

# Friends Meeting of Washington

## Financial Statements

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)



**HERTZBACH**  
*certified public accountants · consultants*

# Friends Meeting of Washington

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For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of Friends Meeting of Washington (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 the related statements of activities, changes in net assets 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America. 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 purposes 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 Meeting of Washington as of June 30, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 of the financial statements, during the year ended June 30, 2019, Friends Meeting of Washington adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Prior Period Financial Statements**

The financial statements for the year ended June 30, 2018 were reviewed by us and our report thereon, dated November 6, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for an expression of an opinion on the financial statements taken as a whole.

## **Supplementary Information**

The supplementary information for the year ended June 30, 2019, included in the accompanying schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements.

The supplementary information for the year ended June 30, 2018, included in the accompanying schedules, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly do not express an opinion on such information.

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
January 21, 2020

# Friends Meeting of Washington

Statements of Financial Position

As of June 30, 2019 and 2018

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	2019 (Audited)	2018 (Reviewed)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 140,499	\$ 646,931
Accounts receivable	-	1,091
Prepaid expenses	27,827	24,829
Total current assets	<u>168,326</u>	<u>672,851</u>
<b>Property and equipment</b>		
Land	231,888	231,888
Buildings and improvements	1,295,887	1,295,887
Furniture and equipment	10,065	10,065
Construction in progress	4,687,892	804,444
	6,225,732	2,342,284
Less: accumulated depreciation	<u>962,590</u>	<u>920,183</u>
Property and equipment, net	<u>5,263,142</u>	<u>1,422,101</u>
<b>Other assets</b>		
Antique collection	12,000	12,000
Investments	1,885,917	1,925,396
Loan fees - non-amortizing	-	54,017
Total other assets	<u>1,897,917</u>	<u>1,991,413</u>
Total assets	<u>\$ 7,329,385</u>	<u>\$ 4,086,365</u>

*See independent auditor's report and notes to financial statements.*

# Friends Meeting of Washington

Statements of Financial Position (Continued)  
As of June 30, 2019 and 2018

	2019 (Audited)	2018 (Reviewed)
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 31,249	\$ 48,766
Construction payable	366,550	-
Security deposits	10,125	10,060
Deferred revenue	8,535	5,935
Mortgage payable, current portion	56,013	-
Total current liabilities	<u>472,472</u>	<u>64,761</u>
<b>Long-term liabilities</b>		
Mortgage payable, net of current portion and unamortized financing fees of \$50,743	<u>2,694,150</u>	<u>-</u>
Total long-term liabilities	<u>2,694,150</u>	<u>-</u>
Total liabilities	<u>3,166,622</u>	<u>64,761</u>
<b>Net assets</b>		
Without donor restrictions		
Meeting designated	218,604	504,598
Net investment in property and equipment	5,263,142	1,476,118
Undesignated	<u>(2,950,345)</u>	<u>468,188</u>
Total without donor restrictions	2,531,401	2,448,904
With donor restrictions	<u>1,631,362</u>	<u>1,572,700</u>
Total net assets	<u>4,162,763</u>	<u>4,021,604</u>
Total liabilities and net assets	<u>\$ 7,329,385</u>	<u>\$ 4,086,365</u>

See independent auditor's report and notes to financial statements.

# Friends Meeting of Washington

Statements of Activities and Changes in Net Assets  
For the Year Ended June 30, 2019 (Audited)

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support</b>			
Contributions	\$ 355,004	\$ 75,348	\$ 430,352
Bequests and memorials	690	-	690
Use of facilities	155,869	-	155,869
Literature and project sales	5,475	-	5,475
Interest and dividend income	69,112	-	69,112
Net realized gains	16,835	-	16,835
Net unrealized gains (losses)	(3,423)	41,081	37,658
Other income	8,161	-	8,161
Net assets released from restrictions	57,767	(57,767)	-
Total revenues and support	665,490	58,662	724,152
<b>Expenses</b>			
Program costs	81,414	-	81,414
Personnel and consultants	197,641	-	197,641
Site costs	154,503	-	154,503
Office expenses	10,249	-	10,249
Apportionment	65,439	-	65,439
Depreciation	42,406	-	42,406
Property use by others	25,044	-	25,044
Other	6,297	-	6,297
Total expenses	582,993	-	582,993
Change in net assets	82,497	58,662	141,159
Net assets, beginning of year	2,448,904	1,572,700	4,021,604
Net assets, end of year	\$ 2,531,401	\$ 1,631,362	\$ 4,162,763

See independent auditor's report and notes to financial statements.

