

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

Consolidated Financial Statements

September 30, 2019 and 2018

**Kreischer
Miller**

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**PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE**
September 30, 2019 and 2018

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Independent Auditors' Report

The Audit Committee
Philadelphia Yearly Meeting of the
Religious Society of Friends and Affiliate
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of Philadelphia Yearly Meeting of the Religious Society of Friends and Affiliate, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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 September 30, 2019 and 2018, 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.

A handwritten signature in cursive script, reading "Kreischer Miller".

Horsham, Pennsylvania
March 6, 2020

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Consolidated Statements of Financial Position
September 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,152,074	\$ 1,330,992	\$ 2,483,066
Accounts receivable:			
Meetings	80,385	-	80,385
Annual fund	-	-	-
Other	23,445	-	23,445
Mary Jeanes loans receivable	-	-	-
Prepaid expenses	13,705	-	13,705
Total current assets	1,269,609	1,330,992	2,600,601
Mary Jeanes loans receivable, net	-	17,059	17,059
Investments-PYM is the trustee	4,106,894	30,738,913	34,845,807
Investments-Friends Fiduciary Corporation is the trustee	7,783,999	11,004,342	18,788,341
Investment in Friends Center Corporation	2,745,000	-	2,745,000
Beneficial interests in trust agreements:			
Charitable remainder unitrust	-	411,296	411,296
Other various trusts	-	9,412,911	9,412,911
Property and equipment, net	1,048,616	-	1,048,616
	<u>\$ 16,954,118</u>	<u>\$ 52,915,513</u>	<u>\$ 69,869,631</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 167,634	\$ -	\$ 167,634
Current portion of contribution payable to Friends Center Corporation	18,566	-	18,566
Deferred revenue	-	-	-
Funds held for others	219,651	-	219,651
Total current liabilities	405,851	-	405,851
Contribution payable to Friends Center Corporation, long-term	118,114	-	118,114
Postretirement health benefit obligation	271,754	-	271,754
Pension benefit obligation	893,201	-	893,201
Total liabilities	<u>1,688,920</u>	<u>-</u>	<u>1,688,920</u>
Net assets:			
Without donor restrictions			
Operating	9,413,070	-	9,413,070
Board designated:			
Operating reserves	1,315,673	-	1,315,673
Capital reserves	742,839	-	742,839
Net investment in property and equipment	3,793,616	-	3,793,616
With donor restrictions	-	52,915,513	52,915,513
Total net assets	<u>15,265,198</u>	<u>52,915,513</u>	<u>68,180,711</u>
Total liabilities and net assets	<u>\$ 16,954,118</u>	<u>\$ 52,915,513</u>	<u>\$ 69,869,631</u>

See accompanying notes to consolidated financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,312,747	\$ 1,080,785	\$ 2,393,532
73,050	-	73,050
6,185	-	6,185
6,456	14,872	21,328
-	18,000	18,000
21,273	-	21,273
1,419,711	1,113,657	2,533,368
-	33,989	33,989
4,281,229	30,758,133	35,039,362
7,781,138	10,989,921	18,771,059
2,831,000	-	2,831,000
-	418,600	418,600
-	9,770,453	9,770,453
1,015,299	-	1,015,299
\$ 17,328,377	\$ 53,084,753	\$ 70,413,130
\$ 294,240	\$ -	\$ 294,240
18,125	-	18,125
7,869	-	7,869
399,096	-	399,096
719,330	-	719,330
128,039	-	128,039
270,037	-	270,037
354,193	-	354,193
1,471,599	-	1,471,599
9,931,779	-	9,931,779
1,299,399	-	1,299,399
779,301	-	779,301
3,846,299	-	3,846,299
-	53,084,753	53,084,753
15,856,778	53,084,753	68,941,531
\$ 17,328,377	\$ 53,084,753	\$ 70,413,130

