AMERICAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2018 AND 2017

AMERICAN FRIENDS SERVICE COMMITTEE

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position, For the years ended September 30, 2018 and 2017	2
Statement of Activities and Changes in Net Assets, For the year ended September 30, 2018 and 2017	3 - 4
Statements of Cash Flows, For the years ended September 30, 2018 and 2017	5
Statements of Functional Expenses, For the year ended September 30, 2018 and 2017	6 - 7
Notes to Financial Statements	8 - 24

TAIT | WELLER
FOCUS. EXPERTISE. RESULTS.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Director
American Friends Service Committee
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of American Friends Service Committee (the "Committee") which comprise the statement of financial position as of September 30, 2018 and 2017, and the statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Committee as of September 30, 2018 and 2017, the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 26, 2019

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 And 2017

	2018	2017
ASSETS		
ASSETS		
Cash and cash equivalents	$ 1,964,733	$ 2,287,943
Accounts and notes receivable – net	830,662	420,738
Income receivable and prepaid expenses	1,424,505	1,768,324
Investments:		
Planned giving ***(Note 3)***	61,031,098	60,138,621
Other long-term investments ***(Note 3)***	84,068,829	81,743,052
Investment in Friends Center ***(Note 4)***	2,816,359	2,929,652
Total investments	147,916,286	144,811,325
Land, buildings and equipment – net ***(Note 5)***	847,851	965,414
Other assets	46,164	46,164
Agency fund assets ***(Note 3)***	4,219,940	4,115,467
Total assets	$ 157,250,141	$ 154,415,375
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,913,301	$ 2,544,322
Deferred income	1,544,986	1,181,364
Interest-free loans	757,266	856,216
Annuities and unitrusts payable	26,464,625	26,472,299
Liability for pension benefits (***Note 6)***	1,525,894	4,005,924
Liability for post-retirement benefits ***(Note 6)***	18,261,555	18,467,791
Agency funds	4,219,940	4,115,467
Total liabilities	55,687,567	57,643,383
NET ASSETS		
Unrestricted:		
Designated for current and future operations	2,091,012	2,999,754
Funds functioning as endowment ***(Note 7)***	25,764,049	24,261,471
Funds designated for payment of charitable gift annuities	10,982,663	9,911,498
Funded status of pension and informal retirement benefit plans ***(Note 6)***	(3,175,823)	(6,413,770)
Investment in Friends Center	2,816,359	2,929,652
Land, buildings and equipment	847,851	965,414
Total unrestricted	39,326,111	34,654,019
Temporarily restricted ***(Note 7)***:		
Time restricted	27,494,998	27,815,523
Purpose restricted	2,228,863	3,404,271
Accumulated gains on endowment assets	7,538,056	6,616,986
Total temporarily restricted assets	37,261,917	37,836,780
Permanently restricted ***(Note 7)***	24,974,546	24,281,193
Total net assets	101,562,574	96,771,992
Total liabilities and net assets	$ 157,250,141	$ 154,415,375

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2018 (With Comparative 2017 Totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Operating Revenues					
Public support:					
Contributions for current program work	$ 10,863,925	$ 2,610,692	$ -	$ 13,474,617	$ 12,850,859
Grants from foundations	-	5,432,051	-	5,432,051	4,928,310
Bequests	7,023,502	519,373	-	7,542,875	9,738,787
Contributions to planned giving program	975,009	338,136	-	1,313,145	643,299
Contributions to endowment funds	-	-	708,392	708,392	775,050
Total public support	18,862,436	8,900,252	708,392	28,471,080	28,936,305
Government grants	-	90,508	-	90,508	-
Investment income, net of fees, appropriated *(Note 3)*	2,800,000	-	-	2,800,000	2,739,516
Program service income	318,037	-	-	318,037	203,038
Miscellaneous interest and other income	153,263	-	802	154,065	191,955
Net assets released from restrictions	12,211,068	(12,237,705)	26,637	-	-
Total revenues	34,344,804	(3,246,945)	735,831	31,833,690	32,070,814
Operating Expenses					
Program services:					
International programs	10,482,095	-	-	10,482,095	11,322,736
U.S. programs	16,369,771	-	-	16,369,771	18,142,562
Total program services	26,851,866	-	-	26,851,866	29,465,298
Program Support:					
Fund-raising	4,273,119	-	-	4,273,119	3,889,375
Management and general	3,063,259	-	-	3,063,259	2,767,405
Total program support	7,336,378	-	-	7,336,378	6,656,780
Total expenses	34,188,244	-	-	34,188,244	36,122,078
Changes in net assets from operations	156,560	(3,246,945)	735,831	(2,354,554)	(4,051,264)
Nonoperating Changes In Net Assets					
Investment gains not appropriated *(Note 3)*	3,021,846	1,058,606	-	4,080,452	8,696,566
Actuarial (loss) gains on planned giving liabilities	(1,024,042)	1,613,476	-	589,434	2,634,603
Pension and benefits adjustment	2,896,680	-	-	2,896,680	1,886,732
Other nonoperating changes in net assets	(378,952)	-	(42,478)	(421,430)	(396,184)
Changes in net assets	4,672,092	(574,863)	693,353	4,790,582	8,770,453
Net Assets					
Beginning of year	34,654,019	37,836,780	24,281,193	96,771,992	88,001,539
End of year	$ 39,326,111	$ 37,261,917	$ 24,974,546	$ 101,562,574	$ 96,771,992

