PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Financial Statements

June 30, 2013 and 2012

Kreischer Miller

PEOPLE | IDEAS | SOLUTIONS

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE
June 30, 2013 and 2012

CONTENTS

Kreischer Miller

PEOPLE | IDEAS | SOLUTIONS

100 Witmer Road, Suite 350, Horsham, PA 19044-2369
215-441-4600 ▪ fax: 215-672-8224 ▪ www.kmco.com

Independent Auditors' Report

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

We have audited accompanying consolidated financial statements of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 audits 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Kreischer Miller

Horsham, Pennsylvania
December 2, 2013

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 877,020	$ 878,511	$ -	$ 1,755,531
Cash held for Friends Pension Plan	229,536	-	-	229,536
Accounts receivable:				
Meetings	248,424	-	-	248,424
Annual fund	53,332	-	-	53,332
Other	54,641	-	-	54,641
Mary Jeanes loan receivables	-	40,000	-	40,000
Prepaid expenses	95,606	-	-	95,606
Inventory	16,642	-	-	16,642
Total current assets	1,575,201	918,511	-	2,493,712
Deposits	35,150	-	-	35,150
Mary Jeanes loan receivables, net	-	199,413	-	199,413
Investments-PYM is the trustee	2,048,716	12,659,257	9,765,119	24,473,092
Investments-Friends Fiduciary Corporation is the trustee	6,261,721	2,886,439	5,775,790	14,923,950
Investment in Friend Center Corporation	3,414,000	-	-	3,414,000
Beneficial interest in trust agreements:				
Charitable remainder unitrust	-	256,743	2,132,576	2,389,319
Other various trusts	-	3,680,491	4,518,494	8,198,985
Property and equipment, net	3,151,911	-	-	3,151,911
	$ 16,486,699	$ 20,600,854	$ 22,191,979	$ 59,279,532
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 235,983	$ -	$ -	$ 235,983
Current portion of contribution payable to Friends Center Corporation	18,120	-	-	18,120
Deferred revenue	58,887	-	-	58,887
Funds held for Friends Pension Plan	229,536	-	-	229,536
Funds held for others	292,145	-	-	292,145
Total current liabilities	834,671	-	-	834,671
Contribution payable to Friends Center Corporation, long-term	160,864	-	-	160,864
Postretirement health benefit obligation	332,585	-	-	332,585
Pension benefit obligation	169,146	-	-	169,146
Total liabilities	1,497,266	-	-	1,497,266
Net assets:				
Unrestricted				
Operating	7,569,503	-	-	7,569,503
Designated:				
Operating reserves	375,015	-	-	375,015
Capital reserves	479,004	-	-	479,004
Net investment in property and equipment	6,565,911	-	-	6,565,911
Temporarily restricted	-	20,600,854	-	20,600,854
Permanently restricted	-	-	22,191,979	22,191,979
Total net assets	14,989,433	20,600,854	22,191,979	57,782,266
Total liabilities and net assets	$ 16,486,699	$ 20,600,854	$ 22,191,979	$ 59,279,532

See accompanying notes to consolidated financial statements.

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 787,920	$ 839,280	$ -	$ 1,627,200
-	-	-	-
157,245	-	-	157,245
82,545	-	-	82,545
70,511	-	-	70,511
-	40,000	-	40,000
44,762	-	-	44,762
31,359	-	-	31,359
1,174,342	879,280	-	2,053,622
35,150	-	-	35,150
-	236,792	-	236,792
1,901,913	11,234,495	9,761,717	22,898,125
5,665,949	2,722,402	5,398,383	13,786,734
3,510,000	-	-	3,510,000
-	285,028	1,961,515	2,246,543
-	3,490,935	4,298,867	7,789,802
3,301,559	-	-	3,301,559
$ 15,588,913	$ 18,848,932	$ 21,420,482	$ 55,858,327
$ 616,761	$ -	$ -	$ 616,761
18,120	-	-	18,120
20,991	-	-	20,991
-	-	-	-
291,674	-	-	291,674
947,546	-	-	947,546
168,011	-	-	168,011
435,032	-	-	435,032
-	-	-	-
1,550,589	-	-	1,550,589
6,651,732	-	-	6,651,732
175,022	-	-	175,022
400,011	-	-	400,011
6,811,559	-	-	6,811,559
-	18,848,932	-	18,848,932
-	-	21,420,482	21,420,482
14,038,324	18,848,932	21,420,482	54,307,738
$ 15,588,913	$ 18,848,932	$ 21,420,482	$ 55,858,327

