

# Friends World Committee for Consultation, Section of the Americas

Financial Statements  
Year Ended April 30, 2018



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# 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, 2018, 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 entity'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 entity'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, 2018, 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.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
October 3, 2018**

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF FINANCIAL POSITION

April 30, 2018

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### ASSETS

Cash	\$ 134,553
Contributions receivable	70,472
Prepaid expenses and other assets	11,872
Investments	824,592
Beneficial interest in charitable remainder trusts	148,900
Cash value of life insurance policy	158,217
Beneficial interest in perpetual trusts	<u>620,372</u>
<b>Total assets</b>	<b><u>\$ 1,968,978</u></b>

### LIABILITIES

Accounts payable and accrued expenses	\$ 8,251
Contributions payable to the World Office	<u>208,257</u>
<b>Total liabilities</b>	<b><u>216,508</u></b>

### NET ASSETS

Unrestricted	469,190
Temporarily restricted	620,193
Permanently restricted	<u>663,087</u>
<b>Total net assets</b>	<b><u>1,752,470</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,968,978</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Support from meetings and members	\$ 229,016	\$ 121,360	\$ -	\$ 350,376
Events and other income	6,435	-	-	6,435
Income distributions from investments and from beneficial interest in perpetual trusts	10,698	36,312	1,543	48,553
Net assets released from restrictions	<u>182,698</u>	<u>(181,155)</u>	<u>(1,543)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>428,847</u>	<u>(23,483)</u>	<u>-</u>	<u>405,364</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Section programs	213,742	-	-	213,742
Quaker youth pilgrimage grant	98,006	-	-	98,006
<b>Supporting services</b>				
Management and general	92,066	-	-	92,066
Fundraising	<u>48,817</u>	<u>-</u>	<u>-</u>	<u>48,817</u>
<b>Total expenses</b>	<u>452,631</u>	<u>-</u>	<u>-</u>	<u>452,631</u>
<b>Change in net assets before other changes</b>	<u>(23,784)</u>	<u>(23,483)</u>	<u>-</u>	<u>(47,267)</u>
<b>OTHER CHANGES</b>				
Net realized and unrealized gain on investments	13,920	26,461	2,278	42,659
Change in value of beneficial interest in charitable remainder trusts	-	800	-	800
Change in cash value of life insurance policy	3,450	-	-	3,450
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>33,079</u>	<u>33,079</u>
<b>Total other changes</b>	<u>17,370</u>	<u>27,261</u>	<u>35,357</u>	<u>79,988</u>
<b>CHANGE IN NET ASSETS</b>	<u>(6,414)</u>	<u>3,778</u>	<u>35,357</u>	<u>32,721</u>
<b>NET ASSETS</b>				
Beginning of year	<u>475,604</u>	<u>616,415</u>	<u>627,730</u>	<u>1,719,749</u>
<b>End of year</b>	<u>\$ 469,190</u>	<u>\$ 620,193</u>	<u>\$ 663,087</u>	<u>\$ 1,752,470</u>

See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended April 30, 2018

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 76,938	\$ 31,566	\$ 30,297	\$ 138,801
Contracted services	17,210	23,981	4,149	45,340
Event costs	17,436	-	221	17,657
Grants and contributions				
World Office	163,454	-	-	163,454
Other	8,080	-	-	8,080
Office expenses	2,735	9,143	8,511	20,389
Rent	7,028	2,862	2,751	12,641
Telephone	919	1,750	295	2,964
Travel	16,229	13,655	2,593	32,477
Miscellaneous	1,719	9,109	-	10,828
<b>Total expenses</b>	<u>\$ 311,748</u>	<u>\$ 92,066</u>	<u>\$ 48,817</u>	<u>\$ 452,631</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, 2018

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

<b>Change in net assets</b>	\$ 32,721
<b>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</b>	
Net realized and unrealized gain on investments	(42,659)
Change in value of split interest agreements	(37,329)
Change in discount on contributions payable to the World Office	2,900
(Increase) decrease in	
Contributions receivable	(70,472)
Prepaid expenses and other assets	3,003
Increase (decrease) in	
Accounts payable and accrued expenses	1,594
Contributions payable to the World Office	<u>94,007</u>
<b>Net cash used for operating activities</b>	<u>(16,235)</u>

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

Purchases of investments	(2,374)
Proceeds from sale of investments	<u>50,438</u>
<b>Net cash provided by investing activities</b>	<u>48,064</u>

**Net increase in cash** 31,829

### **CASH**

Beginning of year	<u>102,724</u>
<b>End of year</b>	<u>\$ 134,553</u>

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See accompanying notes

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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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. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### **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, 2018

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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 4**). 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 Charitable Remainder Trusts**

The beneficial interest in charitable remainder trusts is reported at the fair value of the related assets less the present value of the payments expected to be made to other beneficiaries.

### **Cash Value of Life Insurance Policy**

FWCC's life insurance policy is recorded at fair value based on the cash surrender value of the policy.

### **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 program 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.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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### Accounting Estimates

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

### Concentrations of Credit Risk

Financial instruments which potentially subject FWCC to concentrations of credit risk are cash and contributions receivable. FWCC maintains cash deposits at various high-quality banks and financial institutions. At times, such deposits may exceed federally-insured limits. Contributions receivable are expected to be collected through 2023 (**See Note 3**).

