# AMERICAN FRIENDS SERVICE COMMITTEE

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED SEPTEMBER 30, 2009 and 2008

## AND

## INDEPENDENT AUDITORS' REPORT

MILLIGAN & COMPANY, LLC
Consultants and Certified Public Accountants

Meeting the Toughest Challenges. Inspiring Confidence.SM

AMERICAN FRIENDS SERVICE COMMITTEE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of American Friends Service Committee ("the Committee") as of September 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Committee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Milligan & Company, LLC

April 5, 2010
Philadelphia, Pennsylvania

AMERICAN FRIENDS SERVICE COMMITTEE
Statements of Financial Position
For the years ended September 30, 2009 and 2008

| ASSETS | | 2009 | | 2008* |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 9,638,527 | $ | 2,568,178 |
| Accounts and notes receivable - net | | 185,841 | | 162,482 |
| Income receivable and prepaid expenses | | 1,166,158 | | 1,498,738 |
| Property: | | | | |
| Land, buildings and equipment - net (Notes 2 and 6) | | 3,057,493 | | 1,645,655 |
| Property held for resale | | 51,247 | | 51,247 |
| Remainder interest in life estates | | 180,342 | | 1,383,406 |
| Total property | | 3,289,082 | | 3,080,308 |
| Investments: | | | | |
| Investment in Friends Center (Notes 2 and 7) | | 4,120,181 | | 3,770,542 |
| Planned giving assets (Note 4) | | 59,474,843 | | 59,789,816 |
| Other long term assets (Note 4) | | 49,815,820 | | 84,734,556 |
| Total investments | | 113,410,844 | | 148,294,914 |
| Investments held for others (Notes 3 and 4) | | 4,916,514 | | 5,536,561 |
| Total assets | $ | 132,606,966 | $ | 161,141,181 |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | $ | 2,332,516 | $ | 1,899,605 |
| Contribution payable to Friends Center (Note 7) | | - | | 1,856,659 |
| Liability for pension benefits (Note 8) | | 28,597,921 | | 19,246,435 |
| Interest-free loans (Note 2) | | 1,728,081 | | 1,922,249 |
| Annuities and unitrusts payable (Notes 2 and 3) | | 25,382,090 | | 25,120,420 |
| Agency funds (Note 3) | | 4,916,514 | | 5,536,561 |
| Total liabilities | | 62,957,122 | | 55,581,929 |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Undesignated and Board designated | | 20,232,353 | | 40,232,068 |
| Funds functioning as endowment | | 8,969,628 | | 8,497,642 |
| Funded status of pension and informal retirement benefit plans | | (18,199,371) | | (8,807,056) |
| Investment in Friends Center | | 4,120,181 | | 1,895,926 |
| Land, buildings, and equipment | | 2,903,239 | | 1,466,343 |
| Total unrestricted | | 18,026,030 | | 43,284,923 |
| Temporarily restricted (Note 5): | | | | |
| Time restricted | | 31,477,595 | | 34,971,730 |
| Purpose restricted | | 6,630,014 | | 10,140,848 |
| Accumulated gains on endowment assets | | 2,306,128 | | 3,733,674 |
| Total temporarily restricted assets | | 40,413,737 | | 48,846,252 |
| Permanently restricted (Note 3) | | 11,210,077 | | 13,428,077 |
| Total net assets | | 69,649,844 | | 105,559,252 |
| Total liabilities and net assets | $ | 132,606,966 | $ | 161,141,181 |

*As Restated (see Note 12)

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

AMERICAN FRIENDS SERVICE COMMITTEE
Statement of Activities and Changes in Net Assets
For the year ended September 30, 2009
(with comparative totals for the year ended September 30, 2008)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2009 Total | 2008 Total |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Public support (Note 2): | | | | | |
| Contributions for current program work | $ 8,556,111 | $ 7,414,444 | $ - | $ 15,970,555 | $ 17,975,232 |
| Bequests | 7,669,472 | 84,672 | - | 7,754,144 | 10,320,413 |
| Contributions to planned giving program | 1,026,114 | 9,622 | - | 1,035,736 | 1,162,118 |
| Contributions to endowment funds | - | - | 551,458 | 551,458 | 4,134,764 |
| Total public support | 17,251,697 | 7,508,738 | 551,458 | 25,311,893 | 33,592,527 |
| Government grants | - | 136,144 | - | 136,144 | 192,505 |
| Investment income, net of payments and fees, appropriated (Notes 2 and 4) | 3,246,501 | - | - | 3,246,501 | 3,731,409 |
| Program service income | 614,044 | - | - | 614,044 | 617,598 |
| Miscellaneous interest and other income | 48,680 | - | - | 48,680 | 162,026 |
| Net assets released from restrictions | 12,473,435 | (12,474,435) | 1,000 | - | - |
| Total operating revenues | 33,634,357 | (4,829,553) | 552,458 | 29,357,262 | 38,296,065 |
| Operating expenses: | | | | | |
| Program services: | | | | | |
| International programs | 13,004,539 | - | - | 13,004,539 | 14,421,252 |
| Domestic programs: | | | | | |
| Community relations | 10,989,126 | - | - | 10,989,126 | 12,641,938 |
| Peace education | 7,382,800 | - | - | 7,382,800 | 9,948,210 |
| Special programs | 4,953,244 | - | - | 4,953,244 | 3,301,112 |
| Total program services | 36,329,709 | - | - | 36,329,709 | 40,312,512 |
| Program support: | | | | | |
| Fund-raising | 3,760,675 | - | - | 3,760,675 | 4,890,733 |
| Management and general | 3,728,224 | - | - | 3,728,224 | 3,940,845 |
| Total program support | 7,488,899 | - | - | 7,488,899 | 8,831,578 |
| Total operating expenses | 43,818,608 | - | - | 43,818,608 | 49,144,090 |
| Changes in net assets from operations | (10,184,251) | (4,829,553) | 552,458 | (14,461,346) | (10,848,025) |
| Nonoperating changes in net assets: | | | | | |
| Investment (losses)/gains not appropriated (Notes 2 and 4) | (8,795,798) | (2,308,080) | - | (11,103,878) | (28,571,602) |
| Adjustments for changes in planned giving liabilities | - | (1,690,846) | - | (1,690,846) | (1,529,783) |
| Endowment transferred to outside organization | - | 395,964 | (2,770,458) | (2,374,494) | - |
| Contribution to Friends Center in excess of equity (Note 7) | - | - | - | - | 296,727 |
| Gain from sale of assets | 1,097,479 | - | - | 1,097,479 | - |
| Pension and benefit adjustment | (7,376,323) | - | - | (7,376,323) | (5,277,724) |
| Changes in net assets | (25,258,893) | (8,432,515) | (2,218,000) | (35,909,408) | (45,930,407) |
| Net assets, beginning of year | 43,284,923 | $ 48,846,252 | $ 13,428,077 | 105,559,252 | 151,489,659 |
| Net assets, end of year | $ 18,026,030 | $ 40,413,737 | $ 11,210,077 | $ 69,649,844 | $ 105,559,252 |