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES, IN NET ASSETS

For The Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Operating Revenues				
Public support:				
Contributions for current program work	$ 8,902,150	$ 3,948,709	$ -	$ 12,850,859
Grants from foundations	-	4,928,310	-	4,928,310
Bequests	9,634,218	104,569	-	9,738,787
Contributions to planned giving program	587,378	55,921	-	643,299
Contributions to endowment funds	81,053	-	693,997	775,050
Total public support	19,204,799	9,037,509	693,997	28,936,305
Investment income, net of fees, appropriated *(Note 3)*	2,739,516	-	-	2,739,516
Program service income	203,038	-	-	203,038
Miscellaneous interest and other income	190,947	-	1,008	191,955
Net assets released from restrictions	8,627,928	(8,783,125)	155,197	-
Total revenues	30,966,228	254,384	850,202	32,070,814
Operating Expenses				
Program services:				
International programs	11,322,736	-	-	11,322,736
U.S. programs	18,142,562	-	-	18,142,562
Total program services	29,465,298	-	-	29,465,298
Program Support:				
Fund-raising	3,889,375	-	-	3,889,375
Management and general	2,767,405	-	-	2,767,405
Total program support	6,656,780	-	-	6,656,780
Total expenses	36,122,078	-	-	36,122,078
Changes in net assets from operations	(5,155,850)	254,384	850,202	(4,051,264)
Nonoperating Changes In Net Assets				
Investment gains not appropriated *(Note 3)*	6,386,580	2,309,986	-	8,696,566
Actuarial (loss) gains on planned giving liabilities	(218,091)	2,852,694	-	2,634,603
Net gain from disposal/sale of assets	-	-	-	-
Pension and benefits adjustment	1,886,732	-	-	1,886,732
Other nonoperating changes in net assets	(367,451)	(26,899)	(1,834)	(396,184)
Changes in net assets	2,531,920	5,390,165	848,368	8,770,453
Net Assets				
Beginning of year	32,122,099	32,446,615	23,432,825	88,001,539
End of year	$34,654,019	$37,836,780	$ 24,281,193	$ 96,771,992

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2018 And 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 4,790,582	$ 8,770,453
Adjustments to reconcile total change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(6,509,293)	(11,222,904)
Unrealized loss on Friends Center Corporation investment	113,293	101,005
Depreciation	120,743	110,478
Contributions to endowment funds	(708,392)	(775,050)
Contributions to planned giving program	(1,313,145)	(643,299)
Matured gifts from planned giving program	2,614,795	1,294,925
Remainder interest in life estates	1,607,965	661,454
Adjustment for changes in planned giving liabilities	1,144,680	(548,930)
Adjustment for changes in pension and post-retirement benefits	(2,896,680)	(1,886,732)
Changes in assets and liabilities which provided (used) cash		
Accounts and notes receivable	(409,924)	(156,351)
Income receivable and prepaid expenses	343,819	(666,004)
Accounts payable and accrued liabilities	368,979	(395,206)
Deferred income	363,622	226,234
Liability for pension and post-retirement benefits	210,414	1,148,234
Net cash used in operating activities	(158,542)	(3,981,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	(3,180)	(53,010)
Purchases of investments	(53,178,722)	(40,674,887)
Sales of investments	57,455,145	49,290,357
Net cash provided by investing activities	4,273,243	8,562,460
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-free loans	2,500	4,100
Repayment of interest-free loans	(101,450)	(45,250)
Cash received for endowment funds	706,355	735,678
Cash received for planned giving program	918,253	142,707
Matured gifts from planned giving program	(2,614,795)	(1,294,925)
Net benefit payments to annuitants	(3,348,774)	(3,330,960)
Net cash used in financing activities	(4,437,911)	(3,788,650)
Net increase (decrease) in cash and cash equivalents	(323,210)	792,117
CASH AND CASH EQUIVALENTS		
Beginning of year	2,287,943	1,495,826
End of year	$ 1,964,733	$ 2,287,943

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2018

	Program Services			Program Support			
	International	U.S.	Total Program Services	Fund-Raising	Management and General	Total Program Support	Total Expenses
Compensation Expense:							
Salaries and benefits	$ 5,322,029	$ 11,455,891	$ 16,777,920	$ 2,393,986	$ 1,937,587	$ 4,331,573	$ 21,109,493
Net periodic pension and retiree medical expense	202,043	434,907	636,950	90,884	73,558	164,442	801,392
Net compensation expense	5,524,072	11,890,798	17,414,870	2,484,870	2,011,145	4,496,015	21,910,885
Professional fees and services	643,223	825,036	1,468,259	326,347	191,482	517,829	1,986,088
Occupancy	499,928	956,912	1,456,840	340,928	224,340	565,268	2,022,108
Risk management insurance	69,864	95,324	165,188	15,278	75,620	90,898	256,086
Office supplies	45,298	81,964	127,262	6,078	5,487	11,565	138,827
Equipment leasing, purchase, and repairs	178,583	173,673	352,256	19,043	19,783	38,826	391,082
Program activities	804,202	444,575	1,248,777	12,533	35,864	48,397	1,297,174
Telephone and communications	156,997	276,317	433,314	42,288	155,998	198,286	631,600
Postage and shipping	18,757	53,641	72,398	12,540	17,321	29,861	102,259
Travel	526,907	675,050	1,201,957	133,356	151,483	284,839	1,486,796
Conferences, conventions, and meetings	744,697	95,248	839,945	6,790	26,779	33,569	873,514
Fundraising appeals	236,634	480,370	717,004	828,447	-	828,447	1,545,451
Printing and publishing	32,115	116,358	148,473	32,751	26,493	59,244	207,717
Awards and grants	802,173	4,211	806,384	-	-	-	806,384
Miscellaneous expense	198,645	181,277	379,922	11,870	19,738	31,608	411,530
Total expenses before depreciation	10,482,095	16,350,754	26,832,849	4,273,119	2,961,533	7,234,652	34,067,501
Depreciation of buildings and equipment	-	19,017	19,017	-	101,726	101,726	120,743
Total expenses	$ 10,482,095	$ 16,369,771	$ 26,851,866	$ 4,273,119	$ 3,063,259	$ 7,336,378	$ 34,188,244

The accompanying notes are an integral part of the financial statements.

