



Friends Committee on  
National Legislation

A Quaker Lobby in the Public Interest

**FRIENDS COMMITTEE ON NATIONAL  
LEGISLATION AND FCNL EDUCATION FUND**

**Consolidated Financial Statements and  
Supplementary Information**

*For The Year Ended June 30, 2021*



**and  
Report Thereon**



**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**TABLE OF CONTENTS  
For the Year Ended June 30, 2021**

---

	<i><b>Page</b></i>
Independent Auditors' Report .....	1-2
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Functional Expenses .....	5
Consolidated Statement of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	7-24
<b>Supplementary Information</b>	
Consolidating Schedule of Financial Position .....	25
Consolidating Schedule of Activities .....	26

## INDEPENDENT AUDITORS' REPORT

To the Executive Committee of the  
Friends Committee on National Legislation  
and FCNL Education Fund

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the Friends Committee on National Legislation and FCNL Education (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows the year 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 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 consolidated 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 consolidated 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 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 auditors' 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 the Friends Committee on National Legislation and FCNL Education Fund as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 and 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it 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 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 consolidated financial statements as a whole.

*Marcum LLP*

Washington, DC  
June 27, 2022

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**June 30, 2021**

---

**ASSETS**

Current assets

Cash and cash equivalents	\$ 2,338,909
Pledges and contributions receivable, current portion	922,374
Employee advances and other receivables	94,393
Prepaid expenses and other	<u>260,245</u>

Total Current Assets 3,615,921

Investments	29,751,559
Pledges and contributions receivable, net of current portion	773,960
Beneficial interest in planned giving agreements	276,504
Deposits	69,152
Cash surrender value of life insurance	23,131
Property and equipment, net	<u>7,922,025</u>

TOTAL ASSETS \$ 42,432,252

**LIABILITIES AND NET ASSETS**

Liabilities

Current liabilities

Accounts payable and accrued expenses	\$ 837,299
Planned giving agreement obligations, current portion	383,869
Loans and notes payable, current portion	<u>184,712</u>

Total Current Liabilities 1,405,880

Planned giving agreement obligations, net of current portion	2,596,117
Deferred rent and lease incentive liability	73,674
Loans and notes payable, net of current portion	<u>38,938</u>

TOTAL LIABILITIES 4,114,609

Net Assets

Without donor restrictions	21,672,438
With donor restrictions	<u>16,645,205</u>

TOTAL NET ASSETS 38,317,643

TOTAL LIABILITIES AND NET ASSETS \$ 42,432,252

The accompanying notes are an integral part of these consolidated financial statements.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE AND SUPPORT</b>			
Contributions	\$ 4,331,898	\$ 2,241,751	\$ 6,573,649
Forgiveness of debt – PPP	344,435	-	344,435
Bequests	310,600	-	310,600
Rental income	75,438	-	75,438
Meeting registration	48,408	-	48,408
Other income	10,811	-	10,811
Net assets released from restrictions:			
Satisfaction of program restrictions	2,228,991	(2,228,991)	-
Satisfaction of time restrictions	225,000	(225,000)	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>7,575,581</u>	<u>(212,240)</u>	<u>7,363,341</u>
<b>EXPENSES</b>			
Program Services:			
Advocacy and outreach	2,765,507	-	2,765,507
Legislative and educational activities	2,440,102	-	2,440,102
Young adult program	271,995	-	271,995
Friends place program	151,164	-	151,164
Total Program Services	<u>5,628,768</u>	<u>-</u>	<u>5,628,768</u>
Supporting Services:			
Management and general	484,188	-	484,188
Fundraising	1,950,421	-	1,950,421
Total Supporting Services	<u>2,434,609</u>	<u>-</u>	<u>2,434,609</u>
<b>TOTAL EXPENSES</b>	<u>8,063,377</u>	<u>-</u>	<u>8,063,377</u>
Change in net assets from operations	(487,796)	(212,240)	(700,036)
<b>NONOPERATING ACTIVITIES</b>			
Investment income, net	3,297,906	4,749,998	8,047,904
Contributions to planned giving	439,528	-	439,528
Change in value of interest in planned giving agreements	315,529	-	315,529
<b>CHANGE IN NET ASSETS</b>	3,565,167	4,537,758	8,102,925
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>18,107,271</u>	<u>12,107,447</u>	<u>30,214,718</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 21,672,438</u>	<u>\$ 16,645,205</u>	<u>\$ 38,317,643</u>

The accompanying notes are an integral part of these consolidated financial statements.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2021**