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Consolidated Statements of Activities
Years Ended June 30, 2013 and 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:				
Support and revenue:				
Support from meetings and members:				
Support from meetings	$ 1,232,804	$ -	$ -	$ 1,232,804
Gifts of support	52,905	227,274	-	280,179
Annual fund	456,642	-	-	456,642
Event and service fees	493,093	100,557	-	593,650
Interest and income from investments	714,999	955,709	-	1,670,708
Net assets released from restrictions	1,180,662	(1,180,662)	-	-
Total support and revenue	4,131,105	102,878	-	4,233,983
Expenses:				
Staff expenses	1,350,895	-	-	1,350,895
Pension fund accrual	169,146	-	-	169,146
Severance expense	3,458	-	-	3,458
Severance accrual	-	-	-	-
Volunteer expenses	12,980	-	-	12,980
Contributions to others	28,843	-	-	28,843
Events and program expense	166,742	-	-	166,742
Professional and service fees	85,453	-	-	85,453
Copying, printing and posting	33,171	-	-	33,171
Rent and utilities	289,514	-	-	289,514
Computer and office support	92,129	-	-	92,129
Insurance and maintenance	88,988	-	-	88,988
Temporary fund expenses	1,180,662	-	-	1,180,662
Depreciation	178,433	-	-	178,433
Total expenses	3,680,414	-	-	3,680,414
Change in net assets before other changes	450,691	102,878	-	553,569
Other changes:				
Realized and unrealized income (loss) on investments-PYM is the trustee	212,927	1,326,560	-	1,539,487
Realized and unrealized income (loss) on investments-Friends Fiduciary Corporation is the trustee	383,491	167,565	381,746	932,802
Change in investment in Friends Center Corporation	(96,000)	-	-	(96,000)
Change in value of beneficial interest in trusts held by external trustees	-	161,271	390,688	551,959
Change in value of pooled life income fund discount	-	(6,352)	(937)	(7,289)
	500,418	1,649,044	771,497	2,920,959
Change in net assets	951,109	1,751,922	771,497	3,474,528
Net assets, beginning of year	14,038,324	18,848,932	21,420,482	54,307,738
Net assets, end of year	$ 14,989,433	$ 20,600,854	$ 22,191,979	$ 57,782,266

		2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	$ 1,257,240	$ -	$ -	$ 1,257,240
	224,714	212,385	-	437,099
	468,638	-	-	468,638
	588,568	199,572	-	788,140
	753,996	968,084	-	1,722,080
	1,328,507	(1,328,507)	-	-
	4,621,663	51,534	-	4,673,197
	1,785,077	-	-	1,785,077
	-	-	-	-
	67,408	-	-	67,408
	150,004	-	-	150,004
	12,160	-	-	12,160
	27,339	-	-	27,339
	226,479	-	-	226,479
	70,727	-	-	70,727
	53,849	-	-	53,849
	348,503	-	-	348,503
	82,170	-	-	82,170
	110,651	-	-	110,651
	1,328,507	-	-	1,328,507
	175,677	-	-	175,677
	4,438,551	-	-	4,438,551
	183,112	51,534	-	234,646
	(108,624)	(701,235)	-	(809,859)
	(216,092)	(115,720)	(187,057)	(518,869)
	(138,000)	-	-	(138,000)
	-	(78,826)	(221,558)	(300,384)
	-	6,585	(8)	6,577
	(462,716)	(889,196)	(408,623)	(1,760,535)
	(279,604)	(837,662)	(408,623)	(1,525,889)
	14,317,928	19,686,594	21,829,105	55,833,627
	$ 14,038,324	$ 18,848,932	$ 21,420,482	$ 54,307,738

