictions | | | | |
| Gathering – limited term endowment | \$ 76,014 | \$ 9,907 | \$ - | \$ 85,921 |
| Western Yearly Meeting Scholarship Fund | 5,810 | - | (1,830) | 3,980 |
| Spiritual deepening | 6,600 | 30,000 | - | 36,600 |
| Institutional assessment | 1,400 | 61,780 | - | 63,180 |
| Publications Growth Fund | 9,464 | - | - | 9,464 |
| Other | <u>26,105</u> | <u>31,634</u> | <u>(24,030)</u> | <u>33,709</u> |
| | <u>125,393</u> | <u>133,321</u> | <u>(25,860)</u> | <u>232,854</u> |
| Time restrictions | | | | |
| Beneficial interest in charitable remainder trusts | 113,800 | 18,400 | - | 132,200 |
| Contributions receivable | 1,429 | 3,596 | (1,429) | 3,596 |
| Endowment appreciation | <u>65,441</u> | <u>37,062</u> | <u>(20,000)</u> | <u>82,503</u> |
| | <u>180,670</u> | <u>59,058</u> | <u>(21,429)</u> | <u>218,299</u> |
| | <u>\$306,063</u> | <u>\$192,379</u> | <u>\$(47,289)</u> | <u>\$451,153</u> |

(9) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consists of the following endowment funds and beneficial interest in perpetual trusts. Income from the permanently restricted net assets is unrestricted.

| | |
|---|------------------|
| Endowment fund (\$49,500 is receivable at September 30, 2017) | \$389,800 |
| Beneficial interest in perpetual trusts | |
| Laura & Augustus Cadwallader Fund | 3,000 |
| Susanna Parry Fund | <u>349,000</u> |
| | <u>\$741,800</u> |

(10) 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 disclosures 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.

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Changes in the endowment assets for the year ended September 30, 2017 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, beginning of year | \$732,131 | \$141,455 | \$402,000 | \$1,275,586 |
| Additions (subtractions) | 100,000 | - | (12,200) | 87,800 |
| Investment income | 75,183 | 46,969 | - | 122,152 |
| Spending policy distribution | (21,000) | (20,000) | - | (41,000) |
| Additional withdrawals | <u>(97,000)</u> | <u>-</u> | <u>-</u> | <u>(97,000)</u> |
| Endowment net assets, end of year | <u>\$789,314</u> | <u>\$168,424</u> | <u>\$389,800</u> | <u>\$1,347,538</u> |

(11) RETIREMENT PLAN

Friends General Conference, Inc. participates 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, Inc. contributed \$112,256 and \$93,444 to the plan for the years ended September 30, 2017 and 2016, respectively. Separate projected benefit liabilities and asset information are not determinable with respect to the Organization's participation in the plan.

(12) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets and liabilities measured at fair value on a recurring basis and the valuation inputs used to value them:

| <u>Description</u> | <u>Balance September 30, 2017</u> | <u>Quoted Prices in Active Markets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---------------------------|---------------------------------------|--|--|--|
| Assets | | | | |
| Investments | | | | |
| Money market funds | \$ 187,965 | \$ 187,965 | \$ - | \$ - |
| Note receivable | | | | |
| Friends Meeting | | | | |
| House Fund | 45,000 | - | 45,000 | - |
| Obligations of U.S. | | | | |
| Government Agencies | 380,058 | - | 380,058 | - |
| Units in the Consolidated | | | | |
| Fund of Friends | | | | |
| Fiduciary Corporation | 729,985 | - | 729,985 | - |
| Marketable equity | | | | |
| securities | <u>2,791,672</u> | <u>2,791,672</u> | <u>-</u> | <u>-</u> |
| Total investments | 4,134,680 | 2,979,637 | 1,155,043 | - |
| Contributions receivable | 53,096 | - | 53,096 | - |
| Beneficial interest in | | | | |
| charitable remainder | | | | |
| trusts | 132,200 | - | - | 132,200 |
| Beneficial interest in | | | | |
| perpetual trusts | <u>352,000</u> | <u>-</u> | <u>-</u> | <u>352,000</u> |
| | <u>\$4,671,976</u> | <u>\$2,979,637</u> | <u>\$1,208,139</u> | <u>\$484,200</u> |

Level 3 assets (beneficial interests in charitable remainder trusts and perpetual trusts) had a \$46,400 gain in the statement of activities in 2017.

FRIENDS GENERAL CONFERENCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 17, 2018, 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.