

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

Financial Statements

June 30, 2012

Kreischer
Miller

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PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE
June 30, 2012

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Independent Auditors' Report

The Financial Oversight Working Group
Philadelphia Yearly Meeting of the
Religious Society of Friends and Affiliate
Philadelphia, Pennsylvania

We have audited the accompanying consolidated statement of financial position of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliate (the Organization) as of June 30, 2012, and the related consolidated statements of activities 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Affiliate as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliate taken as a whole. The accompanying 2012 supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The supplementary information for the year ended June 30, 2011 was audited by other auditors whose report dated October 19, 2011, expressed an unqualified opinion on such information in relation to the consolidated financial statements taken as a whole.

Kreischer Miller

Horsham, Pennsylvania
January 8, 2013

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

**Consolidated Statement of Financial Position
June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 787,920	\$ 839,280	\$ -	\$ 1,627,200
Accounts receivable:				
Meetings	157,245	-	-	157,245
Annual fund	82,545	-	-	82,545
Other	70,511	-	-	70,511
Mary Jeanes loan receivables	-	40,000	-	40,000
Prepaid expenses	44,762	-	-	44,762
Inventory	31,359	-	-	31,359
Total current assets	1,174,342	879,280	-	2,053,622
Deposits	35,150	-	-	35,150
Mary Jeanes loan receivables, net	-	236,792	-	236,792
Investments-PYM is the trustee	1,901,913	11,234,495	9,761,717	22,898,125
Investments-Friends Fiduciary Corporation is the trustee	5,665,949	2,722,402	5,398,383	13,786,734
Investment in Friend Center Corporation	3,510,000	-	-	3,510,000
Beneficial interest in trust agreements:				
Charitable remainder unitrust	-	285,028	1,961,515	2,246,543
Other various trusts	-	3,490,935	4,298,867	7,789,802
Property and equipment, net	3,301,559	-	-	3,301,559
	<u>\$ 15,588,913</u>	<u>\$ 18,848,932</u>	<u>\$ 21,420,482</u>	<u>\$ 55,858,327</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 616,761	\$ -	\$ -	\$ 616,761
Current portion of contribution payable to Friends Center Corporation	18,120	-	-	18,120
Deferred revenue	20,991	-	-	20,991
Funds held for others	291,674	-	-	291,674
Total current liabilities	947,546	-	-	947,546
Contribution payable to Friends Center Corporation, long-term	168,011	-	-	168,011
Postretirement health benefit obligation	435,032	-	-	435,032
Total liabilities	<u>1,550,589</u>	<u>-</u>	<u>-</u>	<u>1,550,589</u>
Net assets:				
Unrestricted				
Operating	6,651,732	-	-	6,651,732
Designated:				
Operating reserves	175,022	-	-	175,022
Capital reserves	400,011	-	-	400,011
Net investment in property and equipment	6,811,559	-	-	6,811,559
Temporarily restricted	-	18,848,932	-	18,848,932
Permanently restricted	-	-	21,420,482	21,420,482
Total net assets	<u>14,038,324</u>	<u>18,848,932</u>	<u>21,420,482</u>	<u>54,307,738</u>
Total liabilities and net assets	<u>\$ 15,588,913</u>	<u>\$ 18,848,932</u>	<u>\$ 21,420,482</u>	<u>\$ 55,858,327</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statement of Activities
Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:				
Support and revenue:				
Support from meetings and members:				
Support from meetings	\$ 1,257,240	\$ -	\$ -	\$ 1,257,240
Gifts of support	224,714	212,385	-	437,099
Annual fund	468,638	-	-	468,638
Event and service fees	588,568	199,572	-	788,140
Interest and income from investments	753,996	968,084	-	1,722,080
Net assets released from restrictions	1,328,507	(1,328,507)	-	-
Total support and revenue	4,621,663	51,534	-	4,673,197
Expenses:				
Staff expenses	1,785,077	-	-	1,785,077
Severance expense	67,408	-	-	67,408
Severance accrual	150,004	-	-	150,004
Volunteer expenses	12,160	-	-	12,160
Contributions to others	27,339	-	-	27,339
Events and program expense	226,479	-	-	226,479
Professional and service fees	70,727	-	-	70,727
Copying, printing and posting	53,849	-	-	53,849
Rent and utilities	348,503	-	-	348,503
Computer and office support	82,170	-	-	82,170
Insurance and maintenance	110,651	-	-	110,651
Temporary fund expenses	1,328,507	-	-	1,328,507
Depreciation	175,677	-	-	175,677
Total expenses	4,438,551	-	-	4,438,551
Change in net assets before other changes	183,112	51,534	-	234,646
Other changes:				
Realized and unrealized loss on investments-PYM is the trustee	(108,624)	(701,235)	-	(809,859)
Realized and unrealized loss on investments-Friends Fiduciary Corporation is the trustee	(216,092)	(115,720)	(187,057)	(518,869)
Change in investment in Friends Center Corporation	(138,000)	-	-	(138,000)
Change in value of beneficial interest in trusts held by external trustees	-	(78,826)	(221,558)	(300,384)
Change in value of pooled life income fund discount	-	6,585	(8)	6,577
	(462,716)	(889,196)	(408,623)	(1,760,535)
Change in net assets	(279,604)	(837,662)	(408,623)	(1,525,889)
Net assets, beginning of year	14,317,928	19,686,594	21,829,105	55,833,627
Net assets, end of year	\$ 14,038,324	\$ 18,848,932	\$ 21,420,482	\$ 54,307,738