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2017

	Program Services			Program Support			
	International	**U.S.**	**Total Program Services**	**Fund-Raising**	**Management and General**	**Total Program Support**	**Total Expenses**
Compensation Expense:							
Salaries and benefits	$ 5,733,444	$ 12,486,974	$ 18,220,418	$ 2,230,549	$ 1,700,295	$ 3,930,844	$ 22,151,262
Net periodic pension and retiree medical expense	424,604	949,205	1,373,809	161,645	101,320	262,965	1,636,774
Net compensation expense	6,158,048	13,436,179	19,594,227	2,392,194	1,801,615	4,193,809	23,788,036
Professional fees and services	710,800	986,773	1,697,573	300,394	247,687	548,081	2,245,654
Occupancy	530,383	986,058	1,516,441	234,895	194,736	429,631	1,946,072
Risk management insurance	76,727	110,646	187,373	9,889	69,021	78,910	266,283
Office supplies	39,841	88,805	128,646	8,148	7,077	15,225	143,871
Equipment leasing, purchase, and repairs	105,544	190,878	296,422	10,387	18,882	29,269	325,691
Program activities	1,226,393	483,913	1,710,306	15,040	31,600	46,640	1,756,946
Telephone and communications	166,045	331,746	497,791	33,177	123,959	157,136	654,927
Postage and shipping	20,823	68,066	88,889	14,968	10,365	25,333	114,222
Travel	499,241	744,705	1,243,946	123,461	119,865	243,326	1,487,272
Conferences, conventions, and meetings	591,572	79,594	671,166	3,399	18,065	21,464	692,630
Fundraising appeals	180,118	313,768	493,886	712,564	-	712,564	1,206,450
Printing and publishing	81,739	150,699	232,438	28,435	32,528	60,963	293,401
Awards and grants	861,068	146,847	1,007,915	-	-	-	1,007,915
Miscellaneous expense	74,394	5,412	79,806	2,424	-	2,424	82,230
Total expenses before depreciation	11,322,736	18,124,089	29,446,825	3,889,375	2,675,400	6,564,775	36,011,600
Depreciation of buildings and equipment	-	18,473	18,473	-	92,005	92,005	110,478
Total expenses	$ 11,322,736	$ 18,142,562	$ 29,465,298	$ 3,889,375	$ 2,767,405	$ 6,656,780	$ 36,122,078

The accompanying notes are an integral part of the financial statements.

(1) BACKGROUND

The American Friends Service Committee (the ***"Committee"***) was founded in 1917 and is incorporated in the Commonwealth of Pennsylvania. Its purpose is to engage in religious, charitable, social, philanthropic, and relief work in the United States and in other countries on behalf of participating yearly meetings and other bodies of the Religious Society of Friends in the United States of America. The Committee is primarily funded by charitable contributions, grants, and bequests from individuals, corporations and foundations. The Committee has a central office, four (4) U.S. regional offices, thirty-two (32) area offices, two (2) branch offices, and sixteen (16) international project offices.

The Internal Revenue Service ***("IRS")*** has determined the Committee to be an "association of churches" and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the Committee are deductible by the donors to the extent allowed by law.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and include all the accounts and funds of the Committee's national, regional, area, and international project offices. All material interoffice accounts have been eliminated.

CASH AND CASH EQUIVALENTS

The Committee considers all highly liquid financial instruments with effective maturities at the date of purchase of twelve months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Committee is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of September 30, 2018, and 2017, the Committee maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

RECEIVABLES

The Committee does not enter into legally enforceable contracts on promises of contributions with the exception of certain types of planned gifts. As a result, the Committee does not record pledges as income until the amounts are received.

INVESTMENTS

Investments are stated at fair value ***(See Note 3)***. The Committee allocates investment income for program work from its endowments and funds functioning as endowments, using the total return method. The Board of Directors has established a spending rate of 5%. This spending rate, which is applied to a three-year average of the net asset value of the related endowment funds, resulted in a Board-approved allocation for program work of $2,800,000 in 2018 and $2,739,516 in 2017. This allocated investment income is included in operating revenue on the statement of activities. Investment return on long-term investments not allocated for operations is included in "Non-operating changes in net assets" on the statement of activities.

INVESTMENT IN FRIENDS CENTER CORPORATION

The Friends Center Corporation ***("FCC")*** is a 501(c)(3) nonprofit organization comprised of three member organizations, including the Committee, the Philadelphia Yearly Meeting of the Religious Society of Friends ***("PYM")***, and Central Philadelphia Monthly Meeting ***("CPMM")***, and governed by an agreement among these organizations (the ***"FCC Agreement"***). The FCC constructed and operates the Friends Center complex in Philadelphia for the use by the Committee, other Quaker organizations, and organizations with similar beliefs. Certain provisions of the FCC Agreement permit each member organization to withdraw from FCC with proper notification. In the event of a withdrawal or dissolution, the Committee is entitled to receive an amount equal to 37% of the Friends Center's net assets, as defined in the FCC Agreement. The percentages for PYM and CPMM are 33% and 30%, respectively. The Committee accounts for its investment in FCC using the equity method of accounting. See Note 8 for further details on the Committee's transactions with FCC.

