

FRIENDS MEETING OF WASHINGTON

**FINANCIAL STATEMENTS AND
ACCOUNTANT'S REVIEW REPORT**

June 30, 2014 (Reviewed) and 2013 (Audited)

**FRIENDS MEETING OF WASHINGTON
REVIEWED FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

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McQuade.Brennan.LLP

Certified Public Accountants and Consultants
1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
Friends Meeting of Washington

We have reviewed the accompanying statement of financial position of Friends Meeting of Washington as of June 30, 2014, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information for the year ended June 30, 2014 included in the accompanying Schedules of Shoebox Fund Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have not compiled, reviewed, or audited the supplementary information, and do not express an opinion or provide any form of assurance on it.

The financial statements for the year ended June 30, 2013, were audited by us, and we expressed an unqualified opinion on them in our report dated September 24, 2013, but we have not performed any auditing procedures since that date.

Washington, DC
August 26, 2014



**FRIENDS MEETING OF WASHINGTON
STATEMENTS OF FINANCIAL POSITION**

<i>At June 30,</i>	2014 Reviewed	2013 Audited
ASSETS		
Cash and cash equivalents	\$ 300,410	\$ 213,685
Accounts receivable	745	200
Prepaid expenses	20,877	11,620
Investments	1,989,472	1,764,341
Antique collection	12,000	12,000
Land, buildings and equipment, net	677,658	600,721
TOTAL ASSETS	\$ 3,001,162	\$ 2,602,567
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 45,454	\$ 24,204
Deposits held	10,233	10,885
Deferred income	7,674	6,012
TOTAL LIABILITIES	63,361	41,101
NET ASSETS		
Unrestricted		
Meeting designated	563,685	420,795
Net investment in plant	677,658	612,720
Accumulated endowment earnings	1,039,131	892,178
Undesignated	252,271	242,934
TOTAL UNRESTRICTED	2,532,745	2,168,627
Temporarily restricted	103,134	90,917
Permanently restricted	301,922	301,922
TOTAL NET ASSETS	2,937,801	2,561,466
TOTAL LIABILITIES AND NET ASSETS	\$ 3,001,162	\$ 2,602,567

See Independent Accountant's Review Report and Accompanying Notes

**FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES**

	2014		2013		Total	
	Reviewed		Audited		Unrestricted	Total
	Unrestricted	Temporarily restricted	Temporarily restricted	Permanently restricted		
REVENUES AND SUPPORT						
Contributions	\$ 291,462	\$ 50,609	\$ 243,042	\$ 53,586	\$ 296,628	\$ 296,628
Bequests and memorials	24,116	-	2,281	-	2,281	\$ 2,281
Use of facilities	183,949	-	135,113	-	135,113	\$ 135,113
Literature and projects sales	2,255	-	2,574	-	2,574	\$ 2,574
Interest and dividend income	76,502	-	75,914	-	75,914	\$ 75,914
Net realized and unrealized gains on investments	217,041	-	116,120	-	116,120	\$ 116,120
Other	682	-	695	-	695	\$ 695
TOTAL REVENUE AND SUPPORT	796,007	50,609	575,739	53,586	629,325	629,325
NET ASSETS RELEASED FROM RESTRICTIONS	38,393	(38,393)	43,708	(43,708)	-	-
TOTAL REVENUE, SUPPORT AND RECLASSIFICATIONS	\$ 834,400	\$ 12,216	\$ 619,447	\$ 9,878	\$ 629,325	\$ 629,325