The accompanying notes are an integral part of the financial statements

AMERICAN FRIENDS SERVICE COMMITTEE
Statement of Activities and Changes in Net Assets
For the year ended September 30, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total* |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Public support (Note 2): | | | | |
| Contributions for current program work | $ 9,992,213 | $ 7,983,019 | $ - | $ 17,975,232 |
| Bequests | 10,233,176 | 87,237 | - | 10,320,413 |
| Contributions to planned giving program | 934,469 | 227,649 | - | 1,162,118 |
| Contributions to endowment funds | - | 50,000 | 4,084,764 | 4,134,764 |
| Total public support | 21,159,858 | 8,347,905 | 4,084,764 | 33,592,527 |
| Government grants | - | 192,505 | - | 192,505 |
| Investment income, net of payments and fees, appropriated (Notes 2 and 4) | 3,731,409 | - | - | 3,731,409 |
| Program service income | 617,598 | - | - | 617,598 |
| Miscellaneous interest and other income | 85,931 | - | 76,095 | 162,026 |
| Net assets released from restrictions | 14,056,019 | (14,113,957) | 57,938 | - |
| Total operating revenues | 39,650,815 | (5,573,547) | 4,218,797 | 38,296,065 |
| Operating expenses: | | | | |
| Program services: | | | | |
| International programs | 14,421,252 | - | - | 14,421,252 |
| Domestic programs: | | | | |
| Community relations | 12,641,938 | - | - | 12,641,938 |
| Peace education | 9,948,210 | - | - | 9,948,210 |
| Special programs | 3,301,112 | - | - | 3,301,112 |
| Total program services | 40,312,512 | - | - | 40,312,512 |
| Program support: | | | | |
| Fund-raising | 4,890,733 | - | - | 4,890,733 |
| Management and general | 3,940,845 | - | - | 3,940,845 |
| Total program support | 8,831,578 | - | - | 8,831,578 |
| Total operating expenses | 49,144,090 | - | - | 49,144,090 |
| Changes in net assets from operations | (9,493,275) | (5,573,547) | 4,218,797 | (10,848,025) |
| Nonoperating changes in net assets: | | | | |
| Investment (losses)/gains not appropriated (Notes 2 and 4) | (22,069,379) | (6,502,223) | - | (28,571,602) |
| Adjustments for changes in planned giving liabilities | - | (1,529,783) | - | (1,529,783) |
| Contribution to Friends Center in excess of equity (Note 7) | 296,727 | - | - | 296,727 |
| Adjustment for subsequent events (Note 12) | (108,042) | 108,042 | - | - |
| Pension and benefit adjustment | (5,277,724) | - | - | (5,277,724) |
| Changes in net assets | (36,651,693) | (13,497,511) | 4,218,797 | (45,930,407) |
| Net assets, beginning of year | 79,936,616 | 62,343,763 | 9,209,280 | 151,489,659 |
| Net assets, end of year | $ 43,284,923 | $ 48,846,252 | $ 13,428,077 | $ 105,559,252 |

*As Restated (see Note 12)

AMERICAN FRIENDS SERVICE COMMITTEE
Statements of Cash Flows
for the years ended September 30, 2009 and 2008

| | 2009 | 2008* |
|---|---|---|
| Cash flows from operating activities: | | |
| Total change in net assets | $ (35,909,408) | $ (45,930,407) |
| Adjustments to reconcile total change in net assets to net cash used by operating activities: | | |
| Realized and unrealized losses (gains) on investments | 8,882,689 | 27,444,002 |
| Unrealized gain on Friends Center Corporation investment | (283,642) | (560,417) |
| Gain from sale of land, buildings, and equipment | (1,097,479) | - |
| Depreciation | 123,472 | 73,844 |
| Contributions to endowment funds | (551,458) | (4,134,764) |
| Contributions to planned giving program | (1,035,736) | (1,162,118) |
| Remainder interest in life estates | 1,203,064 | - |
| Adjustment for changes in planned giving liabilities | 1,690,846 | 1,529,783 |
| Non-cash contribution to Friends Center Corporation | - | (851,639) |
| Changes in assets and liabilities which provided (used) cash: | | |
| Accounts and notes receivable | (23,359) | 98,942 |
| Income receivable and prepaid expenses | 332,580 | (440,041) |
| Prepaid pension | - | 5,542,188 |
| Accounts payable and accrued liabilities | 432,911 | (202,490) |
| Payable to Friends Center | (1,856,659) | - |
| Liability for pension benefits | 9,351,486 | 2,289,207 |
| Net cash used by operating activities | (18,740,693) | (16,303,910) |
| Cash flows from investing activities: | | |
| Purchase of land, buildings, and equipment | (1,645,126) | (266,536) |
| Proceeds from the sale of land, buildings, and equipment | 1,207,605 | - |
| Increase of Friends Center Corporation investment | (65,997) | - |
| Purchases of investments | (71,252,520) | (123,705,248) |
| Sales of investments | 98,371,967 | 133,261,177 |
| Net cash provided by investing activities | 26,615,929 | 9,289,393 |
| Cash flows from financing activities: | | |
| Proceeds from interest-free loans | 132,682 | 37,471 |
| Repayment of interest-free loans | (326,850) | (110,688) |
| Cash received for endowment funds | 551,458 | 3,746,807 |
| Cash received for planned giving program | 1,602,977 | 2,816,187 |
| Net benefit payments to annuitants | (2,765,154) | (2,764,355) |
| Net cash (used) provided by financing activities | (804,887) | 3,725,422 |
| Net increase (decrease) in cash and cash equivalents | 7,070,349 | (3,289,095) |
| Cash and cash equivalents, beginning of year | 2,568,178 | 5,857,273 |
| Cash and cash equivalents, end of year | $ 9,638,527 | $ 2,568,178 |

