

Friends Meeting of Washington

Financial Statements

For The Years Ended
June 30, 2017 (Reviewed) And 2016 (Audited)



HERTZBACH
certified public accountants · consultants

Friends Meeting of Washington

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Independent Accountant's Review Report

**To The Board Of Trustees
Friends Meeting of Washington**
2111 Florida Avenue NW
Washington, DC 20008-1912

We have reviewed the accompanying statements of financial position of Friends Meeting of Washington as of June 30, 2017, and the related statements of activities, changes in net assets, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly do not express an opinion on such information.

Report On 2016 Financial Statements

The financial statements for the year ended June 30, 2016 were audited by us, and we expressed an unmodified opinion on them in our report dated November 15, 2016. We have not performed any auditing procedures since that date.

Hertzbach & Company, P.A.

Owings Mills, Maryland
September 27, 2017

**FINANCIAL
STATEMENTS**

Friends Meeting of Washington Statements Of Financial Position

| June 30, | 2017 (Reviewed) | 2016 (Audited) |
|--------------------------------|---------------------|---------------------|
| Assets | | |
| CURRENT ASSETS | | |
| Cash And Cash Equivalents | \$ 375,980 | \$ 361,429 |
| Accounts Receivable | 28,452 | 16,850 |
| Prepaid Expenses | 16,495 | 15,149 |
| Total Current Assets | <u>420,927</u> | <u>393,428</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 231,888 | 231,888 |
| Buildings And Improvements | 1,174,199 | 1,105,968 |
| Furniture And Equipment | 10,065 | 10,065 |
| Construction In Progress | 450,956 | 376,899 |
| | <u>1,867,108</u> | <u>1,724,820</u> |
| Less: Accumulated Depreciation | <u>876,137</u> | <u>833,836</u> |
| Property And Equipment, Net | <u>990,971</u> | <u>890,984</u> |
| OTHER ASSETS | | |
| Antique Collection | 12,000 | 12,000 |
| Investments | 2,169,953 | 1,948,414 |
| Loan Fees - Non-Amortizing | 43,042 | - |
| Total Other Assets | <u>2,224,995</u> | <u>1,960,414</u> |
| TOTAL ASSETS | <u>\$ 3,636,893</u> | <u>\$ 3,244,826</u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

Friends Meeting of Washington
Statements Of Financial Position

| June 30, | 2017 (Reviewed) | 2016 (Audited) |
|--|----------------------------------|---------------------------------|
| Liabilities And Net Assets | | |
| CURRENT LIABILITIES | | |
| Accounts Payable And Accrued Expenses | \$ 38,944 | \$ 15,996 |
| Security Deposits | 13,198 | 6,598 |
| Deferred Revenue | 12,799 | 13,384 |
| Total Current Liabilities | <u>64,941</u> | <u>35,978</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Meeting Designated | 770,779 | 714,551 |
| Net Investment In Property And Equipment | 990,972 | 890,984 |
| Undesignated | 321,797 | 239,569 |
| Total Unrestricted | 2,083,548 | 1,845,104 |
| Temporarily Restricted | 1,186,482 | 1,061,822 |
| Permanently Restricted | 301,922 | 301,922 |
| Total Net Assets | <u>3,571,952</u> | <u>3,208,848</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,636,893</u> | <u>\$ 3,244,826</u> |

