

Baltimore Yearly Meeting of the Religious Society of Friends, Inc. and Affiliate

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position</i>	3
<i>Consolidated Statements of Activities</i>	4
<i>Consolidated Statements of Functional Expenses</i>	6
<i>Consolidated Statements of Cash Flows</i>	8
<i>Notes to Consolidated Financial Statements</i>	9
SUPPLEMENTARY INFORMATION	
<i>Consolidating Statement of Financial Position</i>	18
<i>Consolidating Statement of Activities</i>	19
<i>Statement of Activities - Baltimore Yearly Meeting Only</i>	20



INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Baltimore Yearly Meeting of the
Religious Society of Friends, Inc. and Affiliate
Sandy Spring, MD**

We have audited the accompanying consolidated financial statements of Baltimore Yearly Meeting of the Religious Society of Friends, Inc. ("**Yearly Meeting**") and Miles White Beneficial Society of Baltimore City ("**Affiliate**") (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Baltimore Yearly Meeting of the Religious Society of Friends, Inc. and Affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
August 12, 2019**

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 283,458	\$ 139,065
Contributions and grants receivable, net	115,445	53,585
Prepaid expenses and other assets	57,194	58,629
Notes receivable, net	28,787	66,290
Investments	3,566,046	4,045,446
Property and equipment, net of accumulated depreciation	<u>2,683,066</u>	<u>2,702,852</u>
Total assets	<u>\$ 6,733,996</u>	<u>\$ 7,065,867</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 109,160	\$ 107,850
Deferred revenue	28,285	21,555
Loans payable	<u>267,953</u>	<u>315,000</u>
Total liabilities	<u>405,398</u>	<u>444,405</u>
NET ASSETS		
Without donor restrictions		
Operating	547,734	528,077
Designated	2,254,407	2,562,954
Property and equipment	<u>2,415,113</u>	<u>2,387,852</u>
	5,217,254	5,478,883
With donor restrictions	<u>1,111,344</u>	<u>1,142,579</u>
Total net assets	<u>6,328,598</u>	<u>6,621,462</u>
Total liabilities and net assets	<u>\$ 6,733,996</u>	<u>\$ 7,065,867</u>

See accompanying notes

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2018 with comparative totals for 2017

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Designated	Property and Equipment		2018	2017
REVENUES AND SUPPORT						
Summer camp revenue, net of financial aid of \$64,531	\$ 870,959	\$ -	\$ -	\$ -	\$ 870,959	\$ 864,271
Contributions and grants	330,514	-	-	145,853	476,367	273,875
Apportionments	479,143	-	-	-	479,143	454,117
Annual session revenue	75,771	-	-	-	75,771	76,925
Youth and other program revenue	61,369	-	-	-	61,369	66,176
Other revenue	20,525	-	-	-	20,525	37,434
Net assets released from restrictions	218,686	(128,007)	67,495	(158,174)	-	-
Total revenues and support	2,056,967	(128,007)	67,495	(12,321)	1,984,134	1,772,798
EXPENSES						
Program services						
Summer camp	960,855	-	87,963	-	1,048,818	1,053,710
Annual session	62,899	-	-	-	62,899	79,655
Other programs	346,754	-	-	-	346,754	386,076
Total program services	1,370,508	-	87,963	-	1,458,471	1,519,441
Supporting services						
Administration	470,081	-	7,121	-	477,202	383,118
Fundraising	128,589	-	-	-	128,589	122,788
Total supporting services	598,670	-	7,121	-	605,791	505,906
Total expenses	1,969,178	-	95,084	-	2,064,262	2,025,347
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	87,789	(128,007)	(27,589)	(12,321)	(80,128)	(252,549)
OTHER CHANGES						
Investment income (loss)	(13,282)	(180,540)	-	(18,914)	(212,736)	667,941
Loss on sale of property and equipment	-	-	-	-	-	(6,014)
Property and equipment additions, net	(54,850)	-	54,850	-	-	-
	(68,132)	(180,540)	54,850	(18,914)	(212,736)	661,927
CHANGE IN NET ASSETS	19,657	(308,547)	27,261	(31,235)	(292,864)	409,378
NET ASSETS						
Beginning of year	528,077	2,562,954	2,387,852	1,142,579	6,621,462	6,212,084
End of year	\$ 547,734	\$ 2,254,407	\$ 2,415,113	\$ 1,111,344	\$ 6,328,598	\$ 6,621,462