LAND, BUILDINGS, AND EQUIPMENT

The Committee follows the practice of recording land, buildings, furniture, and equipment, either purchased or contributed, with a cost or fair value in excess of $2,500 as assets. Depreciation is provided on the straight-line basis over the estimated useful lives (ranging from 3 to 50 years) of the assets.

INTEREST-FREE LOANS

Interest-free loans are comprised of amounts loaned to the Committee for unspecified periods of time, bearing no interest. All income and gains from the investment of such loans is available to the Committee for unrestricted use, unless specifically restricted by the lender, who may at any time recall only the original principal portion of the loan. Interest-free loans are received mainly from individuals, who wish to support the Committee.

ACCRUED PENSION AND POST-RETIREMENT BENEFITS AND FUNDING STATUS

FASB Accounting Standards Codification ***("FASB ASC")*** Topic 715, *Compensation – Retirement Benefits* (FASB ASC 715), requires an organization to recognize the over-funded or under-funded status of a defined benefit and post-retirement benefit plan in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through changes in unrestricted net assets. Any over-funded status of the Committee's plan is shown as an asset under "Prepaid pension" on the accompanying statement of financial position and any under-funded status is a liability incorporated under the caption "liability for pension benefits" and "liability for post-retirement benefits." Changes in the funded status, net of the net periodic benefit cost, are shown within "Nonoperating changes in net assets" on the accompanying statement of activities. Underfunded liabilities of the defined benefit pension plan of $1,525,894 and $4,005,924 and total obligations of the informal post-retirement plan of $18,261,555 and $18,467,791 have been included in the statements of financial position as of September 30, 2018 and 2017, respectively.

AGENCY FUNDS

Agency funds account for assets received by the Committee that are to be held or disbursed only on instructions of the individuals or organizations from which they were received. Included in the agency funds are the assets of the Committee's revocable trusts, 10-year trusts, and charitable trusts that designate a third party remainderman.

ANNUITY AND LIFE INCOME GIFTS

Gifts under split-interest agreements, generally charitable gift annuities and charitable remainder unitrusts, are recorded at their fair value at date of receipt. Contribution revenue is recognized as the difference between the assets received and the actuarially determined liability to the beneficiaries.

Annuity liabilities are computed using standard life expectancy and annuity tables at a 7.5% rate of interest. The liability for such payments is subsequently adjusted for annuities paid and the effects of actuarial gains and losses. Charitable remainder unitrust liabilities are recorded at the present value of the estimated future payments to be distributed over the beneficiary's expected lives. The liability for such payments is subsequently adjusted to reflect amortization of the discount, revaluations of the present value of the estimated future payments to the beneficiaries, and changes in actuarial assumptions.

NET ASSETS

A description of each net asset category is as follows:

- *Unrestricted Net Assets*: Represents assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors, such as Board designations, which are as follows:

  - *Funds functioning as endowment*: Funds functioning as endowment represent unrestricted funds designated by the Board to maintain principal in the same manner as in the Endowment while using the income to support the operating activities of the Committee.

  - *Funded status of pension and informal retirement benefit plans*: The amount by which the pension plan and informal retirement benefit plan is funded as compared to the investments designated by the Committee for such purposes, but not placed in a separate trust, for the informal post-retirement benefit plan.

  - *Funds designated for payment of charitable gift annuities:* The amount by which funds invested for charitable gift annuity obligations exceeds the actuarial present value of future liability under charitable gift annuity agreements.

  - *Investment in Friends Center*: The Investment in Friends Center represents the Committee's equity in Friends Center Corporation ***(See Note 4)***.

  - *Land, building and equipment*: Land, building, and equipment is the net book value of land, buildings, furniture, and equipment.

- *Temporarily Restricted Net Assets*: Temporarily restricted net assets are those whose use by the Committee has been limited by donors for a specific purpose or time period. These net assets consist of gifts for which donor-imposed restrictions have not been met, and for accumulated gains recognized on permanently restricted endowments.

- *Permanently Restricted Net Assets*: Permanently restricted net assets consist of permanent endowment fund investments to be held indefinitely, the income from which is expendable for operations or with restrictions as noted by the donor.

CONTRIBUTIONS

Contributions and other public support are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Temporarily and permanently restricted funds represent amounts donated or granted to the Committee, the use of which is specified by the donor as a condition of the donation or grant.

The Committee's Planned Giving Program allows donors to contribute to the Committee and at the same time receive lifetime income payments to their designated beneficiaries. Charitable gift annuities and charitable gift funds are classified as unrestricted. All other planned gifts are classified as temporarily restricted until the beneficiaries' death, after which they are unrestricted unless specified otherwise by the donor.

ESTIMATES AND ASSUMPTIONS

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 amounts reported in the financial statements and related disclosures and, therefore, actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Committee's financial statements, it is not expected to alter the Committee's reported financial position. The Committee plans to adopt the new ASU at the required implementation date.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Society plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Committee plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. The Committee plans to adopt the new ASU at the required implementation date.

RECLASSIFICATION

Certain account balances in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

(3) INVESTMENTS

The Committee used various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

Common Stocks: Level 1 common stocks represent an actively managed portfolio of registered securities. These securities trade in active stock markets and are based on daily quoted market prices.

Mutual Funds: Level 1 mutual funds represent international equity funds. These securities trade in active stock markets and are based on daily quoted market prices.