*As Restated (see Note 12)

American Friends Service Committee
Statement of Functional Expenses
For the year ended September 30, 2009

| | Program Services | | | | | Program Support | | | |
|---|---|---|---|---|---|---|---|---|---|
| | International | Community Relations | Peace Education | Special Programs | Total Program Services | Fund-Raising | Management and General | Total Program Support | Total Expenses |
| Compensation Expense: | | | | | | | | | |
| Salaries and benefits | $ 6,401,585 | $ 7,471,919 | $ 4,985,125 | $ 3,420,206 | $ 22,278,835 | $ 1,850,969 | $ 2,294,878 | $ 4,145,847 | $ 26,424,682 |
| Net periodic pension and retiree medical expense (Note 8) | 511,714 | 723,593 | 496,756 | 344,411 | 2,076,474 | 198,404 | 220,706 | 419,110 | 2,495,584 |
| Net compensation expense | 6,913,299 | 8,195,512 | 5,481,881 | 3,764,617 | 24,355,309 | 2,049,373 | 2,515,584 | 4,564,957 | 28,920,266 |
| Professional fees and services | 959,363 | 630,666 | 418,649 | 166,092 | 2,174,770 | 686,863 | 300,254 | 987,117 | 3,161,887 |
| Occupancy | 811,961 | 643,104 | 404,268 | 356,590 | 2,215,923 | 157,557 | 253,801 | 411,358 | 2,627,281 |
| Risk management insurance | 124,691 | 47,991 | 32,650 | 23,475 | 228,807 | 4,651 | 49,852 | 54,503 | 283,310 |
| Office supplies | 107,018 | 55,312 | 34,833 | 18,270 | 215,433 | 28,537 | 16,145 | 44,682 | 260,115 |
| Equipment leasing, purchase, and repairs | 258,561 | 142,487 | 101,400 | 26,118 | 528,566 | 12,880 | 58,415 | 71,295 | 599,861 |
| Program supplies | 690,404 | 174,342 | 116,317 | 30,864 | 1,011,927 | 13,091 | 4,834 | 17,925 | 1,029,852 |
| Telephone and communications | 233,539 | 235,745 | 152,138 | 102,528 | 723,950 | 55,585 | 104,706 | 160,291 | 884,241 |
| Postage and shipping | 87,663 | 100,842 | 73,208 | 45,111 | 306,824 | 200,002 | 43,845 | 243,847 | 550,671 |
| Travel | 640,719 | 242,063 | 187,845 | 180,346 | 1,250,973 | 98,788 | 48,884 | 147,672 | 1,398,645 |
| Conferences, conventions, and meetings | 911,715 | 198,467 | 152,375 | 134,751 | 1,397,308 | 70,086 | 74,631 | 144,717 | 1,542,025 |
| Printing and publishing | 112,873 | 195,816 | 153,885 | 104,136 | 566,710 | 362,102 | 45,856 | 407,958 | 974,668 |
| Awards and grants | 1,082,854 | 75,923 | 33,018 | 128,299 | 1,320,094 | - | 175,653 | 175,653 | 1,495,747 |
| In-kind distribution of materials | - | - | - | 15 | 15 | - | - | - | 15 |
| Miscellaneous expense | 66,169 | 34,500 | 23,626 | 21,577 | 145,872 | 15,728 | 10,672 | 26,400 | 172,272 |
| Retroactive adjustments | - | - | - | (170,817) | (170,817) | - | (34,903) | (34,903) | (205,720) |
| Total expenses before depreciation | 13,000,829 | 10,972,770 | 7,366,093 | 4,931,972 | 36,271,664 | 3,755,243 | 3,668,229 | 7,423,472 | 43,695,136 |
| Depreciation of buildings and equipment | 3,710 | 16,356 | 16,707 | 21,272 | 58,045 | 5,432 | 59,995 | 65,427 | 123,472 |
| Total expenses | $ 13,004,539 | $ 10,989,126 | $ 7,382,800 | $ 4,953,244 | $ 36,329,709 | $ 3,760,675 | $ 3,728,224 | $ 7,488,899 | $ 43,818,608 |