	Program Services				Supporting Services			Total	
	Advocacy and Outreach	Legislative and Educational Activities	Young Adult Program	Friends Place Program	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 1,188,802	\$ 1,400,477	\$ 162,113	\$ 63,449	\$ 2,814,841	\$ 174,949	\$ 976,708	\$ 1,151,657	\$ 3,966,498
Benefits	297,826	358,392	36,317	14,446	706,981	57,422	223,974	281,396	988,377
Occupancy	265,316	236,198	26,097	22,833	550,444	140,164	186,279	326,443	876,887
Consulting fees	152,307	336,506	6,866	406	496,085	40,819	47,982	88,801	584,886
Printing	243,443	-	-	-	243,443	1,424	192,618	194,042	437,485
Advertising, memberships and subscriptions	186,931	55,465	424	-	242,820	4,648	4,767	9,415	252,235
Postage and list rental	106,210	11	-	160	106,381	3,200	133,713	136,913	243,294
Professional fees	114,819	-	-	37,081	151,900	20,696	15,313	36,009	187,909
Travel and meetings	92,099	7,752	18,875	79	118,805	2,170	3,071	5,241	124,046
Software	15,632	-	5,522	10,572	31,726	12,678	67,036	79,714	111,440
Contract labor	56,140	8,824	2,855	-	67,819	3,522	19,157	22,679	90,498
Telephone and internet	30,762	36,477	5,548	-	72,787	11,100	5,387	16,487	89,274
Other	-	-	-	2,138	2,138	10,046	68,445	78,491	80,629
Supplies	4,169	-	7,378	-	11,547	1,350	1,726	3,076	14,623
Media	10,739	-	-	-	10,739	-	-	-	10,739
Data research	312	-	-	-	312	-	4,245	4,245	4,557
	<u>\$ 2,765,507</u>	<u>\$ 2,440,102</u>	<u>\$ 271,995</u>	<u>\$ 151,164</u>	<u>\$ 5,628,768</u>	<u>\$ 484,188</u>	<u>\$ 1,950,421</u>	<u>\$ 2,434,609</u>	<u>\$ 8,063,377</u>

The accompanying notes are an integral part of these consolidated financial statements.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 8,102,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	494,570
Net realized and unrealized gains on investments	(7,911,790)
Contributions for long-term purposes	(18,760)
Change in value of beneficial interest in planned giving agreements	(25,678)
Change in value of planned giving agreement obligations	(289,851)
Donated stock	(121,346)
Forgiveness of debt – PPP	(344,435)
Loan conversion to contribution	(63,750)
Loss on disposal of property and equipment	1,616
Changes in assets and liabilities	
Pledges and contributions receivable	60,296
Employee advances and other receivables	(55,334)
Prepaid expenses and other	(26,008)
Deposits	9,390
Accounts payable and accrued expenses	349,104
Deferred rent and lease incentive liability	(65,413)
	<u>95,536</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales of investments	6,332,600
Purchases of investments	(8,094,520)
Purchases of property and equipment	(925,057)
	<u>(2,686,977)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Contributions for long-term purposes	18,760
Proceeds from planned giving agreements	447,770
Principal payments on loans and notes payable	(130,255)
Payments to planned giving agreement beneficiaries	(368,475)
	<u>(32,200)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	
	(2,623,641)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,962,550</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,338,909</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>	
Interest paid	<u>\$ 4,194</u>
<b>NONCASH TRANSACTIONS</b>	
Noncash investing activities:	
Donated stock	<u>\$ 121,346</u>
Noncash financing activities:	
Forgiveness of debt – PPP	<u>\$ 344,435</u>

The accompanying notes are an integral part of these consolidated financial statements.



**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

1. Organization and Summary of Significant Accounting Policies

**Organization**

The Friends Committee on National Legislation (FCNL) was incorporated on May 14, 1958, under the laws of the District of Columbia. It was formed to bring the concerns and values of the Religious Society of Friends (Friends) to bear on public policy in our nation's capital. These activities are funded primarily from contributions and bequests.

The FCNL Education Fund (the Education Fund) is a nonprofit entity organized under the laws of the District of Columbia on May 28, 1982. It is a 501(c)(3) organization that exists in parallel with FCNL to support the research, analysis and education for which FCNL is known and respected. It operates a broad outreach and education program with members of Friends and other citizens and conducts analysis and research on issues of concern to Friends, including peace, social justice, human rights and the environment. The Education Fund is governed by a separate board which is appointed by the Executive Committee of FCNL.