Bonds: Level 2 bonds represent an actively managed portfolio of registered securities. These securities trade in active markets and inputs used to value these bonds generally include relative credit information, observed market movements, sector news, spread to the U.S. Treasury market and other market information.

Cash and Cash Equivalents represent money market funds and are classified as Level 1 investments.

Commingled Funds include commingled funds with underlying securities that have observable Level 1 quoted inputs; however, these commingled funds are not traded in public markets and the net asset value (NAV) is calculated at the end of each month. Redemptions and purchases may be made on the first business day of each month using the prior month's NAV.

Other investments, classified as Level 3, include deeds, leases, property for resale, and insurance policies and are generally listed at contributed value.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Committee's investments as of September 30, 2018 and 2017 are as follows:

	Fair Value Measurement At Reporting Date Using:				
2018	**Total Fair Value**	**Observable Inputs (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Net Asset Value**
Planned Giving Investments:					
Common Stocks	$ 18,121,085	$ 18,121,085	$ -	$ -	$ -
Mutual Funds	5,946,621	5,946,621	-	-	-
Bonds	19,317,215	-	19,317,215	-	-
Commingled Funds	11,235,352	-	-	-	11,235,352
Other	2,093	-	-	2,093	-
Cash and Cash Equivalents	6,408,732	6,408,732	-	-	-
Total Planned Giving Investments	$ 61,031,098	$ 30,476,438	$ 19,317,215	$ 2,093	$ 11,235,352
Other Long Term Investments:					
Common Stocks	$ 27,080,995	$ 27,080,995	$ -	$ -	$ -
Mutual Funds	3,722,412	3,722,412	-	-	-
Bonds	13,201,345	-	13,201,345	-	-
Commingled Funds	26,492,881	-	-	-	26,492,881
Other	38,212	-	-	38,212	-
Cash and Cash Equivalents	13,532,984	13,532,984	-	-	-
Total Other Long-Term Investments	$ 84,068,829	$ 44,336,391	$ 13,201,345	$ 38,212	$ 26,492,881
Total Investments	$ 145,099,927	$ 74,812,829	$ 32,518,560	$ 40,305	$ 37,728,233
Agency Fund Assets:					
Common Stocks	$ 1,341,889	$ 1,341,889	$ -	$ -	$ -
Mutual Funds	595,628	595,628	-	-	-
Bonds	1,315,322	-	1,315,322	-	-
Commingled Funds	352,735	-	-	-	352,735
Cash and Cash Equivalents	614,366	614,366	-	-	-
Total Agency Fund Assets	$ 4,219,940	$ 2,551,883	$ 1,315,322	$ -	$ 352,735

Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

	Beginning Market Value	Gains/ (Losses)	Revenue	Additions/ (Withdrawals)	Ending Market Value
Planned Giving Investments	$ 16,163	$ (14,070)	$ 12,404	$ (12,404)	$ 2,093
Other Long-Term Investments	42,902	(4,690)	-	-	38,212
	$ 59,605	$ (18,760)	$ 12,404	$ (12,404)	$ 40,305

2017	Total Fair Value	Fair Value Measurement At Reporting Date Using: Observable Inputs (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value
Planned Giving Investments:					
Common Stocks	$ 24,870,120	$ 24,870,120	$	$	$
Mutual Funds	5,119,812	5,119,812	-	-	-
Bonds	20,637,494	-	20,637,494	-	-
Commingled Funds	6,544,677	-	-	-	6,544,677
Other	16,163	-	-	16,163	-
Cash and Cash Equivalents	2,950,355	2,950,355	-	-	-
Total Planned Giving Investments	$ 60,138,621	$ 32,940,287	$ 20,637,494	$ 16,163	$ 6,544,677
Other Long Term Investments:					
Common Stocks	$ 39,513,367	$ 39,513,367	$	$	$
Bonds	13,397,406	-	13,397,406	-	-
Commingled Funds	23,003,279	-	-	-	23,003,279
Other	42,902	-	-	42,902	-
Cash and Cash Equivalents	5,685,309	5,685,309	-	-	-
Total Other Long-Term Investments	$ 81,642,263	$ 45,198,676	$ 13,397,406	$ 42,902	$ 23,003,279
Total Investments	$ 141,780,884	$ 78,138,963	$ 34,034,900	$ 59,065	$ 29,547,956
Agency Fund Assets:					
Common Stocks	$ 1,623,369	$ 1,623,369	$	$	$
Mutual Funds	557,751	557,751	-	-	-
Bonds	1,398,667	-	1,398,667	-	-
Commingled Funds	4,532	-	-	-	4,532
Cash and Cash Equivalents	531,148	531,148	-	-	-
Total Agency Fund Assets	$ 4,115,467	$ 2,712,268	$ 1,398,667	$ -	$ 4,532

Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

	Beginning Market Value	Gains/ (Losses)	Revenue	Additions/ (Withdrawals)	Ending Market Value
Planned Giving Investments	$ 21,105	$ (4,942)	$ 11,150	$ (11,150)	$ 16,163
Other Long-Term Investments	44,550	(1,648)	3,717	(3,717)	42,902
	$ 65,655	$ (6,590)	$ 14,867	$ (14,867)	$ 59,065

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2018 and 2017.

Commingled funds which are measured at Net Asset Value and the investment objective of each holding are as follows:

	Fair Value
International Equity Fund [(a)]	$ 8,856,118
Global and Emerging Markets Bond Fund [(b)]	6,245,323
Global Environmental Opportunity Fund [(c)]	3,893,663
Friends Fiduciary Quaker Index Fund [(d)]	19,085,864
Total Commingled Funds	$ 38,080,968

There were no unfunded commitments on the commingled funds at September 30, 2018.

