

**PHILADELPHIA YEARLY MEETING
OF THE RELIGIOUS SOCIETY OF
FRIENDS AND AFFILIATES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

**PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES**

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INDEPENDENT AUDITOR'S REPORT

**To the Financial Oversight Working Group
Philadelphia Yearly Meeting of the
Religious Society of Friends and Affiliates
Philadelphia, Pennsylvania**

We have audited the accompanying consolidated statement of financial position of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliates as of June 30, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2008 consolidated financial statements and, in our report dated February 17, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliates as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Briggs, Bunting & Dougherty, LLP

**Philadelphia, Pennsylvania
November 6, 2009**

**PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009 with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
ASSETS					
Cash	\$ (97,512)	\$ 1,094,899	\$ -	\$ 997,387	\$ 1,217,056
Accounts receivable					
Meetings	145,998	-	-	145,998	148,670
Mary Jeanes loans	-	338,394	-	338,394	352,780
Annual fund	33,701	-	-	33,701	18,019
Other	98,253	-	500,000	598,253	143,238
Prepaid expenses	29,181	-	-	29,181	45,043
Inventory	63,831	-	-	63,831	64,821
Investments	3,000,791	7,581,594	9,214,251	19,796,636	17,131,263
Property and equipment, net	3,433,156	-	-	3,433,156	3,527,869
Investment in Friends					
Center Corporation	3,994,000	-	-	3,994,000	3,741,000
Interest in net assets of					
Friends Fiduciary Corporation	99,484	7,556,842	4,572,382	12,228,708	16,070,019
Beneficial interest in trust agreements					
Charitable remainder unitrust	-	269,500	-	269,500	349,500
Expendable trust	-	3,146,487	-	3,146,487	4,009,685
Perpetual trusts	-	-	3,711,963	3,711,963	4,659,462
Total assets	<u>\$10,800,883</u>	<u>\$19,987,716</u>	<u>\$17,998,596</u>	<u>\$48,787,195</u>	<u>\$51,478,425</u>
LIABILITIES					
Accounts payable	\$ 366,427	\$ -	\$ -	\$ 366,427	\$ 484,843
Contribution payable to					
Friends Center Corporation	152,030	-	-	152,030	166,387
Deferred revenue	12,737	-	-	12,737	49,995
Pooled life income fund liability	-	38,700	24,400	63,100	99,400
Funds held for others	251,607	-	-	251,607	296,857
Postretirement health benefit obligation	654,551	-	-	654,551	644,121
Total liabilities	<u>1,437,352</u>	<u>38,700</u>	<u>24,400</u>	<u>1,500,452</u>	<u>1,741,603</u>
NET ASSETS					
Unrestricted	9,363,531	-	-	9,363,531	10,742,024
Temporarily restricted	-	19,949,016	-	19,949,016	25,439,979
Permanently restricted	-	-	17,974,196	17,974,196	13,554,819
Total net assets	<u>9,363,531</u>	<u>19,949,016</u>	<u>17,974,196</u>	<u>47,286,743</u>	<u>49,736,822</u>
Total liabilities and net assets	<u>\$10,800,883</u>	<u>\$19,987,716</u>	<u>\$17,998,596</u>	<u>\$48,787,195</u>	<u>\$51,478,425</u>