### (3) CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be collected as follows:

Less than year	\$36,822
One to five years	<u>40,000</u>
	76,822
Less: discount (5%)	<u>(6,350)</u>
	<u>\$70,472</u>

### (4) INVESTMENTS

Investments at April 30, 2018, consisted of the following:

Accrued income	\$ 9,313
Units in The Quaker Growth and Income Fund of Friends Fiduciary Corporation	675,647
Units in The Quaker Green Fund of Friends Fiduciary Corporation	102,774
Units in The Short Term Investment Fund of Friends Fiduciary Corporation	<u>36,858</u>
	<u>\$824,592</u>

The Quaker Growth and Income Fund, The Quaker Green 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 Quaker Growth and Income 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 Quaker Green Fund's investment objective is to provide exposure to the interconnected segments of clean energy and technology, while providing diversification to manage its overall risk and volatility profile. 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.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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### (5) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

FWCC has been named as the remaining beneficiary of several irrevocable charitable remainder trusts. The agreements provide for the lead beneficiaries to receive annual distributions until their death, and that, upon their death, FWCC is to receive the remainder. The amounts of the remainder and payments to be made to the lead beneficiaries are estimated and have been reduced to present value.

### (6) CASH VALUE OF LIFE INSURANCE POLICY

FWCC is the owner and beneficiary of a life insurance policy. The policy's change in fair value is reported on the statement of activities.

### (7) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

FWCC is the income beneficiary of two perpetual trusts. Fiduciary 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 9*).

### (8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>Balance</u> <u>April 30, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>April 30, 2018</u>
Purpose restrictions				
Personnel support	\$ -	\$ 61,630	\$ -	\$ 61,630
Program giving	16,218	-	(6,050)	10,168
Quaker youth pilgrimage	115,210	10,429	(125,639)	-
Scholarly explorations of Christian mysticism	150,940	14,084	(5,648)	159,376
Travel	<u>178,676</u>	<u>97,708</u>	<u>(35,995)</u>	<u>240,389</u>
	<u>461,044</u>	<u>183,581</u>	<u>(173,332)</u>	<u>471,293</u>
Time restrictions				
Pooled life income	7,271	552	(7,823)	-
Beneficial interest in charitable remainder trusts	<u>148,100</u>	<u>800</u>	<u>-</u>	<u>148,900</u>
	<u>\$616,415</u>	<u>\$184,933</u>	<u>\$(181,155)</u>	<u>\$620,193</u>

In 2018, FWCC made an unconditional promise to give its Quaker Youth Pilgrimage fund to the Friends World Committee for Consultation, World Office (the "*World Office*"). FWCC is affiliated with the World Office, which is a nonprofit organization whose purpose is to encourage fellowship among all the branches of the Religious Society of Friends.

### (9) 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.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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Endowment fund	
A. Ward Applegate Visitation Fund	\$ 42,715
Beneficial interest in perpetual trusts	
Anna G. Elkinton Trust	617,052
Laura & Augustus Cadwallader Fund	<u>3,320</u>
	<u>\$663,087</u>

### (10) 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 4.0% 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, 2018 are as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$40,437
Interest and dividends	1,543
Spending policy distribution	(1,543)
Realized and unrealized gain	<u>2,278</u>
Endowment net assets, end of year	<u>\$42,715</u>

### (11) CONTRIBUTIONS PAYABLE TO THE WORLD OFFICE

FWCC contributes 25% of its unrestricted support from meetings and members from the previous calendar year to the World Office so it can carry out FWCC's mission on a global scale. For the year ended April 30, 2018, FWCC made an unconditional promise of \$62,548 to the World Office. This amount is expected to be paid during the year ended April 30, 2019.

During 2018, FWCC also made an unconditional promise to give its temporarily restricted Quaker Youth Pilgrimage fund (\$98,006 at April 30, 2018) to the World Office. This amount is expected to be paid during the year ended April 30, 2019.

In March 2012, FWCC and the World Office came to an agreement to pay \$115,803 to the World Office over the next eleven years. This contribution payable is recorded net of a discount of 8,100 using a discount rate of 5%.

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

Below is a summary of contributions payable to the World Office at April 30, 2018:

FY 2019 support	\$ 62,548
Quaker Youth Pilgrimage fund	98,006
2012 agreement	<u>47,703</u>
	<u>\$208,257</u>

### (12) 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 \$11,671 for the year ended April 30, 2018. FWCC's relative position in this plan is not readily determinable.

### (13) LEASE

FWCC leases its office space from another unrelated tax-exempt Quaker organization under an agreement that expires on June 30, 2022. Rent expense was \$12,641 under the agreement for the year ended April 30, 2018.

Minimum annual lease commitments in excess of one year are as follows:

#### Years ending April 30,

2019	\$ 11,160
2020	11,566
2021	11,650
2022	11,842
2023	<u>1,980</u>
	<u>\$ 48,198</u>

### (14) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

<u>Description</u>	<u>Balance April 30, 2018</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>
<b>Assets</b>				
Contributions receivable	\$ 70,472	\$ -	\$ 70,472	\$ -
Investments	824,592	-	824,592	-
Beneficial interest in charitable remainder trusts	148,900	-	-	148,900
Cash value of life insurance policy	158,217	-	158,217	-
Beneficial interest in perpetual trusts	<u>620,372</u>	<u>-</u>	<u>-</u>	<u>620,372</u>
<b>Total assets</b>	<u>\$1,822,553</u>	<u>\$ -</u>	<u>\$1,053,281</u>	<u>\$769,272</u>

# FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

## NOTES TO FINANCIAL STATEMENTS

April 30, 2018

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### Liabilities

Contributions payable to  
the World Office

\$ 208,257

\$ -

\$ 208,257

\$ -

Level 3 assets (beneficial interests in charitable remainder trusts and perpetual trusts) had gains of \$33,879 in the statement of activities in 2018.

### (15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 3, 2018, 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.