AMERICAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2012 AND 2011
# AMERICAN FRIENDS SERVICE COMMITTEE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Director
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, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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. The Committee’s 2011 financial statements were audited by other auditors, whose report dated March 2, 2012, expressed an unqualified opinion on those statements.

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 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 Committee’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit provides 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, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Philadelphia, Pennsylvania
January 22, 2013
### Statements of Financial Position

**September 30, 2012 and 2011**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,143,691</td>
<td>$6,473,637</td>
</tr>
<tr>
<td>Accounts and notes receivable – net</td>
<td>$513,782</td>
<td>$605,737</td>
</tr>
<tr>
<td>Income receivable and prepaid expenses</td>
<td>$706,805</td>
<td>$948,525</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planned giving (Note 3)</td>
<td>$63,378,251</td>
<td>$56,452,007</td>
</tr>
<tr>
<td>Other long-term investments (Note 3)</td>
<td>$73,322,730</td>
<td>$58,394,911</td>
</tr>
<tr>
<td>Investment in Friends Center (Note 4)</td>
<td>$3,576,818</td>
<td>$3,732,203</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>$140,277,799</td>
<td>$118,579,121</td>
</tr>
<tr>
<td>Land, buildings and equipment – net (Note 5)</td>
<td>$2,634,352</td>
<td>$2,809,445</td>
</tr>
<tr>
<td>Other assets</td>
<td>$121,541</td>
<td>$300,039</td>
</tr>
<tr>
<td>Agency fund assets (Note 3)</td>
<td>$4,592,153</td>
<td>$4,754,400</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$151,990,123</td>
<td>$134,470,904</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$3,316,865</td>
<td>$2,348,103</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>$1,546,064</td>
<td>$1,521,696</td>
</tr>
<tr>
<td>Annuities and unitrusts payable (Note 3)</td>
<td>$28,584,534</td>
<td>$27,145,021</td>
</tr>
<tr>
<td>Liability for pension benefits (Note 6)</td>
<td>$11,231,601</td>
<td>$13,706,054</td>
</tr>
<tr>
<td>Liability for post-retirement benefits (Note 6)</td>
<td>$14,933,353</td>
<td>$24,362,762</td>
</tr>
<tr>
<td>Agency funds (Note 3)</td>
<td>$4,592,153</td>
<td>$4,754,400</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$64,204,570</td>
<td>$73,838,036</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated for current and future operations</td>
<td>$28,442,871</td>
<td>$24,783,354</td>
</tr>
<tr>
<td>Funds functioning as endowment (Note 7)</td>
<td>$12,329,478</td>
<td>$9,980,188</td>
</tr>
<tr>
<td>Funded status of pension and informal retirement benefit plans (Note 6)</td>
<td>$(13,354,900)</td>
<td>$(27,180,308)</td>
</tr>
<tr>
<td>Investment in Friends Center (Note 4)</td>
<td>$3,576,818</td>
<td>$3,732,203</td>
</tr>
<tr>
<td>Land, buildings and equipment (Note 5)</td>
<td>$2,634,352</td>
<td>$2,809,445</td>
</tr>
<tr>
<td><strong>Total unrestricted</strong></td>
<td>$33,628,619</td>
<td>$14,124,882</td>
</tr>
<tr>
<td>Temporarily restricted (Note 7):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time restricted</td>
<td>$28,900,294</td>
<td>$28,254,751</td>
</tr>
<tr>
<td>Purpose restricted</td>
<td>$3,332,052</td>
<td>$4,278,439</td>
</tr>
<tr>
<td>Accumulated gains on endowment assets</td>
<td>$3,863,725</td>
<td>$2,092,328</td>
</tr>
<tr>
<td><strong>Total temporarily restricted assets</strong></td>
<td>$36,096,071</td>
<td>$34,625,518</td>
</tr>
<tr>
<td>Permanently restricted (Note 7)</td>
<td>$18,060,863</td>
<td>$11,882,468</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$87,785,553</td>
<td>$60,632,868</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$151,990,123</td>
<td>$134,470,904</td>
</tr>
</tbody>
</table>

*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, 2012 (with comparative 2011 totals)