See accompanying notes

**PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2009 with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
REVENUE AND SUPPORT					
Support from meetings and members					
Meeting covenants	\$ 1,314,053	\$ -	\$ -	\$ 1,314,053	\$ 1,292,795
Annual fund	426,711	-	-	426,711	512,523
Other contributions	272,822	128,237	6,639,659	7,040,718	254,657
Program income	1,035,213	-	-	1,035,213	787,002
Interest and income from investments	1,780,430	452,565	-	2,232,995	2,364,298
Net assets released from restrictions	<u>422,436</u>	<u>(422,436)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,251,665</u>	<u>158,366</u>	<u>6,639,659</u>	<u>12,049,690</u>	<u>5,211,275</u>
EXPENSES					
Program services					
 Standing committees					
Education	712,074	-	-	712,074	792,525
General services	1,370,577	-	-	1,370,577	1,336,311
Peace and concerns	531,585	-	-	531,585	460,529
Support and outreach	775,637	-	-	775,637	701,533
Worship and care	989,027	-	-	989,027	915,721
Interim meeting	<u>384,394</u>	<u>-</u>	<u>-</u>	<u>384,394</u>	<u>304,342</u>
Total program services	4,763,294	-	-	4,763,294	4,510,961
Supporting services					
General and administrative	691,395	-	-	691,395	673,239
Development	<u>225,044</u>	<u>-</u>	<u>-</u>	<u>225,044</u>	<u>212,932</u>
Total expenses	<u>5,679,733</u>	<u>-</u>	<u>-</u>	<u>5,679,733</u>	<u>5,397,132</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES					
	<u>(428,068)</u>	<u>158,366</u>	<u>6,639,659</u>	<u>6,369,957</u>	<u>(185,857)</u>
OTHER CHANGES					
Realized and unrealized loss on investments	(1,139,626)	(2,243,002)	-	(3,382,628)	(2,314,409)
Change in investment in Friends Center Corporation	258,300	-	-	258,300	556,868
Change in interest in net assets of Friends Fiduciary Corporation	(69,099)	(2,475,729)	(1,296,483)	(3,841,311)	(1,989,830)
Change in value of beneficial interest in trust agreements	-	(943,198)	(947,499)	(1,890,697)	(956,887)
Change in value of pooled life income fund liability	<u>-</u>	<u>12,600</u>	<u>23,700</u>	<u>36,300</u>	<u>19,700</u>
Total other changes	<u>(950,425)</u>	<u>(5,649,329)</u>	<u>(2,220,282)</u>	<u>(8,820,036)</u>	<u>(4,684,558)</u>
CHANGE IN NET ASSETS					
	<u>(1,378,493)</u>	<u>(5,490,963)</u>	<u>4,419,377</u>	<u>(2,450,079)</u>	<u>(4,870,415)</u>
NET ASSETS					
Beginning of year	<u>10,742,024</u>	<u>25,439,979</u>	<u>13,554,819</u>	<u>49,736,822</u>	<u>54,607,237</u>
End of year	<u>\$ 9,363,531</u>	<u>\$19,949,016</u>	<u>\$17,974,196</u>	<u>\$47,286,743</u>	<u>\$49,736,822</u>

See accompanying notes

**PHILADELPHIA YEARLY MEETING OF
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2009 with comparative totals for 2008

	<u>Program Services</u>						<u>Support Services</u>		<u>Totals</u>	
	<u>Education</u>	<u>General Services</u>	<u>Peace and Concerns</u>	<u>Support and Outreach</u>	<u>Worship and Care</u>	<u>Interim Meeting</u>	<u>General and Administrative</u>	<u>Development</u>	<u>2009</u>	<u>2008</u>
Salaries and benefits	\$305,167	\$ 420,075	\$172,473	\$553,973	\$159,846	\$238,732	\$426,477	\$150,386	\$2,427,129	\$2,290,487
Employee training and travel	7,338	7,908	3,888	25,898	3,440	6,586	11,483	5,308	71,849	56,673
Volunteer expenses	2,752	2,721	49,722	3,876	15,886	4,453	1,725	1,182	82,317	69,292
Grants and contributions	287,386	415,230	30,350	10,484	527,323	84,102	-	-	1,354,875	1,531,394
Event costs	14,792	88,796	105,861	7,371	60,935	2,166	1,521	3,076	284,518	203,724
Contracted services	35,293	162,285	138,482	24,741	188,985	6,100	67,291	9,657	632,834	431,897
Communications	10,709	64,399	5,627	55,431	6,273	9,644	12,250	33,894	198,227	227,635
Rent	25,162	41,703	15,300	57,560	15,268	17,983	35,164	11,042	219,182	162,685
Insurance	1,381	26,496	651	2,438	786	766	1,496	567	34,581	38,752
Repairs and maintenance	365	198,398	-	1,712	-	-	320	611	201,406	191,138
Depreciation	-	35,000	-	-	-	-	112,363	-	147,363	161,447
Miscellaneous	6,102	1,969	51	9,149	767	4,571	201	2,642	25,452	32,008
Computer support allocation	10,643	(69,385)	6,438	19,629	6,617	6,554	14,802	4,702	-	-
Office support allocation	4,984	(25,018)	2,742	3,375	2,901	2,737	6,302	1,977	-	-
	<u>\$712,074</u>	<u>\$1,370,577</u>	<u>\$531,585</u>	<u>\$775,637</u>	<u>\$989,027</u>	<u>\$384,394</u>	<u>\$691,395</u>	<u>\$225,044</u>	<u>\$5,679,733</u>	<u>\$5,397,132</u>

