

Friends Meeting of Washington

Financial Statements

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

Friends Meeting of Washington

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Friends Meeting of Washington which comprise the statement of financial position as of June 30, 2022, and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends Meeting of Washington as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends Meeting of Washington and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2021 financial statements were reviewed by us, and our report thereon, dated May 25, 2022, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends Meeting of Washington's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends Meeting of Washington's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends Meeting of Washington's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been 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

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Independent Auditor's Report
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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 States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SC+H attest services, P.C.

Sparks, Maryland
July 5, 2023

Friends Meeting of Washington

Statements of Financial Position

As of June 30, 2022 (Audited) and 2021 (Reviewed)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash	\$ 364,667	\$ 190,639
Prepaid expenses	22,319	20,679
Total current assets	<u>386,986</u>	<u>211,318</u>
Property and equipment		
Land	231,888	231,888
Buildings and improvements	6,548,487	6,530,474
Furniture and equipment	46,450	41,626
Construction in progress	43,405	-
	<u>6,870,230</u>	<u>6,803,988</u>
Less: accumulated depreciation	1,472,308	1,286,275
Property and equipment, net	<u>5,397,922</u>	<u>5,517,713</u>
Other assets		
Antique collection	12,000	12,000
Investments	1,381,330	1,636,392
Assets held in annuity trusts	64,920	72,661
Total other assets	<u>1,458,250</u>	<u>1,721,053</u>
Total assets	<u>\$ 7,243,158</u>	<u>\$ 7,450,084</u>

See independent auditor's report and notes to financial statements.

Friends Meeting of Washington

Statements of Financial Position (Continued)

As of June 30, 2022 (Audited) and 2021 (Reviewed)

	2022	2021
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 31,818	\$ 45,213
Accrued interest payable	11,365	-
Security deposits	15,735	18,443
Deferred revenue	83,977	26,734
PPP loan payable	-	85,046
Mortgage payable, current maturities	84,891	74,438
Total current liabilities	<u>227,786</u>	<u>249,874</u>
Long-term liabilities		
Mortgage payable, net of current maturities and unamortized financing fees of \$38,958 - 2022 and \$42,886 - 2021	3,011,373	3,092,336
Annuities payable	52,168	53,601
Total long-term liabilities	<u>3,063,541</u>	<u>3,145,937</u>
Total liabilities	<u>3,291,327</u>	<u>3,395,811</u>
Net assets		
Without donor restrictions		
Meeting designated	87,088	88,366
Net investment in property and equipment	5,397,922	5,517,713
Undesignated	<u>(3,153,767)</u>	<u>(3,356,819)</u>
Total without donor restrictions	2,331,243	2,249,260
With donor restrictions	<u>1,620,588</u>	<u>1,805,013</u>
Total net assets	<u>3,951,831</u>	<u>4,054,273</u>
Total liabilities and net assets	<u>\$ 7,243,158</u>	<u>\$ 7,450,084</u>

See independent auditor's report and notes to financial statements.

Friends Meeting of Washington

Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2022 (Audited)

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Contributions	\$ 263,958	\$ 240,363	\$ 504,321
Bequests and memorials	168,246	-	168,246
Use of facilities - rental income	425,247	-	425,247
Literature and project sales	2,208	-	2,208
Interest and dividend income	37,679	-	37,679
Net investment loss	(18,851)	(242,941)	(261,792)
Change in value of split-interest agreements	(6,308)	-	(6,308)
Other income	94,843	-	94,843
Net assets released from restrictions	181,847	(181,847)	-
Total revenues and support	1,148,869	(184,425)	964,444
Expenses			
Program costs	129,625	-	129,625
Personnel and consultants	266,673	-	266,673
Site costs	208,974	-	208,974
Office expenses	21,932	-	21,932
Apportionment	67,000	-	67,000
Depreciation	186,033	-	186,033
Property use by others	36,587	-	36,587
Other	6,191	-	6,191
Mortgage interest expense	143,871	-	143,871
Total expenses	1,066,886	-	1,066,886
Change in net assets	81,983	(184,425)	(102,442)
Net assets, beginning of year	2,249,260	1,805,013	4,054,273
Net assets, end of year	\$ 2,331,243	\$ 1,620,588	\$ 3,951,831

