

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

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2013

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 financial statements of Friends World Committee for Consultation, Section of the Americas (a nonprofit organization), which comprise the statement of financial position as of April 30, 2013, 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 Organization '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 Organization '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 audit opinion.

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 as of April 30, 2013, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 12 to 14, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

BBD, LLP.

**Philadelphia, Pennsylvania
September 13, 2013**

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF FINANCIAL POSITION

April 30, 2013

ASSETS	
Cash	\$ 37,813
Pledges receivable	7,800
Prepaid expenses and other assets	9,823
Investments	882,076
Beneficial interest in perpetual trusts	<u>522,549</u>
Total assets	<u>\$1,460,061</u>

LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	\$ 38,686
Loans payable	8,500
Due to the World Office	<u>80,303</u>
Total liabilities	<u>127,489</u>
NET ASSETS	
Unrestricted	319,543
Temporarily restricted	454,500
Permanently restricted	<u>558,529</u>
Total net assets	<u>1,332,572</u>
Total liabilities and net assets	<u>\$1,460,061</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF ACTIVITIES

Year ended April 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Support from meetings and members	\$ 266,881	\$ 14,102	\$ -	\$ 280,983
Events and other income	97,429	-	-	97,429
Interest and dividends	39,431	14,775	-	54,206
Net assets released from restrictions	86,844	(86,844)	-	-
Total revenue and support	<u>490,585</u>	<u>(57,967)</u>	<u>-</u>	<u>432,618</u>
EXPENSES				
Program services	356,920	-	-	356,920
Supporting services				
Management and general	115,292	-	-	115,292
Fundraising	50,426	-	-	50,426
Total expenses	<u>522,638</u>	<u>-</u>	<u>-</u>	<u>522,638</u>
Change in net assets before other changes	<u>(32,053)</u>	<u>(57,967)</u>	<u>-</u>	<u>(90,020)</u>
OTHER CHANGES				
Net realized and unrealized gain on investments	23,261	17,614	2,140	43,015
Change in value of beneficial interest in perpetual trusts	-	-	31,078	31,078
Change in discount on Due to the World Office	(4,400)	-	-	(4,400)
Total other changes	<u>18,861</u>	<u>17,614</u>	<u>33,218</u>	<u>69,693</u>
CHANGE IN NET ASSETS	<u>(13,192)</u>	<u>(40,353)</u>	<u>33,218</u>	<u>(20,327)</u>
NET ASSETS				
Beginning of year	<u>332,735</u>	<u>494,853</u>	<u>525,311</u>	<u>1,352,899</u>
End of year	<u>\$ 319,543</u>	<u>\$ 454,500</u>	<u>\$ 558,529</u>	<u>\$ 1,332,572</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended April 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 107,328	\$ 51,395	\$ 31,856	\$ 190,579
Advertising	4,160	-	3,560	7,720
Contracted services	7,380	24,852	930	33,162
Event costs	88,810	-	-	88,810
Grants and contributions	3,353	-	-	3,353
Insurance	-	1,704	-	1,704
Office expenses	559	4,729	22	5,310
Postage and mailing	2,746	2,514	1,795	7,055
Printing, copies and design	3,756	1,765	10,882	16,403
Rent	-	16,578	-	16,578
Telephone	1,729	2,131	-	3,860
Travel	49,078	8,026	950	58,054
World office support	87,921	-	-	87,921
Miscellaneous	100	1,598	431	2,129
Total expenses	<u>\$ 356,920</u>	<u>\$ 115,292</u>	<u>\$ 50,426</u>	<u>\$ 522,638</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF CASH FLOWS

Year ended April 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (20,327)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Net realized and unrealized gain on investments	(43,015)
Change in value of beneficial interest in perpetual trusts	(31,078)
Change in discount on Due to the World Office	4,400
(Increase) decrease in	
Pledges receivable	32,712
Prepaid expenses and other assets	4,994
Increase (decrease) in	
Accounts payable and accrued expenses	<u>(23,023)</u>
Net cash used for operating activities	<u>(75,337)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(33,343)
Proceeds from sale of investments	<u>73,395</u>
Net cash provided by investing activities	<u>40,052</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Due to the World Office	<u>(10,000)</u>
Net decrease in cash	(45,285)