PHILADELPHIA YEARLY MEETING OF
THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019		
	Without donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Support and revenue:			
Support and contributions:			
Support from meetings	\$ 1,113,846	\$ -	\$ 1,113,846
Gifts of support	60,386	146,256	206,642
Annual fund	350,568	-	350,568
Event and service fees	557,646	8,230	565,876
Net investment return	867,292	1,132,316	1,999,608
Net assets released from restrictions	1,234,704	(1,234,704)	-
Total support and revenue	4,184,442	52,098	4,236,540
Expenses:			
Program services	2,915,657	-	2,915,657
Administration	798,208	-	798,208
Development	320,168	-	320,168
Total expenses	4,034,033	-	4,034,033
Change in net assets before other changes	150,409	52,098	202,507
Other changes:			
Realized and unrealized gains (losses) on investments-PYM is the trustee	(119,841)	107,797	(12,044)
Realized and unrealized gains on investments-Friends Fiduciary Corporation is the trustee	2,860	35,711	38,571
Change in value of investment in Friends Center Corporation	(86,000)	-	(86,000)
Change in value of beneficial interests in trusts held by external trustees	-	(364,846)	(364,846)
Pension fund recovery (accrual)	(539,008)	-	(539,008)
	(741,989)	(221,338)	(963,327)
Change in net assets	(591,580)	(169,240)	(760,820)
Net assets, beginning of year	15,856,778	53,084,753	68,941,531
Net assets, end of year	\$ 15,265,198	\$ 52,915,513	\$ 68,180,711

See accompanying notes to consolidated financial statements.

2018		
Without donor Restrictions	With Donor Restrictions	Total
\$ 1,133,050	\$ -	\$ 1,133,050
23,672	205,910	229,582
311,770	-	311,770
514,487	35,186	549,673
822,059	1,027,325	1,849,384
1,336,137	(1,336,137)	-
4,141,175	(67,716)	4,073,459
2,863,712	-	2,863,712
908,615	-	908,615
240,688	-	240,688
4,013,015	-	4,013,015
128,160	(67,716)	60,444
179,380	1,313,604	1,492,984
334,765	500,264	835,029
(102,000)	-	(102,000)
-	403,391	403,391
459,613	-	459,613
871,758	2,217,259	3,089,017
999,918	2,149,543	3,149,461
14,856,860	50,935,210	65,792,070
\$ 15,856,778	\$ 53,084,753	\$ 68,941,531

**PHILADELPHIA YEARLY MEETING OF
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**Statement of Functional Expenses
Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)**

	2019			2018	
	Program Services	Administrative	Development	Total Expenses	Total Expenses
Staff expenses	\$ 1,128,269	\$ 410,284	\$ 193,532	\$ 1,732,085	1,794,381
Volunteer Expenses	16,583	-	-	16,583	14,554
Contributions to Others	1,014,448	-	-	1,014,448	1,022,249
Events and Program Expense	270,984	-	-	270,984	285,111
Professional and Service Fees	29,392	205,735	14,696	249,823	165,423
Copying, Printing and Postage	11,299	3,828	23,962	39,089	27,963
Rent and utilities	210,821	71,615	25,276	307,712	312,220
Computer and office support	26,396	89,764	7,077	123,237	116,424
Insurance and maintenance	83,703	7,705	3,206	94,614	116,494
Development	-	-	48,559	48,559	44,903
Depreciation	123,762	9,277	3,860	136,899	112,408
	\$ 2,915,657	\$ 798,208	\$ 320,168	\$ 4,034,033	\$ 4,012,130

See accompanying notes to financial statements.

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

**Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (760,820)	\$ 3,149,461
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	12,044	(1,492,984)
Realized and unrealized gain on investments-Friends Fiduciary Corporation is the trustee	(38,571)	(835,029)
Change in value of investment in Friends Center Corporation	86,000	102,000
Change in value of beneficial interests in trust agreements	364,846	(403,391)
Depreciation	136,899	112,408
(Increase) decrease in:		
Accounts receivable	(3,267)	219,186
Loans receivable	34,930	47,006
Prepaid expenses	7,568	40,944
Increase (decrease) in:		
Accounts payable	(126,606)	(51,826)
Contribution payable to Friends Center Corporation	(9,484)	(12,015)
Deferred revenue	(7,869)	3,564
Funds held for others (including Friends Pension Plan)	(179,445)	181,840
Postretirement health benefit obligation	1,717	(27,690)
Pension benefit obligation	539,008	(459,613)
Net cash provided by operating activities	56,950	573,861
Cash flows from investing activities:		
Proceeds from sale of investments	286,000	585,851
Purchases of investments	(84,734)	(451,888)
Purchase of property and equipment	(168,682)	(47,738)
Net cash provided by investing activities	32,584	86,225
Net increase in cash and cash equivalents	89,534	660,086
Cash and cash equivalents, beginning of year	2,393,532	1,733,446
Cash and cash equivalents, end of year	\$ 2,483,066	\$ 2,393,532

See accompanying notes to consolidated financial statements.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements September 30, 2019 and 2018

(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, the Eastern Shore of Maryland 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.