See independent auditor's 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, 2021 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Revenues and other support			
Contributions	\$ 235,755	\$ 197,432	\$ 433,187
Bequests and memorials	15,225	56,737	71,962
Use of facilities - rental income	223,687	-	223,687
Literature and project sales	-	1,241	1,241
Interest and dividend income	39,587	-	39,587
Net investment income	20,492	242,035	262,527
Other income	11,420	-	11,420
Net assets released from restrictions	357,375	(357,375)	-
Total revenues and support	903,541	140,070	1,043,611
Expenses			
Program costs	98,102	-	98,102
Personnel and consultants	291,396	-	291,396
Site costs	188,427	-	188,427
Office expenses	17,504	-	17,504
Apportionment	67,000	-	67,000
Depreciation	129,259	-	129,259
Property use by others	42,045	-	42,045
Other	4,646	-	4,646
Mortgage interest expense	147,383	-	147,383
Total expenses	985,762	-	985,762
Change in net assets	(82,221)	140,070	57,849
Net assets, beginning of year	2,331,481	1,664,943	3,996,424
Net assets, end of year	\$ 2,249,260	\$ 1,805,013	\$ 4,054,273

See independent auditor's report and notes to financial statements.

Friends Meeting of Washington

Statements of Cash Flows

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (102,442)	\$ 57,849
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	186,033	129,259
Amortization of financing fees	3,928	3,928
Net investment (income) loss	261,792	(262,527)
Contributions of stock	(6,730)	(6,112)
Change in value of split-interest agreements	6,308	(19,060)
Forgiveness of PPP loan payable	(85,046)	-
(Increase) decrease in operating assets:		
Accounts receivable	-	4,353
Prepaid expenses	(1,640)	12,238
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(13,395)	(3,882)
Accrued interest payable	11,365	(11,941)
Security deposits	(2,708)	5,653
Deferred revenue	57,243	6,704
Net cash provided by (used in) operating activities	<u>314,708</u>	<u>(83,538)</u>
Cash flows from investing activities		
Construction costs paid	(43,405)	-
Purchase of property and equipment	(22,837)	(13,842)
Proceeds from sale of investments	-	200,000
Net cash provided by (used in) investing activities	<u>(66,242)</u>	<u>186,158</u>
Cash flows from financing activities		
Mortgage principal payments	(74,438)	(84,533)
PPP loan proceeds	-	42,523
Net cash used in financing activities	<u>(74,438)</u>	<u>(42,010)</u>
Net increase in cash	174,028	60,610
Cash, beginning of year	<u>190,639</u>	<u>130,029</u>
Cash, end of year	<u>\$ 364,667</u>	<u>\$ 190,639</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 128,578</u>	<u>\$ 155,396</u>

See independent auditor's report and notes to financial statements.

Friends Meeting of Washington

Notes to Financial Statements

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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, 2022 and 2021.

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.

See independent auditor's report.

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Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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

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, 2022 and 2021.

Investments

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 material income taxes resulting from unrelated business income during the years ended June 30, 2022 and 2021.

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.

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.

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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

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.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation. These reclassifications had no impact on prior year total net assets or change in net 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, 2022.

3) Liquidity Analysis

As of June 30, 2022, the Meeting has \$456,139 of current assets and investments available to meet needs for general expenditures consisting of cash of \$364,667 and investments without donor restrictions of \$91,472. As of June 30, 2021, the Meeting had \$294,233 of current assets and investments available to meet needs for general expenditures which consisted of cash of \$190,639 and investments without donor restrictions of \$103,594. 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.