Friends Meeting of Washington
Statements Of Activities And Changes In Net Assets

For The Year Ended June 30, 2017 (Reviewed)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions | \$ 388,342 | \$ 63,896 | \$ - | \$ 452,238 |
| Bequests And Memorials | 9,967 | - | - | 9,967 |
| Use Of Facilities | 234,274 | - | - | 234,274 |
| Literature And Project Sales | 750 | 1,160 | - | 1,910 |
| Interest And Dividend Income | 82,465 | - | - | 82,465 |
| Net Realized Losses | (63) | - | - | (63) |
| Net Unrealized Gains | 59,450 | 111,938 | - | 171,388 |
| Other Income | 2,123 | - | - | 2,123 |
| Net Assets Released From Restrictions | 52,334 | (52,334) | - | - |
| Total Revenue And Support | 829,642 | 124,660 | - | 954,302 |
| EXPENSES | | | | |
| Program Costs | 85,634 | - | - | 85,634 |
| Personnel And Consultants | 213,641 | - | - | 213,641 |
| Site Costs | 142,976 | - | - | 142,976 |
| Office Expenses | 8,128 | - | - | 8,128 |
| Apportionment | 63,900 | - | - | 63,900 |
| Depreciation | 42,300 | - | - | 42,300 |
| Property Use By Others | 23,945 | - | - | 23,945 |
| Other | 10,674 | - | - | 10,674 |
| Total Expenses | 591,198 | - | - | 591,198 |
| Change In Net Assets | 238,444 | 124,660 | - | 363,104 |
| Net Assets - Beginning Of Year | 1,845,104 | 1,061,822 | 301,922 | 3,208,848 |
| Net Assets - End Of Year | \$ 2,083,548 | \$ 1,186,482 | \$ 301,922 | \$ 3,571,952 |

Friends Meeting of Washington
Statements Of Activities And Changes In Net Assets
(Continued)

For The Year Ended June 30, 2016 (Audited)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES AND OTHER SUPPORT | | | | |
| Contributions | \$ 327,715 | \$ 66,345 | \$ - | \$ 394,060 |
| Bequests And Memorials | 5,645 | - | - | 5,645 |
| Use Of Facilities | 182,415 | - | - | 182,415 |
| Literature And Project Sales | 400 | 1,180 | - | 1,580 |
| Interest And Dividend Income | 84,246 | - | - | 84,246 |
| Net Unrealized Losses | (27,248) | (53,764) | - | (81,012) |
| Other Income | 457 | - | - | 457 |
| Net Assets Released From Restrictions | 47,653 | (47,653) | - | - |
| Total Revenue And Support | 621,283 | (33,892) | - | 587,391 |
| EXPENSES | | | | |
| Program Costs | 79,620 | - | - | 79,620 |
| Personnel And Consultants | 204,331 | - | - | 204,331 |
| Site Costs | 144,485 | - | - | 144,485 |
| Office Expenses | 9,006 | - | - | 9,006 |
| Apportionment | 62,780 | - | - | 62,780 |
| Depreciation | 47,361 | - | - | 47,361 |
| Property Use By Others | 14,825 | - | - | 14,825 |
| Other | 8,374 | - | - | 8,374 |
| Total Expenses | 570,782 | - | - | 570,782 |
| Change In Net Assets | 50,501 | (33,892) | - | 16,609 |
| Net Assets - Beginning Of Year | 1,794,603 | 1,095,714 | 301,922 | 3,192,239 |
| Net Assets - End Of Year | \$ 1,845,104 | \$ 1,061,822 | \$ 301,922 | \$ 3,208,848 |

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, | 2017 (Reviewed) | 2016 (Audited) |
|--|----------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change In Net Assets | \$ 363,104 | \$ 16,609 |
| Adjustments to Reconcile Change In Net Assets To | | |
| Net Cash Provided By Operating Activities: | | |
| Depreciation | 42,300 | 47,361 |
| Net Realized And Unrealized (Gains) And Losses | (171,488) | 81,012 |
| Contributions Of Stock | (50,050) | (10,052) |
| Increase In Operating Assets: | | |
| Accounts Receivable | (11,602) | (8,571) |
| Prepaid Expenses | (1,346) | (1,830) |
| Increase (Decrease) In Operating Liabilities: | | |
| Accounts Payable And Accrued Expenses | 22,948 | (5,413) |
| Security Deposits | 6,600 | (4,440) |
| Deferred Revenue | (585) | 7,901 |
| Net Cash Provided By Operating Activities | <u>199,881</u> | <u>122,577</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Construction Costs Paid | (74,057) | (73,635) |
| Purchase Of Property And Equipment | (68,231) | (28,166) |
| Net Cash Used In Investing Activities | <u>(142,288)</u> | <u>(101,801)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Financing Fees Paid | (43,042) | - |
| Net Cash Used In Investing Activities | <u>(43,042)</u> | <u>-</u> |
| NET INCREASE IN CASH | 14,551 | 20,776 |
| CASH - BEGINNING OF YEAR | <u>361,429</u> | <u>340,653</u> |
| CASH - END OF YEAR | <u><u>\$ 375,980</u></u> | <u><u>\$ 361,429</u></u> |

