AMERICAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2014 AND 2013

AMERICAN FRIENDS SERVICE COMMITTEE

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of American Friends Service Committee (the "Committee") which comprise the statement of financial position as of September 30, 2014 and 2013, and the statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Committee as of September 30, 2014 and 2013, the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
January 12, 2015

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF FINANCIAL POSITION

September 30, 2014 And 2013

	2014	2013
ASSETS		
ASSETS		
Cash and cash equivalents	$ 2,493,623	$ 2,569,386
Accounts and notes receivable – net	175,583	153,413
Income receivable and prepaid expenses	868,704	955,306
Investments:		
Planned giving ***(Note 3)***	64,330,122	62,794,931
Other long-term investments ***(Note 3)***	84,504,691	81,237,226
Investment in Friends Center ***(Note 4)***	3,299,033	3,469,620
Total investments	152,133,846	147,501,777
Land, buildings and equipment – net ***(Note 5)***	2,317,945	2,489,852
Other assets	64,618	78,631
Agency fund assets ***(Note 3)***	3,824,630	3,876,702
Total assets	$ 161,878,949	$ 157,625,067
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 3,751,963	$ 3,776,414
Interest-free loans	1,381,465	1,459,655
Annuities and unitrusts payable	28,008,766	28,103,740
Liability for pension benefits (***Note 6)***	5,344,245	4,222,585
Liability for post-retirement benefits ***(Note 6)***	15,263,298	12,939,434
Agency funds	3,824,630	3,876,702
Total liabilities	57,574,367	54,378,530
NET ASSETS		
Unrestricted:		
Designated for current and future operations	30,880,177	31,196,509
Funds functioning as endowment ***(Note 7)***	17,143,052	15,784,472
Funded status of pension and informal retirement benefit plans ***(Note 6)***	(6,345,661)	(2,704,779)
Investment in Friends Center ***(Note 4)***	3,299,033	3,469,620
Land, buildings and equipment ***(Note 5)***	2,317,945	2,489,852
Total unrestricted	47,294,546	50,235,674
Temporarily restricted ***(Note 7)***:		
Time restricted	28,294,550	27,155,138
Purpose restricted	2,497,541	2,360,771
Accumulated gains on endowment assets	6,067,058	5,310,479
Total temporarily restricted assets	36,859,149	34,826,388
Permanently restricted ***(Note 7)***	20,150,887	18,184,475
Total net assets	104,304,582	103,246,537
Total liabilities and net assets	$ 161,878,949	$ 157,625,067

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2014 (With Comparative 2013 Totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Operating Revenues					
Public support:					
Contributions for current program work	$ 8,843,156	$ 5,903,799	$ -	$ 14,746,955	$ 15,307,729
Bequests	10,668,686	1,090,228	-	11,758,914	8,736,007
Contributions to planned giving program	749,499	415,177	-	1,164,676	2,035,184
Contributions to endowment funds	-	-	1,977,232	1,977,232	137,748
Total public support	20,261,341	7,409,204	1,977,232	29,647,777	26,216,668
Government grants	-	183,927	-	183,927	93,104
Investment income, net of fees, appropriated ***(Note 3)***	1,986,663	-	-	1,986,663	1,833,521
Program service income	348,859	-	-	348,859	425,778
Miscellaneous interest and other income	154,627	-	3,307	157,934	131,608
Net assets released from restrictions	9,051,982	(9,051,982)	-	-	-
Total revenues	31,803,472	(1,458,851)	1,980,539	32,325,160	28,700,679
Operating Expenses					
Program services:					
International programs	10,318,378	-	-	10,318,378	9,480,617
U.S. programs	16,259,140	-	-	16,259,140	16,363,873
Total program services	26,577,518	-	-	26,577,518	25,844,490
Program Support:					
Fund-raising	4,009,908	-	-	4,009,908	3,500,974
Management and general	3,265,696	-	-	3,265,696	2,882,849
Total program support	7,275,604	-	-	7,275,604	6,383,823
Total expenses	33,853,122	-	-	33,853,122	32,228,313
Changes in net assets from operations	(2,049,650)	(1,458,851)	1,980,539	(1,527,962)	(3,527,634)
Nonoperating Changes In Net Assets					
Investment gains not appropriated ***(Note 3)***	5,170,879	858,393	-	6,029,272	8,624,978
Actuarial gain on planned giving liabilities	(1,172,213)	2,633,219	-	1,461,006	2,481,589
Retiree medical payments	(75,730)	-	-	(75,730)	(78,256)
Net gain from disposal/sale of assets	-	-	-	-	1,581
Pension and benefits adjustment	(4,617,189)	-	-	(4,617,189)	8,056,602
Other nonoperating changes in net assets	(197,225)	-	(14,127)	(211,352)	(97,876)
Changes in net assets	(2,941,128)	2,032,761	1,966,412	1,058,045	15,460,984
Net Assets					
Beginning of year	50,235,674	34,826,388	18,184,475	103,246,537	87,785,553
End of year	$ 47,294,546	$ 36,859,149	$ 20,150,887	$ 104,304,582	$ 103,246,537

