

Friends Meeting of Washington

Financial Statements

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

Friends Meeting of Washington

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Independent Accountant's Review Report

To the Board Of Trustees
Friends Meeting of Washington
2111 Florida Avenue NW
Washington, DC 20008-1912

We have reviewed the accompanying financial statements of Friends Meeting of Washington (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Friends Meeting of Washington as of June 30, 2019 were audited by other auditors whose report dated January 21, 2020, expressed an unmodified opinion on those statements. In addition, the supplementary information for the year ended June 30, 2019, was subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United State of America. Their report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. We have not performed any auditing procedures on either the financial statements or on the other supplementary information.

Supplementary Information

The supplementary information for the year ended June 30, 2020, included in the accompanying schedules, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly do not express an opinion on such information.

SC+H attest services, P.C.

Sparks, Maryland
August 9, 2021

Friends Meeting of Washington

Statements of Financial Position

As of June 30, 2020 and 2019

	2020 (Reviewed)	2019 (Audited)
Assets		
Current assets		
Cash	\$ 130,029	\$ 140,499
Accounts receivable	4,353	-
Prepaid expenses	32,917	27,827
Total current assets	<u>167,299</u>	<u>168,326</u>
Property and equipment		
Land	231,888	231,888
Buildings and improvements	6,517,732	1,295,887
Furniture and equipment	40,526	10,065
Construction in progress	-	4,687,892
	<u>6,790,146</u>	<u>6,225,732</u>
Less: accumulated depreciation	<u>1,157,016</u>	<u>962,590</u>
Property and equipment, net	<u>5,633,130</u>	<u>5,263,142</u>
Other assets		
Antique collection	12,000	12,000
Investments	<u>1,567,753</u>	<u>1,885,917</u>
Total other assets	<u>1,579,753</u>	<u>1,897,917</u>
Total assets	<u>\$ 7,380,182</u>	<u>\$ 7,329,385</u>

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Statements of Financial Position (Continued)

As of June 30, 2020 and 2019

	2020 (Reviewed)	2019 (Audited)
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 49,095	\$ 31,249
Accrued interest payable	11,941	-
Construction costs payable	-	366,550
Security deposits	12,790	10,125
Deferred revenue	20,030	8,535
Mortgage payable, current maturities	77,736	56,013
Total current liabilities	<u>171,592</u>	<u>472,472</u>
Long-term liabilities		
PPP loan payable	42,523	-
Mortgage payable, net of current maturities and unamortized financing fees of \$46,814 - 2020 and \$50,743 - 2019	<u>3,169,643</u>	<u>2,694,150</u>
Total long-term liabilities	<u>3,212,166</u>	<u>2,694,150</u>
Total liabilities	<u>3,383,758</u>	<u>3,166,622</u>
Contingency (Note 11)		
Net assets		
Without donor restrictions		
Meeting designated	88,366	218,604
Net investment in property and equipment	5,349,411	5,263,142
Undesignated	<u>(3,106,296)</u>	<u>(2,950,345)</u>
Total without donor restrictions	2,331,481	2,531,401
With donor restrictions	<u>1,664,943</u>	<u>1,631,362</u>
Total net assets	<u>3,996,424</u>	<u>4,162,763</u>
Total liabilities and net assets	<u>\$ 7,380,182</u>	<u>\$ 7,329,385</u>

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2020 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Contributions	\$ 500,003	\$ 90,625	\$ 590,628
Bequests and memorials	6,000	-	6,000
Use of facilities - rental income	202,597	-	202,597
Literature and project sales	-	647	647
Interest and dividend income	65,733	-	65,733
Net realized gains	40,457	79	40,536
Net unrealized losses	(51,025)	(13,786)	(64,811)
Other income	13,243	-	13,243
Net assets released from restrictions	43,984	(43,984)	-
Total revenues and support	820,992	33,581	854,573
Expenses			
Program costs	107,212	-	107,212
Personnel and consultants	272,969	-	272,969
Site costs	212,011	-	212,011
Office expenses	7,011	-	7,011
Apportionment	67,000	-	67,000
Depreciation	194,426	-	194,426
Property use by others	25,820	-	25,820
Other	8,951	-	8,951
Mortgage interest expense	125,512	-	125,512
Total expenses	1,020,912	-	1,020,912
Change in net assets	(199,920)	33,581	(166,339)
Net assets, beginning of year	2,531,401	1,631,362	4,162,763
Net assets, end of year	\$ 2,331,481	\$ 1,664,943	\$ 3,996,424