The Accompanying Notes Are An Integral Part Of These Financial Statements

Friends Meeting of Washington

Notes To Financial Statements

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

1. NATURE OF THE MEETING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE MEETING – Friends Meeting of Washington (the Meeting) was organized in Washington, D.C. as a non-stock, nonprofit corporation on June 20, 1930 to foster simple spiritual worship and such activities in various fields of service as the Meeting members and attenders may feel themselves called to undertake. As a help to these ends the Meeting maintains a place of worship where members and others who are like-minded may meet in religious fellowship and seek through a silent worship the renewal of their spiritual lives and the quickening of their powers of service to the Divine and to their fellow human beings.

METHOD OF ACCOUNTING – The Meeting's financial statements are prepared on the accrual method of accounting, which recognizes income when it is earned and expenses when they are incurred.

BASIS OF PRESENTATION – The Meeting conforms with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities* and 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. Due to purpose restrictions, \$1,186,482 and \$1,061,822 of the Meeting's funds at June 30, 2017 and 2016, respectively, are temporarily restricted and \$301,922 of the Meeting's funds at June 30, 2017 and 2016 are permanently restricted, but all other net assets of the Meeting are unrestricted.

CONTRIBUTIONS – Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the accompanying statement of activities. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

ACCOUNTS RECEIVABLE – Accounts receivable are stated at the amount management expects to collect for balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2017 and 2016, management has determined that all significant receivables are collectible. Therefore, an allowance for doubtful accounts has not been established.

PROPERTY AND EQUIPMENT – Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. Depreciation is computed using the straight-line method over 10 to 40 years for buildings and improvements and 3 years for furniture and equipment.

When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income.

INVESTMENTS – The Meeting conforms with FASB ASC 958, *Not-For-Profit Entities*, where investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

ANTIQUE COLLECTION – An antique collection in the amount of \$12,000 was recorded June 30, 1981 at the approximate fair value. The collection is not subject to depreciation.

Friends Meeting of Washington

Notes To Financial Statements

(Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

1. NATURE OF THE MEETING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES – The Meeting is exempt from income taxes as a religious organization described under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. There was no unrelated business income during the years ended June 30, 2017 and 2016.

CASH AND CASH EQUIVALENTS – For the purpose of these statements, the Meeting considers time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2017 and 2016.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

DONATED GOODS – The Meeting receives donated equipment, supplies, and other items from various donors in support of its programs and records these items at their estimated fair value at the date of donation. During the years ended June 30, 2017 and 2016, the Meeting received in-kind donations of equipment, supplies, and other goods valued at \$4,197 and \$5,978, respectively, which are included in contributions on the accompanying statements of activities and changes in net assets.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Estimates may be used in developing allocation of expenses by function.

RENTAL INCOME - Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. All leases between the Meeting and tenants are operating leases.

RECLASSIFICATIONS – Reclassifications have been made to the prior year balances to conform to the current year presentation.

2. CONCENTRATION OF CREDIT RISK

The Meeting maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federal insured limits; however, the Meeting has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2017 and 2016.

Friends Meeting of Washington Notes To Financial Statements (Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

3. INVESTMENTS

FASB ASC 820 *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priorities to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are describes as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Meeting has the ability to access.

Level 2 Inputs to valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during June 30, 2017 or 2016.