See accompanying notes

**PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2009 with comparative totals for 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(2,450,079)	\$(4,870,415)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized loss on investments	3,382,628	2,314,409
Depreciation	147,363	161,447
Change in investment in Friends Center Corporation	(258,300)	(556,868)
Change in interest in net assets of Friends Fiduciary Corporation	3,841,311	1,989,830
Change in value of beneficial interest in trust agreements	1,890,697	956,887
Change in value of pooled life income fund liability	(36,300)	(19,700)
Contributions restricted for long-term purposes	(6,639,659)	-
(Increase) decrease in		
Accounts receivable	46,361	(124,400)
Prepaid expenses	15,862	(1,390)
Inventory	990	(8,698)
Increase (decrease) in		
Accounts payable	(118,416)	191,422
Contribution payable to Friends Center Corporation	(9,057)	(30,204)
Deferred revenue	(37,258)	(30,720)
Funds held for others	(45,250)	(42,396)
Postretirement health benefit obligation	<u>10,430</u>	<u>17,464</u>
Net cash used for operating activities	<u>(258,677)</u>	<u>(53,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale (purchase) of investments, net	(6,048,002)	288,363
Purchase of property and equipment	<u>(52,649)</u>	<u>(113,215)</u>
Net cash provided by (used for) investing activities	<u>(6,100,651)</u>	<u>175,148</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for investment in endowment	<u>6,139,659</u>	<u>-</u>
Increase (decrease) in cash	(219,669)	121,816
CASH		
Beginning of year	<u>1,217,056</u>	<u>1,095,240</u>
End of year	<u>\$ 997,387</u>	<u>\$ 1,217,056</u>

See accompanying notes

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

(1) NATURE OF OPERATIONS

The accompanying consolidated financial statements include the accounts of Philadelphia Yearly Meeting of the Religious Society of Friends ("**PYM**") and its Affiliates, Burlington Meeting House, Inc. ("**BMH**") and Friends Education Fund, Inc. ("**FEF**") (collectively, the "**Yearly Meeting**"). All significant inter-organization balances and transactions have been eliminated.

PYM, a Pennsylvania nonprofit corporation, founded in 1681, and incorporated July 1, 2002, is the overarching organizational structure and faith community for Quakers in the area of Southeastern Pennsylvania, Delaware and Central and Southern New Jersey. PYM as an institution exists to offer opportunities for shared worship, growth and learning, and collective action for the members of these congregations. It also provides services to those Monthly Meetings and their members, and provides avenues for the collective expression—in service and witness—of their common faith.

BMH is a New Jersey nonprofit corporation. BMH holds title to the land and property known as the Burlington Meeting House. All officers of BMH are nominated by PYM. The Yearly Meeting operates the facility for the benefit of Quaker youth and families.

FEF is a Delaware nonprofit corporation. FEF receives, administers and solicits gifts and bequests from donors for purposes related to Friends' schools in the Yearly Meeting area. All officers of FEF are nominated by PYM.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Yearly Meeting reports information regarding financial position and activities according to the three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor imposed restrictions. Unrestricted net assets include designated funds that could be re-designated, including a fund (Friends Education Fund) that can only be re-designated by FEF.

Temporarily restricted net assets

Net assets that are subject to donor imposed restrictions or legal restrictions that will be satisfied by actions of the Yearly Meeting 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 consolidated statement of activities as "**net assets released from restrictions.**"

Permanently restricted net assets

Permanently restricted net assets are subject to donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the nonprofit organization receiving the contribution. Generally, the donor intends for the original contribution to be held in perpetuity. The related income and/or gains are available for the Yearly Meeting's use as specified by the donor.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES

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For permanently restricted net assets not held by a third party trustee, the original contribution is recorded as permanently restricted. The undistributed portion of income and gains (total return) is recorded as temporarily restricted. Each year, the Yearly Meeting receives a cash distribution which is determined using a spending rate as allowed by Pennsylvania law. Donor restrictions as to the use of income must also be met before funds are distributed.