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, 2008

| | Program Services | | | | | Program Support | | | |
|---|---|---|---|---|---|---|---|---|---|
| | International | Community Relations | Peace Education | Special Programs | Total Program Services | Fund-Raising | Management and General | Total Program Support | Total Expenses |
| Compensation Expense: | | | | | | | | | |
| Salaries and benefits | $ 6,580,778 | $ 7,774,639 | $ 5,953,724 | $ 1,823,453 | $ 22,132,594 | $ 1,710,600 | $ 2,016,588 | $ 3,727,188 | $ 25,859,782 |
| Net periodic pension and retiree medical expense (Note 8) | 605,815 | 891,930 | 687,897 | 219,976 | 2,405,618 | 202,094 | 234,694 | 436,788 | 2,842,406 |
| Net compensation expense | 7,186,593 | 8,666,569 | 6,641,621 | 2,043,429 | 24,538,212 | 1,912,694 | 2,251,282 | 4,163,976 | 28,702,188 |
| Professional fees and services | 1,407,184 | 1,159,058 | 1,022,373 | 330,576 | 3,919,191 | 2,140,444 | 486,675 | 2,627,119 | 6,546,310 |
| Occupancy | 672,830 | 618,635 | 436,461 | 250,142 | 1,978,068 | 103,119 | 167,716 | 270,835 | 2,248,903 |
| Risk management insurance | 86,748 | 39,933 | 29,275 | 33,402 | 189,358 | 4,307 | 36,644 | 40,951 | 230,309 |
| Office supplies | 85,864 | 68,391 | 59,271 | 18,909 | 232,435 | 27,581 | 16,600 | 44,181 | 276,616 |
| Equipment leasing, purchase, and repairs | 575,297 | 170,567 | 131,741 | 28,906 | 906,511 | 65,350 | 20,297 | 85,647 | 992,158 |
| Program supplies | 716,698 | 203,919 | 275,746 | 39,290 | 1,235,653 | 21,656 | 22,829 | 44,485 | 1,280,138 |
| Telephone and communications | 219,953 | 246,913 | 169,044 | 55,304 | 691,214 | 50,798 | 52,836 | 103,634 | 794,848 |
| Postage and shipping | 107,092 | 134,204 | 121,958 | 50,903 | 414,157 | 325,691 | 19,397 | 345,088 | 759,245 |
| Travel | 813,257 | 459,791 | 388,102 | 165,023 | 1,826,173 | 110,551 | 81,353 | 191,904 | 2,018,077 |
| Conferences, conventions, and meetings | 565,341 | 361,038 | 300,444 | 148,739 | 1,375,562 | 45,035 | 113,097 | 158,132 | 1,533,694 |
| Printing and publishing | 83,224 | 194,940 | 272,836 | 74,074 | 625,074 | 68,070 | 35,570 | 103,640 | 728,714 |
| Awards and grants | 1,773,117 | 226,911 | 42,627 | 16,031 | 2,058,686 | 83 | 13,430 | 13,513 | 2,072,199 |
| In-kind distribution of materials | 706 | 586 | 264 | - | 1,556 | - | - | - | 1,556 |
| Miscellaneous expense | 126,739 | 78,836 | 41,627 | 35,366 | 282,568 | 10,274 | 29,286 | 39,560 | 322,128 |
| Retroactive adjustments | - | - | - | - | - | - | 563,163 | 563,163 | 563,163 |
| Total expenses before depreciation | 14,420,643 | 12,630,291 | 9,933,390 | 3,290,094 | 40,274,418 | 4,885,653 | 3,910,175 | 8,795,828 | 49,070,246 |
| Depreciation of buildings and equipment | 609 | 11,647 | 14,820 | 11,018 | 38,094 | 5,080 | 30,670 | 35,750 | 73,844 |
| Total expenses | $ 14,421,252 | $ 12,641,938 | $ 9,948,210 | $ 3,301,112 | $ 40,312,512 | $ 4,890,733 | $ 3,940,845 | $ 8,831,578 | $ 49,144,090 |

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 national office, nine (9) regional offices, twenty-three (23) area offices, two branch offices, and nineteen (19) 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 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 date of purchase of twelve months or less to be cash equivalents.

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 campaign pledges as income until the amounts are received.

Investments

Investments are stated at fair value (see Note 4). The Committee allocates investment income for program work from long-term investment funds, including endowments, funds functioning as endowments, and unrestricted long-term investment funds, using the total return method. Under this method, allocations consist of net investment income and may, under certain conditions, include a portion of the cumulative realized gains. The Board of Directors has established a spending rate of 5%. This spending rate, which is applied to a three-year average of the market value of the related long-term investments, resulted in a Board-approved allocation for program work of approximately $3,300,000 and $3,700,000 in fiscal years 2009 and 2008, respectively. 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.

2. Summary of Significant Accounting Policies, continued:

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, 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, the member organization is entitled to receive a one-third amount of the Friends Center's net assets, as defined in the FCC Agreement. In the event of dissolution, the member organization is entitled to receive an amount equal to a percentage (37% for the Committee) of the Friends Center's net assets. The Committee accounts for its investment in FCC using the equity method of accounting. See Note 7 for further details on the Committee's transactions with FCC.

Interest-Free Loans

This balance is 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.

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. Depreciation is provided on the straight-line basis over the estimated useful lives (ranging from 3 to 50 years) of the respective assets.

Prepaid Pension 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 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. An over-funded status of the Committee's plan is shown as an asset under "Prepaid pension" on the accompanying statement of financial position and the under-funded status is a liability incorporated under the caption "Liability for pension benefits." Changes in the funded status are shown within "Nonoperating changes in net assets" on the accompanying statement of activities. Underfunded liabilities of the formal pension plan of approximately $11,485,000 and $543,000 and underfunded liabilities of the informal retirement plan of approximately $5,713,000 and $6,609,000 have been included in the statements of financial position as of September 30, 2009 and 2008, respectively.

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.

2. Summary of Significant Accounting Policies, continued:

Annuity and Life Income Gifts, continued

Annuity liabilities are computed using standard life expectancy and annuity tables at a 6% 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.

Contributions

Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. All contributions and other public support are considered available for unrestricted use unless specifically restricted by the donor. 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.

Fair Value of Financial Instruments

Fair values of the Committee's Level 1 and Level 2 investments are based on quoted market values, directly for Level 1 investments and indirectly for Level 2 investments. Level 2 investments are commingled funds, which invest in Level 1 securities. The carrying amounts of the Committee's Level 3 investments are based on cost values.

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.