The Education Fund has two subsidiaries: 205 C Street NE LLC and the William Penn House. 205 C Street NE LLC (the Company) is a limited liability company incorporated under the laws of the District of Columbia. The Education Fund is its sole member. The purpose and nature of the Company is to own, manage and lease the real property located at 205 C Street, NE, Washington, D.C.

The William Penn House (WPH) was incorporated as a nonprofit corporation in the District of Columbia on November 12, 1993. Prior to this date WPH operated under the Friends Meeting of Washington, a non-profit organization incorporated in the District of Columbia. During the year ended June 30, 2021, the Executive Committee approved a plan to register WPH with the District of Columbia under the new trade name of Friend's Place on Capitol Hill (Friends Place). The purpose of Friends Place is to promote the Quaker vision of a peaceful and just society by providing educational seminars, opportunities for dialogue, and simple, inexpensive lodging for those who come to the area to learn or serve.

**Principles of Consolidation**

The consolidated financial statements of FCNL and the Education Fund (collectively known as the Organization) have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated during consolidation.

**Basis of Accounting**

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with GAAP. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

**Investments**

Investments are comprised of equities, fixed-income mutual funds, fixed-income securities, a pooled life income fund, real estate funds and equity mutual funds. Investments are recorded in the accompanying consolidated statement of financial position at fair value, with gains and losses included in the accompanying consolidated statement of activities. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by a comparison of fair value at the beginning and end of the year.

**Pledges and Contributions Receivable**

Promises to give are recognized as revenue when the donor has made an unconditional promise to contribute funds to the Organization in future periods. Promises to give are recorded at their net realizable value if expected to be collected within one year, or at their present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Balances that are still outstanding after management has made reasonable collection efforts are written off.

**Property and Equipment and Related Depreciation and Amortization**

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method based on the following estimated useful lives:

Building and improvements	30 years
Furniture and fixtures	5-10 years
Computer equipment and software	5 years

The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying statement of activities. Major additions are capitalized and replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

**Impairment of Long-Lived Assets**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended June 30, 2021.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Fair Value of Financial Instruments**

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Values that are based on unadjusted quoted prices for identical assets or liabilities in active markets that are accessible.

*Level 2* – Values that are based on quoted prices in the market that are not active or that are not based on information that is observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Values that are based on unobservable information for the asset or liability, including the reporting entity's own assumptions, in determining the fair value measurement.

As of June 30, 2021, the Organization's investments and certain split-interest agreements, as described in Note 5 to these consolidated financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of the *Fair Value Measurement* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

**Classification of Net Assets**

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Executive Committee. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

**Revenue Recognition**

The Organization recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered revenue and support without donor restrictions and available for general operations unless specifically restricted by the donor.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition (continued)**

The Organization reports contributions of cash and other assets as revenue and support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

The Organization recognizes bequests as contributions in the year in which the promise to give becomes unconditional, which is the year in which the probate court declares the will valid and the proceeds are measurable in amount. Irrevocable split-interest agreements, including charitable remainder trusts and pooled income funds, are recorded as revenue and support when the trust agreements are executed. Revenue from split-interest agreements is based on the present value of the expected cash flows to be received by the Organization.

Rental income includes office space rental and is recognized over the period of time as the services are provided and consumed by customer.

Meeting registration consist of revenue from registration fees for meetings and conferences and is recognized in the year in which the meetings or conferences takes place. Revenue from these activities received in advance of the meetings or conferences is reported as contract liabilities in the accompanying consolidated statement of financial position. As of June 30, 2021, there were no such advances received.

Other income consists of fees relating to educational programs, lodging and hospitality at WPH and honoraria and are recognized when the program event takes place.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Accordingly, certain costs, such as salaries, benefits have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor costs. General and administrative expenses are allocated based on proportionate programmatic direct cost totals.

**Definition of Operations**

Operating revenue and expenses generally reflect those revenues and expenses that arise from the Organization's activities and exclude changes in present value of interest in planned giving agreements; contributions to planned giving; investment income, which the Organization defines as all interest, dividends, realized and unrealized gains and losses; and investment fees from long-term investments.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Estimates**

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

**Donated Securities**

The Organization recognizes donated securities that have no donor-imposed limitation for sale or restriction on the use for long-term purposes, and that are nearly immediately converted into cash, as cash and cash equivalents. As of June 30, 2021, all donated investments received in the fiscal year either had been sold during the year or were included as part of the Organization's long-term portfolio.

