

Friends World Committee for Consultation, Section of the Americas

Financial Statements
Year Ended April 30, 2015



1835 Market Street, 26th Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

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, 2015, 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, 2015, 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
February 18, 2016**

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF FINANCIAL POSITION

April 30, 2015

ASSETS	
Cash	\$ 173,818
Pledges receivable	2,900
Prepaid expenses and other assets	7,566
Investments	881,604
Beneficial interest in charitable remainder trusts	135,000
Cash value of life insurance policy	148,000
Beneficial interest in perpetual trusts	<u>581,878</u>
Total assets	<u>\$ 1,930,766</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 6,562
Loans payable	8,500
Due to the World Office	<u>68,203</u>
Total liabilities	<u>83,265</u>

NET ASSETS

Unrestricted	444,285
Temporarily restricted	781,274
Permanently restricted	<u>621,942</u>
Total net assets	<u>1,847,501</u>
Total liabilities and net assets	<u>\$ 1,930,766</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF ACTIVITIES

Year ended April 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Support from meetings and members	\$374,135	\$ 37,625	\$ -	\$ 411,760
Events and other income	74,337	-	-	74,337
Interest and dividends	34,702	13,377	-	48,079
Net assets released from restrictions	<u>77,840</u>	<u>(77,840)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>561,014</u>	<u>(26,838)</u>	<u>-</u>	<u>534,176</u>
EXPENSES				
Program services	275,662	-	-	275,662
Supporting services				
Management and general	108,266	-	-	108,266
Fundraising	<u>37,528</u>	<u>-</u>	<u>-</u>	<u>37,528</u>
Total expenses	<u>421,456</u>	<u>-</u>	<u>-</u>	<u>421,456</u>
Change in net assets before other changes	<u>139,558</u>	<u>(26,838)</u>	<u>-</u>	<u>112,720</u>
OTHER CHANGES				
Net realized and unrealized gain on investments	15,677	17,696	1,669	35,042
Change in value of beneficial interest in charitable remainder trusts	-	3,000	-	3,000
Change in value of cash value of life insurance policy	-	4,000	-	4,000
Change in value of beneficial interest in perpetual trusts	-	-	24,250	24,250
Change in discount on Due to the World Office	<u>(3,800)</u>	<u>-</u>	<u>-</u>	<u>(3,800)</u>
Total other changes	<u>11,877</u>	<u>24,696</u>	<u>25,919</u>	<u>62,492</u>
CHANGE IN NET ASSETS	151,435	(2,142)	25,919	175,212
NET ASSETS				
Beginning of year	<u>292,850</u>	<u>783,416</u>	<u>596,023</u>	<u>1,672,289</u>
End of year	<u>\$444,285</u>	<u>\$ 781,274</u>	<u>\$621,942</u>	<u>\$1,847,501</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF FUNCTIONAL EXPENSES

Year ended April 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 89,904	\$ 44,813	\$27,401	\$162,118
Advertising	1,223	-	1,419	2,642
Contracted services	2,070	25,674	2,935	30,679
Event costs	58,398	3,626	-	62,024
Grants and contributions	7,505	-	-	7,505
Insurance	-	3,985	-	3,985
Office expenses	195	1,681	-	1,876
Postage and mailing	2,636	1,741	3,229	7,606
Printing, copies and design	2,168	3,644	2,442	8,254
Rent	-	17,210	-	17,210
Telephone	1,008	3,640	-	4,648
Travel	29,438	380	102	29,920
World office support	80,928	-	-	80,928
Miscellaneous	189	1,872	-	2,061
Total expenses	<u>\$275,662</u>	<u>\$108,266</u>	<u>\$37,528</u>	<u>\$421,456</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

STATEMENT OF CASH FLOWS

Year ended April 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

<i>Change in net assets</i>	\$ 175,212
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>	
Net realized and unrealized gain on investments	(35,042)
Change in value of beneficial interest in charitable remainder trusts	(3,000)
Change in value of cash value of life insurance policy	(4,000)
Change in value of beneficial interest in perpetual trusts	(24,250)
Change in discount on Due to the World Office	3,800
(Increase) decrease in	
Pledges receivable	51,436
Prepaid expenses and other assets	374
Increase (decrease) in	
Accounts payable and accrued expenses	<u>(30,638)</u>
Net cash provided by operating activities	<u>133,892</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(110,659)
Proceeds from sale of investments	<u>71,715</u>
Net cash used for investing activities	<u>(38,944)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Due to the World Office	<u>(10,000)</u>
Net increase in cash	84,948

CASH

Beginning of year	<u>88,870</u>
Ending of year	<u>\$ 173,818</u>

See accompanying notes

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2015

(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, 2015

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 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, 2015

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.