Consistent with the treatment for support and contributions described below, income earned in the current year is recorded as unrestricted to the extent that it is distributed in the current year.

As described further below, Beneficial Interest in Trust Agreements and Interest in Net Assets of Friends Fiduciary Corporation are net assets held by third party trustees. All gains and interest on Beneficial Interest in Trust Agreements and gains and interest on the permanently restricted portion of Interest in Net Assets of Friends Fiduciary Corporation are recorded each year as changes to permanently restricted net assets on the statement of activities.

Summarized Prior-Year Information

The consolidated financial statements include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Inventory

Inventory consists primarily of books and other publications and is stated at the lower of cost or market value, using the first-in, first-out method.

Investments

Investments in equity securities with readily determinable fair value and all investments in debt securities are reported at their fair value as determined by quoted market prices, with gains and losses included in the statement of activities. Investment income is recorded as earned.

The Yearly Meeting invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. 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 consolidated financial statements.

Fair Value Measurements of Assets and Liabilities

The Yearly Meeting adopted the provisions of SFAS No. 157, "*Fair Value Measurements*" ("SFAS No. 157"), effective July 1, 2008. Under SFAS No. 157, fair value is defined 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. SFAS No. 157 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 the Yearly Meeting. Unobservable inputs reflect the Yearly Meeting'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:

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Level 1 – Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that PYM has the ability to access (examples include active exchange-traded equity securities, listed derivatives and most U.S. Government and agency securities). These valuations do not entail a significant degree of judgment.

Level 2 – Financial assets 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 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (examples include money market funds and certificates of deposit);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities and derivatives).

Level 3 – Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset (examples include certain private equity investments, long-term promises to give and split-interest agreements).

Endowments of Nonprofit Organizations

In August 2008, the FASB released FASB Staff Position 117-1 ("**FSP 117-1**") which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"), and enhances disclosures for endowment funds, including funds functioning as endowments (**See Note 4**).

FSP 117-1 is effective for PYM for the year ended June 30, 2009, but because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made.

Property and Equipment

The Yearly Meeting capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Depreciation is computed over the estimated useful lives of the assets on a straight-line basis.

Interest in Net Assets of Friends Fiduciary Corporation

Friends Fiduciary Corporation ("**Fiduciary**") is a Quaker nonprofit corporation that provides investment and trusteeship services for Friends meetings, schools and other nonprofit, tax-exempt organizations. Fiduciary serves as the trustee and custodian for many trusts that name the Yearly Meeting as the beneficiary. The amount of the asset is equal to the fair value of the assets in the trusts. These assets are invested in Fiduciary's Consolidated Fund (**See Note 4**).

PYM nominates candidates for 24 of the current 27 positions on Fiduciary's Board of Directors. The final choice of persons for that Board, however, is by Fiduciary, which alone has the ultimate right of selection. Therefore, PYM does not have a controlling interest in Fiduciary. Accordingly, Fiduciary's assets and activity are not included in these financial statements.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

Beneficial Interest in Trust Agreements

Beneficial interest in trust agreements is reported at fair value and is equal to Yearly Meeting's share of assets held in trust by third parties other than Fiduciary. Distributions from trusts to Yearly Meeting are recorded as interest and income from investments on the statement of activities.

Support and Contributions

Support and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires (that is when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are transferred to unrestricted net assets.

Unconditional support and contributions are recognized as revenue when the related promise to give is received. Conditional support and contributions are recognized as revenue when the conditions are satisfied.

Donated Services

The Yearly Meeting administers its programs with support from donated services from a substantial number of unpaid volunteers. The value of these donated services is not reflected in these consolidated financial statements since they do not meet the criteria for recognition. Committee members and other volunteers recorded approximately 34,880 hours of donated services in 2009.

Functional Allocation of Expenses

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

Income Tax Status

PYM, BMH and FEF are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes is recorded in the accompanying consolidated financial statements.

Concentration of Credit Risk

Financial instruments which potentially subject the Yearly Meeting to concentrations of credit risk are cash and accounts receivable. The Yearly Meeting maintains its cash at various high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable consist primarily of amounts expected to be collected from Meetings in 2009 and loans receivable, the composition of which is more fully described in Note 3.