See accompanying notes

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2017

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated	Property and Equipment		
REVENUES AND SUPPORT					
Summer camp revenue, net of financial aid of \$68,068	\$ 864,271	\$ -	\$ -	\$ -	\$ 864,271
Contributions and grants	146,640	-	-	127,235	273,875
Apportionments	454,117	-	-	-	454,117
Annual session revenue	76,925	-	-	-	76,925
Youth and other program revenue	66,176	-	-	-	66,176
Other revenue	31,981	5,453	-	-	37,434
Net assets released from restrictions	285,646	(135,651)	240,559	(390,554)	-
Total revenues and support	1,925,756	(130,198)	240,559	(263,319)	1,772,798
EXPENSES					
Program services					
Summer camp	976,145	-	77,565	-	1,053,710
Annual session	79,655	-	-	-	79,655
Other programs	386,076	-	-	-	386,076
Total program services	1,441,876	-	77,565	-	1,519,441
Supporting services					
Administration	374,094	-	9,024	-	383,118
Fundraising	122,788	-	-	-	122,788
Total supporting services	496,882	-	9,024	-	505,906
Total expenses	1,938,758	-	86,589	-	2,025,347
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(13,002)	(130,198)	153,970	(263,319)	(252,549)
OTHER CHANGES					
Investment income	72,397	507,690	-	87,854	667,941
Loss on sale of property and equipment	-	-	(6,014)	-	(6,014)
Property and equipment additions, net	(28,520)	-	28,520	-	-
	43,877	507,690	22,506	87,854	661,927
CHANGE IN NET ASSETS	30,875	377,492	176,476	(175,465)	409,378
NET ASSETS					
Beginning of year	497,202	2,185,462	2,211,376	1,318,044	6,212,084
End of year	\$ 528,077	\$ 2,562,954	\$ 2,387,852	\$ 1,142,579	\$ 6,621,462

See accompanying notes

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018 with comparative totals for 2017

EXPENSES	Supporting Services				Totals	
	Program	Administration	Fundraising	Total	2018	2017
	Services			Supporting		
				Services		
Salaries	\$ 549,827	\$ 269,747	\$ 86,341	\$ 356,088	\$ 905,915	\$ 877,520
Payroll taxes	41,279	19,825	6,605	26,430	67,709	66,132
Employee benefits	84,243	47,109	6,331	53,440	137,683	140,659
	675,349	336,681	99,277	435,958	1,111,307	1,084,311
Bad debt expense	-	31,518	-	31,518	31,518	-
Contributions and grants	188,152	200	-	200	188,352	186,202
Depreciation	87,963	7,121	-	7,121	95,084	86,589
Equipment expense	38,510	17,377	2,544	19,921	58,431	43,802
Food	98,576	-	87	87	98,663	102,504
Insurance	32,932	9,415	-	9,415	42,347	63,091
Maintenance	24,419	8,698	-	8,698	33,117	25,622
Miscellaneous	10,588	2,779	-	2,779	13,367	10,683
Occupancy	140,203	7,347	99	7,446	147,649	147,642
Office expense	58,888	12,201	3,757	15,958	74,846	81,011
Printing and postage	6,898	18,308	18,937	37,245	44,143	42,573
Professional fees	15,100	22,314	-	22,314	37,414	38,783
Travel	10,432	3,165	3,888	7,053	17,485	29,416
Vehicle expense	63,102	59	-	59	63,161	76,992
Workshop expense	7,359	19	-	19	7,378	6,126
Total expenses	\$ 1,458,471	\$ 477,202	\$ 128,589	\$ 605,791	\$ 2,064,262	\$ 2,025,347