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 2016.

(3) INVESTMENTS

Investments at April 30, 2015, consisted of the following:

Accrued income	\$ 17,522
Money market funds	61,421
Equity mutual fund	4,001
Units in The Consolidated Fund of Friends Fiduciary Corporation	743,733
Units in The Short Term Investment Fund of Friends Fiduciary Corporation	<u>54,927</u>
	<u>\$881,604</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 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.

(5) 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.

(6) 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 7**).

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2015

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>Balance</u> <u>April 30, 2014</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>April 30, 2015</u>
Purpose restrictions				
Program giving	\$ 16,218	\$ -	\$ -	\$ 16,218
Quaker youth pilgrimage	100,502	7,288	(3,442)	104,348
Scholarly explorations of Christian mysticism	146,933	11,694	(3,000)	155,627
Travel	173,874	13,208	(2,050)	185,032
Other	<u>9,312</u>	<u>32,829</u>	<u>(15,012)</u>	<u>27,129</u>
	<u>446,839</u>	<u>65,019</u>	<u>(23,504)</u>	<u>488,354</u>
Time restrictions				
Pooled life income	6,241	779	-	7,020
Pledges receivable	54,336	2,900	(54,336)	2,900
Beneficial interest in charitable remainder trusts	132,000	3,000	-	135,000
Cash value of life insurance policy	<u>144,000</u>	<u>4,000</u>	<u>-</u>	<u>148,000</u>
	<u>\$783,416</u>	<u>\$75,698</u>	<u>\$(77,840)</u>	<u>\$781,274</u>

(8) 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	\$ 40,064
Beneficial interest in perpetual trusts	
Anna G. Elkinton Trust	578,764
Laura & Augustus Cadwallader Fund	<u>3,114</u>
	<u>\$621,942</u>

(9) 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.

FRIENDS WORLD COMMITTEE FOR CONSULTATION, SECTION OF THE AMERICAS

NOTES TO FINANCIAL STATEMENTS

April 30, 2015

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, 2015 are as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$38,395
Interest and dividends	1,557
Spending policy distribution	(1,557)
Realized and unrealized gain	<u>1,669</u>
Endowment net assets, end of year	<u>\$40,064</u>

(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, 2015, FWCC contributed \$80,928 to the World Office. During 2015, FWCC made a conditional promise to give in the amount of \$69,585 to the World Office for the year ended April 30, 2016.

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, 2015:

Due to the World Office	\$ 85,803
Less discount 5%	<u>(17,600)</u>
Due to the World Office, net	<u>\$ 68,203</u>

(11) 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 \$24,251 for the year ended April 30, 2015. 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, 2015

(12) LEASE

FWCC leases its office space from another unrelated tax-exempt Quaker organization under an agreement that concludes on June 30, 2015 and shall continue on a month to month basis unless provided two months written notice by either party. Rent expense under the agreement for the year ended April 30, 2015 was \$17,210.

(13) 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, 2015</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				
Equity mutual fund Units in The Consolidated Fund of Friends Fiduciary Corporation	\$ 4,001	\$ 4,001	\$ -	\$ -
Units in The Short Term Investment Fund of Friends Fiduciary Corporation	743,733	-	743,733	-
Beneficial interest in charitable remainder trusts	54,927	-	54,927	-
Cash value of life insurance policy	135,000	-	-	135,000
Beneficial interest in perpetual trusts	144,000	-	144,000	-
	<u>581,878</u>	<u>-</u>	<u>-</u>	<u>581,878</u>
Total assets	<u>\$1,663,539</u>	<u>\$ 4,001</u>	<u>\$ 942,660</u>	<u>\$716,878</u>
Liabilities				
Due to the World Office	<u>\$ 68,203</u>	<u>\$ -</u>	<u>\$ 68,203</u>	<u>\$ -</u>

Level 3 assets (beneficial interests in charitable remainder trusts and perpetual trusts) had gains of \$27,250 in the statement of activities in 2015.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2016, 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.