CASH

Beginning of year	<u>83,098</u>
Ending of year	<u>\$ 37,813</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013

(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, 2013

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 Interest in Perpetual Trusts

The beneficial interest in perpetual trusts is reported at fair market value and is 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.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP 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 GAAP.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, 2013

Concentrations of Credit Risk

Financial instruments which potentially subject FWCC to concentrations of credit risk are cash and pledges receivable. FWCC maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits. Pledges receivable are expected to be collected primarily in 2014.

(3) INVESTMENTS

Investments at April 30, 2013, consisted of the following:

Accrued income	\$ 16,594
Money market funds	3,055
Equity mutual fund	11,044
Units in The Consolidated Fund of Friends Fiduciary Corporation	704,939
Units in The Short Term Investment Fund of Friends Fiduciary Corporation	<u>146,444</u>
	<u>\$882,076</u>

The Consolidated Fund and The Short Term Investment Fund are co-mingled investment funds 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 Consolidated Fund's investment objective is to provide long-term total returns by investing its assets in a balanced portfolio of common stocks and fixed income investments. The Short Term Investment Fund's investment objective is to provide consistent, low volatility performance with an emphasis on high credit quality, low risk and liquidity.

(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, 2012</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>April 30, 2013</u>
Purpose restrictions				
Program giving	\$ 33,256	\$ -	\$ (6,815)	\$ 26,441
Quaker youth pilgrimage	94,446	2,668	-	97,114
Scholarly explorations of Christian mysticism	122,710	13,697	(3,562)	132,845
Travel	161,130	21,037	(19,937)	162,230
Other	<u>27,416</u>	<u>1,289</u>	<u>(13,391)</u>	<u>15,314</u>
	<u>438,958</u>	<u>38,691</u>	<u>(43,705)</u>	<u>433,944</u>
Time restrictions				
Pooled life income	15,383	-	(2,627)	12,756
Pledges receivable	<u>40,512</u>	<u>7,800</u>	<u>(40,512)</u>	<u>7,800</u>
	<u>\$494,853</u>	<u>\$46,491</u>	<u>\$(86,844)</u>	<u>\$454,500</u>

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013

(6) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment fund and beneficial interest 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	\$ 35,980
Beneficial interest in perpetual trusts	
Anna G. Elkinton Trust	519,752
Laura & Augustus Cadwallader Fund	<u>2,797</u>
	<u>\$558,529</u>

(7) ENDOWMENT FUND

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**"). 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 endowment 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 4.50% 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, 2013 are as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$33,840
Interest and dividends	1,491
Spending policy distribution	(1,491)
Realized and unrealized gain	<u>2,140</u>
Endowment net assets, end of year	<u>\$35,980</u>

(8) RETIREMENT PLAN

FWCC participates in a defined benefit retirement plan, Friends Pension Plan, with other unrelated tax-exempt Quaker organizations. FWCC's contribution to the plan was \$18,721 for the year ended April 30, 2013. 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, 2013

(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, 2013 was \$16,578.

(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 from the previous year to the World Office so it can carry out FWCC's mission on a global scale. For the year ended April 30, 2013, FWCC contributed \$87,921 to the World Office. During 2013, FWCC made a conditional promise to give in the amount of \$85,227 to the World Office for the year ended April 30, 2014.