See accompanying notes to consolidated financial statements.

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

**Consolidated Statement of Cash Flows
Years Ended June 30, 2012**

Cash flows from operating activities:	
Change in net assets	\$ (1,525,889)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized loss on investments	809,859
Realized and unrealized loss on investments-Friends Fiduciary Corporation is the trustee	518,869
Change in investment in Friends Center Corporation	138,000
Change in value of beneficial interest in trust agreements	300,384
Change in pooled life income fund discount	(6,577)
Depreciation	175,677
Gain on sale of property and equipment	(1,500)
(Increase) decrease in:	
Accounts receivable	(54,432)
Loans receivable	45,229
Prepaid expenses	8,102
Inventory	11,182
Increase (decrease) in:	
Accounts payable	51,861
Contribution payable to Friends Center Corporation	(3,019)
Deferred revenue	(8,291)
Funds held for others	(9,831)
Postretirement health benefit obligation	(204,238)
Net cash provided by operating activities	<u>245,386</u>
Cash flows from investing activities:	
Proceeds from sale of investments	1,590,252
Purchases of investments	(693,235)
Proceeds from the sale of property and equipment	1,500
Purchase of property and equipment	(26,648)
Net cash provided by investing activities	<u>871,869</u>
Net increase in cash and cash equivalents	1,117,255
Cash and cash equivalents, beginning of year	<u>509,945</u>
Cash and cash equivalents, end of year	<u>\$ 1,627,200</u>

See accompanying notes to consolidated financial statements.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(1) Organization and Operations

Philadelphia Yearly Meeting of the Religious Society of Friends (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.

Burlington Meeting House, Inc. (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. Through June 30, 2012, this facility existed for the benefit of Quaker youth and families.

Collectively, PYM and BMH are referred to as the Yearly Meeting.

Program Services

Program services consist of the following Standing Committees:

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 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.

Continued...

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(1) Organization and Operations, Continued

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 the Yearly Meeting in session), and property management.

Interim Meeting

The Interim Meeting Standing Committee is responsible for conducting the business of PYM 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 PYM 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.

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of PYM and its affiliate, BMH. All significant inter-organization transactions have been eliminated in consolidation.

Basis of Presentation

The Yearly Meeting presents its financial statements in accordance with Statement of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Yearly Meeting reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor imposed restrictions. Unrestricted net assets may include designated funds that could be re-designated.

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.

Continued...

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(2) Summary of Significant Accounting Policies, Continued

Permanently Restricted Net Assets, Continued

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.

Investment income earned in the current year, which is subject to donor restriction, is recorded as unrestricted to the extent the restrictions are met in the current year.