Liquidity of Assets and Liabilities

The accompanying statements of financial position are presented in order of liquidity. That is, assets are sequenced according to their nearness of conversion to cash, and liabilities according to their nearness of maturity and resulting use of cash.

Reclassifications

Certain 2008 amounts have been reclassified to conform to the September 30, 2009 presentation. These changes had no impact on previously reported results of operations or net assets.

3. Fund Accounting:

Though the Committee has adopted FASB ASC 958-205 *Reporting Endowment Funds*, for external reporting purposes, it has not altered the way it administers its internal accounting to ensure observation of limitations and restrictions placed on the use of resources available to the Committee. The accounts of the Committee are internally maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund.

The following is a summary of the nature of the various funds used for internal financial reporting and pertinent accounting policies:

Unrestricted Net Assets

Unrestricted net assets are generally available for use by the Committee in carrying out its programs subject to the following policies of the Board of Directors:

- To use only the income from Funds Functioning as Endowments, while maintaining the principal in the same manner as in the Endowment.
- To provide certain discretionary retirement benefits, such as medical benefits, not provided under the Committee's formal pension plan.
- To provide reserves for future purposes as instructed by the Board of Directors.

Temporarily Restricted Funds

Time restricted funds include planned giving net assets and time restricted endowments that will be available to the Committee when the investment matures. Purpose restricted net assets is income designated for specific program work that has not been spent through the current fiscal year. Accumulated gains on endowments include the realized and unrealized gain on the initial endowment principal less the spending income appropriated to operations.

Endowment Funds

Permanently 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, 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. The Board of Directors has established a policy of appropriating 5% of the average previous three year's endowment market value (including historical cost and accumulated gain) for use in the Committee's work. The Committee used approximately $1.5 million in the year ended September 30, 2009 and $1.4 million in the year ended September 30, 2008 for its operations. This policy is consistent with the Committee's spending policy on investment income (see Note 2).

3. Fund Accounting, continued:

As of September 30, 2009 and 2008, the following is a summary of endowments:

**Endowment Net Asset Composition by Type of Fund as of September 30, 2009**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted endowment funds | $ - | $5,510,078 | $11,210,077 | $16,720,155 |
| Board-designated endowment funds | 8,969,628 | - | - | 8,969,628 |
| Total funds | $8,969,628 | $5,510,078 | $11,210,077 | $25,689,783 |

**Changes in Endowment Net Assets for the Year Ended September 30, 2009**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, September 30, 2008 | $8,497,642 | $7,332,006 | $13,428,077 | $29,257,725 |
| Investment return: | | | | |
| Investment income | 175,383 | 385,216 | - | 560,599 |
| Net depreciation (realized and unrealized) | (393,180) | (1,549,397) | - | (1,942,577) |
| Total investment return | (217,797) | (1,164,181) | - | (1,381,978) |
| Contributions | 1,205,284 | - | 552,458 | 1,757,742 |
| Appropriation of assets for expenditure in accordance with the spending policy | (515,501) | (1,032,817) | - | (1,548,318) |
| Other changes: | | | | |
| Endowment transferred to outside organization | - | 395,964 | (2,770,458) | (2,374,494) |
| Term endowment principal transferred to general funds | - | (20,894) | - | (20,894) |
| Endowment net assets, September 30, 2009 | $8,969,628 | $5,510,078 | $11,210,077 | $25,689,783 |

3. Fund Accounting, continued:

**Endowment Net Asset Composition by Type of Fund as of September 30, 2008**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted endowment funds | $ - | $7,332,006 | $13,428,077 | $20,760,083 |
| Board-designated endowment funds | 8,497,642 | - | - | 8,497,642 |
| Total funds | $8,497,642 | $7,332,006 | $13,428,077 | $29,257,725 |

**Changes in Endowment Net Assets for the Year Ended September 30, 2008**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, September 30, 2007 | $10,320,575 | $12,556,939 | $9,209,280 | $32,086,794 |
| Investment return: | | | | |
| Investment income | 227,359 | 529,301 | - | 756,660 |
| Net depreciation (realized and unrealized) | (2,024,909) | (4,817,003) | - | (6,841,912) |
| Total investment return | (1,797,550) | (4,287,702) | - | (6,085,252) |
| Contributions | 440,084 | 158,042 | 4,218,797 | 4,816,923 |
| Appropriation of assets for expenditure in accordance with the spending policy | (465,467) | (959,800) | - | (1,425,267) |
| Term endowment principal transferred to general funds | - | (135,473) | - | (135,473) |
| Endowment net assets, September 30, 2008 | $8,497,642 | $7,332,006 | $13,428,077 | $29,257,725 |

3. Fund Accounting, continued:

Annuity and Life Income Funds

Annuity and life income funds account for certain gifts that the Committee has received, under trust, subject to the payment of income or specified amounts to one or more beneficiaries for life. These gifts are received under four general types of trusts—life income gifts, unitrusts, gift annuities (annuity reserve funds), and annuity trusts—which differ primarily based on the terms covering income or benefit payment and the availability of the principal of the gifts to pay benefits. The Committee's policy is to pay for custodian and management fees of the annuity trusts, unitrusts, and life income funds from its own resources.

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, charitable gift funds, and remainderman assets. The Committee acts as Trustee for all of these funds. Income designated for the Committee from the revocable trusts, 10-year trusts, and charitable gift funds are included in the statement of activities. Charitable gift funds are funds held by the Committee for future donations to the Committee and other charitable institutions as directed by the donor.

4. Investments:

Effective October 1, 2008, the Committee adopted FASB ASC 820 *Fair Value Measurements and Disclosures*. This topic defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles, and expands disclosures about fair value measurements.