See accompanying notes

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2017

EXPENSES	Supporting Services			Total Supporting Services	Total
	Program Services	Administration	Fundraising		
Salaries	\$ 563,957	\$ 232,416	\$ 81,147	\$ 313,563	\$ 877,520
Payroll taxes	42,396	17,528	6,208	23,736	66,132
Employee benefits	97,648	36,748	6,263	43,011	140,659
	704,001	286,692	93,618	380,310	1,084,311
Contributions and grants	186,002	200	-	200	186,202
Depreciation	77,565	9,024	-	9,024	86,589
Equipment expense	27,095	13,857	2,850	16,707	43,802
Food	102,504	-	-	-	102,504
Insurance	52,293	10,798	-	10,798	63,091
Maintenance	19,976	5,646	-	5,646	25,622
Miscellaneous	7,688	1,382	1,613	2,995	10,683
Occupancy	139,794	7,848	-	7,848	147,642
Office expense	70,299	10,380	332	10,712	81,011
Printing and postage	13,376	11,621	17,576	29,197	42,573
Professional fees	15,678	21,610	1,495	23,105	38,783
Travel	20,211	3,901	5,304	9,205	29,416
Vehicle expense	76,833	159	-	159	76,992
Workshop expense	6,126	-	-	-	6,126
Total expenses	\$ 1,519,441	\$ 383,118	\$ 122,788	\$ 505,906	\$ 2,025,347

See accompanying notes

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(292,864)	\$ 409,378
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	95,084	86,589
Unrealized and realized (gain) loss on investments	300,271	(583,310)
Bad debt expense	31,518	-
Contributions restricted for long-term purposes	(3,806)	(6,580)
Forgiveness of loans payable	(35,000)	-
Loss on sale of property and equipment	-	6,014
(Increase) decrease in		
Contributions and grants receivable	(71,860)	162,993
Prepaid expenses and other assets	1,435	24,858
Increase (decrease) in		
Accounts payable and accrued expenses	1,310	(48,608)
Deferred revenue	6,730	(278)
Net cash provided by operating activities	<u>32,818</u>	<u>51,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(75,298)	(596,333)
Proceeds from sale of property and equipment	-	12,254
Collection on notes receivable	15,985	14,190
Purchase of investments	(97,115)	(211,930)
Proceeds from sales of investments	276,244	213,470
Net cash provided by (used for) investing activities	<u>119,816</u>	<u>(568,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	-	315,000
Payments on loans payable	(12,047)	-
Contributions received for endowment purposes	3,806	6,580
Net cash provided by (used for) financing activities	<u>(8,241)</u>	<u>321,580</u>
Net change in cash	144,393	(195,713)
CASH		
Beginning of year	<u>139,065</u>	<u>334,778</u>
End of year	<u>\$ 283,458</u>	<u>\$ 139,065</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 7,572</u>	<u>\$ 5,136</u>

See accompanying notes

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(1) NATURE OF OPERATIONS

Baltimore Yearly Meeting of the Religious Society of Friends, Inc.

The Baltimore Yearly Meeting of the Religious Society of Friends, Inc. ("**Yearly Meeting**") is a non-profit organization incorporated on January 2, 1968, under the laws of the State of Maryland as the consolidation of two yearly meetings of the Society of Friends (commonly known as Quakers) incorporated in Maryland in 1867 and 1886, respectively. The Yearly Meeting is, and its immediate predecessors were, direct successors to the West River Yearly Meeting that opened in 1672 as the governing body for all Friends meetings on either side of the Chesapeake Bay. The Yearly Meeting now has constituent local meetings in Maryland, Virginia, Pennsylvania, the District of Columbia and West Virginia. The Yearly Meeting is organized exclusively to promote religious, charitable and educational interests of its members and its constituent Monthly Meetings, through the work of its boards, committees, institutions and instrumentalities affiliated with the Religious Society of Friends. The Yearly Meeting appoints all of the trustees of the Miles White Beneficial Society of Baltimore City.

Miles White Beneficial Society of Baltimore City

The Miles White Beneficial Society of Baltimore City ("**Miles White Beneficial Society**" or "**Affiliate**") was founded and incorporated in 1874 to administer the testamentary trust under the will of Miles White, a member until his death of the meeting in Baltimore Yearly Meeting of Friends (Orthodox) currently named Baltimore Monthly Meeting, Homewood. The Affiliate, through its Board of Trustees, awards scholarships to college students, awards grants to Quaker schools and other organizations with connections to the Quaker community, and awards grants to charitable organizations in the Greater Baltimore area. Upon the consolidation of the two "Baltimore Yearly Meetings" in 1968, oversight of the Affiliate passed to the Yearly Meeting. In 2010-2011, the Yearly Meeting agreed that the Affiliate could become a "supporting organization" for the Yearly Meeting, and the Yearly Meeting has since then appointed or renewed the Affiliate's trustees.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

U.S. generally accepted accounting principles ("**GAAP**") require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control, or (b) other kinds of control coupled with an economic interest.

