

**FRIENDS WORLD COMMITTEE  
FOR CONSULTATION,  
SECTION OF THE AMERICAS**

*FINANCIAL STATEMENTS*

**YEAR ENDED APRIL 30, 2011**

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

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## INDEPENDENT AUDITOR'S REPORT

**Executive Committee  
Friends World Committee for Consultation,  
Section of the Americas  
Philadelphia, Pennsylvania**

We have audited the accompanying statement of financial position of Friends World Committee for Consultation, Section of the Americas (a nonprofit organization) as of April 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Friends World Committee for Consultation, Section of the Americas' management. 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 World Committee for Consultation, Section of the Americas at April 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
August 23, 2011**

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF FINANCIAL POSITION

April 30, 2011

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<b>ASSETS</b>	
Cash	\$ 232,394
Prepaid expenses and other	11,956
Investments	812,203
Beneficial interests in perpetual trusts	<u>507,129</u>
<b>Total assets</b>	<b><u>\$ 1,563,682</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 45,937
Loans payable	<u>8,500</u>
<b>Total liabilities</b>	<b><u>54,437</u></b>
 <b>NET ASSETS</b>	
Unrestricted	483,478
Temporarily restricted	483,721
Permanently restricted	<u>542,046</u>
<b>Total net assets</b>	<b><u>1,509,245</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,563,682</u></b>

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See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF ACTIVITIES

Year ended April 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Support from meetings and members	\$ 393,658	\$ 19,819	-	\$ 413,477
Events and other income	52,674	-	-	52,674
Interest and dividends	59,924	-	-	59,924
Net assets released from restrictions	62,034	(62,034)	-	-
<b>Total revenue and support</b>	<u>568,290</u>	<u>(42,215)</u>	<u>-</u>	<u>526,075</u>
<b>EXPENSES</b>				
<b>Program services</b>	336,913	-	-	336,913
<b>Supporting services</b>				
Management and general	91,944	-	-	91,944
Fundraising	61,344	-	-	61,344
<b>Total expenses</b>	<u>490,201</u>	<u>-</u>	<u>-</u>	<u>490,201</u>
<b>Change in net assets before other changes</b>	<u>78,089</u>	<u>(42,215)</u>	<u>-</u>	<u>35,874</u>
<b>OTHER CHANGES</b>				
Net realized and unrealized gain on investments	31,238	22,344	2,703	56,285
Change in value in beneficial interests in perpetual trusts	-	-	39,258	39,258
Loss on uncollectible pledge	(13,620)	-	-	(13,620)
<b>Total other changes</b>	<u>17,618</u>	<u>22,344</u>	<u>41,961</u>	<u>81,923</u>
<b>CHANGE IN NET ASSETS</b>	95,707	(19,871)	41,961	117,797
<b>NET ASSETS</b>				
Beginning of year	<u>387,771</u>	<u>503,592</u>	<u>500,085</u>	<u>1,391,448</u>
<b>End of year</b>	<u>\$ 483,478</u>	<u>\$ 483,721</u>	<u>\$ 542,046</u>	<u>\$ 1,509,245</u>

See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended April 30, 2011

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 98,142	\$ 43,828	\$ 37,511	\$ 179,481
Advertising	387	-	3,820	4,207
Contracted services	26,353	25,506	1,685	53,544
Event costs	56,273	-	-	56,273
Grants and contributions	7,335	-	-	7,335
Office expenses	368	2,883	-	3,251
Postage and mailing	2,260	1,817	2,634	6,711
Printing	7,048	1,549	9,808	18,405
Rent	8,854	3,954	3,384	16,192
Telephone	15,283	1,235	-	16,518
Travel	19,673	7,183	2,261	29,117
World office support	91,330	-	-	91,330
Miscellaneous	<u>3,607</u>	<u>3,989</u>	<u>241</u>	<u>7,837</u>
<b>Total expenses</b>	<u>\$ 336,913</u>	<u>\$ 91,944</u>	<u>\$ 61,344</u>	<u>\$ 490,201</u>