<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions for current program work</td>
<td>$ 9,168,228</td>
<td>$ 5,161,974</td>
<td>-</td>
<td>$14,330,202</td>
<td>$15,019,143</td>
</tr>
<tr>
<td>Bequests</td>
<td>8,371,430</td>
<td>337,125</td>
<td>-</td>
<td>8,708,555</td>
<td>13,246,495</td>
</tr>
<tr>
<td>Contributions to planned giving program</td>
<td>844,129</td>
<td>1,222,349</td>
<td>-</td>
<td>2,066,478</td>
<td>428,317</td>
</tr>
<tr>
<td>Contributions to endowment funds</td>
<td>-</td>
<td>232,206</td>
<td>6,145,718</td>
<td>6,377,924</td>
<td>32,970</td>
</tr>
<tr>
<td>Total public support</td>
<td>18,383,787</td>
<td>6,953,654</td>
<td>6,145,718</td>
<td>31,483,159</td>
<td>28,726,925</td>
</tr>
<tr>
<td>Government grants</td>
<td>-</td>
<td>215,837</td>
<td>-</td>
<td>210,552</td>
<td></td>
</tr>
<tr>
<td>Investment income, net of payments and fees, appropriated <em>(Note 3)</em></td>
<td>1,499,883</td>
<td>-</td>
<td>-</td>
<td>1,499,883</td>
<td>1,410,747</td>
</tr>
<tr>
<td>Program service income</td>
<td>519,710</td>
<td>-</td>
<td>-</td>
<td>519,710</td>
<td>373,105</td>
</tr>
<tr>
<td>Miscellaneous interest and other income</td>
<td>107,677</td>
<td>-</td>
<td>3,539</td>
<td>111,216</td>
<td>125,560</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>9,715,120</td>
<td>(9,755,979)</td>
<td>40,859</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>30,226,177</td>
<td>(2,586,488)</td>
<td>6,190,116</td>
<td>33,829,805</td>
<td>30,846,889</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2012 Total</th>
<th>2011 Total</th>
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</thead>
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<tr>
<td>Program services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International programs</td>
<td>9,997,974</td>
<td>-</td>
<td>-</td>
<td>9,997,974</td>
<td>10,568,896</td>
</tr>
<tr>
<td>Domestic programs</td>
<td>16,005,860</td>
<td>-</td>
<td>-</td>
<td>16,005,860</td>
<td>14,740,233</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>26,003,834</td>
<td>-</td>
<td>-</td>
<td>26,003,834</td>
<td>25,309,129</td>
</tr>
<tr>
<td>Program Support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund-raising</td>
<td>3,628,927</td>
<td>-</td>
<td>-</td>
<td>3,628,927</td>
<td>3,170,425</td>
</tr>
<tr>
<td>Management and general</td>
<td>2,974,367</td>
<td>-</td>
<td>-</td>
<td>2,974,367</td>
<td>2,731,874</td>
</tr>
<tr>
<td><strong>Total program support</strong></td>
<td>6,603,294</td>
<td>-</td>
<td>-</td>
<td>6,603,294</td>
<td>5,902,299</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>32,607,128</td>
<td>-</td>
<td>-</td>
<td>32,607,128</td>
<td>31,211,428</td>
</tr>
<tr>
<td><strong>Changes in net assets from operations</strong></td>
<td>(2,380,951)</td>
<td>(2,586,488)</td>
<td>6,190,116</td>
<td>1,222,677</td>
<td>(364,539)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nonoperating Changes In Net Assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment (losses)/gains not appropriated <em>(Note 3)</em></td>
<td>6,419,120</td>
<td>5,302,430</td>
<td>-</td>
<td>11,721,550</td>
<td>(2,421,139)</td>
</tr>
<tr>
<td>Actuarial gain (loss) on planned giving liabilities</td>
<td>3,187,472</td>
<td>(1,245,389)</td>
<td>-</td>
<td>1,942,083</td>
<td>(2,421,751)</td>
</tr>
<tr>
<td>Retiree medical payments</td>
<td>(73,515)</td>
<td>-</td>
<td>-</td>
<td>(73,515)</td>
<td>(66,034)</td>
</tr>
<tr>
<td>Net gain from disposal/sale of assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>68,839</td>
</tr>
<tr>
<td>Pension and benefits adjustment</td>
<td>12,351,611</td>
<td>-</td>
<td>-</td>
<td>12,351,611</td>
<td>(3,494,745)</td>
</tr>
<tr>
<td>Other nonoperating changes in net assets</td>
<td>-</td>
<td>-</td>
<td>(11,721)</td>
<td>(11,721)</td>
<td>(73,966)</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>19,503,737</td>
<td>1,470,553</td>
<td>6,178,395</td>
<td>27,152,685</td>
<td>(8,773,335)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>14,124,882</td>
<td>34,625,518</td>
<td>11,882,468</td>
<td>60,632,868</td>
<td>69,406,203</td>
</tr>
<tr>
<td>End of year</td>
<td>$33,628,619</td>
<td>$36,096,071</td>
<td>$18,006,863</td>
<td>$87,785,553</td>
<td>$60,632,868</td>
</tr>
</tbody>
</table>

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, 2011

<table>
<thead>
<tr>
<th>Temporary</th>
<th>Permanently</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>Restricted</td>
<td>Restricted</td>
</tr>
</tbody>
</table>

### Operating Revenues

Public support:
- Contributions for current program work: $8,739,655
- Bequests: $12,634,785
- Contributions to planned giving program: $421,350
- Contributions to endowment funds: 
  - Unrestricted: 
  - Restricted: 
  - Permanently Restricted: 
  - Total: $32,970

**Total public support**: $21,795,790

Government grants: 
- Public support:
  - Contributions for current program work: $8,739,655
  - Bequests: $12,634,785
  - Contributions to planned giving program: $421,350
  - Contributions to endowment funds: 
    - Unrestricted: 
    - Restricted: 
    - Permanently Restricted: 
    - Total: $32,970

**Total revenues**: $32,308,343

**Operating Expenses**

Program services:
- International programs: $10,568,896
- Domestic programs: $14,740,233

**Total program services**: $25,309,129

Program Support:
- Fund-raising: $3,170,425
- Management and general: $2,731,874

**Total program support**: $5,902,299

**Total expenses**: $31,211,428

**Changes in net assets from operations**: $1,096,915

### Nonoperating Changes In Net Assets

- Investment (losses)/gains not appropriated (Note 3): $(1,281,837)
- Adjustments for changes in planned giving liabilities: 
  - (2,421,751)
- Retirement medical payments: $(66,034)
- Net gain from disposal/sale of assets: $68,839
- Pension and benefit adjustment: $(3,494,745)
- Other nonoperating changes in net assets: 
  - (73,966)

