

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
New York Quarterly Meeting of the Religious
Society of Friends - Operations Fund

We have audited the accompanying financial statements of New York Quarterly Meeting of the Religious Society of Friends - Operations Fund, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note 1f to the financial statements, property and equipment purchased or donated prior to January 1, 2007 is not reflected in the statement of financial position. In our opinion, accounting principles generally accepted in the United States of America require that such assets be included in the statement of financial position. Quantification of the effects on the financial statements of not recording property and equipment is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of New York Quarterly Meeting of the Religious Society of Friends - Operations Fund as of December 31, 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1a to the financial statements, New York Quarterly Meeting of the Religious Society of Friends - Operations Fund includes all programs of the New York Quarterly Meeting of the Religious Society of Friends except for the member Monthly Meeting programs.

Report on Summarized Comparative Information

We have previously audited the New York Quarterly Meeting of the Religious Society of Friends - Operations Fund's 2018 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated April 17, 2019. The qualification was based on the fact that property and equipment purchased prior to January 1, 2007 was not reflected in the statement of financial position. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lotz + Carr, LLP

New York, New York
April 16, 2020

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 7)	\$ 343,613	\$ 103,428
Investments and loan funds (Notes 1c, 1d, 4 and 6)	28,741,322	24,143,849
Accounts receivable	107,553	153,350
Prepaid expenses	15,666	10,500
Cash - reserve fund (Notes 1b, 2, 5 and 7)	1,060,372	-
Property and equipment, net of accumulated depreciation (Notes 1f and 8)	<u>5,693,495</u>	<u>6,074,210</u>
 Total Assets	 <u><u>\$35,962,021</u></u>	 <u><u>\$30,485,337</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 65,994	\$ 129,201
Undistributed income due to beneficiaries	19,089	28,176
Reserve fund payable (Note 2)	528,738	-
Deferred income	<u>11,083</u>	<u>10,920</u>
Total Liabilities	<u>624,904</u>	<u>168,297</u>
 Commitment and Contingency (Notes 9 and 11)		
 Net Assets		
Without Donor Restrictions		
Operating	13,000	13,000
Meeting designated (Note 5)	<u>30,446,478</u>	<u>25,926,622</u>
Total Without Donor Restrictions	<u>30,459,478</u>	<u>25,939,622</u>
With Donor Restrictions		
Program restrictions (Note 5)	69,250	75,000
Time and purpose restrictions (Notes 5 and 6)	4,284,700	3,832,059
Perpetual in nature (Notes 5 and 6)	<u>523,689</u>	<u>470,359</u>
Total With Donor Restrictions	<u>4,877,639</u>	<u>4,377,418</u>
Total Net Assets	<u>35,337,117</u>	<u>30,317,040</u>
 Total Liabilities and Net Assets	 <u><u>\$35,962,021</u></u>	 <u><u>\$30,485,337</u></u>