Arch Street Meeting House Preservation Trust (ASMHPT) is a Pennsylvania nonprofit corporation organized in 2011, as a supporting organization to PYM in the maintenance, operation, renovation, improvement and preservation of the historic building, site and artifacts of the Arch Street Meeting House and grounds. ASMHPT's activities include: publishing and dissemination of materials, provision of programs and education about the history and use of the historic property, the raising of funds for, and the financing of, any or all of the foregoing, and doing anything necessary or desirable to carry out the foregoing purposes. All Trustees and officers of ASMHPT are appointed by PYM.

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

Program Services

Program services consist of the following internal boards:

Arch Street Meeting House Preservation Trust

The Arch Street Meeting House Preservation Trust 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.

Administrative Council

The Administrative Council holds full authority and responsibility for managing the affairs of PYM except for the authority and responsibility assigned to the Quaker Life Council or reserved to Yearly Meeting in Session, the yearly meeting officers, or staff.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements
September 30, 2019 and 2018

(1) Organization and Operations, Continued

Administrative Council, Continued

The Administrative Council's authority and responsibility shall include, but not be limited to: property, finance, budget preparation, audit, investments, development, grant-making, personnel and periodic strategic planning. The Council may appoint and lay down its own committees as needed, assigning responsibilities, and appointing committee members who need not be members of the Administrative Council but are asked to do related work. The Council holds committees and other structures under its care accountable to their charge.

Quaker Life Council

Members of the Quaker Life Council undertake a solemn responsibility to help provide the yearly meeting community with humble leadership in Quaker faith and practice. With divine assistance and in relationship with other council members, Friends on the Quaker Life Council maintain the health and integrity of the community, spiritual depth and relationships within Philadelphia Yearly Meeting.

The Quaker Life Council oversees the programs and activities of Yearly Meeting Friends, including nurturing monthly and quarterly meetings, supporting Friends work for peace and justice, bringing members across meetings together to collaborate on projects of common interest.

(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, ASMHT. All significant inter-organization transactions have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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Notes to Consolidated Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and capital reserves.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 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.

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. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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 based on the inputs to their valuation techniques:

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 years ended September 30, 2019 and 2018, 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 value of the trusts are equal to the fair value of the underlying assets in the trusts. These assets are invested in units of FFC's Quaker Growth and Income Fund and FFC's Short Term Investment Fund (FFC Funds) (see Note 5).

PYM approves nominees for 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 Interests in Trust Agreements

Beneficial interests in trust agreements are reported at fair value based on Yearly Meeting's share of assets held in trust by third parties other than FFC. Distributions from the trusts to the Yearly Meeting are recorded as income from investments on the consolidated statements of activities.

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**Notes to Consolidated Financial Statements
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(2) Summary of Significant Accounting Policies, Continued

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

Unconditional support and contributions are recognized as revenue when notice of the 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 average approximately 26,000 hours of donated services per year.

Event and Service Fees

Event and service fees are recognized as revenue in the applicable period when the related services are rendered.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. PYM reports expenses attributable to a specific functional area as a direct expense of the respective functional area. PYM allocates the General Secretary and all Associate Secretaries over areas of service on the basis of time and effort. General overhead expenses are allocated across the areas of service by each function's pro rata share of total payroll. PYM's affiliate, ASMHPT, allocates its other costs to the appropriate area of service, either program, administrative, or development based on each areas pro rata share.

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**Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

(2) Summary of Significant Accounting Policies, Continued

Income Taxes

PYM is 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 organization, PYM is not required to annually file an IRS Federal Form 990.

ASMHT is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. As such, ASMHT will not incur any liability for federal income taxes on exempt activities; unrelated business activities were not conducted during the years ended September 30, 2019 and 2018.