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 3,474,528	$ (1,525,889)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(1,539,487)	809,859
Realized and unrealized (gain) loss on investments-Friends Fiduciary Corporation is the trustee	(932,802)	518,869
Change in investment in Friends Center Corporation	96,000	138,000
Change in value of beneficial interest in trust agreements	(551,959)	300,384
Change in pooled life income fund discount	7,289	(6,577)
Depreciation	178,433	175,677
Gain on sale of property and equipment	-	(1,500)
(Increase) decrease in:		
Cash held for Friends Pension Plan	(229,536)	-
Accounts receivable	(46,096)	(54,432)
Loans receivable	37,379	45,229
Prepaid expenses	(50,844)	8,102
Inventory	14,717	11,182
Increase (decrease) in:		
Accounts payable	(380,778)	51,861
Contribution payable to Friends Center Corporation	(7,147)	(3,019)
Deferred revenue	37,896	(8,291)
Funds held for others (including Friends Pension Plan)	230,007	(9,831)
Postretirement health benefit obligation	(102,447)	(204,238)
Pension benefit obligation	169,146	-
Net cash provided by operating activities	404,299	245,386
Cash flows from investing activities:		
Proceeds from sale of investments	546,478	1,590,252
Purchases of investments	(793,661)	(693,235)
Proceeds from the sale of property and equipment	-	1,500
Purchase of property and equipment	(28,785)	(26,648)
Net cash provided by (used in) investing activities	(275,968)	871,869
Net increase in cash and cash equivalents	128,331	1,117,255
Cash and cash equivalents, beginning of year	1,627,200	509,945
Cash and cash equivalents, end of year	$ 1,755,531	$ 1,627,200

See accompanying notes to consolidated financial statements.

(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. The Trustees of BMH hold title to the land and property known as the Burlington Meeting House. All Trustees and officers of BMH are appointed by PYM. At June 30, 2013, this facility was managed by the Trustees for the benefit of Quaker youth and families and the local community.

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...

(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.

(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 consolidated financial statements in accordance with 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

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

Temporarily Restricted Net Assets

Temporarily restricted net assets are 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 statements 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...

(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 statements of activities.

Use of Estimates

The preparation of financial statements in accordance 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 statements 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.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Cash Held for Friends Pension Plan

Cash held for Friends Pension Plan consists of amounts held separately for Friends Pension Plan short term obligations (see Note 12). Prior to January 1, 2013, PYM staff had day to day administrative responsibility for the plan with cash outlays being reimbursed from plan investments held at Friends Fiduciary Corporation. As of January 1, 2013, routine administrative functions were outsourced to the plan's actuarial firm. The Friends Pension Plan Committee authorized the establishment of a separate bank account under the normal rules of PYM to fund distributions and expenses as incurred by the actuarial firm and its subcontractors. The bank account balance as of June 30, 2013 appears as both an asset and liability on the consolidated statement of financial position.

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 consolidated statements 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.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurements of Assets and Liabilities, Continued

Level 3: Unobservable inputs that are not corroborated by market data.

For the years ended June 30, 2013 and 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).

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 consolidated 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 statements 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.

Continued...

(2) Summary of Significant Accounting Policies, Continued

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 33,580 and 31,170 hours of donated services in 2013 and 2012, respectively.

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 years ended June 30:

	2013	2012
Program expenses	$ 2,846,835	$ 3,597,340
Administrative expenses	636,078	581,900
Development expenses	197,501	259,311
	$ 3,680,414	$ 4,438,551

Continued...