The consolidated financial statements include the accounts of the Yearly Meeting and Affiliate. All significant interorganization balances and transactions have been eliminated.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred.

Basis of Presentation

The Yearly Meeting and Affiliate report information regarding their financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. The Yearly Meeting has three classifications of net assets without donor restrictions. Operating net assets are net assets that are available for the general operations of the Yearly Meeting. Property and equipment represents the net book value of those assets less the related loans payable. Designated net assets without donor restrictions have been restricted for a specific purpose by the Board of the organization holding them.

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Yearly Meeting and Affiliate and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Yearly Meeting and Affiliate to expend the income generated in accordance with the provisions of the contribution.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Yearly Meeting and Affiliate. Unobservable inputs reflect the Yearly Meeting and Affiliate's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Yearly Meeting and Affiliate have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Yearly Meeting and Affiliate's own assumptions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices with gains and losses included in the consolidated statements of activities. Dividend and interest income is recorded as earned.

The Yearly Meeting and Affiliate invest in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Revenue and Support

Summer camp revenue, annual session revenue and other program revenue is recorded as earned. Fees related to activities held after December 31 are deferred to the next year. Such revenues collected in advance are included in deferred revenue in the consolidated statements of financial position.

Contributions and grants are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

Apportionment payments received from monthly meetings are recorded as income when received as the apportionment payment is contingent on the level of giving by the monthly meeting's constituents.

Property and Equipment

Property and equipment additions of more than \$1,000 are recorded at cost or at estimated value at the date of gift, if donated. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings and improvements	25 years
Furniture and equipment	5 years
Vehicles	5 years

Educational Loans Receivable

In the past, the Yearly Meeting has made loans to qualified students for educational purposes. While student loans are no longer being made, the Yearly Meeting is still actively collecting these outstanding receivables. All loans were amended in 2012 to be non-interest bearing. The balance of educational loans receivable was \$28,787 and \$44,772 at December 31, 2018 and 2017, respectively, and is included in notes receivable on the consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been presented on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain expenses have been allocated among the program and supporting services benefited.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include certain salaries and wages (and related benefits and payroll taxes), insurance, professional fees, and office expenses, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Yearly Meeting and Affiliate are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business income.

GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the consolidated financial statements. The Yearly Meeting and Affiliate believe that they had no uncertain tax positions as defined in GAAP.

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Concentrations of Credit Risk

Financial instruments which potentially subject the Yearly Meeting and Affiliate to concentrations of credit risk are cash, contributions and grants receivable and notes receivable. The Yearly Meeting maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Contributions and grants receivable is more fully described in Note 3 and the composition of notes receivable is more fully described in Note 6.

Accounting Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Yearly Meeting and Affiliate have adjusted the presentation of their consolidated financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Yearly Meeting and Affiliate's consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 14**).
- Investment income is reported net of external and direct internal investment expenses. As a result of this, a reclassification was made to the 2017 financial statements that reduced miscellaneous expenses and investment income by \$13,183.

Reclassifications

Certain items in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2018 and 2017, contributions and grants receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$103,540	\$27,445
Receivable in one to five years	<u>21,905</u>	<u>26,140</u>
	125,445	53,585
Less: Allowance for doubtful accounts	<u>(10,000)</u>	<u>-</u>
	<u>\$115,445</u>	<u>\$53,585</u>

(4) INVESTMENTS

Investments at consisted of the following at December 31, 2018 and 2017:

<u>2018</u>	<u>Yearly Meeting</u>	<u>Affiliate</u>	<u>Total</u>
Money market funds	\$ 56,859	\$ 34,911	\$ 91,770
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	587,665	-	587,665
Corporate bonds	-	36,875	36,875
Common stock	<u>697,571</u>	<u>2,152,165</u>	<u>2,849,736</u>
Total investments	<u>\$1,342,095</u>	<u>\$2,223,951</u>	<u>\$3,566,046</u>

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

<u>2017</u>	<u>Yearly Meeting</u>	<u>Affiliate</u>	<u>Total</u>
Money market funds	\$ 140,736	\$ 18,600	\$ 159,336
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	625,351	-	625,351
Corporate bonds	-	43,813	43,813
Equity exchange traded fund	6,308	-	6,308
Common stock	<u>744,560</u>	<u>2,466,078</u>	<u>3,210,638</u>
Total investments	<u>\$1,516,955</u>	<u>\$2,528,491</u>	<u>\$4,045,446</u>

