

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

*FINANCIAL STATEMENTS*

**YEAR ENDED JUNE 30, 2010**

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

***CONTENTS***

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<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<i>Consolidated Statement of Financial Position</i>	<b>2</b>
<i>Consolidated Statement of Activities</i>	<b>3</b>
<i>Consolidated Statement of Functional Expenses</i>	<b>4</b>
<i>Consolidated Statement of Cash Flows</i>	<b>5</b>
<i>Notes to Consolidated Financial Statements</i>	<b>6</b>

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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, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated 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 2009 consolidated financial statements and, in our report dated November 6, 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, 2010, 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.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
November 12, 2010**

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2010 with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
<b>ASSETS</b>					
Cash	\$ (216,685)	\$ 1,382,877	\$ 109,418	\$ 1,275,610	\$ 997,387
Accounts receivable					
Meetings	121,143	-	-	121,143	145,998
Mary Jeanes loans	-	276,262	-	276,262	338,394
Annual fund	26,736	-	-	26,736	33,701
Other	163,693	-	-	163,693	598,253
Prepaid expenses	21,581	-	-	21,581	29,181
Inventory	55,448	-	-	55,448	63,831
Investments	3,368,059	8,499,168	9,908,281	21,775,508	19,796,636
Property and equipment, net	3,393,184	-	-	3,393,184	3,433,156
Investment in Friends					
Center Corporation	3,770,000	-	-	3,770,000	3,994,000
Interest in net assets of					
Friends Fiduciary Corporation	5,692,963	2,471,574	4,857,083	13,021,620	12,228,708
Beneficial interest in trust agreements					
Charitable remainder unitrust	-	299,000	-	299,000	269,500
Expendable trust	-	3,351,039	-	3,351,039	3,146,487
Perpetual trusts	-	-	3,997,133	3,997,133	3,711,963
<b>Total assets</b>	<b><u>\$16,396,122</u></b>	<b><u>\$16,279,920</u></b>	<b><u>\$18,871,915</u></b>	<b><u>\$51,547,957</u></b>	<b><u>\$48,787,195</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 540,984	\$ -	\$ -	\$ 540,984	\$ 366,427
Contribution payable to					
Friends Center Corporation	197,270	-	-	197,270	152,030
Deferred revenue	17,124	-	-	17,124	12,737
Pooled life income fund liability	-	42,100	26,600	68,700	63,100
Funds held for others	274,194	-	-	274,194	251,607
Postretirement health benefit obligation	647,737	-	-	647,737	654,551
<b>Total liabilities</b>	<b><u>1,677,309</u></b>	<b><u>42,100</u></b>	<b><u>26,600</u></b>	<b><u>1,746,009</u></b>	<b><u>1,500,452</u></b>
<b>NET ASSETS</b>					
Unrestricted	14,718,813	-	-	14,718,813	14,584,639
Temporarily restricted	-	16,237,820	-	16,237,820	14,727,908
Permanently restricted	-	-	18,845,315	18,845,315	17,974,196
<b>Total net assets</b>	<b><u>14,718,813</u></b>	<b><u>16,237,820</u></b>	<b><u>18,845,315</u></b>	<b><u>49,801,948</u></b>	<b><u>47,286,743</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$16,396,122</u></b>	<b><u>\$16,279,920</u></b>	<b><u>\$18,871,915</u></b>	<b><u>\$51,547,957</u></b>	<b><u>\$48,787,195</u></b>