(a) This fund's investment objectives are to preserve and build capital by investing in economically and geographically diversified portfolios of non-U.S. stocks. Focus is on investments with high quality medium-to-large capitalization companies that are undervalued relative to their long-term fundamental outlook. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(b) These fund's investment objectives are to achieve favorable income-oriented returns from globally diversified portfolios of primarily debt or debt-like securities, of both established and emerging financial markets. An associated objective is the preservation and enhancement of principal. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(c) These fund's investment objectives are to achieve long-term returns by investing in companies that area helping to address climate change, resource shortage, water management, and environmental change.

(d) This fund's objective is to be diversified across economic sectors and is designed to track the S&P 500 index with low annual turnover and low tracking error. The Committee utilizes the net asset valuations provided by Friends Fiduciary Corporation. There is no active market for the investment from which to base fair value and fair value is measured using the net asset value practical expedient. Redemptions and purchases can made at any time and at no cost.

Components of investment (loss) income on total investments excluding the planned giving assets other than the charitable gift annuities for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Dividends and interest	$ 1,551,170	$ 1,452,780
Net realized and unrealized gains on investments	6,509,293	11,222,904
Net realized loss on FCC	(113,293)	(101,005)
Investment fees	(1,066,718)	(1,138,597)
Total investment income, net of fees	6,880,452	11,436,082
Less: investment income appropriated	(2,800,000)	(2,739,516)
Investment gains not appropriated	$ 4,080,452	$ 8,696,566

Certain states require investments to be segregated (reserves) for planned giving charitable gift annuity contracts. The general reserve follows the State of New York guidelines, which is the actuarial present value liability, plus 26.5%. There are also additional requirements for other states in which annuitant's reside.

Charitable Gift Annuity (CGA) Investment Value	$ 24,197,534
General CGA Liability	(10,361,364)
California CGA Liability	(2,675,580)
Florida CGA Liability	(169,670)
Tennessee CGA Liability	(8,257)
Total GAAP CGA Liability	(13,214,871)
Unrestricted Funds designated for payment of CGA's	10,982,663
26.5% additional liability required for General	(2,745,761)
10% additional liability required for Florida	(16,967)
10% additional liability required for Tennessee	(826)
Additional liability for State required lower discount rate*	(3,026,034)
Total additional liability per state mandates	(5,789,588)
Net excess funding for Charitable Gift Annuity Investment Pool	$ 5,193,075

GAAP present value liability is calculated using a 7.5% discount rate, which is the investment return assumption of the CGA investment pool.

*State Insurance Departments that regulate organizations issuing annuity contracts require a lower discount rate to calculate the liability and required reserve. This discount rate is set by the Internal Revenue Service and average between 4.5% and 5.0%.

(4) INVESTMENT IN FRIENDS CENTER

Summarized audited financial information for the Friends Center Corporation ***("FCC")*** for the years ended June 30, 2018 and 2017 are as follows:

Balance Sheet (Accrual Basis)

	2018	2017
Total Assets	$ 13,728,757	$ 14,221,709
Total Liabilities	$ 6,116,974	$ 6,301,730
Net Assets	7,611,783*	7,919,979*
Total Liabilities and Net Assets	$ 13,728,757	$ 14,221,709

* The Committee's 37.0% equity interest of $2,816,359 and $2,929,652 as of June 30, 2018 and 2017, respectively, is recorded as "Investment in Friends Center" in the statement of financial position. Its share of the FCC's net changes in net assets was $(113,293) and $(101,005) for the years ended June 30, 2018 and 2017, respectively, which is disclosed within "Investment (losses)/ gains not appropriated" in the statement of activities.

(5) LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings and equipment as of September 30, 2018 and 2017, is as follows:

	2018	2017
Non-depreciable assets		
Land	$ 42,455	$ 42,455
Depreciable assets		
Buildings	1,219,391	1,219,391
Furniture and equipment	1,327,846	1,324,666
Subtotal – depreciable assets	2,547,237	2,544,057
Accumulated depreciation	(1,741,841)	(1,621,098)
Subtotal – depreciable assets, net	805,396	922,959
Total land, buildings and equipment, net	$ 847,851	$ 965,414

Depreciation expense was $120,743 and $110,478 for the years ended September 30, 2018 and 2017, respectively.

(6) PENSION PLANS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Committee has a formal defined benefit pension plan covering substantially all employees. The benefits are based upon years of service and the employee's five highest years of compensation. The Committee serves as trustee for the plan, but otherwise the plan is an independent entity whose assets are not available for other Committee uses.

The Committee is not required to comply with the Employee Retirement Income Security Act of 1974 ***("ERISA")*** because of the Committee's status as an "association of churches." However, the formal plan includes certain provisions that do comply with ERISA.

The Committee also has an informal postretirement benefits plan that provides medical benefits to all its retirees who retire directly from the Committee. The Committee has designated $16,611,626 and $16,059,945 at September 30, 2018 and 2017, respectively, of investments for the informal post-retirement benefits plan. The plan is discretionary and the Committee has no contractual obligation and as such, the designated investments of the plan are considered to be unrestricted, but designated for this purpose. The Committee pays the cost of the related insurance premiums when due and retirees contribute to the cost of this plan.