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Statements of Activities and Changes in Net Assets (Continued)
For the Year Ended June 30, 2019 (Audited)

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Contributions	\$ 355,004	\$ 75,348	\$ 430,352
Bequests and memorials	690	-	690
Use of facilities - rental income	155,869	-	155,869
Literature and project sales	5,475	-	5,475
Interest and dividend income	69,112	-	69,112
Net realized gains	16,835	-	16,835
Net unrealized gains (losses)	(3,423)	41,081	37,658
Other income	8,161	-	8,161
Net assets released from restrictions	57,767	(57,767)	-
Total revenues and support	665,490	58,662	724,152
Expenses			
Program costs	81,414	-	81,414
Personnel and consultants	197,641	-	197,641
Site costs	154,503	-	154,503
Office expenses	10,249	-	10,249
Apportionment	65,439	-	65,439
Depreciation	42,406	-	42,406
Property use by others	25,044	-	25,044
Other	6,297	-	6,297
Total expenses	582,993	-	582,993
Change in net assets	82,497	58,662	141,159
Net assets, beginning of year	2,448,904	1,572,700	4,021,604
Net assets, end of year	\$ 2,531,401	\$ 1,631,362	\$ 4,162,763

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Cash flows from operating activities		
Change in net assets	\$ (166,339)	\$ 141,159
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	194,426	42,406
Amortization of financing fees	3,929	3,274
Net realized and unrealized (gains) losses	24,275	(54,493)
Contributions of stock	(6,111)	(6,028)
(Increase) decrease in operating assets:		
Accounts receivable	(4,353)	1,091
Prepaid expenses	(5,090)	(2,998)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	17,846	(17,516)
Accrued interest payable	11,941	-
Security deposits	2,665	65
Deferred revenue	11,495	2,600
Net cash provided by operating activities	<u>84,684</u>	<u>109,560</u>
Cash flows from investing activities		
Construction costs paid	(840,072)	(3,516,898)
Purchase of property and equipment	(90,892)	-
Proceeds from sale of investments	300,000	100,000
Net cash used in investing activities	<u>(630,964)</u>	<u>(3,416,898)</u>
Cash flows from financing activities		
Mortgage proceeds	549,095	2,800,906
Mortgage principal payments	(55,808)	-
PPP loan proceeds	42,523	-
Net cash provided by financing activities	<u>535,810</u>	<u>2,800,906</u>
Net decrease in cash	(10,470)	(506,432)
Cash, beginning of year	140,499	646,931
Cash, end of year	<u>\$ 130,029</u>	<u>\$ 140,499</u>

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 110,496</u>	<u>\$ 50,486</u>
Supplemental disclosure of non-cash investing and financing activities		
Construction in progress	\$ -	\$ 366,550
Construction payable	<u>-</u>	<u>(366,550)</u>
	<u>\$ -</u>	<u>\$ -</u>

See independent accountant's review report and notes to financial statements.

Friends Meeting of Washington

Notes to Financial Statements

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

1) Nature of the Meeting and Summary of Significant Accounting Policies

Nature of the Meeting

Friends Meeting of Washington (the Meeting) was organized in Washington, D.C. as a non-stock, nonprofit corporation on June 20, 1930 to foster simple spiritual worship and such activities in various fields of service as the Meeting members and attenders may feel themselves called to undertake. As a help to these ends the Meeting maintains a place of worship where members and others who are like-minded may meet in religious fellowship and seek through a silent worship the renewal of their spiritual lives and the quickening of their powers of service to the Divine and to their fellow human beings.

Method of Accounting

The Meeting's financial statements are prepared on the accrual method of accounting, which recognizes income when it is earned and expenses when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Meeting are classified in the following two classes:

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Meeting to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions represents funds that are available for support of the operations of the Meeting, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Cash and Cash Equivalents

For the purpose of these statements, the Meeting considers time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2020 and 2019.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect for balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2020 and 2019, management has determined that all significant receivables are collectible. Therefore, an allowance for doubtful accounts has not been established.

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

1) Nature of the Meeting and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. When assets are sold or otherwise disposed, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to income. Depreciation is computed using the straight-line method over 10 to 40 years for buildings and improvements and 3 years for furniture and equipment.

Impairment of Long-Lived Assets

The Meeting reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2020 and 2019.

Investments

The Meeting conforms with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, where investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied (either by passage of time or by use) in the reporting period in which the income and gains are recognized. See Note 4 for more information.

Antique Collection

An antique collection in the amount of \$12,000 was recorded June 30, 1981 at the approximate fair value. The collection is not subject to depreciation.