ASMHT is required to annually file an IRS Federal Form 990. With few exceptions, ASMHT is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before fiscal year 2016. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Management is unaware of any uncertain tax positions.

Concentrations of Risk

Financial instruments, which potentially subject the Yearly Meeting to concentrations of risk, are cash and cash equivalents, accounts receivable and investments. 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. Yearly Meeting assesses the need for an allowance for bad debt collection based on management's judgement considering historical information.

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.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Accounting Pronouncement Adopted

Financial Statement Presentation

In 2019, Yearly Meeting implemented the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and has applied the changes to all periods presented. ASU 2016-14 requires certain changes to the presentation of financial statements of not-for-profit entities and additional new disclosures. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. Yearly Meeting elected to report expenses for the year ended September 30, 2018 in total by the natural classification as permitted by ASU 2016-14 in the year of adoption.

Recent Accounting Pronouncement

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which updates the accounting guidance on revenue recognition. This standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance to not-for-profit entities as they adopt FASB ASU 2014-09, *Revenue from Contracts with Customers*, specifically as it relates to grants and contracts. The new guidance applies to all entities that receive or make contributions, including business entities.

Both of the revenue recognition standards are effective for Yearly Meeting's fiscal year ending September 30, 2020. Yearly Meeting has not adopted this guidance for 2019 and is currently evaluating the potential impact of adoption on its financial statements.

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**Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

(2) Summary of Significant Accounting Policies, Continued

Reclassification

Certain items in the accompanying 2018 consolidated financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Yearly Meeting has performed an evaluation of subsequent events through March 6, 2020, which is the date the consolidated financial statements were available to be issued.

(3) Liquidity and Availability

Financial Assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	\$1,152,074	\$1,312,747
Accounts receivable	103,830	85,691
	<u>\$1,255,904</u>	<u>\$1,398,438</u>

Approximately 40% of Yearly Meeting's revenue consist of support and contributions which are ongoing, major, and central to the Yearly Meeting's annual operations to be available to meet cash needs for general expenditures. Yearly Meeting manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of its liquidity management, Yearly Meeting has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due; its policy is to maintain current financial assets at a minimum of 30 days operating expenses.

PHILADELPHIA YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS AND AFFILIATE

Notes to Consolidated Financial Statements September 30, 2019 and 2018

(3) Liquidity and Availability, Continued

Yearly Meeting invests cash in excess of daily requirements in various short-term investments including money market funds and certificates of deposit until it is required for operational use. In addition, Yearly Meeting has a policy to annually designate a portion of its net assets without donor restrictions to operations. In the event of an unanticipated liquidity need, board-designated net assets can be made available to meet operating needs if necessary with Administrative Council approval. Under certain circumstances, Yearly Meeting can request funds from the investments held by Friends Fiduciary Corporation upon approval.

(4) 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 are non-interest bearing and are expected to be collected within five years after graduation. The loans receivable balance at September 30, 2019 and 2018 of \$17,059 and \$51,989, respectively, is net of an allowance for doubtful accounts of \$154,628 and \$125,009, respectively, and a discount, calculated at 4%, of \$3,053 and \$9,303, respectively.

(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 September 30:

	2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in trust agreements	\$ 9,824,207	\$ -	\$ -	\$ 9,824,207
Investments measured at NAV (a)	53,634,148			
Total assets at fair value	<u>\$ 63,458,355</u>			
	2018			
	Total	Level 1	Level 2	Level 3
Beneficial interest in trust agreements	\$ 10,189,053	\$ -	\$ -	\$ 10,189,053
Investments measured at NAV (a)	53,810,421			
Total assets at fair value	<u>\$ 63,999,474</u>			

(a) PYM invests in pooled investment funds which trade at the NAV per share practical expedient of the investments. These investments are not categorized within the fair value hierarchy.

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
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(5) Assets Measured at Fair Value on a Recurring Basis, Continued

FFC's Quaker Growth and Income Fund is a co-mingled socially responsible investment fund sponsored by FFC. FFC's Quaker Growth and Income 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. FFC's Short Term Investment Fund is a diversified, socially responsible, fixed income investment fund sponsored by FFC and offers low volatility and a competitive return for short-term funds.