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating Revenues				
Public support:				
Contributions for current program work	$ 9,938,405	$ 5,369,324	$ -	$ 15,307,729
Bequests	7,560,344	1,175,663	-	8,736,007
Contributions to planned giving program	1,920,253	114,931	-	2,035,184
Contributions to endowment funds	-	-	137,748	137,748
Total public support	19,419,002	6,659,918	137,748	26,216,668
Government grants	-	93,104	-	93,104
Investment income, net of fees, appropriated ***(Note 3)***	1,833,521	-	-	1,833,521
Program service income	425,778	-	-	425,778
Miscellaneous interest and other income	129,380	-	2,228	131,608
Net assets released from restrictions	9,785,031	(9,785,031)	-	-
Total revenues	31,592,712	(3,032,009)	139,976	28,700,679
Operating Expenses				
Program services:				
International programs	9,480,617	-	-	9,480,617
U.S. programs	16,363,873	-	-	16,363,873
Total program services	25,844,490	-	-	25,844,490
Program Support:				
Fund-raising	3,500,974	-	-	3,500,974
Management and general	2,882,849	-	-	2,882,849
Total program support	6,383,823	-	-	6,383,823
Total expenses	32,228,313	-	-	32,228,313
Changes in net assets from operations	(635,601)	(3,032,009)	139,976	(3,527,634)
Nonoperating Changes In Net Assets				
Investment gains not appropriated ***(Note 3)***	6,996,558	1,628,420	-	8,624,978
Actuarial gain on planned giving liabilities	2,347,683	133,906	-	2,481,589
Retiree medical payments	(78,256)	-	-	(78,256)
Net gain from disposal/sale of assets	1,581	-	-	1,581
Pension and benefits adjustment	8,056,602	-	-	8,056,602
Other nonoperating changes in net assets	(81,512)	-	(16,364)	(97,876)
Changes in net assets	16,607,055	(1,269,683)	123,612	15,460,984
Net Assets				
Beginning of year	33,628,619	36,096,071	18,060,863	87,785,553
End of year	$50,235,674	$34,826,388	$18,184,475	$103,246,537