The following amounts relate to the Committee's defined benefit pension plan and the informal postretirement benefit plans at September 30:

	Pension Plan		Informal Postretirement Medical Benefits Plan	
	2018	2017	2018	2017
	(Dollars In Thousands)			
Fair value of plan assets	$ 51,312	$ 50,665	$ -	$ -
Projected benefit obligation	52,838	54,671	18,262	18,468
Unfunded status	$ (1,526)	$ (4,006)	$ (18,262)	$ (18,468)

The principal assumptions used in determining the actuarial present value of the projected benefit obligation for the defined benefit plan and the informal postretirement benefit plans were as follows:

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2018	2017	2018	2017
Discount Rate	4.35%	4.10%	4.35%	4.10%
Expected return on Plan Assets	7.50%	7.50%	-	-
Rate of Compensation Increase	3.00%	3.00%	-	-
COLA Increase Rate	0.00%	0.00%	-	-

The following is the expense recognized, contributions made and plan benefits paid:

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2018	2017	2018	2017
	(Dollars In Thousands)			
Pension expense (credit)	$ (2,480)	$ (1,416)	$ 410	$ 1,116
Contributions	$ -	$ -	$ 617	$ 439
Benefits Paid	$ (2,978)	$ (2,442)	$(1,054)	$ (805)
Components of Net Periodic Benefit Cost				
Service cost	$ 989	$ 1,215	$ 591	$ 572
Interest cost	2,170	2,091	740	652
Return on plan assets	(3,676)	(3,400)	-	-
Recognized net actuarial (gain) loss	-	731	-	(211)
Amortization of prior service cost	-	-	(13)	(13)
Net periodic pension/postretirement cost	(517)	637	1,318	1,000
Special termination benefit	-	1,662	-	-
Total benefit cost	$ (517)	$ 2,299	$ -	$ -

During the year ended September 30, 2017, there was a Retirement Incentive Program (the "Program") offered which resulted in a one-time special termination benefit of $1,661,594. The Program granted five years of age and five years of service in determining retirement benefits for those who elected to retire under the Program.

During the year ended September 30, 2017, the underlying model to set the future healthcare cost trend was updated to the 2018 model to reflect the increasing healthcare rates which increased the liability for the informal postretirement medical benefits plan by approximately $1.2 million.

The summary of inputs used to value the Committee's Formal plan assets carried at fair value as of September 30, 2018 and 2017 were as follows:

	2018				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs	Net Asset Value
Common Stock	$ 14,289,763	$ 14,289,763	$ -	$ -	$ -
Mutual Funds	2,179,612	2,179,612	-	-	-
Bonds	10,447,431	-	10,447,431	-	-
Commingled Funds	18,131,611	-	-	-	18,131,611
Cash and Cash Equivalents	6,263,995	6,263,995	-	-	-
	$ 51,312,412	$ 22,733,370	$ 10,447,431	$ -	$ 18,131,611

	2017				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs	Net Asset Value
Common Stock	$ 23,050,241	$ 23,050,241	$ -	$ -	$ -
Bonds	10,302,051	-	10,302,051	-	-
Commingled Funds	14,404,562	-	-	-	14,404,562
Cash and Cash Equivalents	2,907,892	2,907,892	-	-	-
	$ 50,664,746	$ 25,958,133	$ 10,302,051	$ -	$ 14,404,562

The long-term investment strategy for the pension plan's assets is to: meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide total return that maximized the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted average of the individual expected returns for each asset category in the plans' portfolio.

The pension plan asset allocations by asset category are as follows:

Asset Category	2018
Equities	27.85%
Mutual Funds	4.25%
Fixed Income	20.36%
Commingled Funds	35.33%
Cash and Cash Equivalents	12.21%
Total	100.00%

Commingled funds which are measured at Net Asset Value and the investment objective of each holding are as follows:

	Fair Value
International Equity Fund [(a)]	$ 3,771,344
Global and Emerging Markets Bond Funds[(b)]	3,597,957
Global Environmental Opportunities Fund[(c)]	2,278,906
Friends Fiduciary Quaker Index Fund [(d)]	8,483,404
Total Commingled Funds	$18,131,611

There were no unfunded commitments on the commingled funds at September 30, 2018.

(a) This fund's investment objectives are to preserve and build capital by investing in economically and geographically diversified portfolios of non-U.S. stocks. Focus is on investments with high quality medium-to-large capitalization companies that are undervalued relative to their long-term fundamental outlook. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(b) These fund's investment objectives are to achieve favorable income-oriented returns from globally diversified portfolios of primarily debt or debt-like securities, of both established and emerging financial markets. An associated objective is the preservation and enhancement of principal. Redemptions and purchases can be made on the first business day of each month with 10 days' notice.

(c) These fund's investment objectives are to achieve long-term returns by investing in companies that area helping to address climate change, resource shortage, water management, and environmental change.

(d) This fund's objective is to be diversified across economic sectors and is designed to track the S&P 500 index with low annual turnover and low tracking error. The Committee utilizes the net asset valuations provided by Friends Fiduciary Corporation. There is no active market for the investment from which to base fair value and fair value is measured using the net asset value practical expedient. Redemptions and purchases can made at any time and at no cost.