(2) Summary of Significant Accounting Policies, Continued

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 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 and loans receivable, the composition of which is more fully described in Note 3.

Subsequent Event

The Yearly Meeting has performed an evaluation of subsequent events through December 2, 2013, which is the date the consolidated financial statements were available to be issued.

(3) Mary Jeanes Loans Receivable

The Yearly Meeting made loans to individuals for educational purposes from a fund established by a contribution from Anna T. Jeanes. This loan program was discontinued in fiscal year 2013. The loans were non-interest bearing and are expected to be collected within five years after graduation. The loans receivable balances at June 30, 2013 and 2012 of $239,413 and $276,792, respectively, are net of an allowance for doubtful accounts of $56,252 and $36,258, respectively, and a discount, calculated at 5%, of $42,837 and $49,528, respectively.

(4) Investments

Investments at June 30, 2013 and 2012 consist of units in the Fund of FFC. The Fund is a co-mingled socially responsible 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 stock, real estate investment trusts and fixed income investments.

(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:

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in the Fund - PYM trustee	$ 24,473,092	$ -	$ 24,473,092	$ -
Investments in the Fund - FFC trustee	14,923,950	-	14,923,950	-
Beneficial interest in trust agreements	10,588,304	-	-	10,588,304
	$ 49,985,346	$ -	$ 39,397,042	$ 10,588,304

	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
	$ 46,721,204	$ -	$ 36,684,859	$ 10,036,345

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

There were no significant transfers among investment levels during the years ended June 30, 2013 and 2012.

Continued...

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

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

	Beneficial Interest in Trust Agreements
Balance, June 30, 2011	$ 10,773,679
Withdrawals	(436,950)
Unrealized loss on investments included in changes in net assets	(300,384)
Balance, June 30, 2012	$ 10,036,345
Unrealized gain on investments included in changes in net assets	551,959
Balance, June 30, 2013	$ 10,588,304

(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 for the years ended June 30, 2013 and 2012 was $222,419 and $266,263, respectively.

(7) Property and Equipment

Property and equipment at June 30 consist of the following:

	2013	2012
Land	$ 289,100	$ 289,100
Buildings	354,000	354,000
Property improvements	5,174,281	5,162,181
Equipment	417,709	401,024
	6,235,090	6,206,305
Accumulated depreciation	(3,083,179)	(2,904,746)
	$ 3,151,911	$ 3,301,559

Depreciation expense for the years ended June 30, 2013 and 2012 was $178,433 and $175,677, respectively.

(8) Line of Credit

The Yearly Meeting maintains a line of credit with Citizens 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 2014.

(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 6). 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	181,314
	271,914
Discount at 5%	(92,930)
	$ 178,984

(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 statements of activities. At June 30, 2013 and 2012 the Yearly Meeting has also recorded a liability of $292,145 and $291,674, respectively, for the assets specified by donors to be transferred to other Quaker organizations.

The Yearly Meeting receives semi-annual distributions from FFC and annual assessments from participating employers to fund the requirements of its participation in Friends Pension Plan (see Note 12). Amounts received and not yet remitted to the Friends Pension Plan amounted to $229,536 as of June 30, 2013.

(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. Funding for the plan is provided on a monthly basis by paying a predetermined premium per person, as established by the insurance provider up to a maximum of $252 per month. Contributions to the plan were $25,723 and $25,180, respectively, for the years ended June 30, 2013 and 2012.

The postretirement benefit obligation was determined by using a discount rate of 4.50% and 4.25% for 2013 and 2012, respectively, and a medical trend rate of 3.0% for 2013 and 2012.

Continued...