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2014 And 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 1,058,045	$ 15,460,984
Adjustments to reconcile total change in net assets to net cash (used) by operating activities		
Realized and unrealized gains on investments	(7,711,177)	(9,938,350)
Unrealized loss on Friends Center Corporation investment	170,587	107,198
Depreciation	171,907	177,975
Contributions to endowment funds	(1,977,232)	(137,748)
Contributions to planned giving program	(1,164,676)	(2,035,184)
Matured gifts from planned giving program	2,869,115	3,506,919
Remainder interest in life estates	940,097	679,581
Adjustment for changes in planned giving liabilities	843,355	1,255,252
Adjustment for changes in pension and post-retirement benefits	4,617,189	(8,056,602)
Changes in assets and liabilities which provided (used) cash		
Accounts and notes receivable	(22,170)	360,369
Income receivable and prepaid expenses	86,602	(248,501)
Accounts payable and accrued liabilities	(24,451)	459,549
Liability for pension and post-retirement benefits	(1,171,665)	(946,333)
Net cash (used in) provided by operating activities	(1,314,474)	645,109
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	-	(33,475)
Purchases of investments	(61,912,579)	(39,062,072)
Sales of investments	68,062,129	43,626,589
Net cash provided by investing activities	6,149,550	4,531,042
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-free loans	37,225	65,000
Repayment of interest-free loans	(115,414)	(151,409)
Cash received for endowment funds	1,567,705	136,675
Cash received for planned giving program	341,246	1,554,368
Matured gifts from planned giving program	(2,869,115)	(3,506,919)
Net benefit payments to annuitants	(3,872,486)	(3,848,171)
Net cash used by financing activities	(4,910,839)	(5,750,456)
Net decrease in cash and cash equivalents	(75,763)	(574,305)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,569,386	3,143,691
End of year	$ 2,493,623	$ 2,569,386

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2014

	Program Services			Program Support			
	International	**U.S**	**Total Program Services**	**Fund-Raising**	**Management and General**	**Total Program Support**	**Total Expenses**
Compensation Expense:							
Salaries and benefits	$ 5,129,727	$ 11,076,422	$ 16,206,149	$ 2,213,632	$ 2,062,413	$ 4,276,045	$ 20,482,194
Net periodic pension and retiree medical expense	189,456	507,286	696,742	92,140	97,091	189,231	885,973
Net compensation expense	5,319,183	11,583,708	16,902,891	2,305,772	2,159,504	4,465,276	21,368,167
Professional fees and services	548,675	888,474	1,437,149	254,042	280,923	534,965	1,972,114
Occupancy	434,822	846,268	1,281,090	294,794	186,526	481,320	1,762,410
Risk management insurance	88,446	97,058	185,504	19,114	82,276	101,390	286,894
Office supplies	58,229	140,194	198,423	15,440	21,695	37,135	235,558
Equipment leasing, purchase, and repairs	69,429	302,424	371,853	33,023	39,692	72,715	444,568
Program supplies	859,848	264,351	1,124,199	16,580	21,293	37,873	1,162,072
Telephone and communications	157,765	311,359	469,124	76,359	139,503	215,862	684,986
Postage and shipping	19,692	60,483	80,175	24,262	14,991	39,253	119,428
Travel	543,570	823,344	1,366,914	176,378	174,814	351,192	1,718,106
Conferences, conventions, and meetings	714,864	183,584	898,448	16,727	39,303	56,030	954,478
Fundraising appeals	164,933	410,335	575,268	714,342	-	714,342	1,289,610
Printing and publishing	50,630	149,717	200,347	42,538	53,974	96,512	296,859
Awards and grants	1,166,478	18,201	1,184,679	36	154	190	1,184,869
Miscellaneous expense	96,417	70,197	166,614	13,513	20,969	34,482	201,096
Total expenses before depreciation	10,292,981	16,149,697	26,442,678	4,002,920	3,235,617	7,238,537	33,681,215
Depreciation of buildings and equipment	25,397	109,443	134,840	6,988	30,079	37,067	171,907
Total expenses	$ 10,318,378	$ 16,259,140	$ 26,577,518	$ 4,009,908	$ 3,265,696	$ 7,275,604	$ 33,853,122