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

4) Investments (Continued)

- (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, 2022 or 2021.

Investments: 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.

Assets held in annuity trusts: Assets held in annuity trusts are valued at the closing price reported in the active market in which the individual securities are traded. The annuities payable are valued at the present value of future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. For remainder trusts, cash flows are based on the contractual payout rates of the agreements over a time period determined based on the current age of the annuitants and mortality tables.

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.

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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, 2022:

	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ 125,256	\$ -	\$ -	\$ 125,256
Global bonds	52,739	-	-	52,739
Short term investment funds	54,623	-	-	54,623
Large cap equity funds	703,253	-	-	703,253
Mid cap equity funds	87,585	-	-	87,585
Small cap equity funds	80,051	-	-	80,051
International equity funds	174,228	-	-	174,228
Global equity funds	48,030	-	-	48,030
Real estate investment	46,147	-	-	46,147
Cash held for investment	9,418	-	-	9,418
Assets held in annuity trusts	-	64,920	-	64,920
Annuities payable	-	(52,168)	-	(52,168)
Total	<u>\$ 1,381,330</u>	<u>\$ 12,752</u>	<u>\$ -</u>	<u>\$ 1,394,082</u>

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, 2021:

	Level 1	Level 2	Level 3	Total
Domestic bonds	\$ 147,678	\$ -	\$ -	\$ 147,678
Global bonds	58,620	-	-	58,620
Corporate bonds	183,777	-	-	183,777
United States agencies debt	285,593	-	-	285,593
Short term investment funds	46,220	-	-	46,220
Large cap equity funds	329,176	-	-	329,176
Mid cap equity funds	105,968	-	-	105,968
Small cap equity funds	99,204	-	-	99,204
International equity funds	227,717	-	-	227,717
Global equity funds	50,729	-	-	50,729
Real estate investment	56,366	-	-	56,366
Money market funds	39,708	-	-	39,708
Cash held for investment	5,636	-	-	5,636
Assets held in annuity trusts	-	72,661	-	72,661
Annuities payable	-	(53,601)	-	(53,601)
Total	<u>\$ 1,636,392</u>	<u>\$ 19,060</u>	<u>\$ -</u>	<u>\$ 1,655,452</u>

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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, 2022 and 2021, the outstanding principal and accrued interest balances are \$3,135,222 and \$11,365, respectively, for 2022, and \$3,209,660 and \$0, respectively, for 2021. Unamortized financing fees as of June 30, 2022 and 2021 were \$38,958 and \$42,886, respectively. Interest incurred on the mortgage payable during the years ended June 30, 2022 and 2021 was \$143,871 and \$147,383, respectively, including amortization of financing fees of \$3,928 for each year.

Maturities of the mortgage payable are as follows:

2023	\$	84,891
2024		88,346
2025		92,687
2026		96,859
2027		101,218
2028 and after		<u>2,671,221</u>
Total	\$	<u>3,135,222</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 and February 2021, the Meeting entered into loans in the amount of \$42,523 each, with Sandy Spring Bank under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established by the CARES Act. The loans were eligible for forgiveness pursuant to terms and conditions of the CARES Act, which minimally required 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.

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

5) Long-Term Debt (Continued)

Paycheck Protection Program (PPP) Loan Payable (Continued)

The Meeting has elected to record the loan as debt in accordance with ASC 470, *Debt* and recognize income from loan forgiveness in accordance with ASC 405-20, *Extinguishment of Liabilities* and ASC 450-30, *Gain Contingencies*. As of June 30, 2021, \$85,046 is recorded as a PPP loan payable on the accompanying statements of financial position. On July 21, 2021 and October 21, 2021, the Meeting received forgiveness of the full amount of PPP loans outstanding, which is included in other income on the accompanying statements of activities and changes in net assets.