See accompanying notes

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year ended June 30, 2010 with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
<b>REVENUE AND SUPPORT</b>					
Support from meetings and members					
Meeting covenants	\$ 1,300,507	\$ -	\$ -	\$ 1,300,507	\$ 1,314,053
Annual fund	411,043	-	-	411,043	426,711
Other contributions	118,669	373,282	299,161	791,112	7,040,718
Program income	1,041,528	-	-	1,041,528	1,035,213
Interest and income from investments	777,419	1,421,666	-	2,199,085	2,232,995
Net assets released from restrictions	<u>1,513,830</u>	<u>(1,513,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>5,162,996</u>	<u>281,118</u>	<u>299,161</u>	<u>5,743,275</u>	<u>12,049,690</u>
<b>EXPENSES</b>					
<b>Program services</b>					
<b>Standing committees</b>					
Arch Street Meeting House	407,038	-	-	407,038	420,749
Education	789,899	-	-	789,899	712,074
General services	944,701	-	-	944,701	996,745
Interim meeting	335,603	-	-	335,603	384,394
Peace and concerns	263,978	-	-	263,978	531,585
Support and outreach	772,503	-	-	772,503	728,720
Worship and care	<u>998,877</u>	<u>-</u>	<u>-</u>	<u>998,877</u>	<u>989,027</u>
<b>Total program services</b>	4,512,599	-	-	4,512,599	4,763,294
<b>Supporting services</b>					
General and administrative	676,363	-	-	676,363	691,395
Development	<u>274,535</u>	<u>-</u>	<u>-</u>	<u>274,535</u>	<u>225,044</u>
<b>Total expenses</b>	<u>5,463,497</u>	<u>-</u>	<u>-</u>	<u>5,463,497</u>	<u>5,679,733</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>					
	<u>(300,501)</u>	<u>281,118</u>	<u>299,161</u>	<u>279,778</u>	<u>6,369,957</u>
<b>OTHER CHANGES</b>					
Realized and unrealized gain (loss) on investments	290,594	862,299	-	1,152,893	(3,382,628)
Change in investment in Friends Center Corporation	(224,000)	-	-	(224,000)	258,300
Change in interest in net assets of Friends Fiduciary Corporation	368,081	135,842	288,989	792,912	(3,841,311)
Change in value of beneficial interest in trust agreements	-	234,053	285,169	519,222	(1,890,697)
Change in value of pooled life income fund liability	<u>-</u>	<u>(3,400)</u>	<u>(2,200)</u>	<u>(5,600)</u>	<u>36,300</u>
<b>Total other changes</b>	<u>434,675</u>	<u>1,228,794</u>	<u>571,958</u>	<u>2,235,427</u>	<u>(8,820,036)</u>
<b>CHANGE IN NET ASSETS</b>					
	134,174	1,509,912	871,119	2,515,205	(2,450,079)
<b>NET ASSETS</b>					
Beginning of year	<u>14,584,639</u>	<u>14,727,908</u>	<u>17,974,196</u>	<u>47,286,743</u>	<u>49,736,822</u>
End of year	<u>\$14,718,813</u>	<u>\$16,237,820</u>	<u>\$18,845,315</u>	<u>\$49,801,948</u>	<u>\$47,286,743</u>

See accompanying notes

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2010 with comparative totals for 2009

	Program Services						Supporting Services		Totals		
	Arch Street Meeting House	Education	General Services	Interim Meeting	Peace and Concerns	Support and Outreach	Worship and Care	General and Administrative	Development	2010	2009
Salaries and benefits	\$239,591	\$370,246	\$229,535	\$213,746	\$129,298	\$545,879	\$215,771	\$385,887	\$176,349	\$2,506,302	\$2,427,129
Employee training and travel	653	4,791	5,667	7,618	939	19,669	2,706	9,180	4,341	55,564	71,849
Volunteer expenses	528	9,939	1,547	3,579	42,775	3,034	8,854	1,164	4,293	75,713	82,317
Grants and contributions	-	302,155	349,294	75,647	38,487	25,090	492,777	-	-	1,283,450	1,354,875
Event costs	14,338	16,412	80,221	1,168	8,443	58,982	42,341	176	33,829	255,910	284,518
Contracted services	10,577	14,931	162,774	3,552	18,249	23,928	191,259	72,331	12,010	509,611	632,834
Communications	13,318	13,280	54,261	4,863	2,542	33,709	8,147	11,859	15,873	157,852	198,227
Rent	-	34,047	69,461	13,439	13,302	38,644	21,419	36,610	14,645	241,567	219,182
Insurance	15,917	1,487	10,476	801	610	2,135	924	1,667	680	34,697	34,581
Repairs and maintenance	79,573	-	85,098	1,240	-	706	-	579	61	167,257	201,406
Depreciation	30,000	-	7,035	-	-	-	-	117,250	-	154,285	147,363
Miscellaneous	428	-	1,153	1,037	499	39	-	15,404	2,729	21,289	25,452
Computer support allocation	2,115	13,113	(68,476)	5,170	5,123	14,663	8,705	13,947	5,640	-	-
Office support allocation	-	9,498	(43,345)	3,743	3,711	6,025	5,974	10,309	4,085	-	-
	<u>\$407,038</u>	<u>\$789,899</u>	<u>\$944,701</u>	<u>\$335,603</u>	<u>\$263,978</u>	<u>\$772,503</u>	<u>\$998,877</u>	<u>\$676,363</u>	<u>\$274,535</u>	<u>\$5,463,497</u>	<u>\$5,679,733</u>