**Changes in net assets**: $(3,676,862)

### Net Assets

**Beginning of year**: $17,801,744

**End of year**: $14,124,882
# Statements of Cash Flows

For the years ended September 30, 2012 and 2011

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total change in net assets</td>
<td>$27,152,685</td>
<td>$(8,773,335)</td>
</tr>
<tr>
<td>Adjustments to reconcile total change in net assets to net cash (used) by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized (gains) losses on investments</td>
<td>$(14,604,595)</td>
<td>2,230,597</td>
</tr>
<tr>
<td>Unrealized loss on Friends Center Corporation investment</td>
<td>155,385</td>
<td>136,885</td>
</tr>
<tr>
<td>Gain from sale of property</td>
<td>-</td>
<td>(165,571)</td>
</tr>
<tr>
<td>Loss from disposal of assets</td>
<td>-</td>
<td>96,732</td>
</tr>
<tr>
<td>Depreciation</td>
<td>184,423</td>
<td>185,156</td>
</tr>
<tr>
<td>Contributions to endowment funds</td>
<td>(6,377,924)</td>
<td>(32,970)</td>
</tr>
<tr>
<td>Contributions to planned giving program</td>
<td>(2,066,478)</td>
<td>(428,317)</td>
</tr>
<tr>
<td>Matured gifts from planned giving program</td>
<td>1,893,186</td>
<td>2,753,263</td>
</tr>
<tr>
<td>Remainder interest in life estates</td>
<td>165,965</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment for changes in planned giving liabilities</td>
<td>5,754,030</td>
<td>4,053,477</td>
</tr>
<tr>
<td>Changes in assets and liabilities which provided (used) cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>91,955</td>
<td>247,330</td>
</tr>
<tr>
<td>Income receivable and prepaid expenses</td>
<td>241,720</td>
<td>(162,766)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>968,762</td>
<td>1,476</td>
</tr>
<tr>
<td>Liability for pension and post-retirement benefits</td>
<td>(11,903,862)</td>
<td>4,316,973</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,655,252</td>
<td>4,458,930</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of land, buildings, and equipment</td>
<td>(9,330)</td>
<td>(75,387)</td>
</tr>
<tr>
<td>Proceeds from the sale of property</td>
<td>-</td>
<td>291,010</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(32,526,737)</td>
<td>(30,059,527)</td>
</tr>
<tr>
<td>Sales of investments</td>
<td>33,437,678</td>
<td>34,517,010</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>901,611</td>
<td>4,673,106</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from interest-free loans</td>
<td>144,007</td>
<td>1,900</td>
</tr>
<tr>
<td>Repayment of interest-free loans</td>
<td>(119,638)</td>
<td>(105,100)</td>
</tr>
<tr>
<td>Cash received for endowment funds</td>
<td>139,260</td>
<td>27,941</td>
</tr>
<tr>
<td>Cash received for planned giving program</td>
<td>157,266</td>
<td>287,301</td>
</tr>
<tr>
<td>Matured gifts from planned giving program</td>
<td>(1,893,186)</td>
<td>(2,753,263)</td>
</tr>
<tr>
<td>Net benefit payments to annuitants</td>
<td>(4,314,518)</td>
<td>(4,006,454)</td>
</tr>
<tr>
<td>Net cash used by financing activities</td>
<td>(5,886,809)</td>
<td>(6,547,675)</td>
</tr>
</tbody>
</table>

Net (decrease) increase in cash and cash equivalents | (3,329,946) | 2,584,361 |

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>6,473,637</td>
<td>3,889,276</td>
</tr>
<tr>
<td>End of year</td>
<td>$3,143,691</td>
<td>$6,473,637</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
# Statement of Functional Expenses

For the year ended September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Total Program Services</th>
<th>Program Support</th>
<th>Total Program Support</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International</td>
<td>Domestic</td>
<td>Total</td>
<td>Fund-Raising</td>
<td>General</td>
</tr>
<tr>
<td>Compensation Expense:</td>
<td>$4,413,870</td>
<td>$9,296,835</td>
<td>$13,710,705</td>
<td>$1,561,789</td>
<td>$1,835,778</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>1,051,662</td>
<td>2,113,001</td>
<td>3,164,663</td>
<td>450,464</td>
<td>262,846</td>
</tr>
<tr>
<td>Net periodic pension and retiree medical expense</td>
<td>5,465,532</td>
<td>11,409,836</td>
<td>16,875,368</td>
<td>2,012,253</td>
<td>2,098,624</td>
</tr>
<tr>
<td>Net compensation expense</td>
<td>5,465,532</td>
<td>11,409,836</td>
<td>16,875,368</td>
<td>2,012,253</td>
<td>2,098,624</td>
</tr>
<tr>
<td>Professional fees and services</td>
<td>612,039</td>
<td>1,003,632</td>
<td>1,615,671</td>
<td>230,586</td>
<td>194,803</td>
</tr>
<tr>
<td>Occupancy</td>
<td>520,337</td>
<td>927,862</td>
<td>1,448,199</td>
<td>232,904</td>
<td>180,439</td>
</tr>
<tr>
<td>Risk management insurance</td>
<td>81,649</td>
<td>115,297</td>
<td>196,946</td>
<td>9,214</td>
<td>37,363</td>
</tr>
<tr>
<td>Office supplies</td>
<td>56,426</td>
<td>98,028</td>
<td>154,454</td>
<td>10,618</td>
<td>10,078</td>
</tr>
<tr>
<td>Equipment leasing, purchase, and repairs</td>
<td>77,375</td>
<td>296,518</td>
<td>373,893</td>
<td>18,910</td>
<td>17,815</td>
</tr>
<tr>
<td>Program supplies</td>
<td>748,270</td>
<td>656,255</td>
<td>1,404,525</td>
<td>15,251</td>
<td>16,424</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>254,907</td>
<td>443,542</td>
<td>698,449</td>
<td>72,281</td>
<td>97,250</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>22,741</td>
<td>81,910</td>
<td>104,651</td>
<td>28,462</td>
<td>10,902</td>
</tr>
<tr>
<td>Travel</td>
<td>445,701</td>
<td>486,364</td>
<td>932,065</td>
<td>79,450</td>
<td>88,744</td>
</tr>
<tr>
<td>Conferences, conventions, and meetings</td>
<td>588,878</td>
<td>132,312</td>
<td>721,190</td>
<td>3,824</td>
<td>25,254</td>
</tr>
<tr>
<td>Fundraising appeals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>810,366</td>
<td>28</td>
</tr>
<tr>
<td>Printing and publishing</td>
<td>78,001</td>
<td>181,935</td>
<td>259,936</td>
<td>29,683</td>
<td>66,641</td>
</tr>
<tr>
<td>Awards and grants</td>
<td>903,165</td>
<td>17,293</td>
<td>920,458</td>
<td>216</td>
<td>1,427</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>123,691</td>
<td>45,334</td>
<td>169,025</td>
<td>39,945</td>
<td>117,334</td>
</tr>
<tr>
<td>Total expenses before depreciation</td>
<td>9,978,712</td>
<td>15,896,118</td>
<td>25,874,830</td>
<td>3,593,963</td>
<td>2,953,912</td>
</tr>
<tr>
<td>Depreciation of buildings and equipment</td>
<td>19,262</td>
<td>109,742</td>
<td>129,004</td>
<td>34,964</td>
<td>20,455</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$9,997,974</td>
<td>$16,005,860</td>
<td>$26,003,834</td>
<td>$3,628,927</td>
<td>$2,974,367</td>
</tr>
</tbody>
</table>
## Statement of Functional Expenses