The following table summarizes investments measured at fair value based on the NAV per share as a practical expedient as of June 30, 2019 and 2018:

Investment	Fair Value at June 30,		Unfunded	Redemption	Redemption
	2019	2018	Commitments	Frequency	Notice Period
FFC's Quaker Growth and Income Fund	\$ 52,983,795	\$ 53,170,769	None	Daily	None
FFC's Short Term Investment Fund	650,353	639,652	None	Daily	None
	<u>\$ 53,634,148</u>	<u>\$ 53,810,421</u>			

There were no transfers for the year ended September 30, 2019.

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.

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

	Beneficial Interest in Trust Agreements
Balance, September 30, 2017	\$ 9,785,662
Unrealized gain on investments included in changes in net assets	403,391
Balance, September 30, 2018	10,189,053
Unrealized loss on investments included in changes in net assets	(364,846)
Balance, September 30, 2019	<u>\$ 9,824,207</u>

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
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(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. If PYM elects to withdraw from the Center, PYM would forfeit 10% of its equity investment. Management does not anticipate withdrawal over the next 12 months.

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 September 30, 2019 and 2018 was \$258,453 and \$263,387, respectively.

Effective July 1, 2014, PYM is required to pay a fixed portion of the Center's debt based on occupancy ratios according to the lease agreement. The future minimum payments related to this obligation amount to \$96,323 for each of the next five years and \$1,324,436 thereafter.

(7) Property and Equipment

Property and equipment at September 30 consist of the following:

	2019	2018
Property improvements	\$ 2,986,811	\$ 2,884,984
Equipment	287,887	219,498
	3,274,698	3,104,482
Accumulated depreciation	(2,226,082)	(2,089,183)
	<u>\$ 1,048,616</u>	<u>\$ 1,015,299</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$136,899 and \$112,408, respectively.

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
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(8) 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	\$ 43,555
Due within two to five years	118,114
Due after five years	
	<hr/>
	161,669
Discount at 4%	(24,989)
	<hr/>
	\$ 136,680

(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. The assets are recorded in investments - PYM is the trustee on the consolidated statement of financial position. 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 liability to donors are determined using a discount rate of 4% and the beneficiary's estimated life expectancy and are included in realized and unrealized income on investments - PYM is trustee in the accompanying consolidated statement of activities. At September 30, 2019 and 2018 the Yearly Meeting recorded a liability of \$216,393 and \$226,846, 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 11). Amounts received and not yet remitted to the Friends Pension Plan amounted to \$3,258 and \$172,250 at September 30, 2019 and 2018, respectively.

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
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(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 covered all full-time employees. To receive benefits, the participants must reach 65, have completed at least ten years of service by June 30, 2005. During the year ended June 30, 2005, Yearly Meeting amended this plan to freeze participation in the plan.

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 \$26,729 and \$25,793, respectively, for the years ended September 30, 2019 and 2018.

The postretirement benefit obligation was determined using a discount rate of 3% and 4% for 2019 and 2018, respectively, and a medical trend rate of 0% for 2019 and 2018.

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

	2019	2018
Accumulated postretirement benefit obligation, fully vested:		
Retirees	\$ 271,754	\$ 270,037
Fully eligible active participants	-	-
Other plan participants	-	-
	<u>\$ 271,754</u>	<u>\$ 270,037</u>
Plan assets at fair value	<u>\$ -</u>	<u>\$ -</u>
Accumulated postretirement obligation in excess of plan assets	\$ 271,754	\$ 270,037
Unrecognized net gain from experience different from assumed and changes in assumptions	<u>-</u>	<u>-</u>
Accrued postretirement benefit cost in the consolidated statement of financial position	<u>\$ 271,754</u>	<u>\$ 270,037</u>

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
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(10) Postretirement Health Benefit Obligation, Continued

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

	2019	2018
Service cost	\$ -	\$ -
Interest cost on accumulated postretirement benefit obligation	10,161	9,638
Amortization of gain	(4,135)	(7,220)
Postretirement benefit	<u>\$ 6,026</u>	<u>\$ 2,418</u>

The estimated net gain that will be amortized into net periodic postretirement benefit cost in 2020 is \$4,135.