See accompanying notes

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended June 30, 2010 with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 2,515,205	\$(2,450,079)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized (gain) loss on investments	(1,152,893)	3,382,628
Depreciation	154,285	147,363
Change in investment in Friends Center Corporation	224,000	(258,300)
Change in interest in net assets of Friends Fiduciary Corporation	(792,912)	3,841,311
Change in value of beneficial interest in trust agreements	(519,222)	1,890,697
Change in value of pooled life income fund liability	5,600	(36,300)
Contributions restricted for long-term purposes	(299,161)	(6,639,659)
(Increase) decrease in		
Accounts receivable	28,512	46,361
Prepaid expenses	7,600	15,862
Inventory	8,383	990
Increase (decrease) in		
Accounts payable	174,557	(118,416)
Contribution payable to Friends Center Corporation	45,240	(9,057)
Deferred revenue	4,387	(37,258)
Funds held for others	22,587	(45,250)
Postretirement health benefit obligation	<u>(6,814)</u>	<u>10,430</u>
<b>Net cash provided by (used for) operating activities</b>	<u>419,354</u>	<u>(258,677)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from purchase of investments	(825,979)	(6,048,002)
Purchase of property and equipment	<u>(114,313)</u>	<u>(52,649)</u>
<b>Net cash used for investing activities</b>	<u>(940,292)</u>	<u>(6,100,651)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted for investment in endowment	<u>799,161</u>	<u>6,139,659</u>
<b>Increase (decrease) in cash</b>	278,223	(219,669)
<b>CASH</b>		
Beginning of year	<u>997,387</u>	<u>1,217,056</u>
<b>End of year</b>	<u>\$ 1,275,610</u>	<u>\$ 997,387</u>

See accompanying notes

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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### (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.

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.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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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 consolidated 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, 2009, 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 5**). 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**

Effective July 1, 2008, The Yearly Meeting adopted a new accounting standard regarding fair value measurements. Under the new accounting standard, 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. The new accounting standard 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:

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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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).

### **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 5**).

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.

### **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 consolidated statement of activities.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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### **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 36,100 hours of donated services in 2010.

### **Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. 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.

Effective July 1, 2009, PYM adopted a new accounting standard regarding uncertain tax positions. The new standard prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. PYM believes that it had no uncertain tax positions as defined in the standard and, as a result, the adoption of the new standard had no impact on PYM's 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 2010 and loans receivable, the composition of which is more fully described in Note 4.

### **Program Services**

Program services consist of the following Standing Committees:

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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### **Arch Street Meeting House**

The Arch Street Standing Committee is responsible for ensuring that the programs operating out of the Arch Street Meeting House provide the best support possible for the Ministry of the Yearly Meeting in outreach to visitors and as a home for the activities of the Yearly Meeting community and Monthly Meeting of Friends of Philadelphia.

### **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.

### **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".

### **Interim Meeting**

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

### **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.

### **Reclassifications**

Certain reclassifications to the 2009 summarized information have been made to conform to the 2010 presentation.

## **(3) RECLASSIFICATION OF NET ASSETS**

During 2010, the Yearly Meeting determined that the Chace Fund was an unrestricted fund and was improperly included with temporarily restricted net assets. As a result the Yearly Meeting increased unrestricted net assets and reduced temporarily restricted net assets at June 30, 2009 by \$5,221,108.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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### (4) 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, 2010 and 2009, of \$276,262 and \$338,394, is net of an allowance for doubtful accounts of \$66,707 and \$61,936 and a discount, calculated at 5%, of \$49,426 and \$57,534.

### (5) INVESTMENTS

Investments at June 30, 2010 and 2009 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.

### (6) PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 289,100	\$ 289,100
Buildings	354,000	354,000
Property improvements	4,948,754	4,854,785
Equipment	<u>372,145</u>	<u>351,801</u>
	5,963,999	5,849,686
Less accumulated depreciation	<u>(2,570,815)</u>	<u>(2,416,530)</u>
	<u>\$ 3,393,184</u>	<u>\$ 3,433,156</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$154,285 and \$147,363, respectively.

### (7) 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 \$239,844 for 2010 and \$217,476 for 2009.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

**(8) 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 7**). The contribution payable is expected to be paid as follows:

Due within one year	\$ 18,120
Due within one to five years	72,480
Due after five years	<u>235,670</u>
	326,270
Less discount at 5%	<u>(129,000)</u>
	<u>\$ 197,270</u>

**(9) 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 \$68,700 and \$63,100, respectively, at June 30, 2010 and 2009 representing a discount on the assets it will receive upon the beneficiary's death.