# Friends Meeting of Washington

Statements of Activities and Changes in Net Assets (Continued)  
For the Year Ended June 30, 2018 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support</b>			
Contributions	\$ 459,879	\$ 61,999	\$ 521,878
Bequests and memorials	38,707	-	38,707
Use of facilities	246,846	-	246,846
Literature and project sales	195	1,007	1,202
Interest and dividend income	75,262	-	75,262
Net realized losses	(304)	-	(304)
Net unrealized gains	32,301	67,273	99,574
Other income	2,163	-	2,163
Net assets released from restrictions	45,983	(45,983)	-
Total revenues and support	901,032	84,296	985,328
<b>Expenses</b>			
Program costs	81,805	-	81,805
Personnel and consultants	173,578	-	173,578
Site costs	133,277	-	133,277
Office expenses	6,388	-	6,388
Apportionment	64,339	-	64,339
Depreciation	44,047	-	44,047
Property use by others	24,863	-	24,863
Other	7,379	-	7,379
Total expenses	535,676	-	535,676
Change in net assets	365,356	84,296	449,652
Net assets, beginning of year	2,083,548	1,488,404	3,571,952
Net assets, end of year	\$ 2,448,904	\$ 1,572,700	\$ 4,021,604

See independent auditor's report and notes to financial statements.



# Friends Meeting of Washington

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019 (Audited)	2018 (Reviewed)
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 141,159	\$ 449,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,406	44,047
Amortization of financing fees	3,274	-
Net realized and unrealized gains	(54,493)	(99,270)
Contributions of stock	(6,028)	(56,173)
(Increase) decrease in operating assets:		
Accounts receivable	1,091	27,361
Prepaid expenses	(2,998)	(8,334)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,516)	9,822
Security deposits	65	(3,138)
Deferred revenue	2,600	(6,864)
Net cash provided by operating activities	<u>109,560</u>	<u>357,103</u>
<b>Cash flows from investing activities</b>		
Construction costs paid	(3,516,898)	(353,488)
Purchase of property and equipment	-	(121,689)
Withdrawal from investments	100,000	400,000
Net cash used in investing activities	<u>(3,416,898)</u>	<u>(75,177)</u>
<b>Cash flows from financing activities</b>		
Mortgage proceeds	2,800,906	-
Financing fees paid	-	(10,975)
Net cash provided by (used in) financing activities	<u>2,800,906</u>	<u>(10,975)</u>
<b>Net increase (decrease) in cash</b>	(506,432)	270,951
Cash, beginning of year	<u>646,931</u>	<u>375,980</u>
Cash, end of year	<u>\$ 140,499</u>	<u>\$ 646,931</u>

See independent auditor's report and notes to financial statements.

# Friends Meeting of Washington

Statements of Cash Flows (Continued)  
For the Years Ended June 30, 2019 and 2018

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	2019 <u>(Audited)</u>	2018 <u>(Reviewed)</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for:		
Interest	\$ 50,486	\$ -
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Construction in progress	\$ 366,550	\$ -
Construction payable	<u>(366,550)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

*See independent auditor's report and notes to financial statements.*

# Friends Meeting of Washington

Notes to Financial Statements

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 1) Nature of the Meeting and Summary of Significant Accounting Policies

### *Nature of the Meeting*

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

### *Method of Accounting*

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

### *Basis of Presentation*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Meeting are classified in the following two classes:

**Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Meeting to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

**Net assets without donor restrictions** represents funds that are available for support of the operations of the Meeting, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Contributions*

Contributions received, if any, are recorded as additions to net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions are reported as additions to net assets with donor restrictions. A reclassification to net assets without donor restrictions is made at the time the restriction is satisfied.

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 1) Nature of the Meeting and Summary of Significant Accounting Policies (Continued)

### *Interest*

The Meeting has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Meeting is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the loan, and is capitalizing amortization of the loan fees to construction in progress during the construction period. See Note 6 for more information.

### *Income Taxes*

The Meeting is exempt from income taxes as a religious organization described under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. There was no unrelated business income during the years ended June 30, 2019 and 2018.

### *Cash and Cash Equivalents*

For the purpose of these statements, the Meeting considers time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2019 and 2018.

### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect for balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2019 and 2018, management has determined that all significant receivables are collectible. Therefore, an allowance for doubtful accounts has not been established.

### *Property and Equipment*

Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income. Depreciation is computed using the straight-line method over 10 to 40 years for buildings and improvements and 3 years for furniture and equipment.

### *Investments*

The Meeting conforms with FASB ASC 958, *Not-For-Profit Entities*, where investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied (either by passage of time or by use) in the reporting period in which the income and gains are recognized. See Note 5 for more information.