**FRIENDS MEETING OF WASHINGTON
STATEMENT OF ACTIVITIES (Continued)**

	2014			2013		
	Reviewed		Total	Audited		Total
	Unrestricted	Temporarily restricted		Temporarily restricted	Permanently restricted	
EXPENSES						
Personnel and consultants	\$ 182,025	\$ -	\$ 182,025	\$ 144,052	\$ -	\$ 144,052
Program costs	59,560	-	59,560	63,626	-	63,626
Site costs	97,420	-	97,420	99,761	-	99,761
Office expenses	9,632	-	9,632	9,707	-	9,707
Apportionment	57,715	-	57,715	58,315	-	58,315
Depreciation	34,854	-	34,854	34,576	-	34,576
Property taxes	23,405	-	23,405	22,613	-	22,613
Other expenses	5,670	-	5,670	4,636	-	4,636
TOTAL EXPENSES	470,281	-	470,281	437,286	-	437,286
CHANGE IN NET ASSETS	364,119	12,216	376,335	182,161	9,878	192,039
NET ASSETS, BEGINNING OF YEAR	2,168,627	90,917	2,561,466	1,986,466	81,039	2,369,427
NET ASSETS, END OF YEAR	\$ 2,532,746	\$ 103,133	\$ 2,937,801	\$ 2,168,627	\$ 90,917	\$ 301,922
						\$ 2,561,466

**FRIENDS MEETING OF WASHINGTON
STATEMENTS OF CASH FLOWS**

<i>For the Years Ended June 30,</i>	2014 Reviewed	2013 Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 376,335	\$ 192,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	34,854	34,576
Realized investment gain	-	(833)
Unrealized investment gain	(217,131)	(115,287)
(Increase) decrease in assets:		
Accounts receivable	(545)	600
Prepaid expenses and other current assets	(9,257)	1,110
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	21,250	(37,742)
Deposits held	(652)	1,955
Deferred revenue	1,662	4,585
CASH PROVIDED BY OPERATING ACTIVITIES	206,516	81,003
CASH FLOWS USED BY INVESTING ACTIVITIES		
Sale of securities	-	34,212
Purchase of securities	(8,000)	-
Purchases of fixed assets	(111,791)	(64,223)
Sale of fixed assets	-	800
CASH USED BY INVESTING ACTIVITIES	(119,791)	(29,211)
NET INCREASE IN CASH	86,725	51,792
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	213,685	161,893
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 300,410	\$ 213,685

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization	The Friends Meeting of Washington (FMW) is a non-profit corporation organized in Washington, D.C. on June 20, 1930. The purpose of FMW is to foster simple spiritual worship and such activities in various fields of service as FMW may feel themselves called to undertake. As a help to these ends we maintain a place of worship where FMW members and others who are like-minded may meet in religious fellowship and seek through a waiting worship the renewal of their spiritual lives and the quickening of their powers of service to the Divine and to their fellow human beings.
Basis of Accounting	The financial statements of FMW have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.
Basis of Presentation	Financial statement presentation follows FASB Accounting Standards Codification Topic 958 Not-for-Profit Entities. In accordance with the topic, FMW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements have been prepared on the accrual basis of accounting.
Use of Estimates	Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.
Cash and Cash Equivalents	For the purposes of the statement of cash flows, FMW considers all highly liquid debt instruments purchases with an original maturity of less than three months and money market funds to be cash equivalents. FMW's accounts are insured by Federal Deposit Insurance Corporation up to \$250,000. There is an uninsured cash balance of \$61,416 as of June 30, 2014.
Antique Collection	An antique collection in the amount of \$12,000 was recorded June 30, 1981 at the approximate fair market value. The collection is not subject to depreciation.
Investments	Investments are recorded at fair market value. Unrealized gains and losses are included in the Statements of Activities.

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and
Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Additions of \$2,500 or more are generally capitalized. Depreciation is computed, using the straight line method, over the estimated useful lives of the assets, which ranges from 3 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial statement purposes.

Contributed Services

FMW receives a substantial amount of services donated by its members in carrying out FMW's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under current accounting standards for contributed services.

Income Taxes

Friends Meeting of Washington qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, FMW is classified as an entity that is not a private foundation under Section 509(a)(1).