The Yearly Meeting has also recorded a liability of \$274,194 and \$251,607, respectively, at June 30, 2010 and 2009 for the assets specified by donors to be transferred to other Quaker organizations.

**(10) 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 \$24,884 and \$23,632, respectively, for the years ended June 30, 2010 and 2009.

The postretirement benefit obligation was determined by using a discount rate of 6.0% in 2010 and 2009 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>2010</u>	<u>2009</u>
Accumulated postretirement benefit obligation		
Retirees	\$252,207	\$187,336
Fully eligible active participants	55,742	52,223
Other plan participants	<u>153,610</u>	<u>255,941</u>
Total	<u>\$461,559</u>	<u>\$495,500</u>
Plan assets at fair value	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

	<u>2010</u>	<u>2009</u>
Accumulated postretirement benefit obligation in excess of plan assets	\$461,559	\$495,500
Unrecognized net gain (loss) from experience different from that assumed and changes in assumptions	186,178	145,225
Unrecognized prior service cost	<u>-</u>	<u>13,826</u>
Accrued postretirement benefit cost in the consolidated statement of financial position	<u>\$647,737</u>	<u>\$654,551</u>

Postretirement expense for 2010 included the following components:

Service cost	\$ 13,622	\$ 14,250
Interest cost on accumulated postretirement benefit obligation	28,905	33,639
Amortization of prior year service cost	(13,826)	(13,827)
Amortization on gain	<u>(10,631)</u>	<u>-</u>
Postretirement expense	<u>\$ 18,070</u>	<u>\$ 34,062</u>

**(11) 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 \$142,164 for the year ended June 30, 2010. The Yearly Meeting's relative position in this plan is not readily determinable.

**(12) TEMPORARILY RESTRICTED NET ASSETS**

Donor-restricted contributions and investment income received and satisfied in 2010 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, 2009</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2010</u>
Aging				
Facility based	\$ 2,879,933	\$1,360,496	\$ (477,622)	\$ 3,762,807
General	571,435	126,684	(99,871)	598,248
Individual based	438,931	82,671	(168,857)	352,745
Alcohol concerns	46,672	6,504	(1,650)	51,526
Alternatives to violence	3,703	-	(3,703)	-
Annual sessions	1,400	4,317	(5,717)	-
Arch Street Meeting House	539	-	(539)	-
Bequests granting group funds	1,456,729	151,947	(42,704)	1,565,972
Book publications	77,541	10,516	(8,167)	79,890
Burlington Meeting House	-	38,860	(19,935)	18,925
Caln quarter scholarship	160	-	-	160
Center for Deepening & Strengthening our Meetings	23,420	2,000	(25,420)	-
Counseling	250,618	29,904	(7,593)	272,929
Ecology and economics	714	-	(714)	-
Education				
Programs	2,279,345	276,177	(150,468)	2,405,054
Tuition aid	173,280	130,024	(143,938)	159,366

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2010</u>
Emergency needs	5,419	15,000	(9,200)	11,219
Fairhill Friends Ministry	1,825	130	(392)	1,563
Family planning	751,404	82,360	(67,000)	766,764
Family relations	9,201	984	-	10,185
For future periods				
Fiduciary gift annuities	68,519	3,453	-	71,972
General funds	497,049	40,645	-	537,694
Beneficial interest in charitable remainder unitrust	269,500	29,500	-	299,000
Friends Institute	328,019	38,116	(24,122)	342,013
General bequests	3,871	241	-	4,112
HABS/Silent Witness – Meetinghouses	20,453	-	(20,453)	-
Indian committee	214,185	25,384	(13,991)	225,578
International outreach	7,290	12,305	(10,769)	8,826
Library	11,863	739	-	12,602
Meeting House trust funds	587,342	82,565	(35,215)	634,692
Non-violence and children	2,857	-	-	2,857
Peace and concerns	210,944	81,976	(55,271)	237,649
Pemberton fund	67,861	14,752	(4,383)	78,230
Pooled life income fund	150,335	13,570	-	163,905
School of the spirit	59,927	147,073	(104,107)	102,893
Troemner trust	3,146,487	204,553	-	3,351,040
Willitts funds	107,637	8,342	(8,650)	107,329
Young friends	1,500	1,954	(3,379)	75
	<u>\$14,727,908</u>	<u>\$3,023,742</u>	<u>\$(1,513,830)</u>	<u>\$16,237,820</u>