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

AMERICAN FRIENDS SERVICE COMMITTEE

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2013

	Program Services			Program Support			
	International	**U.S**	**Total Program Services**	**Fund-Raising**	**Management and General**	**Total Program Support**	**Total Expenses**
Compensation Expense:							
Salaries and benefits	$ 4,421,414	$ 10,497,480	$ 14,918,894	$ 1,726,311	$ 1,794,559	$ 3,520,870	$ 18,439,764
Net periodic pension and retiree medical expense	464,489	1,185,755	1,650,244	197,678	200,729	398,407	2,048,651
Net compensation expense	4,885,903	11,683,235	16,569,138	1,923,989	1,995,288	3,919,277	20,488,415
Professional fees and services	550,942	855,040	1,405,982	153,867	221,768	375,635	1,781,617
Occupancy	459,871	882,581	1,342,452	209,988	189,489	399,477	1,741,929
Risk management insurance	84,021	132,288	216,309	11,009	33,697	44,706	261,015
Office supplies	45,577	121,802	167,379	9,163	13,094	22,257	189,636
Equipment leasing, purchase, and repairs	153,752	253,266	407,018	10,786	17,778	28,564	435,582
Program supplies	579,577	222,604	802,181	9,398	16,171	25,569	827,750
Telephone and communications	184,275	358,555	542,830	52,539	87,427	139,966	682,796
Postage and shipping	15,614	66,237	81,851	8,310	18,638	26,948	108,799
Travel	516,027	753,216	1,269,243	123,271	137,770	261,041	1,530,284
Conferences, conventions, and meetings	516,234	114,610	630,844	11,668	14,944	26,612	657,456
Fundraising appeals	221,631	554,969	776,600	880,931	10,036	890,967	1,667,567
Printing and publishing	86,941	198,745	285,686	37,158	77,571	114,729	400,415
Awards and grants	1,066,686	19,854	1,086,540	96	7,341	7,437	1,093,977
Miscellaneous expense	95,082	42,831	137,913	23,719	21,468	45,187	183,100
Total expenses before depreciation	9,462,133	16,259,833	25,721,966	3,465,892	2,862,480	6,328,372	32,050,338
Depreciation of buildings and equipment	18,484	104,040	122,524	35,082	20,369	55,451	177,975
Total expenses	$ 9,480,617	$ 16,363,873	$ 25,844,490	$ 3,500,974	$ 2,882,849	$ 6,383,823	$ 32,228,313

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

(1) BACKGROUND

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

CASH AND CASH EQUIVALENTS

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

CONCENTRATION OF CREDIT RISK

The Committee is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of September 30, 2014 and 2013, the Committee maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

RECEIVABLES

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

INVESTMENTS

Investments are stated at fair value ***(See Note 3)***. The Committee allocates investment income for program work from its endowments and funds functioning as endowments, using the total return method. The Board of Directors has established a spending rate of 5%. This spending rate, which is applied to a three-year average of the net asset value of the related endowment funds, resulted in a Board-approved allocation for program work of $1,986,663 in 2014 and $1,833,521 in 2013. This allocated investment income is included in operating revenue on the statement of activities. Investment return on long-term investments not allocated for operations is included in "Non-operating changes in net assets" on the statement of activities.

INVESTMENT IN FRIENDS CENTER CORPORATION

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

LAND, BUILDINGS, AND EQUIPMENT

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

INTEREST-FREE LOANS

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

ACCRUED PENSION AND POST-RETIREMENT BENEFITS AND FUNDING STATUS

FASB Accounting Standards Codification ***("FASB ASC")*** Topic 715, *Compensation – Retirement Benefits* (FASB ASC 715), requires an organization to recognize the over-funded or under-funded status of a defined benefit and post-retirement benefit plan in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through changes in unrestricted net assets. Any over-funded status of the Committee's plan is shown as an asset under "Prepaid pension" on the accompanying statement of financial position and any under-funded status is a liability incorporated under the caption "liability for pension benefits" and "liability for post-retirement benefits." Changes in the funded status, net of the net periodic benefit cost, are shown within "Nonoperating changes in net assets" on the accompanying statement of activities. Underfunded liabilities of the defined benefit pension plan of $5,344,245 and $4,222,585 and total obligations of the informal post-retirement plan of $15,263,298 and $12,939,434 have been included in the statements of financial position as of September 30, 2014 and 2013, 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 7.5% rate of interest. The liability for such payments is subsequently adjusted for annuities paid and the effects of actuarial gains and losses. Charitable remainder unitrust liabilities are recorded at the present value of the estimated future payments to be distributed over the beneficiary's expected lives. The liability for such payments is subsequently adjusted to reflect amortization of the discount, revaluations of the present value of the estimated future payments to the beneficiaries, and changes in actuarial assumptions.

