

FRIENDS MEETING OF WASHINGTON

FINANCIAL STATEMENTS AND
AUDITORS' REPORT

JUNE 30, 2007 (AUDITED)
AND JUNE 30, 2006 (REVIEWED)

STRACK | STANFIELD, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRIENDS MEETING OF WASHINGTON

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
FRIENDS MEETING OF WASHINGTON

We have audited the accompanying statement of financial position of FRIENDS MEETING OF WASHINGTON as of June 30, 2007, and the related statements of activities and changes in net assets for the year then ended. These financial statements are the responsibility of the management of FRIENDS MEETING OF WASHINGTON. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FRIENDS MEETING OF WASHINGTON as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The 2006 financial statements were reviewed by us, and our report thereon, dated August 24, 2006, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with U.S. generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.



Rockville, Maryland
September 12, 2007

FRIENDS MEETING OF WASHINGTON
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 174,742	\$ 173,818
Accounts receivable	134	2,443
Prepaid expenses	2,395	703
Investments (NOTE 3)	1,923,886	1,817,249
Antique collection	12,800	12,800
Land, buildings and equipment, net of depreciation (NOTE 4)	<u>526,586</u>	<u>565,155</u>
TOTAL ASSETS	<u>\$ 2,640,543</u>	<u>\$ 2,572,168</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 19,421	\$ 38,061
Deferred revenue	-	1,825
Deposits	420	520
Agency funds	<u>1,294</u>	<u>1,194</u>
Total Liabilities	<u>21,135</u>	<u>41,600</u>
NET ASSETS		
Unrestricted		
Meeting designated (NOTE 6)	559,886	529,613
Net investment in plant	539,386	577,955
Endowment earnings	1,082,798	1,006,046
Undesignated	<u>87,035</u>	<u>72,286</u>
Total unrestricted	2,269,105	2,185,900
Temporarily restricted (NOTE 7)	48,381	42,746
Permanently restricted	<u>301,922</u>	<u>301,922</u>
Total Net Assets	<u>2,619,408</u>	<u>2,530,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,640,543</u>	<u>\$ 2,572,168</u>

The accompanying notes are an integral part
of these financial statements

FRIENDS MEETING OF WASHINGTON
 STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007 (AUDITED)
 WITH COMPARABLE TOTALS AS OF JUNE 30, 2006 (REVIEWED)

	2007			2006	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES AND SUPPORT					
Contributions	\$ 219,971	\$ 48,412	\$ -	\$ 268,383	\$ 327,411
Bequests and memorials	1,050	-	-	1,050	5,360
Use of facilities	42,195	-	-	42,195	41,831
Literature and projects sales	3,449	-	-	3,449	7,100
Interest and dividend income	100,981	-	-	100,981	93,289
Net realized and unrealized gains on investments	106,982	-	-	106,982	88,091
Other	423	-	-	423	325
TOTAL REVENUE AND SUPPORT	475,051	48,412	-	523,463	563,407
NET ASSETS RELEASED FROM RESTRICTIONS	42,777	(42,777)	-	-	-
TOTAL REVENUE, SUPPORT AND RECLASSIFICATIONS	\$ 517,828	\$ 5,635	\$ -	\$ 523,463	\$ 563,407

The accompanying notes are an integral part
of these financial statements

FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2007 (AUDITED)
WITH COMPARABLE TOTALS AS OF JUNE 30, 2006 (REVIEWED)

EXPENSES	2007				2006
	UNRESTRICTED	RESTRICTED		TOTAL	TOTAL
		TEMPORARILY	PERMANENTLY		
Personnel and consultants	\$ 174,478	-	\$ -	\$ 174,478	\$ 196,238
Program costs	70,157	-	-	70,157	92,152
Site costs	74,956	-	-	74,956	69,852
Office expenses	22,232	-	-	22,232	26,771
Apportionment	48,750	-	-	48,750	44,250
Depreciation	40,439	-	-	40,439	40,072
Other expenses	<u>3,611</u>	-	-	<u>3,611</u>	<u>3,209</u>
Total Expenses	<u>434,623</u>	-	-	<u>434,623</u>	<u>472,544</u>
CHANGE IN NET ASSETS	83,205	5,635	-	88,840	90,863
BEGINNING 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>
END OF YEAR	<u>\$ 2,269,105</u>	<u>\$ 48,381</u>	<u>\$ 301,922</u>	<u>\$ 2,619,408</u>	<u>\$ 2,530,568</u>

The accompanying notes are an integral part
of these financial statements

FRIENDS MEETING OF WASHINGTON
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
JUNE 30, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 88,840	\$ 90,863
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains from investments	(106,637)	(88,091)
Depreciation	40,439	40,072
Decrease (increase) in accounts receivable	2,310	(2,373)
(Increase) in prepaid expenses	(1,692)	(122)
(Increase) in deposits	(100)	-
(Decrease) increase in accounts payable and accrued expenses	(18,640)	12,812
(Decrease) increase in deferred revenue	(1,825)	1,825
Increase in agency funds	<u>100</u>	<u>170</u>
Net Cash Provided By Operating Activities	<u>2,795</u>	<u>55,156</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	-	(41,540)
Proceeds from sale of investments	-	419
Fixed asset acquisitions	<u>(1,871)</u>	<u>(8,902)</u>
Net Cash (Used For) Investing Activities	<u>(1,871)</u>	<u>(50,023)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	924	5,133
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>173,818</u>	<u>168,685</u>
End of year	<u>\$ 174,742</u>	<u>\$ 173,818</u>

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

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. Balances in bank accounts occasionally exceed \$100,000, which is the maximum amount covered by federal depository insurance. The Meeting, however, does not consider this to be a significant concentration of credit risk.

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, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

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 Meeting's financial statement for the year ended June 30, 2006, from which the summarized information was derived.

FRIENDS MEETING OF WASHINGTON
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

3. INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Land	\$ 231,888	\$ 231,888
Buildings and improvements	850,472	846,261
Furniture and equipment	<u>57,598</u>	<u>59,938</u>
	1,139,958	1,138,087
Less: Accumulated depreciation	<u>(613,372)</u>	<u>(572,932)</u>
	<u>\$ 526,586</u>	<u>\$ 565,155</u>

Depreciation expense for the years ended June 30, 2007 and 2006 was 40,439 and \$40,072, 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 \$3,464 and \$5,030 for years ended June 30, 2007 and 2006, respectively.

FRIENDS MEETING OF WASHINGTON
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007 (AUDITED) AND JUNE 30, 2006 (REVIEWED)

6. DESIGNATED UNRESTRICTED NET ASSETS

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

	2007	2006
Property Reserve	\$ 99,632	\$ 73,382
Trustees' Reserve	460,254	456,231
	\$ 559,886	\$ 529,613

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2007	2006
History Project	\$ 1,475	\$ 1,475
Personal Aid	8,706	7,868
Fund for Sufferings	3,545	3,357
Garden Improvements	1,982	1,982
Senior Center	6,487	6,487
Shoebox Fund	7,338	4,018
Financial Aid	17,728	15,739
Miscellaneous	1,120	1,820
	\$ 48,381	\$ 42,746

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.

	2007	2006
Program Expenses	\$ 313,018	\$ 320,230
General and administrative expenses	92,545	141,470
Fundraising expenses	29,060	10,844
Total expenses	\$ 434,623	\$ 472,544