**(13) 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>2010</u>	<u>2009</u>
Aging – Facility Based		
Henrietta Stewart Smith Fund	\$ 209,058	\$ 209,058
Anna T. Jeanes #1	260,192	244,941
Anna T. Jeanes #2	533,819	502,529
Anna T. Jeanes #3	654,595	616,226
Anna T. Jeanes #5	1,668,848	1,571,028
The Greenleaf Fund	6,901,161	6,602,000
Strohkarck Fund	284,928	268,227
Satterthwaite and Hallowell Fund	10,271	9,669
Lida W. Van Iderstine Fund	12,957	12,957
	<u>10,535,829</u>	<u>10,036,635</u>



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

	<u>2010</u>	<u>2009</u>
Aging Funds – General		
Dr. Lovett Dewees Fund	6,605	6,605
George Abbott Fund	57,505	54,134
Albertson Fund	<u>1,071,622</u>	<u>1,008,807</u>
	<u>1,135,732</u>	<u>1,069,546</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>3,997,133</u>	<u>3,711,962</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	11,800	11,109
Burlington Meeting House Endowment Fund	669,163	669,163
General Fund	185,393	185,393
Graveyard Fund	44,498	44,498
Louisa and Corson Poley Fund	<u>65,930</u>	<u>62,066</u>
	<u>976,784</u>	<u>972,229</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>300,175</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	153,234	43,816
Albert G. and Mary H. Thatcher Fund	<u>22,690</u>	<u>21,360</u>
	<u>287,836</u>	<u>177,088</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

	<u>2010</u>	<u>2009</u>
International Outreach		
International Outreach #1	117,203	110,333
International Outreach #3	8,470	8,470
International Outreach #4	14,787	13,920
David Scull Fund	36,421	34,286
John Way Fund	<u>29,975</u>	<u>28,218</u>
	<u>206,856</u>	<u>195,227</u>
Meeting House Trust Funds		
Samuel Jeanes Fund	<u>170,637</u>	<u>170,637</u>
Peace and Concerns		
Cadwallader Fund for sundry purposes	9,251	8,709
Cadwallader Fund	<u>7,248</u>	<u>6,823</u>
	<u>16,499</u>	<u>15,532</u>
Pooled Life Income Fund	<u>63,647</u>	<u>170,978</u>
Prison Concerns		
Warren Endowment Fund for Criminal Justice	<u>161,490</u>	<u>161,490</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>\$18,845,315</u>	<u>\$17,974,196</u>

**(14) ENDOWMENT FUNDS**

In August 2008, a new accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“*UPMIFA*”). The Yearly Meeting is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Yearly Meeting has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Yearly Meeting’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 5.25% of a moving three-year average of the fair value of the endowment fund.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2010

Changes in the endowment assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$ 1,488,018	\$ 7,581,594	\$ 9,214,251	\$ 18,283,863
Additions	59,107	55,275	803,448	917,830
Investment income	<u>239,894</u>	<u>862,299</u>	<u>-</u>	<u>1,102,193</u>
Endowment net assets, end of year	<u>\$ 1,787,019</u>	<u>\$ 8,499,168</u>	<u>\$ 10,017,699</u>	<u>\$ 20,303,886</u>

**(15) 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, 2010</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments	\$ 21,775,508	\$ -	\$ 21,775,508	\$ -
Interest in assets of Friends Fiduciary Corporation	13,021,620	-	13,021,620	-
Beneficial interest in trust agreements	<u>7,647,172</u>	<u>-</u>	<u>7,647,172</u>	<u>-</u>
	<u>\$ 42,444,300</u>	<u>\$ -</u>	<u>\$ 42,444,300</u>	<u>\$ -</u>

	<u>Balance June 30, 2010</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Liabilities</b>				
Contribution payable to Friends Center Corporation	\$ 197,270	\$ -	\$ 197,270	\$ -
Pooled life income fund liability	68,700	-	68,700	-
Postretirement health benefit obligation	<u>647,737</u>	<u>-</u>	<u>647,737</u>	<u>-</u>
	<u>\$ 913,707</u>	<u>\$ -</u>	<u>\$ 913,707</u>	<u>\$ -</u>

**(16) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 12, 2010, the date on which the consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2010 that require recognition or disclosure in the consolidated financial statements.