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See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF CASH FLOWS

Year Ended April 30, 2011

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### **CASH FLOWS FROM OPERATING ACTIVITIES**

<b>Change in net assets</b>	\$ 117,797
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</b>	
Net realized and unrealized gain on investments	(56,285)
Change in value of beneficial interests in perpetual trusts	(39,258)
Loss on uncollectible pledge	13,620
(Increase) decrease in	
Pledge receivable	15,000
Prepaid expenses and other	5,426
Increase (decrease) in	
Accounts payable and accrued expenses	<u>3,346</u>
<b>Net cash provided by operating activities</b>	<u>59,646</u>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	<u>640</u>
<b>Net increase in cash</b>	60,286

### **CASH**

Beginning of year	<u>172,108</u>
<b>Ending of year</b>	<u><u>\$ 232,394</u></u>

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See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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### (1) NATURE OF OPERATIONS

Friends World Committee for Consultation, Section of the Americas ("**FWCC**"), a nonprofit organization, was formed in 1937 to encourage fellowship among all the branches of the Religious Society of Friends. In the Americas, the Quaker community extends from the Arctic to the Andes, spanning a rich diversity of regional cultures, beliefs and styles of worship. FWCC offers programs that unite Friends across the hemisphere through Spirit-led fellowship.

### (2) 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.

#### **Financial Statement Presentation**

FWCC 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 FWCC 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 restrictions.***"

##### ***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 FWCC.

#### **Fair Value Measurements of Assets and Liabilities**

Generally accepted accounting principles ("**GAAP**") define 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 FWCC. Unobservable inputs reflect FWCC'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 FWCC 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.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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

### **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. Interest and dividends are recorded as earned.

FWCC invests in a professionally managed portfolio that contains various types of securities (**See Note 3**). 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.

### **Beneficial Interests in Perpetual Trusts**

The beneficial interests in perpetual trusts are reported at fair market value and are equal to FWCC's share of the assets in the trusts.

### **Support from Meetings and Members**

Support from meetings and members received is recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted support from meetings and members whose restrictions are satisfied in the same period are reported as unrestricted.

Unconditional support from meetings and members is recognized as revenue when the related promise to give is received. Conditional support from meetings and members is recognized as revenue when the conditions are satisfied.

### **Functional Allocation of Expenses**

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

### **Income Tax Status**

FWCC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

FWCC adopted a new accounting standard regarding uncertain tax positions. The new standard prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. FWCC believes that it had no uncertain tax positions as defined in the standard and, as a result, the adoption of the new standard had no impact on FWCC's financial statements.

### **Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

### Concentrations of Credit Risk

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

### (3) INVESTMENTS

Investments at April 30, 2011, consisted of the following:

Accrued income	\$ 19,057
Money market funds	3,013
Mutual fund – balanced portfolio	14,474
Units in The Consolidated Fund of Friends Fiduciary Corporation	<u>775,659</u>
	<u>\$812,203</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.

### (4) BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

FWCC is the income beneficiary of two perpetual trusts. Friends Fiduciary Corporation serves as trustee of these trusts. The principal portions of the trusts are permanently restricted and the income distributions are both unrestricted and restricted for various programs (**See Note 6**).

### (5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>Balance</u> <u>April 30, 2010</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>April 30, 2011</u>
Purpose restrictions				
Peace issues	\$ 18,979	\$ -	\$(18,979)	\$ -
Program giving	39,112	-	(6,056)	33,056
Quaker youth pilgrimage	88,158	-	-	88,158
Scholarly explorations of				
Christian mysticism	120,626	10,122	-	130,748
Travel	168,837	22,125	(13,620)	177,342
Other	<u>12,432</u>	<u>9,916</u>	<u>(2,371)</u>	<u>19,977</u>
	<u>448,144</u>	<u>42,163</u>	<u>(41,026)</u>	<u>449,281</u>
Time restrictions				
Pooled life income	18,413	-	(3,030)	15,383
Income distribution receivable	22,035	-	(2,978)	19,057
Pledges receivable	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
	<u>\$503,592</u>	<u>\$42,163</u>	<u>\$(62,034)</u>	<u>\$483,721</u>