In accordance with FASB ASC 820, the fair value of investments is categorized into a three-tier hierarchy, which assigns priorities to inputs of valuation techniques used to measure fair value. Inputs refer to assumptions market participants would use when pricing an asset and are classified as observable (i.e. assumptions based on market prices obtained from independent sources) and unobservable (i.e. assumptions based on best information available or the reporting entity's own assumptions). The hierarchy of inputs is summarized below:

- Level 1 – observable, represents assets with quoted market prices for identical assets (registered securities).
- Level 2 – other observable, not quoted market prices for identical assets. Inputs that are obtained from the utilization of models or other valuation methodologies.
- Level 3 – unobservable, reflects reporting entity's own assumptions and significant management judgments that would be made by market participants.

*Common Stocks:* Level (1) common stocks represent an actively managed portfolio of registered securities. These securities trade in active markets and are based on daily quoted market prices. Level (2) common stocks are commingled funds with underlying securities that have observable Level 1 quoted pricing inputs. However, these commingled funds are not traded in public markets and the net asset value is calculated at the end of each month.

4. Investments, continued:

*Bonds:* Level (1) bonds represent an actively managed portfolio of registered securities. These securities trade in active markets and are based on daily quoted market prices. Level (2) bonds are commingled funds with underlying securities that have observable Level 1 quoted pricing inputs. However, these commingled funds are not traded in public markets and the net asset value is calculated at the end of each month.

*Short Term Investments* represent money market funds traded by major financial institutions and are classified as Level (1) investments.

*Other Investments* include *L*evel (2) commingled funds with underlying securities that have observable Level 1 quoted pricing inputs; however, these commingled funds are not traded in public markets and the net asset value is calculated at the end of each month. Other Investments also include deeds to oil wells and insurance policies which are listed at cost and are classified as Level (3).

*Investments in Friends Center* is the Committee's equity ownership of Friends Center Corporation (FCC) and is a Level 3 investment. The Committee holds 37% ownership equity in FCC. The investment is valued annually as the Committee's percentage ownership of FCC's net assets, per FCC's audited financial statements.

The fair values of the investment securities which the Committee held as of September 30, 2009, are as follows:

| | Fair Value Measurement at Reporting Date Using: | | | |
|---|---|---|---|---|
| | **Total Fair Value** | **Observable Inputs (Level 1)** | **Other Observable Inputs (Level 2)** | **Unobservable Inputs (Level 3)** |
| **Planned Gifts:** | | | | |
| Common Stocks | $ 36,250,630 | $32,079,730 | $ 4,170,899 | $ - |
| Bonds | 21,391,584 | 19,504,218 | 1,887,366 | - |
| Short-term investments | 1,531,664 | 1,531,664 | - | - |
| Other | 75,746 | 466 | 11,009 | 64,272 |
| A/R (Gifts in Transit) | - | - | - | - |
| Accrued income | 225,220 | 225,220 | - | - |
| Total planned gifts | $ 59,474,844 | $53,341,299 | $ 6,069,273 | $ 64,272 |
| **Investment in Friends Center** | | | | |
| Other | $ 4,120,181 | - | - | $ 4,120,181 |

4. Investments, continued:

| | | | | |
|---|---|---|---|---|
| **Other long term assets:** | | | | |
| Common Stocks | $ 29,366,392 | $21,239,061 | $ 8,127,331 | $ - |
| Bonds | 17,465,438 | 15,082,152 | 2,383,287 | - |
| Short-term investments | 1,247,432 | 1,247,432 | - | - |
| Other | 1,566,161 | - | 1,518,659 | 47,502 |
| Accrued income | 170,397 | 170,397 | - | - |
| **Total other long term assets** | $ 49,815,820 | $37,739,042 | $12,029,277 | $ 47,502 |
| **Total Investments** | $113,410,845 | $91,080,340 | $18,098,550 | $ 4,231,955 |

| | | | | |
|---|---|---|---|---|
| **Investments held for others:** | | | | |
| Common Stocks | $ 2,798,422 | $ 2,753,289 | $ 45,133 | $ - |
| Bonds | 1,571,366 | 1,557,393 | 13,973 | - |
| Short-term investments | 499,534 | 499,534 | - | - |
| Other | 27,822 | 51 | 11,772 | 15,998 |
| Accrued income | 19,370 | 19,370 | - | - |
| **Total investments held for others** | $ 4,916,514 | $ 4,829,638 | $ 70,878 | $ 15,998 |

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 |
|---|---|---|---|---|---|
| Oil well | $ 61,653 | $ 2,619 | $ 34,421 | $ (34,421) | $ 64,272 |
| Friends Center Corporation | 3,770,542 | 283,642 | - | 65,997 | 4,120,181 |
| Other long-term investments | 47,502 | - | - | - | 47,502 |
| Other assets held for others | 15,817 | 181 | 7,855 | (7,855) | 15,998 |
| | $ 3,895,514 | $ 286,442 | $ 42,276 | $ 23,721 | $ 4,247,953 |

4. Investments, continued:

The fair values of the investment securities which the Committee held as of September 30, 2008, are as follows:

| | 2008 |
|---|---|
| **Planned Gifts:** | |
| Common Stocks | $ 29,296,034 |
| Bonds | 27,334,302 |
| Short-term investments | 2,626,450 |
| Other | 155,464 |
| A/R (Gifts in Transit) | - |
| Accrued income | 377,566 |
| **Total planned gifts** | $ 59,789,816 |
| **Investment in Friends Center** | |
| Other | $ 3,770,542 |
| **Other long term assets:** | |
| Common Stocks | $ 49,618,505 |
| Bonds | 29,029,740 |
| Short-term investments | 3,274,638 |
| Other | 2,478,688 |
| Accrued income | 332,985 |
| **Total other long term assets** | $ 84,734,556 |
| **Total Investments** | $ 148,294,914 |
| **Investments held for others:** | |
| Common Stocks | $ 2,656,653 |
| Bonds | 2,207,856 |
| Short-term investments | 605,926 |
| Other | 30,685 |
| Accrued income | 35,441 |
| **Total investments held for others** | $ 5,536,561 |