In March 2012, FWCC and the World Office came to an agreement regarding the spending down of \$463,212 in unrestricted reserve funds over several prior years. Per the sharing agreement, FWCC approved the release of \$115,803 to the World Office over the next eleven years. This contribution payable was recorded using a discount of 5%. The remaining balance is as follows for the year ended April 30, 2013:

Due to the World Office	\$105,803
Less discount 5%	<u>(25,500)</u>
Due to the World Office, net	<u>\$ 80,303</u>

(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, 2013</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				
Accrued income	\$ 16,594	\$ -	\$ 16,594	\$ -
Money market funds	3,055	3,055	-	-
Equity mutual fund	11,044	11,044	-	-
Units in The Consolidated Fund of Friends Fiduciary Corporation	704,939	-	704,939	-
Units in The Short Term Investment Fund of Friends Fiduciary Corporation	146,444	-	146,444	-
Beneficial interest in perpetual trusts	<u>522,549</u>	<u>-</u>	<u>-</u>	<u>522,549</u>
Total assets	<u>\$1,404,625</u>	<u>\$14,099</u>	<u>\$1,390,526</u>	<u>\$ -</u>
Liabilities				
Due to the World Office	<u>\$ 80,303</u>	<u>\$ -</u>	<u>\$ 80,303</u>	<u>\$ -</u>

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2013, 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.

SUPPLEMENTARY INFORMATION

FRIENDS WORLD COMMITTEE FOR CONSULTATION SECTION OF THE AMERICAS
SCHEDULE OF FINANCIAL POSITION
April 30, 2012

ASSETS

Current Assets

Checking/Savings

Petty Cash	\$	38
Checking - PNC Bank		79,455
Money Market - Vanguard		3,604
ST Investments - Calvert		13,413
Total Checking/Savings		<u>96,510</u>

Accounts Receivable

Accounts Receivable		40,512
Total Accounts Receivable		<u>40,512</u>

Other Current Assets

Other Current Assets		32,146
Friends Fiduciary Investments		1,337,629
Total Other Current Assets		<u>1,369,775</u>

Total Current Assets 1,506,797

Fixed Assets

Equipment		15,023
Equipment - Accum. Depreciation		(12,809)
Total Fixed Assets		<u>2,214</u>

TOTAL ASSETS \$ 1,509,011

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable		
Accounts Payable/Accrued Expenses	\$	21,563
Total Accounts Payable		<u>21,563</u>

Other Current Liabilities

Deferred Revenue		3,774
Reconciling Acct. WO		5,000
PLIF liability		2,104
Contributions QUNO NY		
Interest-free Loans		8,500
Total Other Current Liabilities		<u>19,378</u>

Total Current Liabilities	40,941
Long Term Liabilities	
Deferred Revenue - IRM 2016	
WO retroactive liability (net of discount)	85,903
Metcalfe Scholarship Fund liab	29,268
Total Long Term Liabilities	<u>115,171</u>
Total Liabilities	156,112
Equity	
Unrestricted Net Assets	332,735
Temp Restricted Net Assets	494,853
Permanently Restricted Net Assets	525,311
Total Equity	<u>1,352,899</u>
TOTAL LIABILITIES & EQUITY	<u><u>\$ 1,509,011</u></u>

**FRIENDS WORLD COMMITTEE FOR CONSULTATION SECTION OF THE AMERICAS
SCHEDULE OF ACTIVITIES
For the year ended April 30, 2012**

Ordinary Income/Expense

Income

Contributions	\$ 379,597
Participant Fees	9,326
Grants	46,792
Other Income	1,265
Investment Income	53,446
Total Income	<u>490,426</u>

Expense

Personnel Costs	193,163
Professional Fees	35,807
Administrative Committee Costs	3,483
Program Committee Costs	33,643
General Office	72,480
Grants to Projects	100,350
World Office	166,597
Miscellaneous Expenses	11,490
Total Expense	<u>617,013</u>

Net Ordinary Income (126,587)

Other Income/Expense

Other Income

Unrealized Gain/Loss-Investment	(28,629)
Total Other Income	<u>(28,629)</u>

Other Expense

Depreciation Expense	1,130
Total Other Expense	<u>1,130</u>

Net Other Income (29,759)

Net Income **\$ (156,346)**