The Quaker Growth & Income Fund (the "**Fund**") is a co-mingled investment fund managed and administered by Friends Fiduciary Corporation ("**Fiduciary**"). Fiduciary is a Quaker nonprofit corporation which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Fiduciary's mission is to provide institutional socially responsible investment, planned giving and trusteeship services for Friends meetings, churches, schools and other nonprofit, tax-exempt organizations. The Fund's investment objective is to provide long-term total return by investing its assets in a balanced and diversified portfolio of common stocks, fixed income investments, and other marketable securities, consistent with the Fund's socially responsible investment criteria.

Investment income was comprised of the following at December 31, 2018 and 2017:

<u>2018</u>	<u>Yearly Meeting</u>	<u>Affiliate</u>	<u>Total</u>
Interest and dividends	\$ 45,658	\$ 56,253	\$ 101,911
Net realized and unrealized loss on investment	(85,023)	(215,248)	(300,271)
Less investment management fees	<u>(175)</u>	<u>(14,201)</u>	<u>(14,376)</u>
	<u>\$ (39,540)</u>	<u>\$ (173,196)</u>	<u>\$ (212,736)</u>
<u>2017</u>	<u>Yearly Meeting</u>	<u>Affiliate</u>	<u>Total</u>
Interest and dividends	\$ 45,817	\$ 51,997	\$ 97,814
Net realized and unrealized gain on investment	148,571	434,739	583,310
Less investment management fees	<u>(175)</u>	<u>(13,008)</u>	<u>(13,183)</u>
	<u>\$194,213</u>	<u>\$ 473,728</u>	<u>\$ 667,941</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 1,483,904	\$ 1,483,904
Buildings	1,757,992	1,725,657
Leasehold improvements	252,388	233,063
Furniture and equipment	195,174	190,185
Vehicles	165,137	165,137
Projects in process	<u>20,029</u>	<u>1,380</u>
	3,874,624	3,799,326
Less accumulated depreciation	<u>(1,191,558)</u>	<u>(1,096,474)</u>
	<u>\$ 2,683,066</u>	<u>\$ 2,702,852</u>

(6) NOTES RECEIVABLE

The Yearly Meeting had the following notes receivable at December 31, 2018 and 2017:

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

In 2010, the Yearly Meeting and another nonprofit organization entered into a \$40,000 note receivable agreement to reimburse the Yearly Meeting for legal expenses regarding an estate. The note was a five year note accruing interest at 3%. During 2015, an amendment to this note was issued. The amended note accrues interest at 3% beginning on January 1, 2016 and the principal is to be repaid as five transferable development rights to land located in Harford County, Maryland are sold by the other nonprofit organization with any remaining balance paid on September 30, 2025. This note had a balance of \$40,000 at December 31, 2018 and 2017.

In prior years, the Yearly Meeting also entered into non-interest bearing notes receivable with qualified students for educational purposes. While educational loans receivable are no longer being made, the Yearly Meeting is still actively collecting the outstanding loans receivable. These educational loans receivable had an outstanding balance of \$28,787 and \$44,772 at December 31, 2018 and 2017, respectively.

Notes receivable had an allowance of \$40,000 and \$18,482 at December 31, 2018 and 2017, respectively.

Notes receivable are expected to be collected as follows:

Year ending December 31,

2019	\$ 21,909
2020	13,700
2021	13,700
2022	13,849
2023	2,827
Thereafter	<u>2,802</u>
	68,787
Less: Allowance for doubtful accounts	<u>(40,000)</u>
	<u>\$ 28,787</u>

(7) LONG-TERM DEBT

In 2017, the Yearly Meeting entered into ten loans with individuals to finance costs associated with the construction of the new bathhouse at the Catoctin Quaker Camp. As of December 31, 2018, three loans have been either fully or partially forgiven. Each of the outstanding loans is unsecured and payable upon demand. If no request for repayment is made, the loans will mature between December 2019 and December 2022. The Yearly Meeting has the right to pre-pay any or all loans prior to maturity without penalty. The loans bear interest at rates between 0% and 4%, payable quarterly.