(11) Postretirement Health Benefit Obligation, Continued

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

	2013	2012
Accumulated postretirement benefit obligation, fully vested :		
Retirees	$ 203,596	$ 214,633
Fully eligible active participants	50,097	-
Other plan participants	77,849	124,632
	$ 331,542	$ 339,265
Plan assets at fair value	$ -	$ -
Accumulated postretirement obligation in excess of plan assets	$ 331,542	$ 339,265
Unrecognized net gain from experience different from assumed and changes in assumptions	1,043	95,767
Accrued postretirement benefit cost in the consolidated statements of financial position	$ 332,585	$ 435,032

The following table sets forth the components of the net postretirement benefit cost for the years ended June 30:

	2013	2012
Service cost	$ 5,128	$ 6,712
Interest cost on accumulated postretirement benefit obligation	13,915	22,964
Amortization of gain (change in accounting to immediate recognition in 2012)	(95,767)	(208,734)
Postretirement expense	$ (76,724)	$ (179,058)

The estimated net gain that will be amortized into net periodic postretirement benefit cost in 2014 is $17,000.

Continued...

(11) Postretirement Health Benefit Obligation, Continued

The expected annual disbursements for the next five years individually and the following five years in aggregate are as follows:

Year Ending June 30,		Amount
2014	$	29,000
2015	$	28,000
2016	$	28,000
2017	$	26,000
2018	$	25,000
2019-2023	$	132,000

(12) Pension Plan

PYM is a participant in Friends Pension Plan (the Plan) a multiple-employer, noncontributory, defined benefit pension plan covering substantially all of PYM's employees. FFC serves as the Trustee for the Plan. PYM'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. PYM does not anticipate withdrawal from the Plan, nor is PYM aware of any unexpected plan terminations.

PYM used a measurement date of January 1, 2013 for June 30, 2013 disclosures. The following table sets forth the combined Plan's funded status as of January 1, 2013:

Benefit obligation at January 1, 2013	$	10,371,829
Fair value of plan assets at January 1, 2013		9,495,942
Funded status	$	(875,887)

PYM has an accrued pension liability of $169,146 at June 30, 2013. The benefit obligation at January 1, 2013 was determined by using a discount rate of 6.50%, an annual salary increase of 3.00% and the Internal Revenue Service 2013 Static Mortality Table.

Benefits paid by the Plan were $600,899 for the year ended January 1, 2013. Total contributions to the Plan for the year ended January 31, 2013 were $469,589. PYM's contributions to the Plan as determined by an actuary aggregated $188,764 and $160,771 for the years ended June 30, 2013 and 2012, respectively.

Continued...

(12) Pension Plan, Continued

The Plan's assets at January 1, 2013 consist of a money market fund and an investment in the Fund. The Fund's investment objective is to provide long-term total return by investing its assets in a balanced portfolio of common stock, financial trusts such as real estate investment trusts and fixed income investments. The money market account is a co-mingled account held by FFC.

The fair value of the Plan's assets by asset category at January 1, 2013 are as follows:

	January 1, 2013			
	Total	Level 1	Level 2	Level 3
Money Market	$ 194,456	$ -	$ 194,456	$ -
Units in the Consolidated Fund of FFC	8,676,377	-	8,676,377	-
	$ 8,870,833	$ -	$ 8,870,833	$ -

The estimated net gain of the combined Plan that will be amortized into net periodic postretirement benefit cost in the future is $276,458. The expected contribution to the Plan for 2014 is $361,041, PYM's portion is estimated at $132,000.

(13) Temporarily Restricted Net Assets

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

	Temporarily Restricted Cash	Temporarily Restricted Net Assets	Total
Aging programs	$ 44,306	$ 7,581,542	$ 7,625,848
Education programs	331,992	2,782,022	3,114,014
Purposes subject to trustee approval	-	5,522,889	5,522,889
Meeting House projects	106,309	1,065,226	1,171,535
Other programs	192,059	26,598	218,657
Outreach programs	152,303	1,786,809	1,939,113
Peace programs	51,540	243,329	294,870
For future periods	-	713,929	713,929
	$ 878,511	$ 19,722,343	$ 20,600,854

Continued...

