

FRIENDS MEETING OF WASHINGTON

**FINANCIAL STATEMENTS AND
ACCOUNTANT'S REVIEW REPORT**

For the Years Ended June 30, 2012 and 2011

**FRIENDS MEETING OF WASHINGTON
REVIEWED FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011**

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ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees
Friends Meeting of Washington

We have reviewed the accompanying statement of financial position of Friends Meeting of Washington (FMW) (a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report. Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information for the year ended June 30, 2012 included in the accompanying Schedule of Shoebox Fund Activity is presented only for purposes of additional analysis and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

The financial statements as of June 30, 2011 were reviewed by Stanfield & Phillips, LLC, who merged with McQuade Brennan, LLP as of January 1, 2012, and whose report dated August 29, 2011, expressed that there were no material modifications on those statements. We have not performed any review procedures since that date.



Washington, DC
November 6, 2012

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**FRIENDS MEETING OF WASHINGTON
STATEMENTS OF FINANCIAL POSITION**

<i>At June 30,</i>	2012	2011
ASSETS		
Cash and cash equivalents	\$ 161,893	\$ 153,272
Accounts receivable	800	77
Prepaid expenses	12,730	12,969
Investments	1,682,433	1,740,731
Antique collection	12,800	12,800
Land, buildings and equipment, net of depreciation	571,074	542,696
TOTAL ASSETS	\$ 2,441,730	\$ 2,462,545
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 61,946	\$ 17,101
Deposits held	8,930	6,180
Deferred income	1,427	-
TOTAL LIABILITIES	72,303	23,281
NET ASSETS		
Unrestricted		
Meeting designated	413,562	456,518
Net investment in plant	571,074	555,497
Accumulated endowment earnings	814,152	852,824
Undesignated	187,678	178,082
TOTAL UNRESTRICTED	1,986,466	2,042,921
Temporarily restricted	81,039	94,421
Permanently restricted	301,922	301,922
TOTAL NET ASSETS	2,369,427	2,439,264
TOTAL LIABILITIES AND NET ASSETS	\$ 2,441,730	\$ 2,462,545

See Independent Accountants' Review Report and Accompanying Notes

**FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES**

<i>For the Years Ended June 30,</i>	2012	2011		
	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 217,278	\$ 37,965	\$ -	\$ 255,243
Bequests and memorials	2,800	-	-	2,800
Use of facilities	118,351	-	-	118,351
Literature and projects sales	1,984	-	-	1,984
Interest and dividend income	77,130	-	-	77,130
Net realized and unrealized gains on investments	(58,297)	-	-	(58,297)
Other	714	-	-	714
TOTAL REVENUE AND SUPPORT	359,960	37,965	-	397,925
NET ASSETS RELEASED FROM RESTRICTIONS	51,347	(51,347)	-	-
TOTAL REVENUE, SUPPORT AND RECLASSIFICATIONS	\$ 411,307	\$ (13,382)	\$ -	\$ 397,925
				\$ 670,218

See Independent Accountants' Review Report and Accompanying Notes

**FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES (Continued)**

	2012			2011	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
EXPENSES					
Personnel and consultants	\$ 151,930	\$ -	\$ -	\$ 151,930	\$ 119,342
Program costs	73,671	-	-	73,671	103,289
Site costs	108,955	-	-	108,955	82,257
Office expenses	15,137	-	-	15,137	10,644
Apportionment	61,740	-	-	61,740	59,785
Depreciation	31,313	-	-	31,313	30,624
Property taxes	21,412	-	-	21,412	-
Other expenses	3,604	-	-	3,604	3,979
TOTAL EXPENSES	467,762	-	-	467,762	409,920
CHANGE IN NET ASSETS	(56,455)	(13,382)	-	(69,837)	260,298
NET ASSETS, BEGINNING OF YEAR	2,042,921	94,421	301,922	2,439,264	2,178,966
NET ASSETS, END OF YEAR	\$ 1,986,466	\$ 81,039	\$ 301,922	\$ 2,369,427	\$ 2,439,264

See Independent Accountants' Review Report and Accompanying Notes

**FRIENDS MEETING OF WASHINGTON
STATEMENTS OF CASH FLOWS**

<i>For the Years Ended June 30,</i>	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (69,837)	\$ 260,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	31,313	30,624
Net unrealized investment (gain)/loss	57,738	(213,565)
(Increase) decrease in assets:		
Accounts receivable	(723)	2,843
Prepaid expenses and other current assets	239	835
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	44,845	(10,250)
Deposits held	2,750	6,160
Deferred revenue	1,427	(1,884)
Agency funds	-	-
CASH PROVIDED BY OPERATING ACTIVITIES	67,752	75,061
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of securities	559	(100,000)
Sale of securities	-	5
Purchases of fixed assets	(59,690)	(49,432)
CASH USED BY INVESTING ACTIVITIES	(59,131)	(149,427)
NET (DECREASE) INCREASE IN CASH	8,621	(74,366)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	153,272	227,638
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 161,893	\$ 153,272