FMW has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic (Topic 740) of the FASB Accounting Standards Codification. Topic 740 requires FMW to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in FMW recording a tax liability that would reduce its net assets

FMW has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2010-2012), or expected to be taken in its 2013 tax return. FMW is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE B- INVESTMENTS

Investments are carried at fair market value and are comprised of funds in managed accounts through the Friends Fiduciary Corporation, a nonprofit corporation. Participation in the funds is represented by units which are valued quarterly, at which time new participations and withdrawals are recorded. Cash paid out or received prior to these dates is adjusted by the appropriate interest charge or credit.

NOTE C- FAIR VALUE MEASUREMENTS

FMW uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with current accounting standards, FMW has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that FMW has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

All of FMW's investments are held with Friends Fiduciary Corporation, in units, which invests FMW's funds in various investment vehicles. The following table presents FMW's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30:

<i>For the Year Ended June 30,</i>	2014			
	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ -	\$ 348,158	\$ -	\$ 348,158
Global bonds	-	143,242	-	143,242
Short term investment funds	-	23,874	-	23,874
Large cap equity funds	-	847,515	-	847,515
Small cap equity funds	-	133,295	-	133,295
International equity funds	-	389,937	-	389,937
Real Estate Investment Trusts	-	99,474	-	99,474
Cash held for investment	3,979	-	-	3,979
Total investments	\$ 3,979	\$ 1,985,493	\$ -	\$ 1,989,472

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE C- FAIR VALUE MEASUREMENTS (continued)

<i>For the Year Ended June 30,</i>					2013
	Level 1	Level 2	Level 3	Total	
Domestic bonds	\$ -	\$ 308,760	\$ -	\$ -	\$ 308,760
Global bonds	-	127,033	-	-	127,033
Short term investment funds	-	21,172	-	-	21,172
Large cap equity funds	-	751,609	-	-	751,609
Small cap equity funds	-	118,211	-	-	118,211
International equity funds	-	345,811	-	-	345,811
Real Estate Investment Trusts	-	88,217	-	-	88,217
Cash held for investment	3,529	-	-	-	3,529
Total investments	\$ 3,529	\$ 1,760,812	\$ -	\$ -	\$ 1,764,341

NOTE D- LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at June 30:

Description	2014	2013
Land	\$ 231,888	\$ 231,888
Buildings and improvements	1,195,459	1,083,668
Furniture and equipment	19,357	19,357
	1,446,704	1,334,913
Less: accumulated depreciation	(769,046)	(734,192)
Total	\$ 677,658	\$ 600,721

Depreciation expense for the years ended June 30, 2014 and 2013 was \$34,854 and \$34,576, respectively.

NOTE E-DESIGNATED UNRESTRICTED NET ASSETS

FMW designated a portion of unrestricted net assets for various purposes which are summarized as follows:

Description	2014	2013
Property reserve	\$ 208,776	\$ 87,402
Trustees' reserve	355,017	333,364
Fair trade coffee	(108)	29
Total	\$ 563,685	\$ 420,795

See Independent Accountants' Review Report

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

Description	2014	2013
Personal aid	\$ 12,582	\$ 12,252
Fund for sufferings	3,545	3,545
Senior center	6,432	6,432
Shoebox fund	25,923	20,432
Simpson fund	49,343	42,965
Hlekweni fund	3,027	2,427
Miscellaneous	2,281	2,864
Total	\$ 103,133	\$ 90,917

NOTE G - ENDOWMENT

FMW's endowment consists of one individual fund that was donated to FMW to support its exempt purpose. The endowment fund includes one fund designated by the donor as an endowment. Net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of
Relevant Law**

The Trustees of FMW has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FMW classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as a designated fund within unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence described by UPMIFA. In accordance with UPMIFA, FMW considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**Interpretation of
Relevant Law)
(continued)**

- (1) The duration and preservation of the fund
- (2) The purposes of FMW's and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of the investments
- (6) Other resources of FMW
- (7) The investment policies of FMW

See Independent Accountants' Review Report

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 (Reviewed) and 2013 (Audited)**

NOTE G – ENDOWMENT (continued)

**Return Objectives
and Risk
Parameters**

FMW has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that FMW holds in perpetuity or for a donor-specified period. Under this policy, as approved by the Trustees, the endowment assets are invested in a manner that is intended to produce results that yield revenue while assuming a moderate level of investment risk. Actual returns in any given year may vary.