(13) Temporarily Restricted Net Assets, Continued

	2012		
	Temporarily Restricted Cash	Temporarily Restricted Net Assets	Total Temp Resticted Net Assets
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
	$ 839,280	$ 18,009,652	$ 18,848,932

(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, 2013:

	2013	2012
Aging programs	$ 12,527,559	$ 12,179,120
Education programs	1,144,462	1,133,837
General programs	4,790,342	4,569,978
Meeting House projects	1,247,367	1,246,450
Outreach programs	288,334	272,919
Peace programs	19,619	18,337
For future periods	2,174,296	1,999,841
	$ 22,191,979	$ 21,420,482

(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 4.5% of a moving three-year average of the fair value of the endowment fund.

The changes in the endowment net assets for the years ended June 30, 2013 and 2012 are summarized in the accompanying consolidated statements of activities.

SUPPLEMENTARY INFORMATION

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Cash Flows by Restrictions
Year Ended June 30, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash flows from operating activities:				
Change in net assets	$ 951,109	$ 1,751,922	$ 771,497	$ 3,474,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Realized and unrealized gain on investments	(212,927)	(1,326,560)	-	(1,539,487)
Realized and unrealized gain on investments-Friends Fiduciary Corporation is the trustee	(383,491)	(167,565)	(381,746)	(932,802)
Change in investment in Friends Center Corporation	96,000	-	-	96,000
Change in value of beneficial interest in trust agreements	-	(161,271)	(390,688)	(551,959)
Change in pooled life income fund discount	-	6,352	937	7,289
Depreciation	178,433	-	-	178,433
(Increase) decrease in:				
Cash held for Friends Pension Plan	(229,536)	-	-	(229,536)
Accounts receivable	(46,096)	-	-	(46,096)
Loans receivable	-	37,379	-	37,379
Prepaid expenses	(50,844)	-	-	(50,844)
Inventory	14,717	-	-	14,717
Increase (decrease) in:				
Accounts payable	(380,778)	-	-	(380,778)
Contribution payable to Friends Center Corporation	(7,147)	-	-	(7,147)
Deferred revenue	37,896	-	-	37,896
Funds held for others (including Friends Pension Plan)	230,007	-	-	230,007
Postretirement health benefit obligation	(102,447)	-	-	(102,447)
Pension benefit obligation	169,146	-	-	169,146
Net cash provided by operating activities	264,042	140,257	-	404,299
Cash flows from investing activities:				
Proceeds from sale of investments	262,846	283,632	-	546,478
Purchases of investments	(409,003)	(384,658)	-	(793,661)
Purchase of property and equipment	(28,785)	-	-	(28,785)
Net cash used in investing activities	(174,942)	(101,026)	-	(275,968)
Net increase in cash and cash equivalents	89,100	39,231	-	128,331
Cash and cash equivalents, beginning of year	787,920	839,280	-	1,627,200
Cash and cash equivalents, end of year	$ 877,020	$ 878,511	$ -	$ 1,755,531

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Temporarily Restricted Revenue and Net Assets Released from Restrictions
Years Ended June 30, 2013 and 2012

	2013	2012
Support and revenue:		
Gifts of support	$ 227,274	$ 212,385
Event and service fees	100,557	199,572
Interest and income from investments	955,709	968,084
	1,283,540	1,380,041
Expenses:		
Staff expenses	96,385	181,605
Volunteer expenses	10,084	17,002
Contributions to others	855,236	889,604
Events and program expense	170,390	185,078
Professional and service fees	14,344	20,904
Copying, printing and posting	4,244	2,036
Rent and utilities	5,665	3,195
Computer and office support	562	1,446
Insurance and maintenance	23,752	27,637
	1,180,662	1,328,507
Changes in net assets	$ 102,878	$ 51,534