See Independent Accountants' Review Report and Accompanying Notes

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization	The Friends Meeting of Washington is a non-profit corporation organized in Washington, D.C. on June 20, 1930. The purpose of FMW is to foster simple spiritual worship and such activities in various fields of service as Friends may feel themselves called to undertake. As a help to these ends we purpose to maintain a place of worship where Friends and others who are like-minded may meet in religious fellowship and seek through a waiting worship the renewal of their spiritual lives and the quickening of their powers of service to the Divine and to their fellow human beings.
Basis of Accounting	The financial statements of FMW have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.
Basis of Presentation	Financial statement presentation follows FASB Accounting Standards Codification Topic 958 Not-for-Profit Entities. In accordance with the topic, FMW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements have been prepared on the accrual basis of accounting.
Use of Estimates	Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.
Cash and Cash Equivalents	For the purposes of the statement of cash flows, FMW considers all highly liquid debt instruments purchases with an original maturity of less than three months and money market funds to be cash equivalents. Balances in bank accounts rarely exceed \$250,000, which is the maximum amount covered by federal depository insurance.
Antique Collection	An antique collection in the amount of \$12,800 was recorded June 30, 1981 at the approximate fair market value. The collection is not subject to depreciation.
Investments	Investments are recorded at fair market value. Unrealized gains and losses are included in the Statements of Activities.
Property and Equipment	Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Additions of \$2,500 or more are generally capitalized. Depreciation is computed, using the straight line method, over the estimated useful lives of the assets, which ranges from 3 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

See Independent Accountants' Review Report

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011**

NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial statement purposes.

Contributed Services FMW receives a substantial amount of services donated by its members in carrying out FMW's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-50 Contributed Services.

Income Taxes Friends Meeting of Washington qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, FMW is classified as an entity that is not a private foundation under Section 509(a)(1).

FMW has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic (Topic 740) of the FASB Accounting Standards Codification. Topic 740 requires FMW to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in FMW recording a tax liability that would reduce its net assets

Friends Meeting of Washington has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2008-2010), or expected to be taken in its 2011 tax return. FMW is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months

**Comparative
Information**

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with FMW's financial statement for the year ended June 30, 2011, from which the summarized information was derived.

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011**

NOTE B- INVESTMENTS

Investments are carried at fair market value and are comprised of funds in managed accounts through the Friends Fiduciary Corporation, a nonprofit corporation. Participation in the funds is represented by units which are valued quarterly, at which time new participations and withdrawals are recorded. Cash paid out or received prior to these dates is adjusted by the appropriate interest charge or credit.

NOTE C- FAIR VALUE MEASUREMENTS

FMW uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820-10-50, FMW has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that FMW has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

All of FMW's investments are held with Friends Fiduciary Corporation, in units, which invests FMW's funds in various investment vehicles. The following table presents FMW's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30:

<i>For the Year Ended June 30,</i>				2012
	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ -	\$ -	\$ 403,784	\$ 403,784
Global bonds	-	-	122,818	122,818
Short term investment funds	-	-	20,189	20,189
Large cap equity funds	-	-	686,433	686,433
Small cap equity funds	-	-	104,311	104,311
International equity funds	-	-	218,716	218,716
REITs	-	-	104,311	104,311
Cash held for investment	-	-	21,872	21,872
Total investments	\$ -	\$ -	\$ 1,682,433	\$ 1,682,433

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE C- FAIR VALUE MEASUREMENTS (continued)

<i>For the Year Ended June 30,</i>				2011
	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ -	\$ -	\$ 417,775	\$ 417,775
Global bonds	-	-	127,073	127,073
Short term investment funds	-	-	20,889	20,889
Large cap equity funds	-	-	710,218	710,218
Small cap equity funds	-	-	107,925	107,925
International equity funds	-	-	226,295	226,295
REITs	-	-	107,925	107,925
Cash held for investment	-	-	22,630	22,630
Total investments	\$ -	\$ -	\$ 1,740,731	\$ 1,740,731

NOTE D- LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30:

Description	2012	2011
Land	\$ 231,888	\$ 231,888
Buildings and improvements	1,022,660	962,970
Furniture and equipment	19,357	19,357
	1,273,905	1,214,215
Less: accumulated depreciation	(702,831)	(671,519)
Total	\$ 571,074	\$ 542,696

Depreciation expense for the years ended June 30, 2012 and 2011 was \$31,313 and \$30,624, respectively.