See independent auditors' report and notes to financial statements.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions			With Donor Restrictions				2019 Total	2018 Total
	Operating	Meeting Designated	Total	Program Restrictions	Time and Purpose Restrictions	Perpetual in Nature	Total		
Changes in Net Assets									
Operations									
Revenues, Gains and Other Support									
Contributions from monthly meetings and others	\$ 47,837	\$ -	\$ 47,837	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 72,837	\$ 128,230
Building usage - alleyway	74,500	-	74,500	-	-	-	-	74,500	108,000
Building usage - Friends Seminary (Note 1a)	2,078,090	-	2,078,090	-	-	-	-	2,078,090	-
Monthly rentals - 15th Street property	71,623	-	71,623	-	-	-	-	71,623	78,010
Users fees for 15th Street and Brooklyn and cemetery income	63,356	-	63,356	-	-	-	-	63,356	58,120
Rental income - 110/112 Schermerhorn Street	920,642	-	920,642	-	-	-	-	920,642	893,554
Miscellaneous income	6,904	-	6,904	-	-	-	-	6,904	13,635
Donated services	2,728	-	2,728	-	-	-	-	2,728	30,691
Interest, dividends and capital gain distributions	4	743,983	743,987	-	122,736	3,988	126,724	870,711	752,235
Net assets released from restrictions (Note 4)	119,642	-	119,642	(30,750)	(88,892)	-	(119,642)	-	-
Appropriations to transfer operating overage (shortage of \$596,883 in 2018)	(1,374,973)	1,374,973	-	-	-	-	-	-	-
Total Revenues, Gains and Other Support	2,010,353	2,118,956	4,129,309	(5,750)	33,844	3,988	32,082	4,161,391	2,062,475
Expenses									
Program Services	1,219,551	-	1,219,551	-	-	-	-	1,219,551	1,238,811
Supporting Service									
Management and General	790,802	-	790,802	-	-	-	-	790,802	657,159
Total Expenses	2,010,353	-	2,010,353	-	-	-	-	2,010,353	1,895,970
Increase (Decrease) in Net Assets Before Items Below	-	2,118,956	2,118,956	(5,750)	33,844	3,988	32,082	2,151,038	166,505
Unrealized gain (loss) on investments	-	2,484,728	2,484,728	-	417,485	49,187	466,672	2,951,400	(2,378,798)
Realized gain on sale of investments	-	7,810	7,810	-	1,312	155	1,467	9,277	891,341
Legal fees related to separation agreement (Note 9)	-	(91,638)	(91,638)	-	-	-	-	(91,638)	(206,353)
Increase (decrease) in net assets	-	4,519,856	4,519,856	(5,750)	452,641	53,330	500,221	5,020,077	(1,527,305)
Net assets, beginning of year	13,000	25,926,622	25,939,622	75,000	3,832,059	470,359	4,377,418	30,317,040	31,844,345
Net Assets, End of Year	\$ 13,000	\$30,446,478	\$30,459,478	\$ 69,250	\$ 4,284,700	\$ 523,689	\$4,877,639	\$35,337,117	\$30,317,040

See independent auditors' report and notes to financial statements.

NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services							Supporting Service Management and General	2019 Total Expenses	2018 Total Expenses	
	Concern for Quaker Living	15th Street	Brooklyn	Cemetery	Morningside	Staten Island	Distributions				Total
Salaries, payroll taxes and employee benefits	\$ -	\$ 206,439	\$173,969	\$ 36,239	\$ -	\$ -	\$ -	\$ 416,647	\$ 418,597	\$ 835,244	\$ 811,158
Utilities and rent	-	32,491	10,680	2,251	12,000	-	-	57,422	1,982	59,404	61,451
Building maintenance expense	-	93,786	27,185	37,680	-	-	-	158,651	8,199	166,850	266,539
Insurance	-	-	-	-	-	-	-	-	175,491	175,491	172,949
Office expense	-	8,446	17,288	680	16	-	-	26,430	21,446	47,876	51,643
Telephone	-	353	480	-	-	-	-	833	3,326	4,159	5,032
Professional fees	5,750	-	-	-	-	-	-	5,750	104,042	109,792	50,301
Committee expenses	-	11,347	243	848	-	2,000	-	14,438	36,505	50,943	15,165
Landscaping	-	360	-	3,000	-	-	-	3,360	56	3,416	11,642
Distribution to third party beneficiaries	-	-	-	-	-	-	19,065	19,065	-	19,065	12,982
Relief payments to beneficiaries	-	-	-	-	-	-	13,491	13,491	-	13,491	18,801
Educational Fund	-	-	-	-	-	-	69,762	69,762	-	69,762	-
Miscellaneous and bad debt expense	-	265	200	-	-	-	-	465	5,484	5,949	1,629
Depreciation	-	357,839	64,400	10,998	-	-	-	433,237	15,674	448,911	416,678
Total Expenses, 2019	<u>\$ 5,750</u>	<u>\$ 711,326</u>	<u>\$294,445</u>	<u>\$ 91,696</u>	<u>\$ 12,016</u>	<u>\$ 2,000</u>	<u>\$ 102,318</u>	<u>\$1,219,551</u>	<u>\$ 790,802</u>	<u>\$2,010,353</u>	
Total Expenses, 2018	<u>\$ -</u>	<u>\$ 706,844</u>	<u>\$393,236</u>	<u>\$ 93,878</u>	<u>\$ 12,000</u>	<u>\$ 1,070</u>	<u>\$ 31,783</u>	<u>\$1,238,811</u>	<u>\$ 657,159</u>		<u>\$1,895,970</u>