4. Investments, continued:

Components of investment (loss) income for the years ended September 30, 2009 and 2008 are as follows:

| | 2009 | 2008 |
|---|---|---|
| Dividends and interest | $ 2,880,368 | $ 4,697,746 |
| Net realized and unrealized loss on investments | (8,885,691) | (27,444,002) |
| Net realized gain on FCC | 283,642 | 560,417 |
| Investment fees | (1,167,618) | (1,450,730) |
| Total investment (loss) income | (6,889,299) | (23,636,569) |
| Planned giving beneficiary payments | (968,078) | (1,203,624) |
| Total investment (loss) income, net of payments | (7,857,377) | (24,840,193) |
| Less: Investment income appropriated | $ (3,246,501) | $ (3,731,409) |
| Investment losses not appropriated | $ (11,103,878) | $ (28,571,602) |

5. Temporarily Restricted Net Assets:

Temporarily restricted net assets for 2009 and 2008 are available for the following purposes:

| | 2009 | 2008 |
|---|---|---|
| Purpose-restricted: | | |
| International programs | $ 2,741,005 | $ 3,609,369 |
| Community relations | 933,815 | 887,649 |
| Peace education | 279,078 | 373,072 |
| Special programs | 2,623,559 | 5,210,124 |
| Program support | 52,557 | 60,634 |
| Total purpose restricted | 6,630,014 | 10,140,848 |
| Time-restricted (planned gifts) | 31,477,595 | 34,971,730 |
| Accumulated gain on endowment assets | 2,306,128 | 3,733,674 |
| Total | $ 40,413,737 | $ 48,846,252 |

6. Land, Buildings, and Equipment:

A summary of land, buildings and equipment as of September 30, 2009 and 2008, is as follows:

| | 2009 | 2008 |
|---|---|---|
| *Non-depreciable assets:* | | |
| Land | $ 149,539 | $ 233,939 |
| *Depreciable assets:* | | |
| Buildings | 3,359,771 | 2,046,516 |
| Furniture and equipment | 1,572,529 | 1,405,632 |
| Subtotal – depreciable assets | 4,932,300 | 3,452,148 |
| Accumulated depreciation | (2,024,346) | (2,040,432) |
| Subtotal – depreciable assets, net | 2,907,954 | 1,411,716 |
| Total land, buildings and equipment, net | $ 3,057,493 | $ 1,645,655 |

Depreciation expense was $123,473 and $73,844 for the years ended September 30, 2009 and 2008, respectively. In addition, some of the Committee's regional offices utilize space provided by Quaker organizations at a nominal rental rate.

7. Related Party Transactions:

In fiscal 2004, FCC commenced a renovation project for the Friends Center complex. FCC is a related party to the Committee since the Committee is one of three member organizations that incorporated and funded FCC. To provide partial funding for the project, the member organizations amended the FCC Agreement and effectively made commitments during fiscal 2005 to contribute $4,893,000 to FCC. The Committee's portion of the contribution commitment was $3,460,000, which is about $1,735,000 in excess of the Committee's equity interest in FCC.

In fiscal 2008, the member organizations executed a second amendment to the FCC agreement that effectively reduced each member's prior commitment because FCC had obtained third-party financing to help fund the renovation of the complex. The financing consists of a $7.1 million thirty year loan that will mature in 2038. Debt service on the bond is considered as operating expense for FCC and is passed on the partners through annual rent. The loan is guaranteed jointly and severally by the partners. The Committee's portion of rent for 2009 and 2008 was $1,030,684 and $784,511, respectively. The Committee's projected portion of rent for 2010 is $868,130.

In fiscal 2009, the project was completed and the Committee discharged its financial obligations under the 2004 and 2008 agreements.

8. Pension Plans and Post Retirement 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.

8. Pension Plans and Post Retirement Benefits Other Than Pensions, continued:

The Committee has a retiree medical plan that provides medical benefits to all its retirees who retire directly from the Committee. The Committee pays for these benefits as claims are made.

The pension plan's assumed discount rate, rate of increase in long-term compensation levels, and expected long-term rates of return on assets for the pension plan were 5.65%, 3.00%, and 7.00% for the year ended September 30, 2009, and 6.25%, 3.00%, and 7.50% for the year ended September 30, 2008.

There were no employer or employee contributions made into the defined benefit pension plan for the years ended September 30, 2009 and 2008, and none were required. The plan uses the aggregate cost method for computing annual pension contributions. It is the Committee's policy to contribute the amounts determined by this actuarial valuation method.

The assumed discount rate for the retiree medical plan was 5.65% for fiscal year 2009 and 6.25% for fiscal year 2008. The healthcare cost trend was 8.0% for fiscal years 2009 and 2008. The effect of a 1% increase in the healthcare cost trend would increase service and interest costs for the retiree medical plan by $382,630 and $321,000 and would increase the Actuarial Postretirement Benefit Obligation by $2,664,199 and $2,799,000 for the years ended September 30, 2009 and 2008, respectively.

The Committee also has an informal retirement benefits plan designed to provide for retiree medical benefits and for employees not otherwise covered by the formal pension plan that is a discretionary plan for which the Committee has no contractual obligation; accordingly, the net assets of the plan are considered to be unrestricted, but designated for this purpose. Payments made from the informal retirement benefits plan for the year ended September 30, 2009 and 2008, were approximately $70,000 for each year.