For the year ended September 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Total Program Support</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>International</td>
<td>Domestic</td>
<td>Services</td>
<td>Management</td>
</tr>
<tr>
<td>Compensation Expense:</td>
<td></td>
<td></td>
<td></td>
<td>Support</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$ 5,169,126</td>
<td>$ 8,838,204</td>
<td>$14,007,330</td>
<td>$1,205,214</td>
</tr>
<tr>
<td>Net periodic pension and retiree medical expense</td>
<td>1,140,057</td>
<td>2,041,043</td>
<td>3,181,100</td>
<td>419,552</td>
</tr>
<tr>
<td></td>
<td>6,309,183</td>
<td>10,879,247</td>
<td>17,188,430</td>
<td>1,624,766</td>
</tr>
<tr>
<td>Professional fees and services</td>
<td>599,878</td>
<td>718,391</td>
<td>1,318,269</td>
<td>149,569</td>
</tr>
<tr>
<td>Occupancy</td>
<td>639,586</td>
<td>1,013,409</td>
<td>1,652,995</td>
<td>232,883</td>
</tr>
<tr>
<td>Risk management insurance</td>
<td>95,197</td>
<td>105,987</td>
<td>201,184</td>
<td>4,294</td>
</tr>
<tr>
<td>Office supplies</td>
<td>57,421</td>
<td>60,794</td>
<td>118,215</td>
<td>15,947</td>
</tr>
<tr>
<td>Equipment leasing, purchase, and repairs</td>
<td>152,019</td>
<td>205,185</td>
<td>357,204</td>
<td>13,268</td>
</tr>
<tr>
<td>Program supplies</td>
<td>413,722</td>
<td>208,401</td>
<td>622,123</td>
<td>7,526</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>208,329</td>
<td>334,611</td>
<td>542,940</td>
<td>24,528</td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>68,883</td>
<td>141,365</td>
<td>210,248</td>
<td>152,290</td>
</tr>
<tr>
<td>Travel</td>
<td>522,569</td>
<td>334,787</td>
<td>857,356</td>
<td>85,363</td>
</tr>
<tr>
<td>Conferences, conventions, and meetings</td>
<td>479,993</td>
<td>193,438</td>
<td>673,431</td>
<td>612</td>
</tr>
<tr>
<td>Fundraising appeals</td>
<td>143,167</td>
<td>193,776</td>
<td>336,943</td>
<td>781,069</td>
</tr>
<tr>
<td>Printing and publishing</td>
<td>49,579</td>
<td>173,022</td>
<td>222,601</td>
<td>34,781</td>
</tr>
<tr>
<td>Awards and grants</td>
<td>735,262</td>
<td>57,475</td>
<td>792,737</td>
<td>31406</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>90,749</td>
<td>35,043</td>
<td>125,792</td>
<td>12,123</td>
</tr>
<tr>
<td><strong>Total expenses before depreciation</strong></td>
<td><strong>10,565,537</strong></td>
<td><strong>14,654,931</strong></td>
<td><strong>25,220,468</strong></td>
<td><strong>3,139,019</strong></td>
</tr>
<tr>
<td>Depreciation of buildings and equipment</td>
<td>3,359</td>
<td>85,302</td>
<td>88,661</td>
<td>31,406</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$10,568,896</strong></td>
<td><strong>$14,740,233</strong></td>
<td><strong>$25,309,129</strong></td>
<td><strong>$3,170,425</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2012 and 2011

(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, four (4) regional offices, thirty-four (34) 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, 2012 and 2011, the Committee maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The Committee manages the risk by investing in high quality institutions.

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 $1,499,883 in 2012 and $1,410,747 in 2011. 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 9 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. 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 $11,231,601 and $13,706,054 and total obligations of the informal post-retirement plan of $14,933,353 and $24,362,762 have been included in the statements of financial position as of September 30, 2012 and 2011, 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.

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.

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 and 10-year trusts.

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 underfunded 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.
  - **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 such 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. The gifts are 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.

RECLASSIFICATIONS
Certain 2011 amounts have been reclassified to conform to the September 30, 2012 presentation. These changes had no impact on previously reported results of operations or total net assets.

(3) INVESTMENTS
The Committee utilized 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.
**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 Level 2 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 is calculated at the end of each month and timely distributions may be requested.