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 as of June 30,:

	<u>2022</u>	<u>2021</u>
Capital reserve fund	\$ 49,313	\$ 50,591
Murray bequest fund	<u>37,775</u>	<u>37,775</u>
Total designated net assets	<u>\$ 87,088</u>	<u>\$ 88,366</u>

7) Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Fair trade coffee	\$ 167	\$ 167
Personal aid	17,187	17,187
Fund for sufferings	3,545	3,545
Senior center	1,432	4,432
Shoe box	58,463	65,590
Simpson fund	218,946	183,528
Endowment	1,209,858	1,452,798
Peace and social justice	24,307	27,232
Building campaign fund	70,081	46,824
AVP-DC project	13,225	-
Other	<u>3,377</u>	<u>3,710</u>
Net assets with donor restrictions	<u>\$ 1,620,588</u>	<u>\$ 1,805,013</u>

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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.

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.

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

8) Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2022:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment, beginning of year	\$ -	\$ 1,452,798	\$ 1,452,798
Interest and dividends	-	34,051	34,051
Change in fair value	-	(242,940)	(242,940)
Appropriations	-	(34,051)	(34,051)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,209,858</u>	<u>\$ 1,209,858</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment, beginning of year	\$ -	\$ 1,410,764	\$ 1,410,764
Interest and dividends	-	36,363	36,363
Change in fair value	-	242,034	242,034
Appropriations	-	(236,363)	(236,363)
Donor restricted endowment, end of year	<u>\$ -</u>	<u>\$ 1,452,798</u>	<u>\$ 1,452,798</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 \$5,129 and \$4,840, respectively, to the Plan for the years ended June 30, 2022 and 2021.

See independent auditor’s report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

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 the Meeting property's square footage utilized by that functional activity.

Expenses incurred on a functional basis for the year ended June 30, 2022 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 129,625	\$ -	\$ -	\$ 129,625
Personnel and consultants	83,071	183,602	-	266,673
Site costs	158,518	50,456	-	208,974
Office expenses	10,120	8,459	3,353	21,932
Apportionment	67,000	-	-	67,000
Depreciation	133,825	52,208	-	186,033
Property use by others	33,983	2,604	-	36,587
Other	2,570	1,173	2,448	6,191
Mortgage interest expense	103,496	40,375	-	143,871
Total expenses	<u>\$ 722,208</u>	<u>\$ 338,877</u>	<u>\$ 5,801</u>	<u>\$ 1,066,886</u>

Expenses incurred on a functional basis for the year ended June 30, 2021 were as follows:

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Program costs	\$ 92,884	\$ 5,218	\$ -	\$ 98,102
Personnel and consultants	49,180	236,824	5,392	291,396
Site costs	137,166	50,941	320	188,427
Office expenses	10,083	7,385	36	17,504
Apportionment	67,000	-	-	67,000
Depreciation	92,984	36,275	-	129,259
Property use by others	36,946	4,399	700	42,045
Other	2,108	1,122	1,416	4,646
Mortgage interest expense	106,022	41,361	-	147,383
Total expenses	<u>\$ 594,373</u>	<u>\$ 383,525</u>	<u>\$ 7,864</u>	<u>\$ 985,762</u>

See independent auditor's report.

Friends Meeting of Washington

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

11) 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. There were no material events that required recognition or disclosure in the financial statements.

See independent auditor's report.

Friends Meeting of Washington

Schedules of Shoebox Fund Activity

For the Years Ended June 30, 2022 (Audited) and 2021 (Reviewed)

	<u>2022</u>	<u>2021</u>
Revenues and other support		
Restricted contributions	\$ 24,529	\$ 49,140
Releases		
Releases for program expenditures	<u>(31,656)</u>	<u>(18,583)</u>
Change in net assets	(7,127)	30,557
Net assets, beginning of year	<u>65,590</u>	<u>35,033</u>
Net assets, end of year	<u><u>\$ 58,463</u></u>	<u><u>\$ 65,590</u></u>

See independent auditor's report.