See independent auditors' report and notes to financial statements.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 5,020,077	\$(1,527,305)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(2,960,677)	1,487,457
Depreciation	448,911	416,678
Bad debt expense	5,141	-
(Increase) decrease in:		
Accounts receivable	40,656	(37,758)
Prepaid expenses	(5,166)	19,218
Increase (decrease) in:		
Accounts payable and accrued expenses	(63,207)	14,421
Undistributed income due to beneficiaries	(9,087)	(48,966)
Reserve fund payable	528,738	-
Deferred income	163	10,920
Net Cash Provided By Operating Activities	<u>3,005,549</u>	<u>334,665</u>
 Cash Flows From Investing Activities		
Purchase of investments	(3,019,372)	(7,679,254)
Proceeds from sale of investments	1,382,576	7,768,719
Purchase of property and equipment	(68,196)	(806,246)
Net Cash Used By Investing Activities	<u>(1,704,992)</u>	<u>(716,781)</u>
 Net increase (decrease) in cash and cash equivalents	1,300,557	(382,116)
Cash and cash equivalents, beginning of year	<u>103,428</u>	<u>485,544</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$ 1,403,985</u></u>	<u><u>\$ 103,428</u></u>
 Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 343,613	\$ 103,428
Cash - reserve fund	<u>1,060,372</u>	<u>-</u>
 Total Cash and Cash Equivalents	<u><u>\$ 1,403,985</u></u>	<u><u>\$ 103,428</u></u>

See independent auditors' report and notes to financial statements.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

New York Quarterly Meeting of the Religious Society of Friends ("NYQM") is a New York Religious Law corporation that owns the land and buildings and cemetery (Note 1f) operated by the Society of Friends in Manhattan and Brooklyn, and administers funds that support them. New York Quarterly Meeting of the Religious Society of Friends is funded by investment income, rental income and contributions.

NYQM formerly operated an independent, college preparatory Quaker school serving students from kindergarten through twelfth grade, Friends Seminary ("FS"). On December 15, 2015, FS received its own charter from the Education Department of the State of New York. At that time, NYQM signed a Term Sheet pertaining to conveyance, lease and shared use of certain properties owned by NYQM.

In July 2019, the New York State Supreme Court approved the transfer and lease of assets from NYQM to FS. NYQM conveyed title to certain properties to FS subject to covenants restricting the use of the properties. NYQM will lease other properties to FS for an annual fee (retroactive to July 1, 2016) beginning in 2019 for the use of the properties. Also, the IDA Bonds formerly in the name of NYQM (Note 10) were assigned and assumed by FS.

Properties transferred to Friends Seminary:

220 East 15th Street, New York, New York

Properties leased to Friends Seminary:

222 East 16th Street, New York, New York - Lease term -
Initial period of 99 years with a renewal option for an
additional 99 years

226 East 16th Street, New York, New York - Lease term -
75 years

Both of the above properties are leased for a base user fee. The fee shall escalate annually starting in year two by the greater of 2.5% or the percentage increase in the Consumer Price Index. The fee shall further escalate on each 15th anniversary of the commencement date.

Properties leased to Friends Seminary for \$1 per year. FS is responsible for all ordinary and capital maintenance:

212 East 16th Street, New York, New York
214 East 16th Street, New York, New York
216 East 16th Street, New York, New York

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

a - Organization (continued)

These financial statements reflect only the financial position and activity of the New York Quarterly Meeting of the Religious Society of Friends - Operations Fund. The Operations Fund includes all programs of NYQM, except for the member Monthly Meeting programs.

b - Cash and Cash Equivalents

NYQM considers all short-term highly liquid investments, purchased with original maturities of three months or less, to be cash equivalents, except for those short-term investments managed by NYQM's investment managers as part of their long-term investment strategies or held as part of the Reserve Fund (Note 2).

c - Investments

NYQM reflects investments at fair value in the statement of financial position. Investment income including unrealized gains and losses are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which gains and other investment income are recognized. All other donor restricted gains and other investment income are reported as increases in net assets with donor restrictions. When a net asset expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

d - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of NYQM. Unobservable inputs reflect the assumptions developed by NYQM based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurements (continued)

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

e - Contributions

Contributions are recognized when the donor makes a promise to give to NYQM, that is, in substance, unconditional. Contributions that are restricted by donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

f - Property and Equipment

Property and equipment acquired after January 1, 2007 are recorded at cost and depreciated using the straight-line method over the estimated useful life of the related asset. Prior to January 1, 2007, NYQM expensed all disbursements for the purchase of property and equipment. Accounting principles generally accepted in the United States of America ("GAAP") require that property and equipment be capitalized at cost and be depreciated over their estimated useful lives. The carrying value of the land, buildings and equipment purchased or donated prior to this date has not been determined by NYQM; therefore, the financial statements are not presented in accordance with GAAP.