Other investments, classified as Level 3, include deeds to oil wells and insurance policies. Oil wells are appraised annually or held at its contributed fair value; insurance policies are listed at its 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, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value Measurement At Reporting Date Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 Total Fair Value</td>
</tr>
<tr>
<td><strong>Planned Giving Investments:</strong></td>
<td>$63,378,251</td>
</tr>
<tr>
<td>Common Stocks</td>
<td>$30,994,332</td>
</tr>
<tr>
<td>Bonds</td>
<td>21,882,241</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>6,893,493</td>
</tr>
<tr>
<td>Other</td>
<td>94,500</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>3,513,685</td>
</tr>
<tr>
<td><strong>Total Planned Giving Investments</strong></td>
<td>$63,378,251</td>
</tr>
</tbody>
</table>

| **Other Long Term Investments:** | $73,322,730 | $35,375,624 | $37,909,592 | $37,514 |
| Common Stocks       | $30,028,010 | $30,028,010 | $ - | $ - |
| Bonds               | 16,374,817 | - | 16,374,817 | - |
| Commingled Funds    | 21,534,775 | - | 21,534,775 | - |
| Other               | 37,514 | - | - | 37,514 |
| Cash and Cash Equivalents | 5,347,614 | 5,347,614 | - | - |
| **Total Other Long-Term Investments** | $73,322,730 | $35,375,624 | $37,909,592 | $37,514 |

| **Total Investments** | $136,700,981 | $69,883,641 | $66,685,326 | $132,014 |

| **Agency Fund Assets:** | $4,592,153 | $3,082,583 | $1,496,070 | $13,500 |
| Common Stocks       | $2,583,318 | $2,583,318 | $ - | $ - |
| Bonds               | 1,412,712 | - | 1,412,712 | - |
| Commingled Funds    | 83,358 | - | 83,358 | - |
| Other               | 13,500 | - | - | 13,500 |
| Cash and Cash Equivalents | 499,265 | 499,265 | - | - |
| **Total Agency Fund Assets** | $4,592,153 | $3,082,583 | $1,496,070 | $13,500 |
Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Market Value</th>
<th>Gains/ (Losses)</th>
<th>Revenue</th>
<th>Additions/ (Withdrawals)</th>
<th>Ending Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Giving Investments</td>
<td>$77,254</td>
<td>$17,246</td>
<td>$36,957</td>
<td>$(36,957)</td>
<td>$94,500</td>
</tr>
<tr>
<td>Other Long-Term Investments</td>
<td>42,502</td>
<td>-</td>
<td>-</td>
<td>(4,988)</td>
<td>37,514</td>
</tr>
<tr>
<td>Other Investments</td>
<td>11,036</td>
<td>2,464</td>
<td>8,529</td>
<td>(8,529)</td>
<td>13,500</td>
</tr>
<tr>
<td></td>
<td>$130,792</td>
<td>$19,710</td>
<td>$45,486</td>
<td>$(50,474)</td>
<td>$145,514</td>
</tr>
</tbody>
</table>

Fair Value Measurement At Reporting Date Using:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>Total Fair Value</th>
<th>Observable Inputs (Level 1)</th>
<th>Observable Inputs (Level 2)</th>
<th>Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Giving Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stocks</td>
<td>$25,449,862</td>
<td>$25,449,862</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>22,369,890</td>
<td>-</td>
<td>22,369,890</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>5,943,944</td>
<td>-</td>
<td>5,943,944</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>77,254</td>
<td>-</td>
<td>-</td>
<td>77,254</td>
<td>-</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>2,611,057</td>
<td>2,611,057</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Planned Giving Investments</td>
<td>$56,452,007</td>
<td>$28,060,919</td>
<td>$28,313,834</td>
<td>$77,254</td>
<td></td>
</tr>
<tr>
<td>Other Long Term Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stocks</td>
<td>$22,331,741</td>
<td>$22,331,741</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>19,108,236</td>
<td>-</td>
<td>19,108,236</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>16,156,601</td>
<td>-</td>
<td>16,156,601</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>42,502</td>
<td>-</td>
<td>-</td>
<td>42,502</td>
<td>-</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>755,831</td>
<td>755,831</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Other Long-Term Investments</td>
<td>$58,394,911</td>
<td>$23,087,572</td>
<td>$35,264,837</td>
<td>$42,502</td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>$114,846,918</td>
<td>$51,148,491</td>
<td>$63,578,671</td>
<td>$119,756</td>
<td></td>
</tr>
<tr>
<td>Agency Fund Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stocks</td>
<td>$2,247,658</td>
<td>$2,247,658</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>1,660,923</td>
<td>-</td>
<td>1,660,923</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>74,597</td>
<td>-</td>
<td>74,597</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>17,089</td>
<td>6,053</td>
<td>-</td>
<td>11,036</td>
<td>-</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>754,133</td>
<td>754,133</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Agency Fund Assets</td>
<td>$4,754,400</td>
<td>$3,007,844</td>
<td>$1,735,520</td>
<td>$11,036</td>
<td></td>
</tr>
</tbody>
</table>
Reconciliation of assets measured at Fair Value on a recurring basis using Significant Unobservable Inputs (Level 3):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Market Value</th>
<th>Gains/ (Losses)</th>
<th>Revenue</th>
<th>Additions/ (Withdrawals)</th>
<th>Ending Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Giving Investments</td>
<td>$70,236</td>
<td>$7,018</td>
<td>$43,260</td>
<td>$(43,260)</td>
<td>$77,254</td>
</tr>
<tr>
<td>Other Long-Term Investments</td>
<td>42,502</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,502</td>
</tr>
<tr>
<td>Agency Fund Assets</td>
<td>10,034</td>
<td>1,002</td>
<td>5,941</td>
<td>(5,941)</td>
<td>11,036</td>
</tr>
<tr>
<td></td>
<td>$122,772</td>
<td>$8,020</td>
<td>$49,201</td>
<td>$(49,201)</td>
<td>$130,792</td>
</tr>
</tbody>
</table>

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2012 and 2011.