Long-term debt matures as follows:

Year ending December 31,

2019	\$ 12,753
2020	53,066
2021	63,391
2022	<u>138,743</u>
	<u>\$267,953</u>

(8) LINES OF CREDIT

The Yearly Meeting has a \$100,000 bank credit line and a \$25,000 overdraft credit line, both of which bear interest at prime rate plus .5% or 4.5% whichever is higher and expire October 31, 2019. Advances under the \$100,000 credit line are secured by a Deed of Trust and Assignment of Rents in the maximum amount of \$100,000. There were no advances outstanding as of December 31, 2018 and 2017.

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(9) NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

Board designated net assets consisted of the following:

	Balance 12/31/2017	Additions (Reductions)	Releases	Balance 12/31/2018
Grants (Miles White Beneficial Society)	\$2,528,491	\$(173,196)	\$(131,344)	\$2,223,951
Other	<u>34,463</u>	<u>(7,344)</u>	<u>3,337</u>	<u>30,456</u>
	<u>\$2,562,954</u>	<u>\$(180,540)</u>	<u>\$(128,007)</u>	<u>\$2,254,407</u>
	Balance 12/31/2017	Additions	Releases	Balance 12/31/2018
Grants (Miles White Beneficial Society)	\$2,183,876	\$479,180	\$(134,565)	\$2,528,491
Other	<u>1,586</u>	<u>33,963</u>	<u>(1,086)</u>	<u>34,463</u>
	<u>\$2,185,462</u>	<u>\$513,143</u>	<u>\$(135,651)</u>	<u>\$2,562,954</u>

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consisted of the following:

	December 31, 2017	Additions (Reductions)	Releases	December 31, 2018
Subject to expenditure for specified purposes				
Educational student grants	\$ 100,677	\$ -	\$ -	\$ 100,677
Quaker and spiritual life	88,343	250	(64)	88,529
Camp projects and scholarships	233,838	121,797	(127,621)	228,014
Indian Affairs	10,106	-	(1,050)	9,056
Other	13,533	-	(439)	13,094
Available for future periods	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total subject to expenditure for specified purposes	<u>446,497</u>	<u>142,047</u>	<u>(129,174)</u>	<u>459,370</u>
Endowments to be maintained indefinitely				
Yearly meeting fund	9,040	(247)	-	8,793
Permanent education fund	323,048	(8,736)	(18,000)	296,312
Camp scholarship fund	<u>363,994</u>	<u>(6,125)</u>	<u>(11,000)</u>	<u>346,869</u>
Total endowments	<u>696,082</u>	<u>(15,108)</u>	<u>(29,000)</u>	<u>651,974</u>
Total assets with donor restrictions	<u>\$1,142,579</u>	<u>\$126,939</u>	<u>\$(158,174)</u>	<u>\$1,111,344</u>
	December 31, 2016	Additions	Releases	December 31, 2017
Subject to expenditure for specified purpose or period				
Educational student grants	\$ 100,677	\$ -	\$ -	\$ 100,677
Quaker and spiritual life	106,070	600	(18,327)	88,343
Camp projects and scholarships	458,789	118,301	(343,252)	233,838
Indian Affairs	10,456	100	(450)	10,106
Other	14,058	-	(525)	13,533
Available for future periods	<u>6,300</u>	<u>-</u>	<u>(6,300)</u>	<u>-</u>
Total subject to expenditure for specified purposes	<u>696,350</u>	<u>119,001</u>	<u>(368,854)</u>	<u>446,497</u>
Endowments to be maintained indefinitely				
Yearly meeting fund	7,877	1,163	-	9,040
Permanent education fund	290,430	42,618	(10,000)	323,048
Camp scholarship fund	<u>323,387</u>	<u>52,307</u>	<u>(11,700)</u>	<u>363,994</u>
Total endowments	<u>621,694</u>	<u>96,088</u>	<u>(21,700)</u>	<u>696,082</u>
Total assets with donor restrictions	<u>\$1,318,044</u>	<u>\$215,089</u>	<u>\$(390,554)</u>	<u>\$1,142,579</u>

BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

The yearly meeting fund provides income without donor restrictions and has an historical dollar value of \$7,877 at December 31, 2018. The permanent education fund provides income for scholarships to individuals for higher education and has an historical dollar value of \$86,512 at December 31, 2018. The camp scholarship fund provides income for scholarships to camp and has an historical dollar value of \$346,569 at December 31, 2018.