**Funds with
Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires FMW to retain as a fund of perpetual duration. Deficiencies of this nature have not occurred since the inception of the endowment.

Spending Policy

FMW currently appropriates funds as they deem necessary. Spending is limited to earnings on the original principal.

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
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NOTE G – ENDOWMENT (continued)

At June 30, 2014, the endowment net asset composition consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 301,922	\$ 301,922
Total funds	\$ -	\$ -	\$ 301,922	\$ 301,922

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 301,922	\$ 301,922
Investment return:				
Investment income	-	-	51,558	51,558
Accumulated appreciation (realized and unrealized)	-	-	1,039,131	1,039,131
Total investment return	-	-	1,090,689	1,090,689
Appropriation of endowment assets for expenditure	-	-	(51,558)	(51,558)
Total endowment, including unrealized gain	\$ -	\$ -	\$ 1,341,053	\$ 1,341,053
Less: Accumulated appreciation (realized and unrealized)	-	-	(1,039,131)	(1,039,131)
Endowment net assets, End of Year	\$ -	\$ -	\$ 301,922	\$ 301,922

**FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
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NOTE G – ENDOWMENT (continued)

At June 30, 2013, the endowment net asset composition consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 301,922	\$ 301,922
Total funds	\$ -	\$ -	\$ 301,922	\$ 301,922

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 301,922	\$ 301,922
Investment return:				
Investment income	-	-	50,731	50,731
Accumulated appreciation (realized and unrealized)	-	-	892,178	892,178
Total investment return	-	-	942,909	942,909
Appropriation of endowment assets for expenditure	-	-	(50,731)	(50,731)
Total endowment, including unrealized gain	\$ -	\$ -	\$ 1,194,100	\$ 1,194,100
Less: Accumulated appreciation (realized and unrealized)	-	-	(892,178)	(892,178)
Endowment net assets, End of Year	\$ -	\$ -	\$ 301,922	\$ 301,922

FRIENDS MEETING OF WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
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NOTE H - FUNCTIONAL ALLOCATION OF EXPENSES

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

Description	2014	2013
Program expenses	\$ 376,589	\$ 372,691
General and administrative expenses	67,740	50,843
Fundraising expenses	25,952	13,752
Total expenses	\$ 470,281	\$ 437,286

NOTE I - RETIREMENT PLAN

FMW has a defined contribution plan that covers all full-time or part time permanent employees. Eligible employees may contribute to the plan immediately, and FMW makes a matching contribution of up to 5% of the eligible employees' salary after a one year waiting period. FMW's cost was \$3,624 and \$1,317 for years ended June 30, 2014 and 2013, respectively.

NOTE J - SUBSEQUENT EVENTS

In accordance with FASB ASC 855, FMW evaluated subsequent events through August 26, 2014, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**FRIENDS MEETING OF WASHINGTON
SCHEDULES OF SHOEBOX FUND ACTIVITY**

<i>For the Years Ended June 30,</i>	2014	2013
	Temporarily Restricted	
REVENUE AND SUPPORT		
Restricted contributions	\$ 27,241	\$ 20,697
RELEASES		
Releases for program expenditures	(21,749)	(25,106)
CHANGE IN NET ASSETS	5,492	(4,409)
NET ASSETS, BEGINGING OF YEAR	20,432	24,841
NET ASSETS, END OF YEAR	\$ 25,924	\$ 20,432

See Independent Accountant's Review Report and Accompanying Notes