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

Year Ending September 30,	Amount
2020	\$ 32,000
2021	\$ 28,000
2022	\$ 25,000
2023	\$ 23,000
2024	\$ 20,000
2025-2029	\$ 72,000

PYM expects to contribute \$32,000 in 2020 for reimbursement of benefit payments.

(11) 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. PYM's relative position in this Plan is not readily determinable. The Plan is jointly sponsored by PYM and Friends General Conference who appoint a board to act as trustee.

PHILADELPHIA YEARLY MEETING OF
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Notes to Consolidated Financial Statements
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(11) Pension Plan, Continued

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, for September 30, 2019 and 2018 disclosures. The following table sets forth the combined Plan's funded status as of January 1:

	2019	2018
Benefit obligation	\$ 11,933,665	\$ 11,914,842
Fair value of plan assets	9,991,356	11,222,597
Funded status	\$ (1,942,309)	\$ (692,245)

PYM has an accrued pension liability of \$893,201 and \$354,193 at September 30, 2019 and 2018, respectively. The benefit obligation at January 1, 2019 and 2018 was determined by using a discount rate of 6.50%, an annual salary increase of 3.00% and the Adjusted RP-2014 White Collar Mortality Table.

Benefits paid by the Plan were \$918,259 and \$871,852 for the years ended January 1, 2019 and 2018, respectively. Total contributions to the Plan for the years ended January 1, 2019 and 2018 were \$400,206 and \$405,335, respectively. PYM's contributions to the Plan as determined by an actuary aggregated \$171,794 and \$213,829 for years ended September 30, 2019 and 2018, respectively.

The Plan's assets at January 1, 2019 and 2018 consist of a checking account, employer contribution receivables and an investment in FFC's Quaker Growth and Income Fund. The checking account, held separately by PYM, manages funds for the Plan's short-term obligations, as described in Note 2. FFC's Quaker Growth and Income 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.

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

(11) Pension Plan, Continued

The fair value of the Plan's assets by asset category are as follows as of January 1, 2019:

	Total	Level 1	Level 2	Level 3
Cash	\$ 113,917	\$ 113,917	\$ -	\$ -
Investments measured at NAV (a)	9,542,285			
Assets held at fair value	9,656,202			
Employer contribution receivables	335,154			
Total plan assets	<u>\$ 9,991,356</u>			

The fair value of the Plan's assets by asset category are as follows as of January 1, 2018:

	Total	Level 1	Level 2	Level 3
Cash	\$ 74,442	\$ 74,442	\$ -	\$ -
Investments measured at NAV (a)	10,738,242			
Assets held at fair value	10,812,684			
Employer contribution receivables	409,913			
Total plan assets	<u>\$ 11,222,597</u>			

(a) The Plan invests in pooled investment funds which trade at the NAV per share practical expedient of the investments. These investments are not categorized within the fair value hierarchy.

The following table summarizes investments at fair value based on the NAV per share as a practical expedient as of January 1, 2019 and 2018:

Investment	Fair Value at January 1,		Unfunded	Redemption	Redemption
	2019	2018	Commitments	Frequency	Notice Period
FFC's Quaker Growth and Income Fund	\$ 9,542,285	\$ 10,738,242	None	Daily	None

The estimated net gain of the combined Plan that will be amortized into net periodic postretirement benefit cost in the future is \$491,800. The expected contribution to the Plan for 2020 is \$451,523, PYM's portion is estimated at \$199,717.

**PHILADELPHIA YEARLY MEETING OF
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**Notes to Consolidated Financial Statements
September 30, 2019 and 2018**

(12) Net Assets with Donor Restrictions

Net assets are available for the following purposes at September 30:

	2019	2018
Subject to expenditure for donor-specified purpose:		
Aging programs and grants	\$ 7,968,976	\$ 8,010,369
Education programs and grants	3,571,542	3,561,663
General fund	6,978,271	7,153,109
Quaker building programs and grants	4,325,567	4,160,952
Other programs	4,581,041	4,476,819
For future periods	643,881	692,799
	<u>28,069,278</u>	<u>28,055,711</u>
Endowments:		
Income restricted by donors for the following purposes:		
Available for general use	703,927	703,847
Aging programs and grants	9,403,696	9,402,804
Education programs	622,950	622,950
Quaker building programs and grants	8,483,811	8,690,136
Other programs	736,469	527,293
For future periods	28,998	33,995
Total endowments	<u>19,979,851</u>	<u>19,981,025</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	<u>4,866,384</u>	<u>5,048,017</u>
	<u>\$ 52,915,513</u>	<u>\$ 53,084,753</u>