### *Antique Collection*

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

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 1) Nature of the Meeting and Summary of Significant Accounting Policies (Continued)

### *Donated Goods*

The Meeting receives donated equipment, supplies, and other items from various donors in support of its programs and records these items at their estimated fair value at the date of donation. During the years ended June 30, 2019 and 2018, the Meeting received in-kind donations of equipment, supplies, arts and crafts, and other goods valued at \$3,530 and \$6,473, respectively, which are included in contributions on the accompanying statements of activities and changes in net assets.

### *Rental Income*

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

### *Construction Costs*

Costs that clearly related to construction are capitalized to construction in progress. Interest is capitalized during the construction period.

## 2) Accounting Pronouncements Adopted

During the year ended June 30, 2019, the Meeting has adopted ASU No. 2016-14 – Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

The Meeting's June 30, 2018 net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Meeting's June 30, 2018 net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions.

## 3) Concentration of Credit Risk

The Meeting maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federally insured limits; however, the Meeting has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2019 and 2018.

## 4) Liquidity Analysis

As of June 30, 2019, the Meeting has \$521,867 of current assets and investments available to meet needs for general expenditures consisting of cash and cash equivalents of \$140,499 and investments without donor restrictions of \$381,368. As of June 30, 2018, the Meeting had \$1,109,950 of current assets and investments available to meet needs for general expenditures which consisted of cash and cash equivalents of \$646,931, \$1,091 of accounts receivable, and investments without donor restrictions of \$461,928. None of the financial assets are subject to donor or other contractual restrictions and accordingly, are available to meet the cash needs of the Meeting in the next 12 months.

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 4) Liquidity Analysis (Continued)

The Meeting manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Meeting are expected to be met from revenues earned. In general, the Meeting aims to maintain sufficient financial assets on hand to meet at least 30 days' worth of normal operating expenses.

## 5) Investments

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

- (i) Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Meeting has the ability to access.
- (ii) Level 2 - Inputs to valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during June 30, 2019 or 2018.

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

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

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 5) Investments (Continued)

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

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ -	\$ 279,116	\$ -	\$ 279,116
Global bonds	-	122,585	-	122,585
Short term investment funds	-	54,691	-	54,691
Large cap equity funds	-	546,916	-	546,916
Mid cap equity funds	-	181,048	-	181,048
Small cap equity funds	-	156,531	-	156,531
International equity funds	-	463,935	-	463,935
Real estate investment	-	75,437	-	75,437
Cash held for investment	5,658	-	-	5,658
Total investments	<u>\$ 5,658</u>	<u>\$ 1,880,259</u>	<u>\$ -</u>	<u>\$ 1,885,917</u>

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ -	\$ 252,227	\$ -	\$ 252,227
Global bonds	-	125,151	-	125,151
Short term investment funds	-	36,582	-	36,582
Large cap equity funds	-	558,365	-	558,365
Mid cap equity funds	-	188,689	-	188,689
Small cap equity funds	-	167,509	-	167,509
International equity funds	-	510,230	-	510,230
Real estate investment	-	67,389	-	67,389
Cash held for investment	19,254	-	-	19,254
Total investments	<u>\$ 19,254</u>	<u>\$ 1,906,142</u>	<u>\$ -</u>	<u>\$ 1,925,396</u>

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 6) Long-Term Debt

### *Mortgage Payable*

On June 27, 2017, the Meeting entered into a loan agreement with Sandy Spring Bank for construction financing. On November 29, 2017, the Meeting entered into a loan modification agreement with Sandy Spring Bank to increase the maximum amount of the loan. Financing fees related to the loan were \$54,017 and are being amortized to construction in progress during the construction period and thereafter to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. The loan, which had a maximum allowable balance of \$3,600,000 during the construction period, carries interest at a fixed nominal rate of 4.35% per annum and an effective interest rate of 4.50%. Payments of interest-only were due through September 1, 2019. On September 1, 2019, the construction loan converted to a permanent mortgage at a balance of \$3,350,000. Principal and interest payments are due monthly in the amount of \$18,456 based on a 25-year amortization schedule beginning October 1, 2019 and the mortgage matures on June 1, 2032. The mortgage is secured by a First Deed of Trust and Assignment of Rents and Leases as well as an assignment of the brokerage account of at least \$300,000. The outstanding principal balances as of June 30, 2019 and 2018 are \$2,800,906 and \$0, respectively. Unamortized financing fees for the years ended June 30, 2019 and 2018 were \$50,743 and \$54,017, respectively. Interest incurred and paid on the mortgage payable during the years ended June 30, 2019 and 2018 was \$53,760 and \$0, respectively, including amortized financing fees of \$3,274 and \$0, respectively, all of which was capitalized to construction in progress.

Maturities of the mortgage payable are as follows:

2020	\$	56,013
2021		77,745
2022		81,244
2023		84,901
2024		88,356
2025 and after		<u>2,412,647</u>
Total	\$	<u>2,800,906</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$3,929.