8. Pension Plans and Post Retirement Benefits Other Than Pensions, continued:

In accordance with FASB ASC 715, the following information is provided:

| | Pension Plan | | Informal Pension Plan | |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| | 2009[a] | 2008[a] | 2009[a] | 2008[a] |
| Fair value of plan assets at Sep 30[b] | $ 33,475 | $ 40,290 | $ 10,400 | $ 11,600 |
| Projected benefit obligation at Sep 30 | 44,960 | 41,327 | 16,113 | 18,209 |
| Funded status – overfunded (underfunded) | $ (11,485) | $ (1,037) | $ (5,713) | $ (6,609) |
| Prepaid pension expense (postretirement benefits obligation) – beginning of year | $ 2,317 | $ 3,486 | $ (14,143) | $ (12,063) |
| Service cost | (1,311) | (1,222) | (1,143) | (719) |
| Interest cost | (3,065) | (2,395) | (1,304) | (983) |
| Return on plan assets[c] | 3,652 | (2,629) | (67) | - |
| Amortization & deferral of gain/loss[c] | - | 5,918 | (153) | (210) |
| Amortization of prior service cost[c] | - | (696) | (68) | (68) |
| Net periodic pension/ postretirement credit (cost)[a] | (580) | (1,024) | (2,202) | (1,980) |
| Prior period distribution of net periodic pension/postretirement credit (cost) | - | (145) | - | (550) |
| Adjusted net periodic pension/postretirement credit (cost) | (725) | (1,169) | (2,202) | (2,530) |
| Employer contributions | - | - | - | 450 |
| Prepaid pension expense (postretirement benefits obligation) – end of year | $ 1,737 | $ 2,317 | $ (16,345) | $ (14,143) |

(a) In 2009, the Committee changed the measurement date of its projected benefit obligation in compliance with FASB ASC 715. In 2009, the projected benefit obligation was measured as of September 30 and the fair value of assets recorded on September 30. In 2008 the measurement date was June 30 and the fair value of assets recorded on June 30. The calculation of the net periodic pension cost between the two dates was $725,000. That amount was distributed on a pro rata basis with $145,000 shown in 2008 (for the period of July through September 2008) and $580,000 in 2009 (for the period October 2008 through September 2009). See Note 12 for more details on the prior period adjustment.

(b) The amounts presented as the fair market value of the plan assets for the informal retirement benefits plan represent funds held in reserve for retiree medical benefits at the Committee's discretion. Since there is no contractual obligation to fund this plan, the underfunded status of the informal plan is the projected benefit obligation.

(c) In 2009, the Committee retained a new actuary firm, whose presentation varies in format from that of the prior actuary in the calculation of net period pension/postretirement credit (cost). The figures shown in 2008 are provided by the previous actuarial firm and are consistent with their presentation, and the figures shown in 2009 are provided by the current actuarial firm and are consistent with their presentation.

8. Pension Plans and Post Retirement Benefits Other Than Pensions, continued:

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 actual asset allocation of the pension plan as of September 30, 2009 and 2008 is as follows:

| | 2009 | 2008 |
|---|---|---|
| Asset Class: | | |
| Cash | 2.1% | 5.6% |
| Equity securities | 73.5% | 61.4% |
| Fixed income | 24.4% | 33.0% |
| | 100.0% | 100.0% |

The Committee expects to contribute $0 to its pension plan in fiscal 2009.

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 |
|---|---|---|
| 2010 | $ 2,181,000 | $ 570,000 |
| 2011 | 2,231,000 | 606,000 |
| 2012 | 2,367,000 | 612,000 |
| 2013 | 2,449,000 | 664,000 |
| 2014 | 2,597,000 | 719,000 |
| 2015-2019 | 14,281,000 | 4,609,000 |
| Total | $ 26,106,000 | $ 7,780,000 |

9. Allocation of Joint Costs:

For the years ended September 30, 2009 and 2008, the Committee incurred joint costs of $1,517,662 and $2,682,548 for informational materials and activities that included fund-raising appeals. For the years ended September 30, 2008 and 2007, these joint costs were allocated as follows:

| | 2009 | 2008 |
|---|---|---|
| Fundraising | $ 758,831 | $ 1,341,274 |
| International Program Services | 308,968 | 517,153 |
| Community Relations Program Services | 158,281 | 316,313 |
| Peace Building Services | 238,796 | 399,697 |
| Special Program Services | 52,786 | 108,111 |
| Total | $ 1,517,662 | $ 2,682,548 |

10. 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, 2009 and 2008, the Committee maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation.

11. Contingencies:

The Committee is subject to certain claims, which arise in the ordinary course of its business and other legal proceedings. Management believes that the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Committee.

12. Prior Period Adjustment and Restatement:

The beginning balance of net assets has been adjusted to properly reflect the change in measurement date of the Committee's projected benefit obligation in accordance with FASB ASC 715. As a result of this restatement, total net assets as of October 1, 2008 decreased by $493,790. The correction resulted in the following changes to the Statement of Financial Position as of September 30, 2008, and Statements of Activities and Change in Net Assets and Cash Flows for the year then ended.

12. Prior Period Adjustment and Restatement, continued:

| | As Originally Reported | As Restated | Effect of Correction |
|---|---|---|---|
| *Statement of Financial Position – September 30, 2008* | | | |
| Liability for pension benefits | $ 18,752,645 | $ 19,246,435 | $ 493,790 |
| Total liabilities | 55,088,139 | 55,581,929 | 493,790 |
| Unrestricted net assets – Funded status of pension & informal retirement benefit plans | (8,313,266) | (8,807,056) | (493,790) |
| Total unrestricted net assets | 43,778,713 | 43,284,923 | (493,790) |
| Total net assets | 106,053,042 | 105,559,252 | (493,790) |
| *Statement of Activities – For the year ended September 30, 2008* | | | |
| Pension and benefits adjustment | $ (4,783,934) | $ (5,277,724) | $ (493,790) |
| Total change in net assets | (45,436,617) | (45,930,407) | (493,790) |
| Net assets, end of year | 106,053,042 | 105,559,252 | (493,790) |
| *Statement of Cash Flows – For the year ended September 30, 2008* | | | |
| Total change in net assets | $ (45,436,617) | $ (45,930,407) | $ (493,790) |
| Liability for pension benefits | 1,795,417 | 2,289,207 | 493,790 |

13. Subsequent Events:

Management has evaluated subsequent events through April 5, 2010, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.