Program Services

Program services consist of the following Standing Committees:

Education

The Education Standing Committee provides guidance and support to the PYM and monthly meeting services, projects and institutions which directly concern the religious education, spiritual nurture and academic education of young people and the adults entrusted with their care.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

General Services

The General Services Standing Committee has oversight of those administrative functions which enable the ministry of PYM and endeavors to support similar administrative functions in its constituent meetings. These functions include services to Meetings and members as well as accounting and audit, fund development and stewardship of funds, grant coordination and financial assistance, computer services, records and archives, personnel services and staff benefits, conference management (including planning for and managing Yearly Meeting in session), and property management. The functions of General Services which are purely administrative have been separated out on the functional expenditure report as "General and Administrative". The functions of General Services which are purely development have been separated out on the functional expenditure report as "Development".

Peace and Concerns

The Peace and Concerns Standing Committee seeks to help Friends work for peace, justice and an earth restored. It does this primarily by supporting projects and services conducted by the working groups under its care.

Support and Outreach

The Support and Outreach Standing Committee oversees the good works that will produce a healthy, vibrant Religious Society of Friends in the Philadelphia Yearly Meeting area, which naturally attract new and existing members, creating a stronger faith community.

Worship and Care

The Worship and Care Standing Committee supports and encourages our members and their Meetings in their spiritual and temporal lives.

Interim Meeting

Interim Meeting is responsible for conducting the business of Philadelphia Yearly Meeting between Annual Sessions.

(3) MARY JEANES LOANS RECEIVABLE

The Yearly Meeting makes loans to individuals for educational purposes from a fund established by a contribution from Anna T. Jeanes. The loans are non-interest bearing and are expected to be collected within five years after graduation. The loans receivable balance at June 30, 2009 and 2008, of \$338,394 and \$352,780, is net of an allowance for doubtful accounts of \$61,936 and \$62,178 and a discount, calculated at 5%, of \$57,534 and \$51,440.

(4) INVESTMENTS

Investments at June 30, 2009 and 2008 consist of units in The Consolidated Fund of Friends Fiduciary Corporation. The Consolidated Fund (the "**Fund**") is a co-mingled investment fund sponsored by Friends Fiduciary Corporation. The Fund's investment objective is to provide long-term total return by investing its assets in a balanced portfolio of common stocks, real estate investment trusts and fixed income investments.

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THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATES**

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PYM's investments are comprised of endowment, reserve and operating funds. The following is a reconciliation of the endowment funds:

	<u>Board Designated Endowments</u>	<u>Temporarily Restricted Endowments</u>	<u>Permanently Restricted Endowments</u>	<u>Total</u>
Balance, July 1, 2008	\$ 2,505,783	\$ 9,696,359	\$ 3,074,592	\$15,276,734
Purchases	-	128,150	6,139,659	6,267,809
Withdrawals	-	(13,469)	-	(13,469)
Income distribution per spending policy	84,575	897,607	609,736	1,591,918
Transfer to operations	(84,575)	(897,607)	(609,736)	(1,591,918)
Realized and unrealized losses	<u>(1,017,765)</u>	<u>(2,229,446)</u>	<u>-</u>	<u>(3,247,211)</u>
Balance, June 30, 2009	<u>\$ 1,488,018</u>	<u>\$ 7,581,594</u>	<u>\$ 9,214,251</u>	<u>\$18,283,863</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 289,100	\$ 289,100
Buildings	354,000	354,000
Property improvements	4,854,785	4,802,136
Equipment	<u>351,801</u>	<u>351,801</u>
	5,849,686	5,797,037
Less accumulated depreciation	<u>2,416,530</u>	<u>2,269,168</u>
	<u>\$3,433,156</u>	<u>\$3,527,869</u>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$147,363 and \$161,447, respectively.

(6) INVESTMENT IN FRIENDS CENTER CORPORATION

Friends Center Corporation (the "**Center**") is a nonprofit organization that was formed by an agreement among PYM and two other Quaker nonprofit organizations – American Friends Services Committee ("**AFSC**") and Central Philadelphia Monthly Meeting ("**CPMM**") – to manage the real estate complex in Center City Philadelphia in which PYM, AFSC and CPMM are located.