As of December 31, 2019, New York Quarterly Meeting of the Religious Society of Friends - Operations Fund owns the following real properties in addition to the real properties listed in Note 1a, which are leased to the FS. The historical cost of these properties are not reflected on the statement of financial position:

Properties used by NYQM:

- 110 Schermerhorn Street, Brooklyn, New York
- 112 Schermerhorn Street, Brooklyn, New York
- Cemetery, Prospect Park, Brooklyn, New York
- * 15 Rutherford Place, New York, New York
- * 221 East 15th Street, New York, New York

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Property and Equipment (continued)

* These properties are covered by a shared space agreement with FS (Notes 1a and 2).

g - Financial Statement Presentation

The financial statements of NYQM have been prepared in accordance with GAAP, which requires NYQM to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NYQM. These net assets may be used at the discretion of NYQM's management and board of trustees.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NYQM or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

h - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable. A substantial portion of NYQM's expenses are directly related to program activities for the Quarterly Meetings and building operations for Fifteenth St, Brooklyn, Concern for Quaker Living, Cemetery, Morningside, Manhattan and Staten Island. Expenses that are allocated include salaries, payroll taxes and employee benefits, insurance, professional fees and other administrative costs which are allocated based upon estimates of employee time and effort.

j - Tax Status

New York Quarterly Meeting of the Religious Society of Friends - Operations Fund is a religious organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

k - Summarized Financial Information

The financial information shown for 2018 in the accompanying financial statements is included for a basis of comparison for 2019 and presents summarized totals only. The 2018 amounts are not intended to include all the information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

l - Subsequent events

NYQM has evaluated subsequent events through April 16, 2020, the date that the financial statements are considered available to be issued.

Note 2 - Reserve Fund

As part of their shared space agreements which cover building and spaces used by both NYQM and FS (Note 1f), both organizations must contribute \$175,000 per annum to the Reserve Fund. This amount shall escalate and be compounded annually by greater of 2.5% or the percentage increase in the Consumer Price Index. NYQM shall deposit all amounts paid in a separate bank account. If the balance in the Reserve Fund exceeds \$3,000,000 (subject to escalation), then funding of the Reserve Fund shall be temporarily suspended. The Reserve Fund can be used for excavation, expansion and build-out of the properties. A Joint Committee of four members (two each appointed by NYQM and FS) shall meet to consider and approve projects to be funded out of the Reserve Fund. NYQM has final authority to make decisions on the use of the Reserve Fund.

Note 3 - Information Regarding Liquidity and Availability

NYQM operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial amount of annual revenue is comprised of rental and investment revenue. NYQM considers general expenditures to consist of all expenses related to ongoing program activities, and the expenses related to management and general activities undertaken to support those services.

NYQM regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 3 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets of as of December 31, 2019 and 2018, and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 343,613	\$ 103,428
Investments and loan funds	28,741,322	24,143,849
Accounts receivable	107,553	153,350
Cash - reserve funds	<u>1,060,372</u>	<u>-</u>
Total Financial Assets	30,252,860	24,400,627
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions subject to expenditure for programs, purposes or passage of time	(4,353,950)	(3,907,059)
Plus: Net assets with restrictions expected to be met in less than one year	114,000	139,000
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(523,689)	(470,359)
Net assets without donor restrictions, subject to spending policy and appropriation	(12,539,712)	(10,988,020)
Plus: amounts expected to be appropriated within one year	274,176	196,000
Long term loan funds receivable	<u>(250,000)</u>	<u>(950,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$12,973,685</u>	<u>\$ 8,420,189</u>

In addition to these financial assets available within one year, the Meeting assigned funds subject to spending policy and appropriation of approximately \$12,265,000 could be made available to meet cash needs for general expenditures at the discretion of the Board of Trustees. The 2020 general expenditures for NYQM are currently budgeted to be \$1,750,000 plus \$930,000 of capital expenditure.