AGENCY FUNDS

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

NET ASSETS

A description of each net asset category is as follows:

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

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

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

    - *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. Charitable gift annuities and charitable gift funds are classified as unrestricted. All other planned gifts are classified as temporarily restricted until the beneficiaries' death, after which they are unrestricted unless specified otherwise by the donor.

ESTIMATES AND ASSUMPTIONS

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

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Committee's audited financial statements for the year ended September 30, 2013, from which the summarized information was derived.

(3) INVESTMENTS

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

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

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

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

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

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

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

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

Commingled Funds include 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. Redemptions and purchases may be made on the first business day of each month using the prior month's NAV.

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

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

The summary of inputs used to value the Committee's investments as of September 30, 2014 and 2013 are as follows:

2014	Total Fair Value	Observable Inputs (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Fair Value Measurement At Reporting Date Using:			
Planned Giving Investments:				
Common Stocks	$ 26,562,787	$ 26,562,787	$ -	$ -
Mutual Funds	5,126,024	5,126,024	-	-
Bonds	22,222,025	-	22,222,025	-
Commingled Funds	6,601,737	-	6,601,737	-
Other	59,123	-	-	59,123
Cash and Cash Equivalents	3,758,426	3,758,426	-	-
Total Planned Giving Investments	$ 64,330,122	$ 35,447,237	$ 28,823,762	$ 59,123
Other Long Term Investments:				
Common Stocks	$ 36,288,514	$ 36,288,514	$ -	$ -
Bonds	17,879,044	-	17,879,044	-
Commingled Funds	24,432,777	-	24,432,777	-
Other	57,221	-	-	57,221
Cash and Cash Equivalents	5,847,135	5,847,135	-	-
Total Other Long-Term Investments	$ 84,504,691	$ 42,135,649	$ 42,311,821	$ 57,221
Total Investments	$ 148,834,813	$ 77,582,886	$ 71,135,583	$ 116,344
Agency Fund Assets:				
Common Stocks	$ 1,411,069	$ 1,411,069	$ -	$ -
Mutual Funds	510,208	510,208	-	-
Bonds	1,445,666	-	1,445,666	-
Commingled Funds	5,790	-	5,790	-
Cash and Cash Equivalents	451,897	451,897	-	-
Total Agency Fund Assets	$ 3,824,630	$ 2,373,174	$ 1,451,456	$ -

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

	Beginning Market Value	Gains/ (Losses)	Revenue	Additions/ (Withdrawals)	Ending Market Value
Planned Giving Investments	$ 64,995	$ (5,873)	$ 38,253	$ (38,252)	$ 59,123
Other Long-Term Investments	59,179	(1,958)	12,924	(12,924)	57,221
	$ 124,174	$ (7,831)	$ 51,177	$ (51,176)	$ 116,344

		Fair Value Measurement At Reporting Date Using:		
2013	**Total Fair Value**	**Observable Inputs (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Planned Giving Investments:				
Common Stocks	$ 27,484,997	$ 27,484,997	$ -	$ -
Mutual Funds	5,255,732	5,255,732	-	-
Bonds	20,172,648	-	20,172,648	-
Commingled Funds	6,847,256	-	6,847,256	-
Other	64,995	-	-	64,995
Cash and Cash Equivalents	2,969,303	2,969,303	-	-
Total Planned Giving Investments	$ 62,794,931	$ 35,710,032	$ 27,019,904	$ 64,995
Other Long Term Investments:				
Common Stocks	$ 36,716,827	$ 36,716,827	$ -	$ -
Bonds	16,610,505	-	16,610,505	-
Commingled Funds	24,580,846	-	24,580,846	-
Other	59,179	-	-	59,179
Cash and Cash Equivalents	3,269,869	3,269,869	-	-
Total Other Long-Term Investments	$ 81,237,226	$ 39,986,696	$ 41,191,351	$ 59,179
Total Investments	$ 144,032,157	$ 75,696,728	$ 68,211,255	$ 124,174
Agency Fund Assets:				
Common Stocks	$ 1,517,520	$ 1,517,520	$ -	$ -
Mutual Funds	563,820	563,820	-	-
Bonds	1,435,414	-	1,435,414	-
Commingled Funds	6,006	-	6,006	-
Cash and Cash Equivalents	353,942	353,942	-	-
Total Agency Fund Assets	$ 3,876,702	$ 2,435,282	$ 1,441,420	$ -