(11) ENDOWMENT FUNDS

The Yearly Meeting is subject to the Uniform Prudent Management of Institutional Funds Act ("*UPMIFA*"). The Yearly Meeting has determined that some of its net assets with donor restrictions meet the definition of an endowment fund under UPMIFA.

The Yearly Meeting has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Yearly Meeting's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

Changes in the endowment assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Donor Restricted Endowment Assets</u>	
	<u>Year Ending 12/31/17</u>	<u>Year Ending 12/31/18</u>
Endowment net assets, beginning of year	\$621,694	\$696,082
Contributions	8,234	3,806
Investment income (loss)	87,854	(18,914)
Appropriation of endowment assets for expenditure	<u>(21,700)</u>	<u>(29,000)</u>
Endowment net assets, end of year	<u>\$696,082</u>	<u>\$651,974</u>

(12) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them at December 31, 2018 and 2017:

<u>2018</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
Money market funds	\$ 91,770	\$ 91,770	\$ -	\$ -
Units in the Consolidated Fund of Friends Fiduciary Corporation	587,665	-	587,665	-
Corporate bonds	36,875	-	36,875	-
Common stocks	<u>2,849,736</u>	<u>2,849,736</u>	<u>-</u>	<u>-</u>
	<u>\$3,566,046</u>	<u>\$2,941,506</u>	<u>\$624,540</u>	<u>\$ -</u>

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

<u>2017</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
Money market funds	\$ 159,336	\$ 159,336	\$ -	\$ -
Units in the Consolidated Fund of Friends Fiduciary Corporation	625,351	-	625,351	-
Corporate bonds	43,813	-	43,813	-
Equity exchange traded fund	6,308	6,308	-	-
Common stocks	<u>3,210,638</u>	<u>3,210,638</u>	<u>-</u>	<u>-</u>
	<u>\$4,045,446</u>	<u>\$3,376,282</u>	<u>\$669,164</u>	<u>\$ -</u>

(13) RETIREMENT PLAN

The Yearly Meeting has a 403(b) retirement plan. The Yearly Meeting contributes a discretionary amount, based on each eligible employee's pro-rata salary amount, regardless of the amount deferred by employees from their salaries into the plan. Retirement contributions for this plan totaled \$32,890 and \$32,850 for the years ended December 31, 2018 and 2017, respectively.

(14) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Yearly Meeting and Affiliate's financial assets as of December 31, 2018, which has been reduced by financial assets not available within one year.

Cash	\$ 283,458
Contributions and grants receivable	115,445
Investments	<u>3,566,046</u>
Total financial assets	3,964,949
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(454,370)
Restricted by donor to be maintained indefinitely	(651,974)
Board designated funds	<u>(2,254,407)</u>
Total financial assets available within one year	<u>\$ 604,198</u>

Liquidity Management

The Yearly Meeting and Affiliate regularly monitor liquidity required to meet their operating needs and other commitments, while also striving to maximize the investment of its available funds. The Yearly Meeting and Affiliate have various sources of liquidity at their disposal, including cash, equity securities, and lines of credit. See note 8 for information about the Yearly Meeting's lines of credit.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	Yearly Meeting	Miles White Beneficial Society	Consolidated
ASSETS			
Cash	\$ 283,458	\$ -	\$ 283,458
Contributions and grants receivable, net	115,445	-	115,445
Prepaid expenses and other assets	57,194	-	57,194
Notes receivable, net	28,787	-	28,787
Investments	1,342,095	2,223,951	3,566,046
Property and equipment, net of accumulated depreciation	<u>2,683,066</u>	<u>-</u>	<u>2,683,066</u>
Total assets	<u>\$ 4,510,045</u>	<u>\$ 2,223,951</u>	<u>\$ 6,733,996</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 109,160	\$ -	\$ 109,160
Deferred revenue	28,285	-	28,285
Loans payable	<u>267,953</u>	<u>-</u>	<u>267,953</u>
Total liabilities	<u>405,398</u>	<u>-</u>	<u>405,398</u>
NET ASSETS			
Without donor restrictions			
Operating	547,734	-	547,734
Designated	30,456	2,223,951	2,254,407
Property and equipment	<u>2,415,113</u>	<u>-</u>	<u>2,415,113</u>
	2,993,303	2,223,951	5,217,254
With donor restrictions	<u>1,111,344</u>	<u>-</u>	<u>1,111,344</u>
Total net assets	<u>4,104,647</u>	<u>2,223,951</u>	<u>6,328,598</u>
Total liabilities and net assets	<u>\$ 4,510,045</u>	<u>\$ 2,223,951</u>	<u>\$ 6,733,996</u>

