

FRIENDS MEETING OF WASHINGTON
FINANCIAL STATEMENTS AND
ACCOUNTANTS' REVIEW REPORT

JUNE 30, 2006 AND 2005

STRACK | STANFIELD, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRIENDS MEETING OF WASHINGTON

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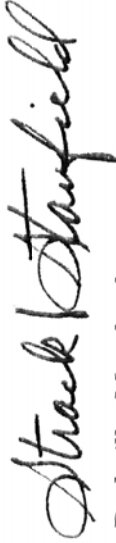
ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees
FRIENDS MEETING OF WASHINGTON

We have reviewed the accompanying statements of financial position of FRIENDS MEETING OF WASHINGTON as of June 30, 2006 and 2005 and the related statements of activities and changes in net assets for the years then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the FRIENDS MEETING OF WASHINGTON.

A review consists principally of inquires of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.



Rockville, Maryland
August 24, 2006

FRIENDS MEETING OF WASHINGTON
STATEMENTS OF FINANCIAL POSITION
(SEE ACCOUNTANTS' REVIEW REPORT)
JUNE 30, 2006 AND 2005

ASSETS

	2006	2005
Cash and cash equivalents	\$ 173,818	\$ 168,685
Accounts receivable	2,443	70
Prepaid expenses	703	581
Investments (NOTE 3)	1,817,249	1,688,037
Antique collection	12,800	12,800
Land, buildings and equipment, net of depreciation (NOTE 4)	565,155	596,325
TOTAL ASSETS	\$ 2,572,168	\$ 2,466,498

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 38,061	\$ 25,249
Deferred revenue	1,825	-
Deposits	520	520
Agency funds	1,194	1,024
Total Liabilities	41,600	26,793
NET ASSETS		
Unrestricted		
Meeting designated (NOTE 6)	529,613	495,465
Net investment in plant	577,955	609,125
Endowment earnings	1,006,046	941,806
Undesignated	72,286	47,300
Total unrestricted	2,185,900	2,093,696
Temporarily restricted (NOTE 7)	42,746	44,087
Permanently restricted	301,922	301,922
Total Net Assets	2,530,568	2,439,705
TOTAL LIABILITIES AND NET ASSETS	\$ 2,572,168	\$ 2,466,498

The accompanying notes are an integral part
of these financial statements

FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES
(SEE ACCOUNTANTS' REVIEW REPORT)
FOR THE YEAR ENDED JUNE 30, 2006
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	2006		2005		
	RESTRICTED	PERMANENTLY	TOTAL	TOTAL	
	UNRESTRICTED	TEMPORARILY	TOTAL	TOTAL	
Contributions	\$ 256,564	\$ 70,847	\$ 327,411	\$ 245,957	
Bequests and memorials	5,360	-	5,360	33,184	
Use of facilities	41,831	-	41,831	41,228	
Literature and projects sales	7,100	-	7,100	9,138	
Interest and dividend income	93,289	-	93,289	86,910	
Net realized and unrealized gains on investments	88,091	-	88,091	51,273	
Other	325	-	325	375	
TOTAL REVENUE AND SUPPORT	492,560	70,847	563,407	468,065	
NET ASSETS RELEASED FROM RESTRICTIONS	72,188	(72,188)	-	-	
TOTAL REVENUE, SUPPORT AND RECLASSIFICATIONS	564,748	(1,341)	563,407	468,065	
EXPENSES					
Personnel and consultants	196,238	-	196,238	161,721	
Program costs	92,152	-	92,152	69,890	
Site costs	69,852	-	69,852	67,458	
Office expenses	26,771	-	26,771	24,208	
Apportionment	44,250	-	44,250	43,500	
Depreciation	40,072	-	40,072	40,926	
Other expenses	3,209	-	3,209	5,679	
Total Expenses	472,544	-	472,544	413,382	
TOTAL INCREASE (DECREASE) IN NET ASSETS	\$ 92,204	\$ (1,341)	\$ 90,863	\$ 54,683	

The accompanying notes are an integral part of these financial statements

FRIENDS MEETING OF WASHINGTON
 STATEMENT OF CHANGES IN NET ASSETS
 (SEE ACCOUNTANTS' REVIEW REPORT)
 FOR THE YEAR ENDED JUNE 30, 2006
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005

	2006			2005		
	RESTRICTED	TEMPORARILY PERMANENTLY	TOTAL	RESTRICTED	TEMPORARILY PERMANENTLY	TOTAL
NET ASSETS						
BEGINNING OF YEAR	\$ 2,093,696	\$ 44,087	\$ 301,922	\$ 2,439,705	\$ 2,385,022	
TOTAL INCREASE (DECREASE) IN NET ASSETS	92,204	(1,341)	-	90,863	54,683	
END OF YEAR	<u>\$ 2,185,900</u>	<u>\$ 42,746</u>	<u>\$ 301,922</u>	<u>\$ 2,530,568</u>	<u>\$ 2,439,705</u>	