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

	Beginning Market Value	**Gains/ (Losses)**	**Revenue**	**Additions/ (Withdrawals)**	**Ending Market Value**
Planned Giving Investments	$ 94,500	$ (21,340)	$ 43,647	$ (51,812)	$ 64,995
Other Long-Term Investments	37,514	-	-	21,665	59,179
Other Investments	13,500	-	-	(13,500)	-
	$ 145,514	$ (21,340)	$ 43,647	$ (43,647)	$ 124,174

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2014 and 2013.

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

	Fair Value	Unfunded Commitment
International Equity Fund [a]	$ 19,515,352	$ -
Global and Emerging Markets Bond Fund [b]	7,851,109	-
Commodity Fund [c]	3,673,843	-
Total Commingled Funds	$ 31,040,304	$ -

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

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

(c) 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 and purchases 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, 2014 and 2013 are as follows:

	2014	2013
Dividends and interest	$ 1,645,794	$ 1,886,935
Net realized and unrealized gain on investments	7,711,177	9,938,350
Net realized loss on FCC	(170,587)	(107,198)
Net realized loss on life estate	(3,066)	(38,715)
Investment fees	(1,167,383)	(1,220,873)
Total investment income, net of fees	8,015,935	10,458,499
Less: investment income appropriated	(1,986,663)	(1,833,521)
Investment gains not appropriated	$ 6,029,272	$ 8,624,978

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 2014 reserve was calculated as follows:

Actuarial present value liability - California	$ 2,907,927
Actuarial present value liability – Florida	266,820
10% additional reserves	26,682
Actuarial present value liability – General (New York)	10,886,147
26.5% additional reserves	2,884,829
Actuarial present value liability – Tennessee	9,971
10% additional reserves	997
Total Required Reserve	$ 16,983,373

Gift annuity investments amounted to $25,260,465 at September 30, 2014.

(4) INVESTMENT IN FRIENDS CENTER

Summarized audited financial information for the Friends Center Corporation ***(“FCC”)*** for the years ended June 30, 2014 and 2013 are as follows:

Balance Sheet (Accrual Basis)

	2014	2013
Total Assets	$ 15,831,453	$ 16,393,305
Total Liabilities	$ 6,915,147	$ 7,015,954
Net Assets	8,916,306*	9,377,351*
Total Liabilities and Net Assets	$ 15,831,453	$ 16,393,305

***** The Committee’s 37.0% equity interest of $3,299,033 and $3,469,620 as of June 30, 2014 and 2013, 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 $(170,587) and $(107,198) for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, is as follows:

	2014	2013
Non-depreciable assets		
Land	$ 58,958	$ 58,958
Depreciable assets		
Buildings	2,636,393	2,636,393
Furniture and equipment	1,132,815	1,132,815
Subtotal – depreciable assets	3,769,208	3,769,208
Accumulated depreciation	(1,510,221)	(1,338,314)
Subtotal – depreciable assets, net	2,258,987	2,430,894
Total land, buildings and equipment, net	$ 2,317,945	$ 2,489,852

Depreciation was $171,907 and $177,975 for the years ended September 30, 2014 and 2013, respectively.