The Meeting invests its funds in a co-mingled trust fund with allocations to equities, fixed income, and real estate investment trusts. The co-mingled trust fund has a standard income distribution policy based on the fund's total return. Fair value of the funds are based on the fair values of the underlying assets and are provided by the Meeting's investment fund managers.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Meeting's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Friends Meeting of Washington
Notes To Financial Statements
(Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

3. INVESTMENTS (CONTINUED)

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|------------------|---------------------|----------------|---------------------|
| Domestic Bonds | \$ - | \$ 286,434 | \$ - | \$ 286,434 |
| Global Bonds | - | 130,197 | - | 130,197 |
| Short Term Investment Funds | - | 43,399 | - | 43,399 |
| Large Cap Equity Funds | - | 616,267 | - | 616,267 |
| Mid Cap Equity Funds | - | 208,315 | - | 208,315 |
| Small Cap Equity Funds | - | 188,786 | - | 188,786 |
| International Equity Funds | - | 575,038 | - | 575,038 |
| Real Estate Investment | - | 88,968 | - | 88,968 |
| Cash Held For Investment | 32,549 | - | - | 32,549 |
| | <u>32,549</u> | <u>-</u> | <u>-</u> | <u>32,549</u> |
| Total Investments | <u>\$ 32,549</u> | <u>\$ 2,137,404</u> | <u>\$ -</u> | <u>\$ 2,169,953</u> |

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

The Meeting invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect, in the future, amounts reported in the statements of financial position.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|------------------|---------------------|----------------|---------------------|
| Domestic Bonds | \$ - | \$ 302,005 | \$ - | \$ 302,005 |
| Global Bonds | - | 132,492 | - | 132,492 |
| Short Term Investment Funds | - | 42,865 | - | 42,865 |
| Large Cap Equity Funds | - | 570,885 | - | 570,885 |
| Mid Cap Equity Funds | - | 183,151 | - | 183,151 |
| Small Cap Equity Funds | - | 157,822 | - | 157,822 |
| International Equity Funds | - | 438,393 | - | 438,393 |
| Real Estate Investment | - | 105,214 | - | 105,214 |
| Cash Held For Investment | 15,587 | - | - | 15,587 |
| | <u>15,587</u> | <u>-</u> | <u>-</u> | <u>15,587</u> |
| Total Investments | <u>\$ 15,587</u> | <u>\$ 1,932,827</u> | <u>\$ -</u> | <u>\$ 1,948,414</u> |

Friends Meeting of Washington
Notes To Financial Statements
(Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

4. LONG-TERM DEBT

CONSTRUCTION LOAN – On June 27, 2017, the Meeting entered into a loan agreement with Sandy Spring Bank for construction financing. The loan, in the maximum amount of \$3,000,000, carries interest at a fixed rate of 4.35% per annum. Payments of interest-only are due through and including December 1, 2018, with the option to extend the interest-only period to May 1, 2019. Upon construction completion, the outstanding loan balance will be converted to a term loan based upon an amortization of 25 years with required monthly principal and interest payments to be determined based on the final loan amount. Financing fees related to the loan are \$43,042. The loan is secured by a First Deed of Trust and Assignment of Rents and Leases as well as an assignment of the brokerage account of at least \$300,000. The loan is due to mature on June 1, 2032 at which time any outstanding balance and unpaid interest will be due. As of June 30, 2017 and 2016, no funds have been drawn on the loan.

5. MEETING DESIGNATED UNRESTRICTED NET ASSETS

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

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|-----------------------------|-----------------------------|
| Capital Reserve Fund | \$ 76,705 | \$ 106,730 |
| Murray Bequest Fund | 96,518 | 85,209 |
| Building Campaign Fund | 597,556 | 522,612 |
| | <u> </u> | <u> </u> |
| Total Designated Net Assets | <u>\$ 770,779</u> | <u>\$ 714,551</u> |

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|-----------------------------|
| Fair Trade Coffee | \$ 167 | \$ 167 |
| Personal Aid | 13,511 | 13,147 |
| Fund For Sufferings | 3,545 | 3,545 |
| Senior Center | 6,432 | 6,432 |
| Shoe Box | 38,378 | 36,293 |
| Simpson Fund | 107,007 | 96,615 |
| Endowment - Investment Income | 1,014,273 | 902,335 |
| Other | 3,169 | 3,288 |
| | <u> </u> | <u> </u> |
| Total Temporarily Restricted Net Assets | <u>\$ 1,186,482</u> | <u>\$ 1,061,822</u> |