As described further below, beneficial interest in trust agreements and investments-Friends Fiduciary Corporation is the trustee, 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 investments-Friends Fiduciary Corporation is the trustee, are recorded each year as changes to permanently restricted net assets on the consolidated statement of activities.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Yearly Meeting considers temporary cash investments and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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.

Continued...

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(2) Summary of Significant Accounting Policies, Continued

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.

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

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

For the year ended June 30, 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Investments-Friends Fiduciary Corporation

Friends Fiduciary Corporation (FFC) is a Quaker nonprofit corporation that provides investment and trusteeship services for Friends meetings, schools and other nonprofit, tax-exempt organizations. FFC 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 FFC's Consolidated Fund (the Fund) (See Note 4).

Continued...

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(2) Summary of Significant Accounting Policies, Continued

Investments-Friends Fiduciary Corporation, Continued

PYM nominates candidates for the FFC's Board of Directors. The final choice of members elected to that Board, however, is by FFC, which alone has the ultimate right of selection. Therefore, PYM does not have a controlling interest in FFC. Accordingly, FFC'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 FFC. Distributions from trusts to the Yearly Meeting are recorded as interest and income from investments on the consolidated statement of activities.

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.

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.

Continued...

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(2) Summary of Significant Accounting Policies, Continued

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 31,170 hours of donated services in 2012.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the following schedule. Accordingly, certain costs have been allocated among the programs and supporting services benefited as follows for the year ended June 30, 2012.

Program expenses	\$ 3,597,340
Administrative expenses	581,900
Development expenses	259,311
	<u>\$ 4,438,551</u>

Income Taxes

PYM and BMH 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. As a religious organizations PYM and BMH are not required to file a Federal Form 990 related to its tax exempt status.

Concentrations of Credit Risk

Financial instruments which potentially subject the Yearly Meeting to concentrations of credit risk are cash and cash equivalents 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 2012 and loans receivable, the composition of which is more fully described in Note 3.

Continued...

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

**Notes to Consolidated Financial Statements
June 30, 2012**

(2) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain reclassifications were made to beginning of year net assets in the accompanying consolidated statement of activities based on management's determination of net asset restrictions in existence.

Subsequent Event

The Yearly meeting has performed an evaluation of subsequent events through January 8, 2013, which is the date the consolidated financial statements were available to be issued.

(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, 2012, of \$276,792, is net of an allowance for doubtful accounts of \$36,258 and a discount, calculated at 5%, of \$49,528.

(4) Investments

Investments at June 30, 2012 consist of units in the Fund of FFC. The Fund is a co-mingled investment fund sponsored by FFC. 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.

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(5) Assets Measured at Fair Value on a Recurring Basis

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them at June 30, 2012:

	Total	Level 1	Level 2	Level 3
Assets:				
Investments in the Fund - PYM trustee	\$ 22,898,125	\$ -	\$ 22,898,125	\$ -
Investments in the Fund - FFC trustee	13,786,734	-	13,786,734	-
Beneficial interest in trust agreements	10,036,345	-	-	10,036,345
	<u>\$ 46,721,204</u>	<u>\$ -</u>	<u>\$ 36,684,859</u>	<u>\$ 10,036,345</u>

The fair value of the beneficial interest in perpetual trusts is based on the fair value of the assets held by the trust.

There were no significant transfers among investment levels during the year ended June 30, 2012 except for the reclassification of the beneficial interest in trust agreements from level 2 measurements to level 3 as a result of re-evaluating the inputs of these investments.

The changes in level 3 assets measured at fair value are summarized below:

	Beneficial Interest in Trust Agreements
Balance, June 30, 2011	<u>\$ 10,773,679</u>
Withdrawals	(436,950)
Unrealized loss on investments	(300,384)
Balance, June 30, 2012	<u>\$ 10,036,345</u>

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2012

(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 using the equity method 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 \$266,263 for the year ended 2012.

(7) Property and Equipment

Property and equipment at June 30, 2012 consisted of the following:

Land	\$ 289,100
Buildings	354,000
Property improvements	5,162,181
Equipment	401,024
	<hr/> 6,206,305
Accumulated depreciation	(2,904,746)
	<hr/> \$ 3,301,559

Depreciation expense for the year ended June 30, 2012 was \$175,677.