(6) PENSION PLANS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

The Committee also has an informal postretirement benefits plan that provides medical benefits to all its retirees who retire directly from the Committee. The Committee has designated $14,261,882 and $14,457,241 at September 30, 2014 and 2013, respectively, of investments for the informal post-retirement benefits plan. The plan is discretionary and the Committee has no contractual obligation and as such, the designated investments of the plan are considered to be unrestricted, but designated for this purpose. The Committee pays the cost of the related insurance premiums when due and 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, 2014 and 2013 were approximately $76,000 and $78,000, respectively, for each year and the estimated liability recorded was $1,000,000 at September 30, 2014 and 2013.

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

	Pension Plan		Informal Postretirement Medical Benefits Plan	
	2014	**2013**	**2014**	**2013**
	(Dollars In Thousands)			
Fair value of plan assets	$ 48,572	$ 45,223	$ -	$ -
Projected benefit obligation	53,916	49,446	14,263	11,939
Unfunded status	$ (5,344)	$ (4,223)	$ (14,263)	$ (11,939)

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

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2014	**2013**	**2014**	**2013**
Discount Rate	4.50%	5.00%	4.50%	5.00%
Expected return on Plan Assets	7.50%	7.50%	-	-
Rate of Compensation Increase	3.00%	3.00%	-	-

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

	Defined Benefit Pension Plan		Informal Postretirement Medical Benefits Plan	
	2014	**2013**	**2014**	**2013**
	(In Thousands)			
Pension expense (credit)	$ 2,772	$ (4,509)	$ 2,757	$ (1,521)
Contributions	$ 1,650	$ 2,500	$ 433	$ 473
Benefits Paid	$ (2,297)	$ (2,267)	$ (793)	$ (861)
Components of Net Periodic Benefit Cost				
Service cost	$ 996	$ 987	$ 360	$ 366
Interest cost	2,432	2,178	607	538
Return on plan assets	(3,362)	(2,948)	-	-
Recognized net actuarial (gain) loss	423	1,355	(557)	(453)
Amortization of prior service cost	-	-	(13)	25
Net periodic pension/postretirement cost	$ 489	$ 1,572	$ 397	$ 476

The pension and benefits adjustment credit of approximately $8.1 million for the year ended September 30, 2013 was a result primarily of the increase in the discount rate and investment performance on the plan assets.

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

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

Asset Category	2014
Equities	46.44%
Fixed Income	21.41%
Commingled Funds	27.38%
Cash and Cash Equivalents	4.77%
Total	100.00%

The summary of inputs used to value the Committee's Formal plan assets carried at fair value as of September 30, 2014 and 2013 were as follows:

	2014			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs
Common Stock	$ 22,554,531	$ 22,554,531	$ -	$ -
Bonds	10,396,933	-	10,396,933	-
Commingled Funds	13,301,509	-	13,301,509	-
Cash and Cash Equivalents	2,319,101	2,319,101	-	-
	$ 48,572,074	$ 24,873,632	$ 23,698,442	$ -

	2013			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Inputs	Level 3 Significant Unobservable Inputs
Common Stock	$ 21,392,108	$ 21,392,108	$ -	$ -
Bonds	9,108,493	-	9,108,493	-
Commingled Funds	12,524,946	-	12,524,946	-
Cash and Cash Equivalents	2,197,605	2,197,605	-	-
	$ 45,223,152	$ 23,589,713	$ 21,633,439	$ -

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

	Fair Value	Unfunded Commitment
International Equity Fund [a]	$ 9,751,985	$ -
Global and Emerging Markets Bond Funds [b]	3,549,524	-
Total Commingled Funds	$ 13,301,509	$ -

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

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

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

	Pension Plan	Informal Pension Plan
2015	$ 2,486,000	$ 548,000
2016	2,535,000	551,000
2017	2,595,000	577,000
2018	2,603,000	604,000
2019	2,744,000	620,000
2020 – 2023	16,157,000	3,723,000
Total	$ 29,120,000	$ 6,623,000

(7) NET ASSETS

Temporarily restricted net assets for 2014 and 2013 are available for the following purposes:

	2014	2013
Purpose-restricted		
International programs	$ 114,529	$ 285,449
U.S. programs	940,504	947,832
Program support	1,442,508	1,127,490
Total purpose restricted	2,497,541	2,360,771
Time-restricted (planned gifts)*	28,294,550	27,155,138
Accumulated gain on endowment assets	6,067,058	5,310,479
Total	$ 36,859,149	$ 34,826,388