The accompanying notes are an integral part
of these financial statements

FRIENDS MEETING OF WASHINGTON
STATEMENTS OF CASH FLOWS
(SEE ACCOUNTANTS' REVIEW REPORT)
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 90,863	\$ 54,683
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains from investments	(88,091)	(51,273)
Abandoned equipment	-	2,659
Depreciation	40,072	40,926
(Increase) decrease in accounts receivable	(2,373)	3,124
(Increase) decrease in prepaid expenses	(122)	1,310
Increase in accounts payable and accrued expenses	12,812	7,599
Increase (decrease) in deferred revenue	1,825	(300)
Increase (decrease) in agency funds	<u>170</u>	<u>(600)</u>
Net Cash Provided By Operating Activities	<u>55,156</u>	<u>58,128</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(41,540)	(75,000)
Proceeds from sale of investments	419	-
Fixed asset acquisitions	<u>(8,902)</u>	<u>(2,427)</u>
Net Cash (Used For) Investing Activities	<u>(50,023)</u>	<u>(77,427)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	5,133	(19,299)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>168,685</u>	<u>187,984</u>
End of year	<u>\$ 173,818</u>	<u>\$ 168,685</u>

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

1. ORGANIZATION AND PURPOSE

The Friends Meeting of Washington is a non-profit corporation organized in Washington, D.C. on June 20, 1930. The Meeting was established to provide a place of worship for all people.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Meeting have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Meeting is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. SFAS No. 117 also requires the Meeting to report expenses as a decrease in unrestricted net assets whether they are incurred to satisfy a donor's restrictions or not.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The term cash as used in the accompanying financial statements includes currency on hand, demand deposits, and highly liquid investments purchased with Financial Institutions with a maturity of three months or less.

Pursuant to Financial Accounting Standards Board Statement No. 105, the following summarizes the Company's cash and short-term investments as of June 30, 2006 and 2005 that were not covered by insurance provided by the federal government. Management believes the risk in these situations to be minimal.

	<u>2006</u>	<u>2005</u>
Cash in federally chartered banks	<u>\$ 44,445</u>	<u>\$ 8,972</u>

Antique Collection

An antique collection in the amount of \$12,800 was recorded June 30, 1981 at the approximate fair market value. The collection is not subject to depreciation.

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at market value. Unrealized gains and losses are included in the Statements of Activities.

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions of \$1,000 or more are generally capitalized.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributed Services

The Meeting receives a substantial amount of services donated by its members in carrying out the Meeting's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

Income Taxes

The Meeting is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) on any net income derived from activities related to its exempt purpose and is not a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal income taxes has been made.

Comparative Information

The statement of activities includes 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year ended June 30, 2005, from which the summarized information was derived.

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

3. INVESTMENTS

Investments are carried at fair market value and are comprised of the following:

	2006	2005
	Market	Market
	Cost	Cost
Friends Fiduciary Corporation	\$ <u>1,817,249</u>	\$ <u>1,688,037</u>
	\$ <u>746,631</u>	\$ <u>705,591</u>

The Meeting invests funds in managed amounts through the Friends Fiduciary Corporation, a nonprofit corporation. Participation in the funds is represented by units which are valued quarterly, at which time new participations and withdrawals are recorded. Cash paid out or received prior to these dates is adjusted by the appropriate interest charge or credit.

4. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	2006	2005
Land	\$ 231,888	\$ 231,888
Buildings and improvements	846,261	846,261
Furniture and equipment	<u>59,938</u>	<u>51,036</u>
	1,138,087	1,129,185
Less: Accumulated depreciation	<u>572,932</u>	<u>532,860</u>
	<u>\$ 565,155</u>	<u>\$ 596,325</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$40,072 and \$40,926, respectively.

5. RETIREMENT PLAN

The Meeting has a contributory retirement plan for substantially all employees and contributes 5% of the eligible employees' salary. An eligible employee is a full or part time permanent employee who also makes a 5% contribution. The Meeting's cost was \$5,030 and \$4,750 for years ended June 30, 2006 and 2005, respectively.

FRIENDS MEETING OF WASHINGTON
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2006 AND 2005

6. DESIGNATED UNRESTRICTED NET ASSETS

The Meeting designated a portion of unrestricted net assets for various purposes which are summarized as follows:

	<u>2006</u>	<u>2005</u>
Property Reserve	\$ 73,382	\$ 74,422
Trustees' Reserve	<u>456,231</u>	<u>421,043</u>
	<u>\$ 529,613</u>	<u>\$ 495,465</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
History Project	\$ 1,475	\$ 1,475
Personal Aid	7,868	7,093
AIDS Committee	-	724
Fund for Sufferings	3,357	3,357
Garden Improvements	1,982	1,982
Senior Center	6,487	6,487
Shoobox Fund	4,018	7,349
Financial Aid	15,739	14,413
Miscellaneous	<u>1,820</u>	<u>1,207</u>
	<u>\$ 42,746</u>	<u>\$ 44,087</u>

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities are summarized on a functional basis herein. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

	<u>2006</u>	<u>2005</u>
Program expenses	\$ 320,230	\$ 275,390
General and administrative expenses	141,470	128,728
Fundraising expenses	<u>10,844</u>	<u>9,264</u>
Total expenses	<u>\$ 472,544</u>	<u>\$ 413,382</u>