PYM's investment in the Center is reported at equity as defined in the aforementioned agreement and is equal to a percentage of the Center's net assets.

The agreement requires PYM to pay rent to the Center for the portion of the real estate complex that it occupies. Rent expense was \$217,476 for 2009 and \$160,584 for 2008.

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(7) CONTRIBUTION PAYABLE TO FRIENDS CENTER CORPORATION

The contribution payable to Friends Center Corporation represents the amount that PYM has promised to pay to Friends Center Corporation to finance a renovation project to the real estate complex in which PYM is located (**See Note 6**). The contribution payable is expected to be paid is as follows:

Due within one year	\$ (33,230)
Due within one to five years	72,500
Due after five years	<u>253,760</u>
	293,030
Less discount at 5%	<u>(141,000)</u>
	<u>\$ 152,030</u>

(8) POOLED LIFE INCOME FUND AND FUNDS HELD FOR OTHERS

The Yearly Meeting manages a pooled life income fund to which donors transfer assets and name a noncharitable beneficiary to receive the income for life. Upon the death of the beneficiary the assets are transferred to the Yearly Meeting or to other Quaker organizations as specified by the donor. The Yearly Meeting has recorded a liability of \$78,700 and \$99,400, respectively, at June 30, 2009 and 2008 representing a discount on the assets it will receive upon the beneficiary's death.

The Yearly Meeting has also recorded a liability of \$251,607 and \$296,857, respectively, at June 30, 2009 and 2008 for the assets specified by donors to be transferred to other Quaker organizations.

(9) POSTRETIREMENT HEALTH BENEFIT OBLIGATION

The Yearly Meeting sponsors a defined benefit postretirement health insurance plan, subject to annual review by the Personnel and Finance Committees, which covers all full-time employees. To receive benefits, the participants must reach 65, have at least ten years of service by June 30, 2005, and have no intervening employment after leaving the Yearly Meeting. The plan is noncontributory except for spousal coverage, if it is elected. Funding for the plan is provided on a monthly basis by paying a predetermined premium per person, as established by the insurance provider. Contributions to the plan were \$23,632 and \$23,563, respectively, for the years ended June 30, 2009 and 2008.

The postretirement benefit obligation was determined by using a discount rate of 6.00% in 2009 and 2008 and a medical trend rate of 6.0%.

The following table sets forth the plan's status reconciled with the amount shown on the consolidated statement of financial position as of June 30:

	<u>2009</u>	<u>2008</u>
Accumulated postretirement benefit obligation		
Retirees	\$187,336	\$204,506
Fully eligible active participants	52,223	113,893
Other plan participants	<u>255,941</u>	<u>254,065</u>
Total	<u>\$495,500</u>	<u>\$572,464</u>
Plan assets at fair value	<u>\$ -</u>	<u>\$ -</u>

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	<u>2009</u>	<u>2008</u>
Accumulated postretirement benefit obligation in excess of plan assets	\$495,500	\$572,464
Unrecognized net gain (loss) from experience different from that assumed and changes in assumptions	145,225	44,004
Unrecognized prior service cost	<u>13,826</u>	<u>27,653</u>
Accrued postretirement benefit cost in the consolidated statement of financial position	<u>\$654,551</u>	<u>\$644,121</u>

Postretirement expense for 2009 included the following components:

Service cost	\$ 14,250	\$ 17,699
Interest cost on accumulated postretirement benefit obligation	33,639	37,155
Amortization of prior year service cost	<u>(13,827)</u>	<u>(13,827)</u>
Postretirement expense	<u>\$ 34,062</u>	<u>\$ 41,027</u>

(10) PENSION PLAN

The Yearly Meeting is a participant in Friends Pension Plan, a multiemployer, noncontributory, defined benefit pension plan covering substantially all of the Yearly Meeting's employees. Yearly Meeting's pension expense was \$80,937 for the year ended June 30, 2009. The Yearly Meeting's relative position in this plan is not readily determinable.