**** Includes $3,161,292 and $3,088,842 of term endowments as of September 30, 2014 and 2013, 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:

	2014	2013
International Programs	$ 2,634,421	$ 3,168,871
U.S. programs	2,549,076	3,228,471
Program Support	1,857,688	1,212,032
Time Restrictions met	2,010,797	2,175,657
	$ 9,051,982	$ 9,785,031

PERMANENTLY RESTRICTED NET ASSETS ENDOWMENT FUNDS

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

Endowment net asset composition by type of fund as of September 30, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 9,228,350	$ 20,150,887	$ 29,379,237
Funds functioning as endowment	17,143,052	-	-	17,143,052
Total funds	$ 17,143,052	$ 9,228,350	$ 20,150,887	$ 46,522,289

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 8,399,321	$ 18,184,475	$ 26,583,796
Funds functioning as endowment	15,784,472	-	-	15,784,472
Total funds	$ 15,784,472	$ 8,399,321	$ 18,184,475	$ 42,368,268

Change in endowment net assets for the years ended September 30, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2013	$15,784,472	$ 8,399,321	$ 18,184,475	$ 42,368,268
Investment return:				
Investment income, net of fees	117,640	195,722	-	313,362
Net realized/unrealized gains (losses)	1,140,866	1,899,012	(14,127)	3,025,751
Total investment return	1,258,506	2,094,734	-	3,339,113
Contributions	850,396	-	1,980,539	2,830,935
Appropriation of assets for expenditure in accordance with the spending policy	(750,322)	(1,236,341)	-	(1,986,663)
Other changes:				
Term endowment principal transferred to general funds	-	(29,364)	-	(29,364)
Endowment net assets, September 30, 2014	$17,143,052	$ 9,228,350	$ 20,150,887	$ 46,522,289

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, September 30, 2012	$ 12,329,478	$ 6,788,914	$ 18,060,863	$ 37,179,255
Investment return:				
Investment income, net fees	130,391	224,319	-	354,710
Net realized/unrealized gains (losses)	1,492,434	2,581,389	(16,364)	4,057,459
Total investment return	1,622,825	2,805,708	-	4,412,169
Contributions	2,496,694	-	139,976	2,636,670
Appropriation of assets for expenditure in accordance with the spending policy	(664,525)	(1,168,996)	-	(1,833,521)
Other changes:				
Term endowment principal transferred to general funds	-	(26,305)	-	(26,305)
Endowment net assets, September 30, 2013	$ 15,784,472	$ 8,399,321	$ 18,184,475	$ 42,368,268

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, 2014 and 2013.

(8) RELATED PARTY TRANSACTIONS

In connection with the renovations of the Friends Center, Economic Development Revenue Bonds (“Bonds”) were issued through the Narberth Industrial Development Authority to Friends Center Corporation. The Friends Center is responsible for the payment of debt service on the Bonds, which is passed onto the partners of the Friends Center in the annual rent. At June 30, 2014, the Bonds, which mature in 2038, had an outstanding balance of approximately $6.7 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, 2014 and 2013, the Committee incurred joint costs of $2,172,405 and $2,722,122 for informational materials and activities that included fund-raising appeals. For the years ended September 30, 2014 and 2013, these joint costs were allocated as follows:

	2014	**2013**
Fundraising	$ 1,086,203	$ 1,361,061
International Programs	311,389	392,731
US Programs	774,813	968,330
Total	$ 2,172,405	$ 2,722,122

(10) COMMITMENTS

COMMITMENTS

The Committee leases certain facilities where the Committee has program offices under leases expiring through January 2019. In addition, the Committee leases certain office equipment under operating leases expiring through May 2018. 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:

Year Ending September 30,	
2015	$ 368,327
2016	214,567
2017	165,538
2018	80,178
2019	15,200
Future minimum lease payments	$ 843,810

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2015, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.