Friends Meeting of Washington Notes To Financial Statements (Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

7. ENDOWMENT

As regulated by FASB ASC 958-205, net assets associated with donor restricted endowment funds held by organizations that are subject to the enacted District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Trustees of the Meeting has interpreted UPMIFA as requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Meeting classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as a temporarily restricted net assets until those amounts are appropriated for prudence by UPMIFA. In accordance with UPMIFA, the Meeting considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- 1) The duration and preservation of the fund
- 2) The purpose of the Meeting's and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The executed total return from income and the appreciation of the investments
- 6) Other resources of the Meeting
- 7) The investment policies of the Meeting

RETURN OBJECTIVES AND RISK PARAMETERS

The Meeting has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment funds include those assets of the donor-restricted funds that the Meeting holds in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that yield revenue while assuming a moderate level of investment risk. Actual returns in any given year may vary.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Meeting to retain as a fund of perpetual duration. Deficiencies of this nature have not occurred since the inception of the endowment.

SPENDING POLICY

In accordance with the donor's stipulations, earnings on the original principal are restricted to up-keep and maintenance expenses of the Meeting's property. Any difference between actual investment income and the amounts distributed is retained to support the restricted purpose in future years.

Friends Meeting of Washington
Notes To Financial Statements
(Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

7. ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor Restricted Endowment, Beginning Of Year | \$ - | \$ 902,335 | \$301,922 | \$1,204,257 |
| Interest And Dividends | - | 53,212 | - | 53,212 |
| Change In Fair Value | - | 111,938 | - | 111,938 |
| Appropriations | - | (53,212) | - | (53,212) |
| Donor Restricted Endowment, End Of Year | <u>\$ -</u> | <u>\$ 1,014,273</u> | <u>\$ 301,922</u> | <u>\$ 1,316,195</u> |

Changes in endowment net assets for the year ended June 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor Restricted Endowment, Beginning Of Year | \$ - | \$ 956,098 | \$301,922 | \$1,258,020 |
| Interest And Dividends | - | 55,142 | - | 55,142 |
| Change In Fair Value | - | (53,763) | - | (53,763) |
| Appropriations | - | (55,142) | - | (55,142) |
| Donor Restricted Endowment, End Of Year | <u>\$ -</u> | <u>\$ 902,335</u> | <u>\$ 301,922</u> | <u>\$ 1,204,257</u> |

8. RETIREMENT PLAN

The Meeting maintains a 401(k) plan (the "Plan") under the Internal Revenue Code to provide retirement benefits for its employees. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for discretionary contributions as determined by the Board of Trustees. The Meeting made contributions of \$5,906 and \$6,335 to the Plan for the years ended June 30, 2017 and 2016, respectively.

Friends Meeting of Washington
Notes To Financial Statements
(Continued)

For The Years Ended June 30, 2017 (Reviewed) And 2016 (Audited)

9. FUNCTIONAL ALLOCATION OF EXPENES

The costs of providing various programs and other activities are summarized on a functional basis as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------------|-------------------|
| Program Expenses | \$ 430,282 | \$ 468,151 |
| General And Administrative Expenses | 62,917 | 43,596 |
| Fundraising Expenses | <u>97,999</u> | <u>59,035</u> |
| Total Expenses | <u>\$ 591,198</u> | <u>\$ 570,782</u> |

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through the independent auditors' report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

**SUPPLEMENTARY
INFORMATION**

**Friends Meeting of Washington
Schedules Of Shoebox Fund Activity**

| For The Years Ended June 30, | 2017 (Reviewed) | 2016 (Audited) |
|-------------------------------------|----------------------------|---------------------------|
| REVENUES AND OTHER SUPPORT | | |
| Restricted Contributions | \$ 24,316 | \$ 23,914 |
| RELEASES | | |
| Releases For Program Expenditures | <u>(22,231)</u> | <u>(21,958)</u> |
| CHANGE IN NET ASSETS | 2,085 | 1,956 |
| NET ASSETS - BEGINNING OF YEAR | <u>36,293</u> | <u>34,337</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 38,378</u></u> | <u><u>\$ 36,293</u></u> |