2. Pledges and Contributions Receivable

As of June 30, 2021, the Organization's pledges and contributions receivable were due as follows:

Due in less than one year	\$ 922,374
Due in one to five years	<u>859,052</u>
Total Pledges and Contributions Receivable	1,781,426
Less: Allowance on Doubtful Pledges	(8,175)
Less: Discount to Present Value (average rate of 3%)	<u>(76,917)</u>
Pledges and Contributions Receivable, Net	<u><u>\$ 1,696,334</u></u>

3. Investments

Investments, at fair value, consisted of the following as of June 30, 2021:

Equities	\$ 21,479,798
Fixed-income mutual funds	3,734,073
Fixed-income securities	3,013,203
Pooled life income fund	1,008,511
Real estate funds	390,861
Equity mutual funds	<u>125,113</u>
Total Investments	<u><u>\$ 29,751,559</u></u>

4. Beneficial Interest in Planned Giving Agreements

The Education Fund receives charitable gift annuities that are initiated and issued by donors through the Friends Fiduciary Corporation and Lincoln National Financial. These donors listed the Organization as one of the charitable beneficiaries. The assets contributed by these donors

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

4. Beneficial Interest in Planned Giving Agreements (continued)

are held by and are under the control of the Friends Fiduciary Corporation and Lincoln National Financial. Accordingly, the Organization has recognized this beneficial interest in charitable gift annuities at its present value of \$276,504.

5. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of June 30, 2021, aggregated by the fair value hierarchy level within which these measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
<b>Investments:</b>				
<b>Equities:</b>				
Large cap	\$ 13,772,571	\$ 13,772,571	\$ -	\$ -
Small cap	4,122,100	4,122,100	-	-
Mid-cap	2,467,731	2,467,731	-	-
Foreign stocks	<u>1,117,396</u>	<u>1,117,396</u>	<u>-</u>	<u>-</u>
Total Equities	<u>21,479,798</u>	<u>21,479,798</u>	<u>-</u>	<u>-</u>
<b>Fixed-income mutual funds:</b>				
Bond funds	<u>3,734,073</u>	<u>3,734,073</u>	<u>-</u>	<u>-</u>
<b>Fixed-income securities:</b>				
U.S. government agency bonds	1,677,719	-	1,677,719	-
Corporate bonds	815,888	-	815,888	-
PAX World Fund	35,226	-	35,226	-
Foreign bonds	333,300	-	333,300	-
Municipal bonds	<u>151,070</u>	<u>-</u>	<u>150,170</u>	<u>-</u>
Total Fixed- Income Securities	3,013,203	-	3,013,203	-
Pooled life income fund	1,008,511	-	1,008,511	-
<b>Real estate funds:</b>				
Real estate investment trust	390,861	390,861	-	-
<b>Equity mutual funds:</b>				
Large value	<u>125,113</u>	<u>125,113</u>	<u>-</u>	<u>-</u>
Total Investments	29,751,559	25,729,845	4,021,714	-

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

5. Fair Value Measurement (continued)

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets (continued):				
Beneficial interest in planned giving agreements	\$ <u>276,504</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>276,504</u>
Total Assets	\$ <u>30,028,063</u>	\$ <u>25,729,845</u>	\$ <u>4,021,714</u>	\$ <u>276,504</u>

For the year ended June 30, 2021, the Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Equities, fixed-income mutual funds, real estate funds and equity mutual funds* – Value is derived from the net asset value (NAV) of shares held at year-end and based on quoted market prices in active markets.

*Fixed-income securities* – These are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics.

*Pooled life income fund* – The pooled life income fund consists primarily of fixed-income and equity mutual funds that are valued at the NAV of shares held by the Organization at year-end and are based on quoted market prices in active markets.

*Beneficial interest in planned giving agreements* – The expected future cash inflows from the interest in charitable gift annuities (CGA's) are based on the fair value of the investments, the future expected investment returns and the donor's life expectancy, and have been recorded at present value based on a discount rate of 2.2% and applicable mortality tables. CGA is recorded at the present value of the future distributions expected to be received over the term of the agreements. The investments of the CGA's include variable annuities, equities and options, and cash equivalents.

A roll forward of the fair value measurement using unobservable inputs (Level 3) is as follows for the year ended June 30, 2021:

	<u>Beneficial Interest in Charitable Gift Annuities</u>
Balance, June 30, 2020	\$ 250,826
Change in value of existing planned giving agreements	<u>25,678</u>
Balance, June 30, 2021	<u>\$ 276,504</u>

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

5. Fair Value Measurement (continued)

The change in value of planned giving agreements (unrealized gain, net) and the new split-interest agreements is included in nonoperating activities in change in value of interest in planned giving agreements in the accompanying consolidated statement of activities and pertains to planned giving agreements held at year-end.

6. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of June 30, 2021:

Building and improvements	\$ 11,094,321
Furniture and fixtures	1,006,285
Land	600,466
Computer equipment and software	<u>121,079</u>
Total Property and Equipment	12,822,151
Less: Accumulated Depreciation and Amortization	<u>(4,900,126)</u>
Property and Equipment, Net	<u>\$ 7,922,025</u>

Depreciation and amortization expense totaled \$494,570 for the year ended June 30, 2021, and is included in occupancy in the accompanying consolidated statement of functional expenses.

7. Loans and Notes Payable

**Loans**

The Organization receives financial support from individual donors in the form of both of interest and interest-free loans, which range from \$500 to \$20,000 and are due upon demand by the donor. For each loan, the outstanding balance or any portion thereof is returned to the donor or converted to a gift upon request by the donor. In case of death of a donor, the balance is either returned to the donor's estate or converted to a gift according to the terms of the loan. During the year ended June 30, 2021, the Organization received no new loans, paid principal payments totaling \$39,819 and converted \$63,750 of existing loans to gifts which is reported as contributions in the accompanying consolidated statement of activities. The balance outstanding for all loans at June 30, 2021, totaled \$200,470. Interest expense related to certain loans totaled \$1,290 for the year ended June 30, 2021, and is included in occupancy in the accompanying consolidated statement of activities.

**Notes Payable**

On June 1, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$344,435. The loan held a maturity date of June 1, 2022, and a fixed interest rate of 1% per



**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

7. Loans and Notes Payable (continued)

**Notes Payable (continued)**

annum. In the event the loan was not forgiven, consecutive monthly principal payments and interest were to commence one month after the earlier of the following dates: (1) the date the financial institution received the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount was eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan was made, assuming the number of employees and compensation levels were maintained. In May 2021, the SBA approved full forgiveness of the Organization's PPP loan which has been presented as forgiveness of debt – PPP in the accompanying consolidated statement of activities.

The Organization entered into a \$768,000 note payable agreement with a financial institution in connection with its purchase of a property at 205 C Street, NE. The note bears a fixed interest rate of 3.95% and is due in monthly payments of \$7,778, with a final payment due on September 22, 2021. The Organization was in compliance with all financial covenants. The balance outstanding as of June 30, 2021, totaled \$23,180.

Interest expense related to this note totaled \$2,904 for the year ended June 30, 2021, and is included in occupancy in the accompanying consolidated statement of activities.

On the September 22, 2021, this note matured and remaining principal outstanding balance of \$7,307 as of September 22, 2021 was fully paid.

8. Planned Giving Agreements

The Organization's planned giving agreements include a charitable gift annuity program, several charitable remainder trusts and a pooled life income fund.

Charitable gift annuities are arrangements between donors and the Organization in which the donors contribute assets to the Organization in exchange for promises by the Organization to pay a fixed amount for a specified period of time to the donors or individuals designated by the donors. The present value of the estimated future payments for the year ended June 30, 2021, was calculated using a discount rate of 2.2% based on Internal Revenue Service Publication 1457 and the Annuity 2000 mortality table. Contribution revenue for the year ended June 30, 2021, from charitable gift annuities totaled \$439,528. As of June 30, 2021, the Organization's obligations to donors or individuals designated by donors under these charitable gift annuity arrangements totaled \$ 2,150,845. As of June 30, 2021, the assets of the gift annuities totaled \$8,592,831 and they are included in investments in the accompanying consolidated statement of financial position.

Charitable remainder trusts are arrangements in which donors establish and fund trusts with specified distributions to be made to designated beneficiaries over the trust's term. Upon termination of each trust, the Organization receives the assets remaining in the trust. The

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

8. Planned Giving Agreements (continued)

Organization may ultimately have unrestricted use of these assets, or the donors may place permanent or temporary restrictions on their use. The present value of the estimated future payments for the year ended June 30, 2021, was calculated using a discount rate of 2.2% and applicable mortality tables. As of June 30, 2021, the present value of the estimated future payments of the trusts totaled \$376,009. As of June 30, 2021, the assets of the charitable remainder trusts totaled \$1,360,693, and they are included in investments in the accompanying consolidated statement of financial position.

The Organization has established a pooled life income fund. This fund is divided into units, and donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor is paid the actual income earned on the donor's assigned units. Upon the donor's death, the value of the units is available to the Organization for its unrestricted use. The present value of these units is calculated by discounting the market value using a discount rate of 3.377% and applicable mortality tables. As of June 30, 2021, the market value of the pooled life income fund totaled \$ 1,008,511 and it is included in investments in the accompanying consolidated statement of financial position. As of June 30, 2021, the present value discount on this total was \$ 453,133. As of June 30, 2021, \$ 37,107 of income earned in the last quarter of the year ending June 30, 2021, was owed to the donors to the fund.