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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### (6) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following endowment fund and beneficial interests in perpetual trusts. Income from the A. Ward Applegate Visitation Fund is restricted for visitation and travel to overseas Yearly meetings. Income from the Anna G. Elkinton Trust is restricted for travel and scholarships. Income from the Laura and Augustus Cadwallader Fund is unrestricted.

Endowment fund	
A. Ward Applegate Visitation Fund	\$ 34,917
Beneficial interests in perpetual trusts	
Anna G. Elkinton Trust	2,714
Laura & Augustus Cadwallader Fund	<u>504,415</u>
	<u>\$542,046</u>

### (7) ENDOWMENT FUNDS

In August 2008, a new 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**"). FWCC 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, FWCC 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. FWCC's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 5.25% of a moving three-year average of the fair value of the endowment fund.

Changes in the endowment assets for the year ended April 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$389,247	\$294,152	\$32,214	\$715,613
Interest and dividends	17,468	13,200	1,445	32,113
Spending policy distribution	(17,468)	(13,200)	(1,445)	(32,113)
Realized and unrealized gain	<u>32,661</u>	<u>24,682</u>	<u>2,703</u>	<u>60,046</u>
Endowment net assets, end of year	<u>\$421,908</u>	<u>\$318,834</u>	<u>\$34,917</u>	<u>\$775,659</u>

### (8) RETIREMENT PLAN

FWCC participates in a defined benefit retirement plan with other unrelated tax-exempt Quaker organizations. FWCC's contribution to the plan was \$17,968 for the year ended April 30, 2011. FWCC's relative position in this plan is not readily determinable.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

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### (9) LEASE

FWCC leases its office space from another unrelated tax-exempt Quaker organization under an agreement that is renewed on a year-to-year basis. Rent expense under the agreement for the year ended April 30, 2011 was \$16,192.

### (10) TRANSACTIONS WITH THE WORLD OFFICE

FWCC is affiliated with the Friends World Committee for Consultation, World Office (the "**World Office**"), a nonprofit organization whose purpose is to encourage fellowship among all the branches of the Religious Society of Friends. FWCC contributes 25% of its unrestricted support from meetings and members to the World Office so it can carry out FWCC's mission on a global scale. For the year ended April 30, 2011, FWCC contributed \$91,330 to the World Office. FWCC also had accounts payable of \$3,919 owed to the World Office at April 30, 2011.

The FWCC and World Office are also currently in negotiations regarding unrestricted funds used to finance the FWCC fundraising campaign in 2005. At issue is \$350,000 withdrawn from the Cory fund to pay for campaign expenses. The funds were intended for temporary use, with the assumption they would be deposited back into the Cory fund at the conclusion of the campaign, obviating the customary 25% contribution to the World Office. Since the campaign was not successful enough to replenish the Cory fund, and monies generated from the campaign were subsequently designated to other funds, a question remains regarding the possibility of some revenue sharing with the World Office for the original \$350,000 released. It is anticipated that a review of fund transactions and minutes from the period in question should resolve this issue before the end of the current fiscal year. Given the uncertainty regarding this transaction FWCC has not accrued a liability in the statement of financial position.

### (11) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

<u>Description</u>	<u>Balance April 30, 2011</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>
Investments	\$ 812,203	\$17,487	\$ 794,716	\$ -
Beneficial interests in perpetual trusts	<u>507,129</u>	<u>-</u>	<u>507,129</u>	<u>-</u>
<b>Total assets</b>	<u>\$1,319,332</u>	<u>\$17,487</u>	<u>\$1,301,845</u>	<u>\$ -</u>

### (12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2011, 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.