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 4 - Investments and Loan Funds

Investment and loan funds consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 460,850	\$ 460,850	\$ 290,097	\$ 290,097
Certificates of deposit	485,000	496,958	585,000	553,264
Corporate bonds	-	-	50,000	44,549
Friends Fiduciary Funds:				
Quaker Growth and Income	10,626,962	12,471,990	10,626,962	10,607,406
Quaker Green Fund	4,033,794	4,800,350	4,033,797	4,124,016
Clean Tech Essex Fund	473,660	587,858	479,396	448,043
Mutual funds	7,815,745	8,073,316	6,284,686	6,326,474
Loan funds	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,750,000</u>	<u>1,750,000</u>
	<u>\$25,746,011</u>	<u>\$28,741,322</u>	<u>\$24,099,938</u>	<u>\$24,143,849</u>

NYQM's investment in the Friends Fiduciary funds represent co-mingled funds and separately managed accounts for Quaker organizations.

Investment in loan funds at December 31, 2019 consists of loans to 501(c)(3) organizations as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Loan Amount</u>
Loan Funds:			
Opportunity Finance Network	2.000%	10/1/20	\$200,000
Opportunity Finance Network	2.750%	9/30/20	500,000
Local Initiatives Support Corporation	2.625%	2/12/20	500,000
Partners for Common Good	2.500%	8/01/21	250,000
Leviticus Alternative Fund	2.000%	2/12/20	200,000
Shared Interest, Inc.	2.250%	9/30/20	200,000

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 4 - Investments and Loan Funds (continued)

The following summarizes NYQM's investments by the Levels within the fair value hierarchy used to measure their respective fair values at December 31, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 460,850	\$ 460,850	\$ -	\$ -
Certificates of deposit	496,958	496,958	-	-
Friends Fiduciary Funds:				
Quaker Growth and Income	12,471,990	-	12,471,990	-
Quaker Green Fund	4,800,350	-	4,800,350	-
Clean Tech Essex Fund	587,858	-	587,858	-
Mutual funds	8,073,316	8,073,316	-	-
Loan funds	<u>1,850,000</u>	<u>-</u>	<u>-</u>	<u>1,850,000</u>
	<u>\$28,741,322</u>	<u>\$9,031,124</u>	<u>\$17,860,198</u>	<u>\$1,850,000</u>
	2018			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 290,097	\$ 290,097	\$ -	\$ -
Certificates of deposit	553,264	553,264	-	-
Corporate bonds	44,549	44,549	-	-
Friends Fiduciary Funds:				
Quaker Growth and Income	10,607,406	-	10,607,406	-
Quaker Green Fund	4,124,016	-	4,124,016	-
Quaker Index Fund	448,043	-	448,043	-
Mutual funds	6,326,474	6,326,474	-	-
Loan funds	<u>1,750,000</u>	<u>-</u>	<u>-</u>	<u>1,750,000</u>
	<u>\$24,143,849</u>	<u>\$7,214,384</u>	<u>\$15,179,465</u>	<u>\$1,750,000</u>

The following summarizes changes in fair value of NYQM's Level 3 assets for the years ended December 31, 2019 and 2018:

	Level 3	
	2019	2018
Balance, beginning of year	\$1,750,000	\$1,350,000
Redemptions	(700,000)	(700,000)
New investments	<u>800,000</u>	<u>1,100,000</u>
Balance, End of Year	<u>\$1,850,000</u>	<u>\$1,750,000</u>

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 5 - Restrictions on Net Assets

a - Net Assets Without Donor Restrictions

The Meeting Designated fund has been set aside for specific purposes, including the annual operating budget, subject to approval by the Board of Trustees.

b - Net Assets With Donor Restrictions

Net assets with Donor Restrictions are those whose use by New York Quarterly Meeting of the Religious Society of Friends - Operations Fund has been limited by donors to a specific purpose.