(8) Line of Credit

Yearly Meeting maintains a line of credit with a bank under which the maximum outstanding balance is \$500,000. Principal is due on demand and interest is payable monthly at the LIBOR Advantage Rate plus 2.0% or prime rate plus 0.5%, chosen by Yearly Meeting at time of advance. The bank has a security interest in all personal property of the Yearly Meeting whether such property exists now or hereafter created and all cash or noncash proceeds from the disposition of such property. The line of credit expires January 2013.

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

**Notes to Consolidated Financial Statements
June 30, 2012**

(9) Contribution Payable to Friends Center Corporation

The contribution payable to the Center represents the amount that PYM has promised to pay to the Center 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 two to five years	72,480
Due after five years	199,429
	<u>290,029</u>
Less discount at 5%	(103,898)
	<u>\$ 186,131</u>

(10) 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. Changes in the fair value of the pooled life income fund, using a discount rate of 5%, are recognized as change in value of pooled life income fund in the accompanying consolidated statement of activities.

The Yearly Meeting has also recorded a liability of \$291,674 at June 30, 2012 for the assets specified by donors to be transferred to other Quaker organizations.

(11) 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 completed 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 \$25,180 for the year ended June 30, 2012.

The postretirement benefit obligation was determined by using a discount rate of 4.25% and a medical trend rate of 3.0%.

Continued...

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
June 30, 2012

(11) Postretirement Health Benefit Obligation, Continued

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, 2012:

Accumulated postretirement benefit obligation, fully vested :	
Retirees	\$ 214,633
Other plan participants	124,632
	<u>\$ 339,265</u>
Plan assets at fair value	<u>\$ -</u>
Accumulated postretirement obligation in excess of plan assets	\$ 339,265
Unrecognized net gain from experience different from assumed and changes in assumptions	<u>95,767</u>
Accrued postretirement benefit cost in the consolidated statement of financial position	<u>\$ 435,032</u>
Post retirement expense for the year ended June 30, 2012 include the following benefit obligation:	
Service cost	\$ 6,712
Interest cost on accumulated postretirement benefit obligation	22,964
Amortization of gain (change in accounting to immediate recognition)	<u>(208,734)</u>
Postretirement expense	<u>\$ (179,058)</u>

The estimated net gain that will be amortized into net periodic postretirement benefit cost in 2013 is \$76,000.

Continued...

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

Notes to Consolidated Financial Statements
June 30, 2012

(11) Postretirement Health Benefit Obligation, Continued

The expected annual reimbursements for the next five year are as follows:

Year Ending		
June 30,	Amount	
2013	\$	26,000
2014	\$	28,000
2015	\$	26,000
2016	\$	25,000
2017	\$	24,000

(12) 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. Contributions to the plan as determined by an actuary aggregated \$160,771 for the year ended June 30, 2012. The Yearly Meeting's relative position in this plan is not readily determinable.

Under governmental regulations, in the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Yearly Meeting has not received information from the plan's administrator to determine its share of unfunded vested benefits. The Yearly Meeting does not, however, anticipate withdrawal from the plan, nor is the Yearly Meeting aware of any expected plan terminations.

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

**Notes to Consolidated Financial Statements
June 30, 2012**

(13) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

	Temporarily Restricted Cash	Temporarily Restricted Net Assets	Total
Aging programs	\$ 116,529	\$ 6,582,087	\$ 6,698,616
Education programs	306,537	2,554,082	2,860,619
Purposes subject to trustee approval	-	5,198,349	5,198,349
Meeting House projects	74,297	943,514	1,017,811
Other programs	130,017	48,991	179,008
Outreach programs	175,157	1,670,267	1,845,424
Peace programs	36,743	227,430	264,173
For future periods	-	784,932	784,932
	<u>\$ 839,280</u>	<u>\$ 18,009,652</u>	<u>\$ 18,848,932</u>

(14) Permanently Restricted Net Assets

Permanently restricted net assets, the income from which is available for unrestricted or temporarily restricted use of the Yearly Meeting as specified by the donor, consists of the following funds at June 30, 2012:

Aging programs	\$ 12,179,120
Education programs	1,133,837
General programs	4,569,978
Meeting House projects	1,246,450
Outreach programs	272,919
Peace programs	18,337
Other programs	1,999,841
	<u>\$ 21,420,482</u>

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2012

(15) Endowment Funds

The Yearly Meeting accounts for its endowment funds in accordance with FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* now incorporated in FASB ASC 958-205. The Commonwealth of Pennsylvania has not yet adopted the provisions of the UPMIFA, but the Yearly Meeting is required by FASB ASC 958-205 to disclose certain matters associated with its endowment funds. Endowment funds subject to FASB ASC 958-205 include permanently restricted and certain board designated net assets for which the Yearly Meeting is Trustee. Management of the Yearly Meeting does not consider any other fund, whether temporarily restricted or board designated (unrestricted) to be subject to FASB ASC 958-205.

Return Objectives and Risk Parameters

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.

Spending Policy

The Yearly Meeting has agreed to accept FFC's default investment spending policy that calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 4.75% of a moving three-year average of the fair value of the endowment fund.

The changes in the endowment net assets for the year ended June 30, 2012 are summarized in the accompanying consolidated statement of activities.

SUPPLEMENTARY INFORMATION

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Supplementary Information
Consolidated Statement of Financial Position
June 30, 2012
(With Comparative Totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	2011
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 787,920	\$ 839,280	\$ -	\$ 1,627,200	\$ 509,945
Accounts receivable:					
Meetings	157,245	-	-	157,245	100,537
Annual fund	82,545	-	-	82,545	64,657
Other	70,511	-	-	70,511	90,675
Mary Jeanes loan receivables	-	40,000	-	40,000	42,000
Prepaid expenses	44,762	-	-	44,762	52,864
Inventory	31,359	-	-	31,359	42,541
Total current assets	1,174,342	879,280	-	2,053,622	903,219
Deposits	35,150	-	-	35,150	35,150
Mary Jeanes loan receivables, net	-	236,792	-	236,792	280,021
Investments-PYM is the trustee	1,901,913	11,234,495	9,761,717	22,898,125	23,521,231
Investments-Friends Fiduciary Corporation is the trustee	5,665,949	2,722,402	5,398,383	13,786,734	14,945,846
Investment in Friends Center Corporation	3,510,000	-	-	3,510,000	3,648,000
Beneficial interest in trust agreements:					
Charitable remainder unitrust	-	285,028	1,961,515	2,246,543	2,226,000
Other various trusts	-	3,490,935	4,298,867	7,789,802	8,547,679
Property and equipment, net	3,301,559	-	-	3,301,559	3,450,588
	<u>\$ 15,588,913</u>	<u>\$ 18,848,932</u>	<u>\$ 21,420,482</u>	<u>\$ 55,858,327</u>	<u>\$ 57,557,734</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 616,761	\$ -	\$ -	\$ 616,761	\$ 564,900
Current portion of contribution payable to Friends Center Corporation	18,120	-	-	18,120	18,120
Deferred revenue	20,991	-	-	20,991	29,282
Funds held for others	291,674	-	-	291,674	301,505
Total current liabilities	947,546	-	-	947,546	913,807
Contribution payable to Friends Center Corporation, long-term	168,011	-	-	168,011	171,030
Postretirement health benefit obligation	435,032	-	-	435,032	639,270
Total liabilities	1,550,589	-	-	1,550,589	1,724,107
Net assets:					
Unrestricted	14,038,324	-	-	14,038,324	14,156,563
Temporarily restricted	-	18,848,932	-	18,848,932	19,923,904
Permanently restricted	-	-	21,420,482	21,420,482	21,753,160
Total net assets	14,038,324	18,848,932	21,420,482	54,307,738	55,833,627
Total liabilities and net assets	<u>\$ 15,588,913</u>	<u>\$ 18,848,932</u>	<u>\$ 21,420,482</u>	<u>\$ 55,858,327</u>	<u>\$ 57,557,734</u>