(11) TEMPORARILY RESTRICTED NET ASSETS

Donor-restricted contributions and investment income received and satisfied in 2009 are classified as unrestricted and not presented in the following table. Net additions include new contributions, investment income and changes in the fair value of investments. Temporarily restricted net assets are available for the following:

	<u>Balance July 1, 2008</u>	<u>Net Additions</u>	<u>Net Releases</u>	<u>Balance June 30, 2009</u>
Aging				
Facility based	\$ 3,242,716	\$ (306,388)	\$ (56,395)	\$ 2,879,933
General	689,300	(117,865)	-	571,435
Individual based	455,671	(16,740)	-	438,931
Alcohol concerns	71,447	(12,392)	(12,383)	46,672
Alternatives to violence	507	3,196	-	3,703
Annual sessions	17,412	(14,557)	(1,455)	1,400
Arch Street Meeting House	141,350	-	(140,811)	539
Bequests granting group funds	1,932,871	(476,142)	-	1,456,729
Book publications	98,524	(20,983)	-	77,541
Burlington Meeting House	55,000	-	(55,000)	-
Caln quarter scholarship	160	-	-	160
Center for Deepening & Strengthening our Meetings	1,056	22,364	-	23,420
Chace funds	6,900,483	(1,679,375)	-	5,221,108
Computer services	20,000	-	(20,000)	-
Counseling	324,377	(73,759)	-	250,618
Ecology and economics	2,132	-	(1,418)	714
Education				
Programs	2,816,249	(522,518)	(14,386)	2,279,345
Tuition aid	226,476	(30,727)	(22,469)	173,280

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	<u>Balance July 1, 2008</u>	<u>Net Additions</u>	<u>Net Releases</u>	<u>Balance June 30, 2009</u>
Emergency needs	199	5,220	-	5,419
Fairhill Friends Ministry	2,470	-	(645)	1,825
Family planning	936,669	(185,265)	-	751,404
Family relations	13,853	(4,652)	-	9,201
For future periods				
Fiduciary gift annuities	119,607	(51,088)	-	68,519
General funds	689,168	(192,119)	-	497,049
Beneficial interest in charitable remainder unitrust	349,500	(80,000)	-	269,500
Friends Institute	413,461	(85,442)	-	328,019
General bequests	5,138	(1,267)	-	3,871
Grant coordination	1,180	-	(1,180)	-
HABS/Silent Witness – Meetinghouses	20,597	-	(144)	20,453
Indian committee	275,918	(61,035)	(698)	214,185
International outreach	6,170	1,120	-	7,290
Library	19,009	(3,491)	(3,655)	11,863
Meeting House trust funds	809,310	(221,968)	-	587,342
Non-violence and children	2,857	-	-	2,857
Peace and concerns	258,742	(47,798)	-	210,944
Peace conference	57,001	-	(57,001)	-
Pemberton fund	60,845	7,016	-	67,861
Pooled life income fund	189,659	(39,324)	-	150,335
Quaker interpretation	1,282	-	(1,282)	-
Quaker parenting program	4,000	-	(4,000)	-
School of the spirit	42,151	17,776	-	59,927
Troemner trust	4,009,685	(863,198)	-	3,146,487
Willitts funds	125,161	(17,524)	-	107,637
Workcamp funds	625	-	(625)	-
Worship and care	27,812	-	(27,812)	-
Young adult friends	1,077	-	(1,077)	-
Young friends	1,102	398	-	1,500
	<u>\$25,439,979</u>	<u>\$(5,068,527)</u>	<u>\$(422,436)</u>	<u>\$19,949,016</u>

(12) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, the income from which is available for general or specific use of Yearly Meeting as specified by the donor, consisted of the following funds at June 30:

	<u>2009</u>	<u>2008</u>
Aging – Facility Based		
Henrietta Stewart Smith Fund	\$ 209,058	\$ 209,058
Anna T. Jeanes #1	244,941	317,029
Anna T. Jeanes #2	502,529	650,429
Anna T. Jeanes #3	616,226	797,588
Anna T. Jeanes #5	1,571,028	2,033,399
The Greenleaf Fund	6,602,000	-
Strohkarck Fund	268,227	297,950
Satterthwaite and Hallowell Fund	9,669	12,514
Lida W. Van Iderstine Fund	12,957	12,957
	<u>10,036,635</u>	<u>4,330,924</u>