Net assets with Donor Restrictions at December 31 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Program Restrictions		
Educational Fund	\$ 25,000	\$ -
Concern for Quaker Living	44,250	50,000
Relief Committee	-	25,000
	<u>\$ 69,250</u>	<u>\$ 75,000</u>
Time and Purpose Restrictions		
Educational	\$ 913,910	\$ 828,206
Social purposes and operations	789,103	712,594
Building improvements and maintenance	<u>2,581,687</u>	<u>2,291,259</u>
	<u>\$4,284,700</u>	<u>\$3,832,059</u>
Perpetual in Nature		
Social purposes	\$ 117,478	\$ 105,514
Operations	<u>406,211</u>	<u>364,845</u>
	<u>\$ 523,689</u>	<u>\$ 470,359</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the following net asset with donor restricted purposes:

	<u>2019</u>	<u>2018</u>
Program restrictions	<u>\$ 30,750</u>	<u>\$ -</u>
Time and Purpose Restrictions		
Educational	16,832	12,089
Social purposes	10,947	7,863
Operations and maintenance	<u>61,113</u>	<u>43,895</u>
	<u>88,892</u>	<u>63,847</u>
	<u>\$119,642</u>	<u>\$63,847</u>

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 6 - Endowment Funds

NYQM's endowment consists of donor-restricted funds established for a variety of purposes. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and New York Prudent Management of Institutional Funds Act (NYPMIFA), NYQM retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as an endowment subject to spending policy and appropriation until these amounts are appropriated for expenditure by NYQM.

As of December 31, 2019 and 2018, NYQM's invested endowment funds all consisted of donor-restricted endowment funds.

Changes in endowment funds for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019			
	Without Donor Restrictions	With Donor Restrictions Investment Income Above Original Gift Amount	Investment In Perpetuity	Total
Endowment funds, beginning of year	\$ -	\$3,832,059	\$470,359	\$4,302,418
Investment return	10,473	541,533	53,330	605,336
Appropriation to general operations	<u>(10,473)</u>	<u>(88,892)</u>	<u>-</u>	<u>(99,365)</u>
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$4,284,700</u>	<u>\$523,689</u>	<u>\$4,808,389</u>
	2018			
	Without Donor Restrictions	With Donor Restrictions Investment Income Above Original Gift Amount	Investment In Perpetuity	Total
Endowment funds, beginning of year	\$ -	\$4,005,149	\$490,753	\$4,495,902
Investment return	7,522	(109,243)	(20,394)	(122,115)
Appropriation to general operations	<u>(7,522)</u>	<u>(63,847)</u>	<u>-</u>	<u>(71,369)</u>
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$3,832,059</u>	<u>\$470,359</u>	<u>\$4,302,418</u>

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 6 - Endowment Funds (continued)

NYQM relies upon the investment policy statement of its investment manager, Friends Fiduciary. Friends Fiduciary works to ensure that investments are in unity with Friends distinctive views on peace and social justice. Quaker testimonies and values guide the investment activity. NYQM's investment and spending policies for endowment assets endeavor to provide a stream of funding for NYQM's operations while seeking to preserve the purchasing power of the endowment's assets. NYQM's investment guidelines anticipate allocation of funds across a number of asset classes. NYQM's investment objective is to be conservative and maintain principal.

NYQM has a policy of appropriating for distribution each year an amount equal to interest and dividends. In establishing this policy, NYQM considered the long-term expected return on its endowment. This is consistent with NYQM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7 - Concentration of Credit Risk

NYQM maintains its cash and cash equivalents at a financial institution in New York. The cash balances are insured by the Federal Deposit Insurance Corporation up to applicable limits and at times, the balance may exceed these insured limits.

Note 8 - Property and Equipment

As explained in Note 1f, prior to January 1, 2007, disbursements for the purchase of property and equipment were expensed. The carrying value of the land, building and equipment purchased or donated prior to January 1, 2007 has not been determined by NYQM, therefore, the financial statements are not presented in accordance with GAAP.

As of December 31, property and equipment capitalized since 2007 consists of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Capital improvements	5-20 years	\$8,580,280	\$8,563,700
Furniture and equipment	10 years	<u>362,482</u>	<u>310,866</u>
		8,942,762	8,874,566
Less: Accumulated depreciation		<u>(3,249,267)</u>	<u>(2,800,356)</u>
		<u>\$5,693,495</u>	<u>\$6,074,210</u>

**NEW YORK QUARTERLY MEETING OF THE RELIGIOUS
SOCIETY OF FRIENDS - OPERATIONS FUND**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 9 - Pension Plan

NYQM has a retirement benefit program with Teachers Insurance and Annuity Association in which its contribution is 6%. Employees contribute a minimum of 4% of their monthly compensation. Pension expense for the years ended December 31, 2019 and 2018 was \$27,747 and \$19,777, respectively.