Interest

The Meeting has adopted the FASB ASC Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the statement of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Meeting is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the loan. The Meeting capitalized amortization of the loan fees during the construction period and began expensing amortization of the loan fees as interest expense on the mortgage payable upon the conclusion of the construction period. See Note 5 for more information.

Income Taxes

The Meeting is exempt from income taxes as a religious organization described under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. There were no income taxes resulting from unrelated business income during the years ended June 30, 2020 and 2019.

Estimates

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

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

1) Nature of the Meeting and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received, if any, are recorded as additions to net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions are reported as additions to net assets with donor restrictions. A reclassification to net assets without donor restrictions is made at the time the restriction is satisfied.

Donated Goods

The Meeting receives donated equipment, supplies, and other items from various donors in support of its programs and records these items at their estimated fair value at the date of donation. During the years ended June 30, 2020 and 2019, the Meeting received in-kind donations of equipment, supplies, arts and crafts, and other goods valued at \$7,276 and \$3,530, respectively, which are included in contributions on the accompanying statements of activities and changes in net assets.

Rental Income

Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. All leases between the Meeting and tenants are operating leases and are on a month-to-month basis.

Construction Costs

Costs that clearly related to construction were capitalized. Interest and the amortization of debt issuance costs were capitalized during the construction period.

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will be effective for fiscal years beginning after June 15, 2021. ASU 2020-07 increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The update includes presenting contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash and other financial assets; disclosure of different categories by type of contributed nonfinancial assets and information as to whether the entity monetized or utilized the nonfinancial assets during the reporting period. The update does not change the recognition and measurement requirements for those assets. Management has elected not to early adopt ASU 2020-07 and will assess the future impact on any contributed nonfinancial assets.

2) Concentration of Credit Risk

The Meeting maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federally insured limits; however, the Meeting has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2020.

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

3) Liquidity Analysis

As of June 30, 2020, the Meeting has \$211,371 of current assets and investments available to meet needs for general expenditures consisting of cash of \$130,029, accounts receivable of \$4,353, and investments without donor restrictions of \$76,989. As of June 30, 2019, the Meeting had \$521,867 of current assets and investments available to meet needs for general expenditures which consisted of cash of \$140,499 and investments without donor restrictions of \$381,368. None of the financial assets are subject to donor or other contractual restrictions and accordingly, are available to meet the cash needs of the Meeting in the next 12 months.

The Meeting manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Meeting are expected to be met from revenues earned. In general, the Meeting aims to maintain sufficient financial assets on hand to meet at least 30 days' worth of normal operating expenses.

4) Investments

FASB ASC 820 *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priorities to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are describes as follows:

- (i) Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Meeting has the ability to access.
- (ii) Level 2 - Inputs to valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- (iii) Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during June 30, 2020 or 2019.

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

4) Investments (Continued)

The Meeting invests its funds in a co-mingled trust fund with allocations to equities, fixed income, and real estate investment trusts. The co-mingled trust fund has a standard income distribution policy based on the fund's total return. Fair value of the funds are based on the fair values of the underlying assets and are provided by the Meeting's investment fund managers.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Meeting's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Meeting invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect, in the future, amounts reported in the statements of financial position.

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic bonds	\$ 252,095	\$ -	\$ -	\$ 252,095
Global bonds	107,705	-	-	107,705
Short term investment funds	54,244	-	-	54,244
Large cap equity funds	427,213	-	-	427,213
Mid cap equity funds	142,038	-	-	142,038
Small cap equity funds	127,302	-	-	127,302
International equity funds	391,311	-	-	391,311
Real estate investment	57,536	-	-	57,536
Cash held for investment	8,309	-	-	8,309
Total investments	<u>\$1,567,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,567,753</u>

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

4) Investments (Continued)

The following table presents the Meeting's fair value hierarchy for the underlying assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ 279,116	\$ -	\$ -	\$ 279,116
Global bonds	122,585	-	-	122,585
Short term investment funds	54,691	-	-	54,691
Large cap equity funds	546,916	-	-	546,916
Mid cap equity funds	181,048	-	-	181,048
Small cap equity funds	156,531	-	-	156,531
International equity funds	463,935	-	-	463,935
Real estate investment	75,437	-	-	75,437
Cash held for investment	5,658	-	-	5,658
Total investments	<u>\$1,885,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,885,917</u>