*See independent auditor's report.*



# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 7) Meeting Designated Net Assets Without Donor Restrictions

The Meeting designated a portion of net assets without restrictions for various purposes, which are summarized as follows:

	2019 (Audited)	2018 (Reviewed)
Capital reserve fund	\$ 50,591	\$ 50,591
Murray bequest fund	64,683	64,683
Building campaign fund	103,330	389,324
Total designated net assets	<u>\$ 218,604</u>	<u>\$ 504,598</u>

## 8) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	2019 (Audited)	2018 (Reviewed)
Fair trade coffee	\$ 167	\$ 167
Personal aid	14,107	14,107
Fund for sufferings	3,545	3,545
Senior center	6,432	6,432
Shoe box	37,166	41,396
Simpson fund	141,569	120,083
Endowment	1,424,549	1,383,468
Other	3,827	3,502
Net assets with donor restrictions	<u>\$ 1,631,362</u>	<u>\$ 1,572,700</u>

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 9) Endowment

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

### *Interpretation of Relevant Law*

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

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for prudence by UPMIFA. In accordance with UPMIFA, the Meeting considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

### *Return Objectives and Risk Parameters*

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

### *Funds with Deficiencies*

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

### *Spending Policy*

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

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 9) Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment, beginning of year	\$ -	\$ 1,383,468	\$ 1,383,468
Interest and dividends	-	54,315	54,315
Change in fair value	-	41,081	41,081
Appropriations	-	(54,315)	(54,315)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,424,549</u>	<u>\$ 1,424,549</u>

Changes in endowment net assets for the year ended June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowment, beginning of year	\$ -	\$ 1,316,195	\$ 1,316,195
Interest and dividends	-	52,661	52,661
Change in fair value	-	67,273	67,273
Appropriations	-	(52,661)	(52,661)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,383,468</u>	<u>\$ 1,383,468</u>

## 10) Retirement Plan

The Meeting maintains a 401(k) plan (the "Plan") under the Internal Revenue Code to provide retirement benefits for its employees. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for discretionary contributions as determined by the Board of Trustees. The Meeting made contributions of \$4,144 and \$4,917 to the Plan for the years ended June 30, 2019 and 2018, respectively.

*See independent auditor's report.*

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 11) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Estimates may be used in developing allocation of expenses by function. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. Other expenses are allocated based on the percentage of time spent by Meeting personnel performing that functional activity.

Expenses incurred on a functional basis for the year ended June 30, 2019 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 81,414	\$ -	\$ -	\$ 81,414
Personnel and consultants	82,200	47,386	68,055	197,641
Site costs	94,215	26,309	33,979	154,503
Office expenses	6,192	1,754	2,303	10,249
Apportionment	65,439	-	-	65,439
Depreciation	25,868	7,209	9,329	42,406
Property use by others	5,094	1,847	18,103	25,044
Other	3,887	728	1,682	6,297
Total expenses	<u>\$ 364,309</u>	<u>\$ 85,233</u>	<u>\$ 133,451</u>	<u>\$ 582,993</u>

Expenses incurred on a functional basis for the year ended June 30, 2018 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 80,400	\$ -	\$ 1,405	\$ 81,805
Personnel and consultants	76,696	54,063	42,819	173,578
Site costs	85,992	2,569	44,716	133,277
Office expenses	3,106	1,230	2,052	6,388
Apportionment	64,339	-	-	64,339
Depreciation	29,070	881	14,096	44,047
Property use by others	-	-	24,863	24,863
Other	66	2,061	5,252	7,379
Total expenses	<u>\$ 339,669</u>	<u>\$ 60,804</u>	<u>\$ 135,203</u>	<u>\$ 535,676</u>

See independent auditor's report.

# Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 (Audited) and 2018 (Reviewed)

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## 12) Subsequent Events

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

On September 9, 2019, the construction project was substantially completed and placed in service.

On September 1, 2019, the construction loan was converted to a permanent mortgage payable, at a balance of \$3,350,000.

*See independent auditor's report.*

# Friends Meeting of Washington

Schedules of Shoebox Fund Activity  
For the Years Ended June 30, 2019 and 2018

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	2019 <u>(Audited)</u>	2018 <u>(Reviewed)</u>
<b>Revenues and other support</b>		
Restricted contributions	\$ 17,362	\$ 24,953
<b>Releases</b>		
Releases for program expenditures	<u>(21,592)</u>	<u>(21,935)</u>
Change in net assets	(4,230)	3,018
Net assets, beginning of year	<u>41,396</u>	<u>38,378</u>
Net assets, end of year	<u><u>\$ 37,166</u></u>	<u><u>\$ 41,396</u></u>

*See independent auditor's report.*