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	<u>Yearly Meeting</u>	<u>Miles White Beneficial Society</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUES AND SUPPORT				
Summer camp revenue, net of financial aid of \$64,531	\$ 870,959	\$ -	\$ -	\$ 870,959
Contributions and grants	482,367	-	(6,000)	476,367
Apportionments	479,143	-	-	479,143
Annual session revenue	75,771	-	-	75,771
Youth and other program revenue	61,369	-	-	61,369
Other revenue	<u>20,525</u>	<u>-</u>	<u>-</u>	<u>20,525</u>
Total revenues and support	<u>1,990,134</u>	<u>-</u>	<u>(6,000)</u>	<u>1,984,134</u>
EXPENSES				
Program services				
Summer camp	1,048,818	-	-	1,048,818
Annual session	62,899	-	-	62,899
Other programs	<u>221,410</u>	<u>131,344</u>	<u>(6,000)</u>	<u>346,754</u>
Total program services	<u>1,333,127</u>	<u>131,344</u>	<u>(6,000)</u>	<u>1,458,471</u>
Supporting services				
Administration	477,202	-	-	477,202
Fundraising	<u>128,589</u>	<u>-</u>	<u>-</u>	<u>128,589</u>
Total supporting services	<u>605,791</u>	<u>-</u>	<u>-</u>	<u>605,791</u>
Total expenses	<u>1,938,918</u>	<u>131,344</u>	<u>(6,000)</u>	<u>2,064,262</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	51,216	(131,344)	-	(80,128)
OTHER CHANGES				
Investment loss	<u>(39,540)</u>	<u>(173,196)</u>	<u>-</u>	<u>(212,736)</u>
CHANGE IN NET ASSETS	11,676	(304,540)	-	(292,864)
NET ASSETS				
Beginning of year	<u>4,092,971</u>	<u>2,528,491</u>	<u>-</u>	<u>6,621,462</u>
End of year	<u>\$ 4,104,647</u>	<u>\$ 2,223,951</u>	<u>\$ -</u>	<u>\$ 6,328,598</u>

**BALTIMORE YEARLY MEETING OF THE RELIGIOUS SOCIETY OF FRIENDS, INC.
AND AFFILIATE**

STATEMENT OF ACTIVITIES - YEARLY MEETING ONLY

Year ended December 31, 2018

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Designated	Property and Equipment		
REVENUES AND SUPPORT					
Summer camp revenue, net of financial aid of \$64,531	\$ 870,959	\$ -	\$ -	\$ -	\$ 870,959
Contributions and grants	336,514	-	-	145,853	482,367
Apportionments	479,143	-	-	-	479,143
Annual session revenue	75,771	-	-	-	75,771
Youth and other program revenue	61,369	-	-	-	61,369
Other revenue	20,525	-	-	-	20,525
Net assets released from restrictions	87,342	3,337	67,495	(158,174)	-
Total revenues and support	1,931,623	3,337	67,495	(12,321)	1,990,134
EXPENSES					
Program services					
Summer camp	960,855	-	87,963	-	1,048,818
Annual session	62,899	-	-	-	62,899
Other programs	221,410	-	-	-	221,410
Total program services	1,245,164	-	87,963	-	1,333,127
Supporting services					
Administration	470,081	-	7,121	-	477,202
Fundraising	128,589	-	-	-	128,589
Total supporting services	598,670	-	7,121	-	605,791
Total expenses	1,843,834	-	95,084	-	1,938,918
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	87,789	3,337	(27,589)	(12,321)	51,216
OTHER CHANGES					
Investment loss	(13,282)	(7,344)	-	(18,914)	(39,540)
Property and equipment additions	(54,850)	-	54,850	-	-
	(68,132)	(7,344)	54,850	(18,914)	(39,540)
CHANGE IN NET ASSETS	19,657	(4,007)	27,261	(31,235)	11,676
NET ASSETS					
Beginning of year	528,077	34,463	2,387,852	1,142,579	4,092,971
End of year	\$ 547,734	\$ 30,456	\$ 2,415,113	\$ 1,111,344	\$ 4,104,647