9. Net Assets

Net assets consisted of the following as of June 30, 2021:

**Net Assets Without Donor Restrictions**

The Organization's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of June 30, 2021, the Organization's net assets without donor restrictions were as follows:

Undesignated	<u>\$ 10,982,516</u>
Board-designated:	
Plant and equipment	6,875,125
Building maintenance reserve	1,871,050
Annuities	1,240,087
Capital campaign initiatives	680,529
Life insurance policies	<u>23,131</u>
Total Board-Designated	<u>10,689,922</u>
Total Net Assets Without Donor Restrictions	<u>\$ 21,672,438</u>

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

9. Net Assets (continued)

**Net Assets Without Donor Restrictions (continued)**

The purposes of the board-designated net assets are as follows:

- Plant and equipment – represents the total book value (carrying value) of all property and equipment of the Organization.
- Building maintenance reserve – represents the accumulated investment income on unrestricted funds for the purpose of providing a source of funds for capital and major repairs to the Organization’s buildings.
- Annuities – represents the excess of assets (investments) of charitable gift annuities agreements and the related obligations to donor or donor-specified beneficiaries.
- Capital campaign initiatives – represents the accumulated investment income on capital campaign funds for the purpose of funding the Young Adult and Friend in Washington programs, sustaining lobbying and renovating the 205 C Street, NE, building.
- Life insurance policies – represents the value of life insurance policies donated to the FCNL Education Fund, which is the policy beneficiary and owner.

**Net Assets With Donor Restrictions**

As of June 30, 2021, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

Donor-restricted endowment income	\$ 7,504,171
Capital Campaign	1,395,317
Pooled income fund	550,227
Trust fund	537,315
Strategic Advocacy	537,500
Annual Fund	500,000
Youth Adult leadership	410,765
Renovation costs	278,621
Nuclear Disarmament and Calendar	85,559
Other	48,522
Foreign policy	38,125
Peaceful Prevention of Conflict	<u>36,001</u>
Total Net Assets Restricted For Specified Purpose	<u>11,922,123</u>

Subject to occurrence of passage of time:

General operating support for future periods	<u>225,000</u>
Total Subject to Occurrence of Specified Purpose and Passage of Time	<u>225,000</u>

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

9. Net Assets (continued)

**Net Assets With Donor Restrictions (continued)**

*(continued)*

Subject to held in perpetuity:

Capital Campaign:

Youth Involvement	\$ 1,386,450
Laura Wilcox Fund	563,697
Young Adult Leadership	102,285
Friend in Washington	97,337
Sustain Lobbying	<u>61,968</u>

Total Capital Campaign	2,211,737
------------------------	-----------

Native American	470,422
D Intern Endowment	463,006
General Endowment	441,068
Freeman Intern	280,431
Pickett Endowment for Quaker Leadership	159,950
Lepke Intern Endowment	104,785
Elder Endowment	100,000
Paxton Endowment	100,000
Builders of a Better World	78,486
Youth Involvement	46,343
Levering Fund	<u>41,855</u>

Total Net Assets to Subject to be Held in Perpetuity	<u>4,498,082</u>
--	------------------

Total Net Assets With Donor Restrictions	<u>\$ 16,645,205</u>
--	----------------------

10. Endowment Funds

**Interpretation of Relevant Law**

The Organization's Board has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

10. Endowment Funds (continued)

**Interpretation of Relevant Law (continued)**

prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

**Return Objectives and Risk Parameters**

The Organization has adopted investment policies for 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 the endowment assets. Under this policy, as approved by the Executive Committee of the Board, the endowment assets are invested in funds to achieve steady income growth without exposing the principal of the funds to significant fair value fluctuations. Actual returns in any given year may vary. The Organization has invested the permanently restricted assets in investment vehicles with a preferred asset allocation of 70% to 80% equity, with the remainder in fixed income. The portfolio should be consistent with the Organization's risk tolerance, cash flow needs and Guidelines for Socially Responsible Investing.

The primary investment objective, over the long term, is to earn an average annual return net of investment manager fees and transaction costs of at least 4% plus the inflation rate (as measured by the national Consumer Price Index). This goal allows the investment portfolio to generate income needed for various purposes and protect the purchasing power of the principal.