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	<u>2009</u>	<u>2008</u>
Aging Funds – General		
Dr. Lovett Dewees Fund	6,605	6,605
George Abbott Fund	54,134	70,067
Albertson Fund	<u>1,008,807</u>	<u>1,305,708</u>
	<u>1,069,546</u>	<u>1,382,380</u>
Alcohol Concerns		
Alcohol Problems General Fund	<u>11,483</u>	<u>11,483</u>
Annual Sessions		
Anna Laura Davis Fund	<u>83,390</u>	<u>83,390</u>
Bequest Granting Group		
Virginia Drysdale Keeney	<u>163,642</u>	<u>163,642</u>
Beneficial interest in perpetual trusts	<u>3,711,962</u>	<u>4,659,462</u>
Book Publications		
Friends Writings	15,765	15,765
Younger Friends	1,363	1,363
General Endowment	<u>836</u>	<u>836</u>
	<u>17,964</u>	<u>17,964</u>
Burlington Meeting House Conference Center		
George E. Deacon Fund	11,109	14,378
Burlington Meeting House Endowment Fund	669,163	664,011
General Fund	185,393	163,811
Graveyard Fund	44,498	39,319
Louisa and Corson Poley Fund	<u>62,066</u>	<u>80,332</u>
	<u>972,229</u>	<u>961,851</u>
Education – Programs		
Tyson Grant Fund	50,577	50,577
General Fund	14,755	14,755
Mary Jeanes Fund	48,737	48,737
Samuel Jeanes-Educational Purposes	213,907	213,907
Sarah Corinne Partenheimer Bequest	<u>20,375</u>	<u>20,375</u>
	<u>348,351</u>	<u>348,351</u>
Education – Tuition Act		
Jonathon Rhoads Fund	<u>300,175</u>	<u>275,175</u>
Family Relations		
Dr. Lovett Dewees Fund	<u>6,605</u>	<u>6,605</u>
Friends Education Fund	<u>345,918</u>	<u>345,918</u>
General Fund		
Anna Cresson Fund	111,912	111,912
General Reserve Fund	43,816	43,816
Albert G. and Mary H. Thatcher Fund	<u>21,360</u>	<u>27,647</u>
	<u>177,088</u>	<u>183,375</u>

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	<u>2009</u>	<u>2008</u>
International Outreach		
International Outreach #1	110,333	142,805
International Outreach #3	8,470	8,470
International Outreach #4	13,920	18,017
David Scull Fund	34,286	44,377
John Way Fund	<u>28,218</u>	<u>36,522</u>
	<u>195,227</u>	<u>250,191</u>
Meeting House Trust Funds		
Samuel Jeanes Fund	<u>170,637</u>	<u>170,637</u>
Peace and Concerns		
Cadwallader Fund for sundry purposes	8,709	11,272
Cadwallader Fund	<u>6,823</u>	<u>8,831</u>
	<u>15,532</u>	<u>20,103</u>
Pooled Life Income Fund	<u>170,978</u>	<u>182,416</u>
Prison Concerns		
Warren Endowment Fund for Criminal Justice	<u>161,490</u>	<u>145,608</u>
Willits Funds		
Willits Fund – Southern Schools	7,672	7,672
Willits Fund – Liberia	<u>7,672</u>	<u>7,672</u>
	<u>15,344</u>	<u>15,344</u>
	<u>\$17,974,196</u>	<u>\$13,554,819</u>

(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>Balance June 30, 2009</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				
Investments	\$19,796,636	\$ -	\$19,796,636	\$ -
Interest in assets of Friends Fiduciary Corporation	12,228,708	-	12,228,708	-
Beneficial interest in trust agreements	<u>7,127,950</u>	<u>-</u>	<u>7,127,950</u>	<u>-</u>
	<u>\$39,153,294</u>	<u>\$ -</u>	<u>\$39,153,294</u>	<u>\$ -</u>

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	<u>Balance June 30, 2009</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>
Liabilities				
Contribution payable to Friends Center Corporation	\$ 152,030	\$ -	\$ 152,030	\$ -
Pooled life income fund liability	63,100	-	63,100	-
Postretirement health benefit obligation	<u>654,551</u>	<u>-</u>	<u>654,551</u>	<u>-</u>
	<u>\$ 869,681</u>	<u>\$ -</u>	<u>\$ 869,681</u>	<u>\$ -</u>