Investments and unfunded commitments, by class, that are measured using Level 2 inputs and the investment objective of each holding are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Fair Value</th>
<th>Unfunded Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Equity Fund (a)</td>
<td>$17,966,250</td>
<td>$ -</td>
</tr>
<tr>
<td>Global and Emerging Markets Bond Fund (b)</td>
<td>7,177,984</td>
<td>$ -</td>
</tr>
<tr>
<td>Commodity Fund (c)</td>
<td>3,367,392</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Commingled Funds</td>
<td>$28,511,626</td>
<td>$ -</td>
</tr>
</tbody>
</table>

(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 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 can be made on the first business day of each month with 10 days’ notice.

(c) This fund’s investment objectives are to provide an enhancement to an investor’s portfolio of financial investments and to provide a partial inflation hedge with an attractive risk/return portfolio as compared to other products using a commodity index or a pool of commodities. Redemptions can be made on the first business day of each month with 5 days’ notice.
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, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$1,839,412</td>
<td>$1,886,666</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss) on investments</td>
<td>$12,401,716</td>
<td>(1,947,203)</td>
</tr>
<tr>
<td>Net realized loss on FCC</td>
<td>(155,385)</td>
<td>207,789</td>
</tr>
<tr>
<td>Net realized gain on life estate</td>
<td>226,663</td>
<td></td>
</tr>
<tr>
<td>Investment fees</td>
<td>(1,090,973)</td>
<td>(1,020,759)</td>
</tr>
<tr>
<td>Total investment (loss) income, net of fees</td>
<td>$13,221,433</td>
<td>(1,010,392)</td>
</tr>
<tr>
<td>Less: investment income appropriated</td>
<td>(1,499,883)</td>
<td>(1,410,747)</td>
</tr>
<tr>
<td>Investment (losses) gains not appropriated</td>
<td>$11,721,550</td>
<td>$2,421,139</td>
</tr>
</tbody>
</table>

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.

The 2012 reserve was calculated as follows:

- Actuarial present value liability - California $4,329,345
- Actuarial present value liability – Florida 330,076
- 10% additional reserves 33,008
- Actuarial present value liability – General (New York) 11,903,304
- 26.5% additional reserves 3,154,376
- Actuarial present value liability – Tennessee 885
- 10% additional reserves 89

Total Required Reserve $19,751,083

Gift annuity investments amounted to $25,382,222 at September 30, 2012.

(4) INVESTMENT IN FRIENDS CENTER

Summarized audited financial information for the Friends Center Corporation (“FCC”) for the years ended June 30, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$16,795,053</td>
<td>$17,342,181</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$7,127,977</td>
<td>$7,255,145</td>
</tr>
<tr>
<td>Net Assets</td>
<td>9,667,076*</td>
<td>10,087,036*</td>
</tr>
<tr>
<td>Total Liabilities and Net Assets</td>
<td>$16,795,053</td>
<td>$17,342,181</td>
</tr>
</tbody>
</table>

* The Committee’s 37.0% membership interest of $3,576,818 and $3,732,203 as of June 30, 2012 and 2011, 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 $(155,385) and $(136,885) for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-depreciable assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 58,958</td>
<td>$ 58,958</td>
</tr>
<tr>
<td>Depreciable assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>2,636,393</td>
<td>3,442,750</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,099,340</td>
<td>1,655,211</td>
</tr>
<tr>
<td>Subtotal – depreciable assets</td>
<td>3,735,733</td>
<td>5,097,961</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,160,339)</td>
<td>(2,347,474)</td>
</tr>
<tr>
<td>Subtotal – depreciable assets, net</td>
<td>2,575,394</td>
<td>2,750,487</td>
</tr>
<tr>
<td>Total land, buildings and equipment, net</td>
<td>$ 2,634,352</td>
<td>$ 2,809,445</td>
</tr>
</tbody>
</table>

Depreciation was $184,423 and $185,156 for the years ended September 30, 2012 and 2011, respectively. The Committee disposed of property during 2011, including the sale of a building for $291,010. The cost of the disposed property of $425,593 net of accumulated depreciation of $203,422 resulted in a net realized gain of $68,839.

In addition to the use of owned properties, certain of the Committee’s regional offices utilize space provided by Quaker organizations at nominal rental rates.

(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 $12,810,055 and $10,888,507 at September 30, 2012 and 2011, respectively, of investments for the informal postretirement 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 employees contribute to the cost of this plan.

In addition, the Committee has an actuarial liability for a supplemental retirement benefits plan designed to provide retirement benefits for employees not otherwise covered by the formal defined benefit pension plan. Payments made from this plan for the year ended September 30, 2012 and 2011 were approximately $84,000 for each year and the estimated liability recorded was $1,000,000 at September 30, 2012 and 2011.
NOTES TO FINANCIAL STATEMENTS – (Continued)

For the years ended September 30, 2012 and 2011

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

<table>
<thead>
<tr>
<th></th>
<th>Pension Plan</th>
<th></th>
<th>Informal Postretirement Medical Benefits Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>(Dollars In Thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>$ 39,715</td>
<td>$ 33,516</td>
<td>$ -</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>50,947</td>
<td>47,222</td>
<td>13,933</td>
</tr>
<tr>
<td>Unfunded status</td>
<td>($11,232)</td>
<td>($13,706)</td>
<td>($13,933)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plan</th>
<th>Informal Postretirement Medical Benefits Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Discount Rate</td>
<td>4.25%</td>
<td>5.45%</td>
</tr>
<tr>
<td>Expected return on Plan Assets</td>
<td>7.50%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Rate of Compensation Increase</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plan</th>
<th>Informal Postretirement Medical Benefits Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>(In Thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension expense (credit)</td>
<td>$ 26</td>
<td>$ 3,051</td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 2,500</td>
<td>$ 2,500</td>
</tr>
<tr>
<td>Benefits Paid</td>
<td>$(2,316)</td>
<td>$(2,311)</td>
</tr>
</tbody>
</table>

Components of Net Periodic Benefit Cost:

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plan</th>
<th>Informal Postretirement Medical Benefits Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>(In Thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 780</td>
<td>$ 902</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,459</td>
<td>2,327</td>
</tr>
<tr>
<td>Return on plan assets</td>
<td>(2,484)</td>
<td>(2,523)</td>
</tr>
<tr>
<td>Recognized net actuarial (gain) loss</td>
<td>1,050</td>
<td>962</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net periodic pension/postretirement credit (cost)</td>
<td>$ 1,805</td>
<td>$ 1,668</td>
</tr>
</tbody>
</table>

The Committee expects to contribute $2,500,000 to its pension plan in fiscal 2013. During the year ended September 30, 2012, the Committee revised its assumptions used in valuing the post-retirement medical plan regarding the cost of health insurance for retirees and the projected medical trend for these costs which resulted in a decrease in the projected benefit obligation. This decrease was offset by a decrease in the discount rate, resulting in a credit of approximately $8.1 million.

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:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>47.05%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>21.17%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>27.12%</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>4.66%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

The summary of inputs used to value the Committee’s Formal plan assets carried at fair value as of September 30, 2012 and 2011 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Level 1 Quoted Prices</th>
<th>Level 2 Other Significant Inputs</th>
<th>Level 3 Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$18,618,898</td>
<td>$18,618,898</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>8,397,575</td>
<td>-</td>
<td>8,397,575</td>
<td>-</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>10,701,177</td>
<td>-</td>
<td>10,701,177</td>
<td>-</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>1,997,333</td>
<td>1,997,333</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$39,714,983</td>
<td>$20,616,231</td>
<td>$19,098,752</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>Level 1 Quoted Prices</th>
<th>Level 2 Other Significant Inputs</th>
<th>Level 3 Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stocks</td>
<td>$14,859,668</td>
<td>$14,859,668</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Bonds</td>
<td>7,798,512</td>
<td>-</td>
<td>7,798,512</td>
<td>-</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>8,582,416</td>
<td>-</td>
<td>8,582,416</td>
<td>-</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>2,275,815</td>
<td>2,275,815</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$33,516,411</td>
<td>$17,135,483</td>
<td>$16,380,928</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Investments and unfunded commitments, by class, that are measured using Level 2 inputs and the investment objective of each holding are as follows:

<table>
<thead>
<tr>
<th>Investments or Unfunded Commitments</th>
<th>Fair Value</th>
<th>Unfunded Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Equity Fund (a)</td>
<td>$2,727,806</td>
<td>$ -</td>
</tr>
<tr>
<td>Global and Emerging Markets Bond Funds (b)</td>
<td>7,973,371</td>
<td>-</td>
</tr>
<tr>
<td>Total Commingled Funds</td>
<td>$10,701,177</td>
<td>$ -</td>
</tr>
</tbody>
</table>

(a) This fund’s investment objectives are to preserve and build capital by investing in economically and geographically diversified portfolios of 40 to 60 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 can be made on the first business day of each month with 10 days’ notice.
(b) This 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 can be made on the first business day of each month with 10 days’ notice.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Plan</th>
<th>Informal Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$2,447,000</td>
<td>$589,000</td>
</tr>
<tr>
<td>2014</td>
<td>2,455,000</td>
<td>536,000</td>
</tr>
<tr>
<td>2015</td>
<td>2,500,000</td>
<td>508,000</td>
</tr>
<tr>
<td>2016</td>
<td>2,545,000</td>
<td>530,000</td>
</tr>
<tr>
<td>2017</td>
<td>2,606,000</td>
<td>578,000</td>
</tr>
<tr>
<td>2018 – 2022</td>
<td>14,262,000</td>
<td>3,413,000</td>
</tr>
<tr>
<td>Total</td>
<td>$26,815,000</td>
<td>$6,154,000</td>
</tr>
</tbody>
</table>

(7) NET ASSETS

Temporarily restricted net assets for 2012 and 2011 are available for the following purposes:

<table>
<thead>
<tr>
<th>Purpose-restricted</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>International programs</td>
<td>$922,518</td>
<td>$2,036,351</td>
</tr>
<tr>
<td>Domestic programs</td>
<td>1,456,470</td>
<td>1,929,597</td>
</tr>
<tr>
<td>Program support</td>
<td>953,064</td>
<td>312,491</td>
</tr>
<tr>
<td>Total purpose restricted</td>
<td>3,332,052</td>
<td>4,278,439</td>
</tr>
<tr>
<td>Time-restricted (planned gifts)*</td>
<td>28,900,924</td>
<td>28,254,751</td>
</tr>
<tr>
<td>Accumulated gain on endowment assets</td>
<td>3,863,725</td>
<td>2,092,328</td>
</tr>
<tr>
<td>Total</td>
<td>$36,096,701</td>
<td>$34,625,518</td>
</tr>
</tbody>
</table>

* Includes $2,925,189 and $2,406,600 of term endowments as of September 30, 2012 and 2011, 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:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Programs</td>
<td>$3,090,354</td>
</tr>
<tr>
<td>Domestic Programs</td>
<td>3,045,112</td>
</tr>
<tr>
<td>Program Support</td>
<td>525,856</td>
</tr>
<tr>
<td>Time Restrictions met</td>
<td>3,094,657</td>
</tr>
<tr>
<td>Total</td>
<td>$9,755,979</td>
</tr>
</tbody>
</table>
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.

During 2011, the Committee transferred $586,224 from temporarily restricted net assets after receiving updated or new instructions from the donor of these funds on the restricted nature and use.