**Endowment Spending Harvesting Policy**

Investment earnings on the permanent endowment are available to fund the operations of the Organization. The investment earnings on the fund are considered to be appropriated for expenditure upon the approval of expenditures made in accordance with the Executive Committee's approval of the annual budget. All interest, dividends, and realized and unrealized capital gains on the endowment account will be retained in this account until expended. This account will be valued as of June 30 each year, and 5% of the average value of the endowment for the prior three years will be placed in the annual operating budget for the fiscal year that

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

10. Endowment Funds (continued)

**Endowment Spending Harvesting Policy**

begins July 1 of that year. On October 3, 2020, the Executive Committee approved a change in the Harvesting Policy for endowment spending to the date of endowment valuation. Effective December 31, 2020, endowment accounts will no longer be valued at June 30, but instead at December 31. Therefore, 5% of the average value of the endowment for the prior three years, ending December 31, will be placed in the annual operating budget for the fiscal year that begins July 1 of that year. The aim is to provide steady yield from the endowment for programs while allowing the endowment to keep pace with inflation. In no year will payment be made that would reduce the value of the account below the aggregate value of all donations to the endowment account. If these aims are not realized over time, then the 5% figure will be reconsidered.

**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 requires the Organization to retain as a fund of perpetual duration. The Organization's policy is based on its interpretation of UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with such deficiencies as of June 30, 2021.

**Endowment Net Asset Composition**

Endowment net asset composition by type of fund was as follows as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ -	\$ 4,498,082	\$ 4,498,082
Appreciation	<u>-</u>	<u>7,504,171</u>	<u>7,504,171</u>
	<u>\$ -</u>	<u>\$ 12,002,253</u>	<u>\$ 12,002,253</u>

For the year ended June 30, 2021, the endowment funds had the following activity:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$ -	\$ 7,593,486	\$ 7,593,486
Contributions	-	18,760	18,760
Investment income, net	-	4,749,998	4,749,998
Amounts appropriated for expenditure	<u>-</u>	<u>(359,991)</u>	<u>(359,991)</u>
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$ 12,002,253</u>	<u>\$ 12,002,253</u>

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

10. Endowment Funds (continued)

**Net Assets With Donor Restrictions**

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA	<u>\$ 12,002,253</u>
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA:	
With purpose restriction	\$ 7,301,190
Without purpose restriction	<u>202,981</u>
Total	<u>\$ 7,504,171</u>

11. Commitments and Risks

**Operating Lease**

The Organization entered into a noncancelable operating office space lease to lease 3,986 square foot of office space at 518 C Street, NE, Washington, D.C. The lease term is for 76 months and expires on December 15, 2024. The terms of the lease require monthly base rent of \$10,962, with a security deposit in the same amount. The lease also provides a rent abatement totaling \$43,846 and a construction allowance up to \$99,650. The lease is subject to a 4% annual rent escalation during the first four lease years and 3% during last three lease years, and also requires the Organization to pay as additional rent its proportionate share of increases in building operating expenses and real estate taxes.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reported as deferred rent and lease incentive in the consolidated statement of financial position.

Future minimum lease payments under this lease are as follows:

For the Year Ending <u>June 30,</u>	
2022	\$ 145,064
2023	150,169
2024	155,414
2025	<u>79,966</u>
Total	<u>\$ 530,613</u>

Rent expense for the year ended June 30, 2021 totaled \$121,461, which is included occupancy expenses in the accompanying consolidated statement of functional expenses.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

11. Commitments and Risks (continued)

**Hotel Contracts**

The Organization has entered into contracts for hotel rooms and event spaces for events occurring through March 2022. In the event of cancellation, the Organization is required to pay various cancellation fees as stipulated in the contracts; the amount of which is dependent on the date of cancellation. As of June 30, 2021, the estimated potential liability should the Organization cancel all future hotel contracts totaled approximately \$127,000. The Organization does not anticipate any cancellations; therefore, no loss has been provided for in these consolidated financial statements.

On June 9, 2021, the Organization notified a hotel that it plans to cancel its hotel contract related to the Organization's Annual Meeting scheduled to be held in November 2021. The cancellation and related fees was settled and paid in July 2021 and totaled \$70,923.

**Line of Credit**

On July 22, 2020, the Organization entered into two revolving lines of credit agreement with a financial institution. The lines of credit had a combined borrowing limit of \$1,500,000 and expired on July 22, 2021. Funds drawn against these lines of credit accrued interest at the bank's prime rate plus 1%, with a minimum rate of 4% and were secured by all of Organizations cash accounts held with the financial institution and all business assets. There were no borrowings and repayments during the year ended June 30, 2021. The Organization did not renew the lines of credit agreement upon expiration.