5) Long-Term Debt

Mortgage Payable

On June 27, 2017, the Meeting entered into a loan agreement with Sandy Spring Bank for construction financing. Financing fees related to the loan were \$54,017. Amortization was capitalized to construction in progress during the construction period and thereafter charged to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. The loan, which had a maximum allowable balance of \$3,600,000 during the construction period, carries interest at a fixed nominal rate of 4.35% per annum and an effective interest rate of 4.50%. Payments of interest-only were due through September 1, 2019. On September 1, 2019, the construction loan converted to a permanent mortgage at a balance of \$3,350,000. Principal and interest payments are due monthly in the amount of \$18,456 based on a 25-year amortization schedule beginning October 1, 2019 and the mortgage matures on June 1, 2032. The mortgage is secured by a First Deed of Trust and Assignment of Rents and Leases as well as an assignment of the brokerage account of at least \$300,000. As of June 30, 2020 and 2019, the outstanding principal and accrued interest balances are \$3,294,193 and \$11,941, respectively, for 2020, and \$2,800,906 and \$0, respectively, for 2019. Unamortized financing fees as of June 30, 2020 and 2019 were \$46,814 and \$50,743, respectively. Interest incurred on the mortgage payable during the years ended June 30, 2020 and 2019 was \$148,458 and \$53,760, respectively, including amortization of financing fees of \$3,929 and \$3,274, respectively, of which \$22,946 and \$53,760, respectively, was capitalized.

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Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

5) Long-Term Debt (Continued)

Mortgage Payable (Continued)

Maturities of the mortgage payable are as follows:

2021	\$	77,736
2022		81,235
2023		84,891
2024		88,346
2025		92,687
2026 and after		<u>2,869,298</u>
Total	\$	<u>3,294,193</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$3,929.

Paycheck Protection Program (PPP) Loan Payable

On March 27, 2020, Congress passed a \$2 trillion stimulus bill, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides significant tax and non-tax stimulus to individuals and businesses.

In May 2020, the Meeting entered into a loan in the amount of \$42,523 with Sandy Spring Bank under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established by the CARES Act. The loan is eligible for forgiveness pursuant to terms and conditions of the CARES Act, which minimally requires that (1) the loan proceeds be used to cover eligible expenses, which include payroll costs, mortgage interest, rent and utilities, and (2) the number of employees and compensation levels are generally maintained. The portion of the loan that is not forgiven bear interest at 1.00% and is due in monthly payments over a period of two years. Principal and interest payments were originally deferred for the first six months of the loan. In October 2020, the SBA extended the deferral period for loan repayments to either (1) the date that the SBA remits the Meeting's loan forgiveness amount to the lender or (2) if the Meeting does not apply for loan forgiveness, 10 months after the end of the Meeting's loan forgiveness covered period.

The Meeting has elected to record the loan as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt* and recognize income from loan forgiveness in accordance with ASC 405-20, *Extinguishment of Liabilities* and ASC 450-30, *Gain Contingencies*. The portion of the loan that is ultimately forgiven will be recognized as a gain on extinguishment of debt when the loan is, in part or wholly, legally forgiven by the SBA. Management anticipates that the full loan will be forgiven as the Meeting has used the loan proceeds to cover eligible expenses and has maintained the necessary employee and compensation levels for loan forgiveness in accordance with the CARES Act. As of June 30, 2020, \$42,523 is recorded as a PPP loan payable on the accompanying statement of financial position.

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Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

6) Meeting Designated Net Assets Without Donor Restrictions

The Meeting designated a portion of net assets without restrictions for various purposes, which are summarized as follows:

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Capital reserve fund	\$ 50,591	\$ 50,591
Murray bequest fund	37,775	64,683
Building campaign fund	<u>-</u>	<u>103,330</u>
Total designated net assets	<u>\$ 88,366</u>	<u>\$ 218,604</u>

7) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Fair trade coffee	\$ 167	\$ 167
Personal aid	15,946	14,107
Fund for sufferings	3,545	3,545
Senior center	6,432	6,432
Shoe box	35,033	37,166
Simpson fund	165,117	141,569
Endowment	1,410,764	1,424,549
Peace and social justice	24,755	443
Other	<u>3,184</u>	<u>3,384</u>
Net assets with donor restrictions	<u>\$ 1,664,943</u>	<u>\$ 1,631,362</u>

8) Endowment

As regulated by FASB ASC 958-205, net assets associated with donor restricted endowment funds held by organizations that are subject to the enacted District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) are classified and reported based on the existence or absence of donor-imposed restrictions.