Endowment net asset composition by type of fund as of September 30, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Donor restricted endowment funds</td>
<td>$ -</td>
<td>$ 6,788,914</td>
</tr>
<tr>
<td>Funds functioning as endowment</td>
<td>12,329,478</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$12,329,478</td>
<td>$6,788,914</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Donor restricted endowment funds</td>
<td>$ -</td>
<td>$4,498,928</td>
</tr>
<tr>
<td>Funds functioning as endowment</td>
<td>9,980,188</td>
<td>-</td>
</tr>
<tr>
<td>Total funds</td>
<td>$9,980,188</td>
<td>$4,498,928</td>
</tr>
</tbody>
</table>
Change in endowment net assets for the years ended September 30, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>Endowment net assets, September 30, 2011</td>
<td>$ 9,980,188</td>
<td>$ 4,498,928</td>
<td>$11,882,468</td>
<td>$26,361,584</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>199,710</td>
<td>360,769</td>
<td></td>
<td>560,479</td>
</tr>
<tr>
<td>Net realized/unrealized gains</td>
<td>1,649,634</td>
<td>2,682,450</td>
<td></td>
<td>4,332,084</td>
</tr>
<tr>
<td>Total investment return</td>
<td>1,849,344</td>
<td>3,043,219</td>
<td></td>
<td>4,892,563</td>
</tr>
<tr>
<td>Contributions</td>
<td>751,702</td>
<td>232,206</td>
<td>6,190,116</td>
<td>7,174,024</td>
</tr>
<tr>
<td>Appropriation of assets for expenditure in accordance with the spending policy</td>
<td>(540,552)</td>
<td>(959,331)</td>
<td></td>
<td>(1,499,883)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds functioning as endowment principal transferred to program</td>
<td>288,796</td>
<td></td>
<td></td>
<td>288,796</td>
</tr>
<tr>
<td>Term endowment principal transferred to general funds</td>
<td>-</td>
<td>(26,108)</td>
<td></td>
<td>(26,108)</td>
</tr>
<tr>
<td>Property transferred in/out of endowment net assets</td>
<td>-</td>
<td>-</td>
<td>(11,721)</td>
<td>(11,721)</td>
</tr>
<tr>
<td>Endowment net assets, September 30, 2012</td>
<td>$12,329,478</td>
<td>$ 6,788,914</td>
<td>$18,060,863</td>
<td>$37,179,255</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>Endowment net assets, September 30, 2010</td>
<td>$10,622,166</td>
<td>$5,524,994</td>
<td>$11,313,982</td>
<td>$27,461,142</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>195,082</td>
<td>311,454</td>
<td></td>
<td>506,536</td>
</tr>
<tr>
<td>Net realized/unrealized losses</td>
<td>(264,639)</td>
<td>(435,973)</td>
<td></td>
<td>(700,612)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>(69,557)</td>
<td>(124,519)</td>
<td></td>
<td>(194,076)</td>
</tr>
<tr>
<td>Contributions</td>
<td>154,562</td>
<td></td>
<td>642,452</td>
<td>797,014</td>
</tr>
<tr>
<td>Appropriation of assets for expenditure in accordance with the spending policy</td>
<td>(535,659)</td>
<td>(875,088)</td>
<td></td>
<td>(1,410,747)</td>
</tr>
<tr>
<td>Other changes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds functioning as endowment principal transferred to program</td>
<td>(191,324)</td>
<td></td>
<td></td>
<td>(191,324)</td>
</tr>
<tr>
<td>Term endowment principal transferred to general funds</td>
<td>-</td>
<td>(26,459)</td>
<td></td>
<td>(26,459)</td>
</tr>
<tr>
<td>Property transferred in/out of endowment net assets</td>
<td>-</td>
<td>-</td>
<td>(73,966)</td>
<td>(73,966)</td>
</tr>
<tr>
<td>Endowment net assets, September 30, 2011</td>
<td>$ 9,980,188</td>
<td>$4,498,928</td>
<td>$11,882,468</td>
<td>$26,361,584</td>
</tr>
</tbody>
</table>

**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, 2012 and 2011.
(8) RELATED PARTY TRANSACTIONS

In connection with the renovations of the Friends Center, Economic Development Revenue Bonds ("Bonds") were issued through the Industrial Development Authority to The Friends Center. 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, 2012, the Bonds, which mature in 2038, had an outstanding balance of approximately $7 million and is guaranteed, jointly and severally by the Committee and the other partners of the Friends Center.

(9) ALLOCATION OF JOINT COSTS

For the years ended September 30, 2012 and 2011, the Committee incurred joint costs of $3,267,408 and $3,073,886 for informational materials and activities that included fund-raising appeals. For the years ended September 30, 2012 and 2011, these joint costs were allocated as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>$1,633,704</td>
<td>$1,536,943</td>
</tr>
<tr>
<td>International Programs</td>
<td>753,989</td>
<td>661,112</td>
</tr>
<tr>
<td>US Programs</td>
<td>879,715</td>
<td>875,831</td>
</tr>
<tr>
<td>Total</td>
<td>$3,267,408</td>
<td>$3,073,886</td>
</tr>
</tbody>
</table>

* Figures from 2011 are restated to conform to 2012 presentation.

(10) COMMITMENTS

COMMITMENTS

The Committee leases certain facilities where the Committee has program offices under leases expiring through July 2018. In addition, the Committee leases certain office equipment under operating leases expiring through 2017. Most international office leases are paid in advance or are month-to-month basis.

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

<table>
<thead>
<tr>
<th>Year ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$366,000</td>
</tr>
<tr>
<td>2014</td>
<td>218,700</td>
</tr>
<tr>
<td>2015</td>
<td>77,700</td>
</tr>
<tr>
<td>2016</td>
<td>30,200</td>
</tr>
<tr>
<td>2017</td>
<td>28,200</td>
</tr>
<tr>
<td>2018 and thereafter</td>
<td>21,900</td>
</tr>
<tr>
<td>Future minimum lease payments</td>
<td>$742,700</td>
</tr>
</tbody>
</table>

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2013, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.