Benefit payments, which reflect expected future service, as appropriate, that are anticipated to be paid for the years ending September 30, are as follows:

	Pension Plan	Informal Pension Plan
2019	$ 3,064,000	$ 714,000
2020	3,064,000	684,000
2021	3,079,000	678,000
2022	3,131,000	691,000
2023	3,169,000	742,000
2024 – 2028	16,460,000	4,299,000
Total	$31,967,000	$ 7,808,000

(7) NET ASSETS

Temporarily restricted net assets for 2018 and 2017 are available for the following purposes:

	2018	2017
Purpose-restricted		
International programs	$ 237,044	$ 221,905
U.S. programs	245,773	184,246
Courageous Acts campaign	1,022,305	2,830,481
Program support	723,741	167,639
Total purpose restricted	2,228,863	3,404,271
Time-restricted (planned gifts)*	27,494,998	27,815,523
Accumulated gain on endowment assets	7,538,056	6,616,986
Total	$37,261,917	$37,836,780

**** Includes $3,818,896 and $4,189,548 of term endowments as of September 30, 2018 and 2017, respectively.***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2018	2017
International programs	$ 2,779,259	$ 3,225,243
U.S. programs	3,685,075	3,499,990
Courageous Acts campaign	2,218,749	811,673
Program support	282,896	406,247
Time Restrictions met	3,271,726	839,972
	$12,237,705	$ 8,783,125

PERMANENTLY RESTRICTED NET ASSETS ENDOWMENT FUNDS

Restricted endowment funds account for the principal amount of gifts and bequests accepted with the donor's stipulation that the principal be maintained in perpetuity or until the occurrence of a specified event or for a specified period. The income from the investment of such funds is available for unrestricted use, unless specifically restricted by the donor.

Endowment net asset composition by type of fund as of September 30, 2018 and 2017:

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted endowment funds	$ -	$ 11,356,952	$ 24,974,546	$ 36,331,498
Funds functioning as endowment	25,764,049	-	-	25,764,049
Total funds	$ 25,764,049	$ 11,356,952	$ 24,974,546	$ 62,095,547

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted endowment funds	$ -	$ 10,806,534	$ 24,281,193	$ 35,087,727
Funds functioning as endowment	24,261,471	-	-	24,261,471
Total funds	$ 24,261,471	$ 10,806,534	$ 24,281,193	$ 59,349,198

Change in endowment net assets for the years ended September 30, 2018 and 2017:

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, September 30, 2017	$ 24,261,471	$ 10,806,534	$ 24,281,193	$ 59,349,198
Investment return:				
Investment income, net of fees	205,377	290,557	-	495,934
Net realized/unrealized gains	1,674,685	2,391,156	802	4,066,643
Total investment return	1,880,062	2,681,713	802	4,562,577
Contributions and other transfers	779,645	-	692,551	1,472,196
Appropriation of assets for expenditure in accordance with the spending policy	(1,157,129)	(1,642,871)	-	(2,800,000)
Other changes:				
Term endowment principal transferred to general funds	-	(488,424)	-	(488,424)
Endowment net assets, September 30, 2018	$ 25,764,049	$ 11,356,952	$ 24,974,546	$ 62,095,547

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, September 30, 2016	$20,370,182	$ 8,507,491	$23,432,825	$52,310,498
Investment return:				
Investment income, net of fees	144,054	209,996	-	354,050
Net realized/unrealized gains (losses)	2,565,174	3,745,317	(826)	6,309,665
Total investment return	2,709,228	3,955,313	(826)	6,663,715
Contributions and other transfers	2,292,206	-	849,194	3,141,400
Appropriation of assets for expenditure in accordance with the spending policy	(1,110,145)	(1,629,371)	-	(2,739,516)
Other changes:				
Term endowment principal transferred to general funds	-	(26,899)	-	(26,899)
Endowment net assets, September 30, 2017	$24,261,471	$10,806,534	$24,281,193	$59,349,198

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 state standards require the Committee to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2018 and 2017.

(8) RELATED PARTY TRANSACTIONS

In connection with the renovations of the Friends Center, Economic Development Revenue Bonds ("Bonds") were issued through the Narberth Industrial Development Authority to Friends Center Corporation. The Friends Center is responsible for the payment of debt service on the Bonds, which is passed onto the partners of the Friends Center in the annual rent. At June 30, 2018 and 2017, the Friends Center's fiscal year-end, the Bonds, which mature in 2038, had outstanding balances of approximately $6.1 million and $6.2 million, respectively, and is guaranteed, jointly and severally by the Committee and the other partners of the Friends Center.

The Committee owns shares of Friends Fiduciary Quaker Index Fund, a related party, which totaled approximately $27.5 million at September 30, 2018.

(9) ALLOCATION OF JOINT COSTS

For the years ended September 30, 2018 and 2017, the Committee incurred joint costs of $2,065,509 and $1,554,982 for informational materials and activities that included fund-raising appeals. For the years ended September 30, 2018 and 2017, these joint costs were allocated as follows:

	2018	2017
Fundraising	$ 1,215,664	$ 1,034,150
International Programs	280,476	160,490
US Programs	569,369	360,342
Total	$ 2,065,509	$ 1,554,982

(10) COMMITMENTS

COMMITMENTS

The Committee leases certain facilities where the Committee has program offices under leases expiring through November 2023. In addition, the Committee leases certain office equipment under operating leases expiring through April 2022. Most international office leases are paid in advance or are month-to-month basis. Rent expense for the years ended September 30, 2018 and 2017 was approximately $1,082,000 and $786,000, respectively.

The minimum annual rentals payable under the leases are as follows:

Year Ending September 30,	
2019	$ 432,280
2020	305,737
2021	122,215
2022	93,377
2023	12,221
Future minimum lease payments	$ 965,830

(11) CONTINGENCIES

At September 30, 2018 the Committee is a party to certain lawsuits in the ordinary course of business. While any litigation has an element of uncertainty, after reviewing these actions with legal counsel, management is of the opinion that the liability, if any, resulting from these actions will not have a material effect on the financial condition of the Committee.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2019, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.