Note 10 - Other Comments

On December 16, 2010, NYQM entered into an agreement with the Industrial Development Authority of the City of Phoenix, Arizona ("IDA Phoenix") whereby IDA Phoenix issued \$25,475,000 of bonds with interest at 4.35% which was amended to 3.25% in June 2013. Repayment was to be made in monthly installments through December 2038. The obligation was a special limited non-recourse obligation, payable solely from the revenue and accounts of the Friends Seminary and secured solely by those assets, and are not general obligations of NYQM nor secured by any assets of NYQM including its property and endowment funds. These bonds are recorded on the financial statements of the Friends Seminary.

In February 2019, an agreement between NYQM, FS and the bondholder was signed in which FS assumes all rights and obligations under the Bond Agreements. NYQM was fully released from obligations under the Bond Agreements.

Note 11 - Contingency

The Organization has been named as a defendant in two abuse lawsuits involving Brooklyn Friends School and Friends Seminary. The Organization was served but has not yet answered or otherwise responded to the Complaints. The Organization denies the substantive allegations of the Complaints in their entirety. At the time of the alleged events, the Organization included Brooklyn Friends School and Friends Seminary. The two schools are now separately incorporated.

Note 12 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it believes that its current financial assets are sufficient to support the Organization's operations on an ongoing basis.

SUPPLEMENTARY INFORMATION



LUTZ AND CARR

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
New York Quarterly Meeting of the Religious
Society of Friends - Operations Fund

We have audited the financial statements of New York Quarterly Meeting of the Religious Society of Friends - Operations Fund as of and for the year ended December 31, 2019, and our report thereon dated April 16, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Investments as of December 31, 2019 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
April 16, 2020

**NEW YORK QUARTERLY MEETING OF THE
RELIGIOUS SOCIETY OF FRIENDS - OPERATIONS FUND**

SCHEDULE OF INVESTMENTS

DECEMBER 31, 2019

<u>Shares/ Par Value Security</u>		<u>Cost</u>	<u>Fair Value</u>
	Cash Equivalents		
460,850	Short-term Income Fund	<u>\$ 460,850</u>	<u>\$ 460,850</u>
	Certificates of Deposit		
100,000	Bank of Oklahoma	100,000	100,052
285,000	Discover Bank	285,000	296,849
100,000	HSBC Bank	<u>100,000</u>	<u>100,057</u>
	Total Certificates of Deposits	<u>485,000</u>	<u>496,958</u>
	Friends Fiduciary		
218,080	Quaker Growth and Income Fund	10,626,962	12,471,990
115,811	Quaker Green Fund	4,033,794	4,800,350
587,858	Clean Tech Essex	<u>473,660</u>	<u>587,858</u>
		<u>15,134,416</u>	<u>17,860,198</u>
	Mutual Funds		
946	Vanguard STAR Fund	44,538	25,856
1,328	Vanguard Wellington Fund Admiral	41,336	99,536
215	Vanguard Stock Mkt Index Admiral	12,352	17,157
751,362	* Vanguard GNMA Admiral Shares	7,713,984	7,926,873
49	Vanguard VTSAX Fund	<u>3,535</u>	<u>3,894</u>
	Total Mutual Funds	<u>7,815,745</u>	<u>8,073,316</u>
	Loan Funds		
	* Partners for Common Good	250,000	250,000
	* Shared Interest, Inc.	200,000	200,000
	* Leviticus 25-23 Alternative Fund, Inc.	200,000	200,000
	* Opportunity Finance Network	700,000	700,000
	* Local Initiatives Support Corporation	<u>500,000</u>	<u>500,000</u>
	Total Loan Funds	<u>1,850,000</u>	<u>1,850,000</u>
	Total Investments	<u>\$25,746,011</u>	<u>\$28,741,322</u>

* Socially Purposeful Funds

See independent auditors' report on supplementary information.