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

8) Endowment (Continued)

Interpretation of Relevant Law

The Board of Trustees of the Meeting has interpreted 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, the Meeting classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for prudence by UPMIFA. In accordance with UPMIFA, the Meeting considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

Return Objectives and Risk Parameters

The Meeting has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment funds include those assets of the donor-restricted funds that the Meeting holds in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of 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 required the Meeting to retain as a fund of perpetual duration. Deficiencies of this nature have not occurred since the inception of the endowment.

Spending Policy

In accordance with the donor's stipulations, earnings on the original principal are restricted to up-keep and maintenance expenses of the Meeting's property. Any difference between actual investment income and the amounts distributed is retained to support the restricted purpose in future years.

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Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

8) Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment, beginning of year	\$ -	\$ 1,424,549	\$ 1,424,549
Interest and dividends	-	56,796	56,796
Change in fair value	-	(13,785)	(13,785)
Appropriations	-	(56,796)	(56,796)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,410,764</u>	<u>\$ 1,410,764</u>

Changes in endowment net assets for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment, beginning of year	\$ -	\$ 1,383,468	\$ 1,383,468
Interest and dividends	-	54,315	54,315
Change in fair value	-	41,081	41,081
Appropriations	-	(54,315)	(54,315)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,424,549</u>	<u>\$ 1,424,549</u>

9) Retirement Plan

The Meeting maintains a 401(k) plan (the "Plan") under the Internal Revenue Code to provide retirement benefits for its employees. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for discretionary contributions as determined by the Board of Trustees. The Meeting made contributions of \$7,827 and \$4,144 to the Plan for the years ended June 30, 2020 and 2019, respectively.

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Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

10) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Estimates may be used in developing allocation of expenses by function. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. Other expenses are allocated based on the percentage of time spent by Meeting personnel performing that functional activity.

Expenses incurred on a functional basis for the year ended June 30, 2020 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 102,591	\$ 217	\$ 4,404	\$ 107,212
Personnel and consultants	101,874	89,185	81,910	272,969
Site costs	136,521	7,241	68,249	212,011
Office expenses	2,851	2,559	1,601	7,011
Apportionment	67,000	-	-	67,000
Depreciation	122,229	68,493	3,704	194,426
Property use by others	-	351	25,469	25,820
Other	203	3,163	5,585	8,951
Mortgage interest expense	82,838	2,510	40,164	125,512
Total expenses	<u>\$ 616,107</u>	<u>\$ 173,719</u>	<u>\$ 231,086</u>	<u>\$ 1,020,912</u>

Expenses incurred on a functional basis for the year ended June 30, 2019 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 81,414	\$ -	\$ -	\$ 81,414
Personnel and consultants	82,200	47,386	68,055	197,641
Site costs	94,215	26,309	33,979	154,503
Office expenses	6,192	1,754	2,303	10,249
Apportionment	65,439	-	-	65,439
Depreciation	25,868	7,209	9,329	42,406
Property use by others	5,094	1,847	18,103	25,044
Other	3,887	728	1,682	6,297
Total expenses	<u>\$ 364,309</u>	<u>\$ 85,233</u>	<u>\$ 133,451</u>	<u>\$ 582,993</u>

See independent accountant's review report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 (Reviewed) and 2019 (Audited)

11) Contingency

Business Risk Factor

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and various state and local governments has caused numerous businesses to close or modify their operations in an effort to prevent COVID-19 from spreading more rapidly. Because of the size and duration of this pandemic, the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of the Meeting.

12) Subsequent Events

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through the independent accountant's report date, the date the financial statements were available to be issued. Except as noted below, there were no events that required recognition or disclosure in the financial statements.

On February 3, 2021, the Meeting entered into a loan in the amount of \$42,523 with Sandy Spring Bank under the SBA PPP, which was established by the CARES Act. The loan is subject to the PPP forgiveness terms as described in Note 5.

On July 20, 2021, the Meeting was notified by Sandy Spring Bank that the PPP loan payable in the amount of \$42,523 received in May 2020 has been approved for forgiveness by the SBA.

See independent accountant's review report.

Friends Meeting of Washington

Schedules of Shoebox Fund Activity
For the Years Ended June 30, 2020 and 2019

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Revenues and other support		
Restricted contributions	\$ 20,262	\$ 17,362
Releases		
Releases for program expenditures	<u>(22,395)</u>	<u>(21,592)</u>
Change in net assets	(2,133)	(4,230)
Net assets, beginning of year	<u>37,166</u>	<u>41,396</u>
Net assets, end of year	<u>\$ 35,033</u>	<u>\$ 37,166</u>

See independent accountant's review report.