PHILADELPHIA YEARLY MEETING OF
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Notes to Consolidated Financial Statements
September 30, 2019 and 2018

(13) 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 net assets with donor restrictions that are perpetual in nature. Management of the Yearly Meeting does not consider any other fund, whether donor purpose 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

During the year ended September 30, 2019, the Yearly Meeting, for funds for which it is the Trustee, elected to accept FFC's default investment spending policy that calculates the amount of money annually distributed from the donor restricted endowment fund to support various programs. FFC's current spending policy is to distribute an amount equal to 4% of a three-year average of the fair value of the endowment fund.

The following table summarizes the changes in the endowment fund for the years ended September 30, 2019 and 2018.

Endowment, September, 30, 2017	\$19,508,117
Realized and unrealized income, net	472,908
Endowment, September, 30, 2018	19,981,025
Realized and unrealized loss, net	(1,174)
Endowment September 30, 2019	<u>\$19,979,851</u>

SUPPLEMENTARY INFORMATION

		2018	
Without Donor		With Donor	
Restrictions		Restrictions	Total
<hr/>			
\$	-	\$ 4,338	\$ 4,338
	-	22,219	22,219
	-	76,288	76,288
<hr/>			
\$	-	\$ 102,845	\$ 102,845
<hr/>			
	-	-	-
	-	102,845	102,845
<hr/>			
	-	102,845	102,845
<hr/>			
\$	-	\$ 102,845	\$ 102,845
<hr/>			

**PHILADELPHIA YEARLY MEETING OF
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**Schedules of Financial Position - Arch Street Meeting House Preservation Trust
September 30, 2019 and 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets:			
Cash	\$ -	\$ 4,433	\$ 4,433
Due from affiliate	-	20,637	20,637
Investments-PYM is the trustee	-	85,554	85,554
	<u>\$ -</u>	<u>\$ 110,624</u>	<u>\$ 110,624</u>
 LIABILITIES AND NET ASSETS			
Net assets:			
Without Donor Restrictions	-	-	-
With Donor Restrictions	-	110,624	110,624
Total net assets	<u>-</u>	<u>110,624</u>	<u>110,624</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 110,624</u>	<u>\$ 110,624</u>

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

**Schedules of Activities - Arch Street Meeting House Preservation Trust
Years Ended September 30, 2019 and 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Changes in unrestricted net assets:			
Support and revenue:			
Support and contributions			
Gifts of support	\$ -	\$ 72,942	\$ 72,942
Interest and income from investments	-	2,791	2,791
Net assets released from restrictions	77,220	(77,220)	-
Total support and revenue	77,220	(1,487)	75,733
Expenses:			
Staff expense	33,342	-	33,342
Events and program expense	-	-	-
Professional and service fees	43,150	-	43,150
Computer and office support	728	-	728
Total expenses	77,220	-	77,220
Change in net assets before other changes	-	(1,487)	(1,487)
Other changes:			
Realized and unrealized gain on investments-PYM is the trustee	-	9,266	9,266
	-	9,266	9,266
Change in net assets	-	7,779	7,779
Net assets, beginning of year	-	102,845	102,845
Net assets, end of year	\$ -	\$ 110,624	\$ 110,624

2018		
Without Donor Restrictions	With Donor Restrictions	Total
<hr/>		
\$ -	\$ 86,922	\$ 86,922
-	2,626	2,626
82,830	(82,830)	-
82,830	6,718	89,548
<hr/>		
47,332	-	47,332
4,494	-	4,494
30,093	-	30,093
911	-	911
82,830	-	82,830
<hr/>		
-	6,718	6,718
<hr/>		
-	3,193	3,193
-	3,193	3,193
<hr/>		
-	9,911	9,911
-	92,934	92,934
<hr/>		
\$ -	\$ 102,845	\$ 102,845
<hr/>		