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE E-DESIGNATED UNRESTRICTED NET ASSETS

FMW designated a portion of unrestricted net assets for various purposes which are summarized as follows:

Description	2012		2011	
Property reserve	\$	84,188	\$	118,349
Trustees' reserve		329,363		338,155
Fair trade coffee		11		13
Total	\$	413,562	\$	456,517

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

Description	2012		2011	
Personal aid	\$	13,412	\$	13,162
Fund for sufferings		3,545		3,545
Senior center		6,432		6,432
Shoebox fund		24,841		38,275
Simpson fund		27,866		24,648
Hlekweni fund		1,302		5,502
Miscellaneous		3,641		2,857
Total	\$	81,039	\$	94,421

NOTE G - ENDOWMENT

FMW's endowment consists of one individual fund that was donated to FMW to support its exempt purpose. The endowment fund includes one fund designated by the donor as an endowment. Net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of
Relevant Law**

The Trustees of FMW has interpreted the Uniform Prudent Management of Institutional Funds Act (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, FMW classifies as permanently restricted net assets the

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011**

NOTE G – ENDOWMENT (continued)

original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as a designated fund within unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence described by UPMIFA. In accordance with UPMIFA, FMW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- | | |
|--|---|
| Interpretation of Relevant Law) (continued) | (1) The duration and preservation of the fund |
| | (2) The purposes of FMW's and the donor-restricted endowment fund |
| | (3) General economic conditions |
| | (4) The possible effect of inflation and deflation |
| | (5) The expected total return from income and the appreciation of the investments |
| | (6) Other resources of FMW |
| | (7) The investment policies of FMW |

Return Objectives and Risk Parameters

FMW has adopted investment and spending policies for 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 the endowment assets. Endowment assets include those assets of the donor-restricted funds that FMW holds in perpetuity or for a donor-specified period. Under this policy, as approved by the 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 requires FMW to retain as a fund of perpetual duration. Deficiencies of this nature have not occurred since the inception of the endowment.

Spending Policy

FMW currently appropriates funds as they deem necessary. Spending is limited to earnings on the original principal.

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE G – ENDOWMENT (continued)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 301,922	\$ 301,922
Total funds	\$ -	\$ -	\$ 301,922	\$ 301,922

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 301,922	\$ 301,922
Investment return:				
Investment income	-	-	51,006	51,006
Accumulated appreciation (realized and unrealized)	-	-	814,152	814,152
Total investment return	-	-	865,158	865,158
Appropriation of endowment assets for expenditure	-	-	(51,006)	(51,006)
Total endowment, including U/R Gain	\$ -	\$ -	\$ 1,116,074	\$ 1,116,074
Less: Accumulated appreciation (realized and unrealized)	-	-	(814,152)	(814,152)
Endowment net assets, End of Year	\$ -	\$ -	\$ 301,922	\$ 301,922

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 301,922	\$ 301,922
Total funds	\$ -	\$ -	\$ 301,922	\$ 301,922

See Independent Accountants' Review Report

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE G – ENDOWMENT (continued)

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 301,922	\$ 301,922
Investment return:				
Investment income	-	-	55,699	55,699
Accumulated appreciation (realized and unrealized)	-	-	852,824	852,824
Total investment return	-	-	908,523	908,523
Appropriation of endowment assets for expenditure	-	-	(55,699)	(55,699)
Endowment net assets, End of Year	\$ -	\$ -	\$ 1,154,746	\$ 1,154,746
Less: Accumulated appreciation (realized and unrealized)	-	-	(852,824)	(852,824)
Endowment net assets, End of Year	\$ -	\$ -	\$ 301,922	\$ 301,922

NOTE H - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities are summarized on a functional basis herein. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Description	2012	2011
Program expenses	\$ 382,946	\$ 327,426
General and administrative expenses	70,527	71,116
Fundraising expenses	14,288	11,378
Total expenses	\$ 467,762	\$ 409,920

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011**

NOTE I - RETIREMENT PLAN

FMW has a defined contribution plan that covers all full-time or part time permanent employees. Eligible employees may contribute to the plan immediately, and FMW makes a matching contribution of up to 5% of the eligible employees' salary after a one year waiting period. FMW's cost was \$2,803 and \$2,947 for years ended June 30, 2012 and 2011, respectively.

NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC 855, FMW evaluated subsequent events through September 2, 2012, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**FRIENDS MEETING OF WASHINGTON
SCHEDULES OF SHOEBOX FUND ACTIVITY**

<i>For the Years Ended June 30,</i>	2012	2011
	Temporarily Restricted	
REVENUES AND SUPPORT		
Restricted contributions	\$ 14,692	\$ 19,181
RELEASES		
Releases for program expenditures	(28,126)	(39,698)
CHANGE IN NET ASSETS	(13,434)	(20,517)
NET ASSETS, BEGINGING OF YEAR	38,275	58,792
NET ASSETS, END OF YEAR	\$ 24,841	\$ 38,275

See Independent Accountants' Review Report and Accompanying Notes