**Risks and Uncertainties**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue most of its operations in a remote environment, however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

12. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2021, were as follows:

Cash and cash equivalents	\$ 2,338,909
Pledges and contributions receivable, net, collected in less than one year	922,374
Employee advances and other receivables	94,393
Investments	<u>29,751,559</u>
Total Financial Assets Available Within One Year	33,107,235



**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

12. Availability and Liquidity (continued)

*(continued)*

Less:

Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	\$(11,922,123)
Amounts unavailable for general expenditures within one year due to donor's restriction in perpetuity	(4,498,082)
Amounts unavailable to management without Board approval	(11,689,922)

Add:

Endowment earnings that are appropriated for the following year	398,311
Board designated amounts to be spent in the following year	1,000,000
Investment earnings from split interest agreements to be spent in the following year	<u>313,000</u>

Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 6,708,419</u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds, fixed income securities, real estate funds and equity securities. The Organization can liquidate its investments anytime, other than the amounts restricted by donors above, and therefore the investments are available to meet current cash flow needs. Additionally, the Organization has board-designated net assets that could be available for current operations with Board approval, if necessary.

13. Pension Plan

The Organization maintains a defined contribution plan pursuant to Section 401k of the Internal Revenue Code (the IRC) for its employees. Participation by employees in the Plan is voluntary. The Organization contributes 10% of the salary of each participant who has completed one year

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

---

13. Pension Plan (continued)

of service. Employees are fully vested after two years of service. Effective January 1, 2019, the Organization amended its plan so that the Organization makes a 3% safe harbor, non-elective contribution, which is fully vested at all times. During the year ended June 30, 2021, the Organization's contributions totaled \$317,973.

14. Income Taxes

FCNL is a not-for-profit organization defined under Section 501(c)(4) of the IRC as determined in an exemption letter dated September 10, 1946. The Education Fund and WPH qualifies as a tax-exempt organizations under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended June 30, 2021, as the Education Fund and WPH had no net unrelated business income.

205 C Street NE LLC is treated as a disregarded entity for tax purposes, and its financial activities are therefore included in the tax return of the Education Fund.

The Organization performed an evaluation of uncertainty in income taxes for the year ended June 30, 2021, and determined that there are no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2021, there are no audits for any tax periods pending or in progress. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax expense. As of June 30, 2021, the Organization had no accruals for interest and/or penalties.

15. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated, for potential recognition or disclosure, events and transactions through June 27, 2022, the date the consolidated financial statements were available to be issued. Except for the notes payable maturity and pay-off describe in Note 7, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
June 30, 2021**

	FCNL Education Fund					Total
	FCNL	FCNL Education Fund	205 C Street NE LLC	William Penn House	Eliminations	
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 682,377	\$ 1,364,299	\$ 11,726	\$ 280,507	\$ -	\$ 2,338,909
Pledges and contributions receivable, current portion	651,099	271,275	-	-	-	922,374
Employee advances and other receivables	15,714	33,679	-	45,000	-	94,393
Due from affiliate	-	2,980,548	-	-	(2,980,548)	-
Prepaid expenses and other	102,641	146,445	-	11,159	-	260,245
<b>Total Current Assets</b>	<b>1,451,831</b>	<b>4,796,246</b>	<b>11,726</b>	<b>336,666</b>	<b>(2,980,548)</b>	<b>3,615,921</b>
Investments	5,474,842	24,276,717	-	-	-	29,751,559
Investment in subsidiary	-	-	-	-	-	-
Pledges and contributions receivable, net of current portion	205,114	568,846	-	-	-	773,960
Beneficial interest in planned giving agreements	-	276,504	-	-	-	276,504
Deposits	28,672	40,480	-	-	-	69,152
Cash surrender value of life insurance	-	23,131	-	-	-	23,131
Property and equipment, net	-	3,320,716	3,554,409	1,046,900	-	7,922,025
<b>TOTAL ASSETS</b>	<b>\$ 7,160,459</b>	<b>\$ 33,302,640</b>	<b>\$ 3,566,135</b>	<b>\$ 1,383,566</b>	<b>\$ (2,980,548)</b>	<b>\$ 42,432,252</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 497,864	\$ 137,911	\$ -	\$ 201,524	\$ -	\$ 837,299
Planned giving agreement obligations, current portion	-	383,869	-	-	-	383,869
Due to affiliate	2,561,194	-	-	419,354	(2,980,548)	-
Loans and notes payable, current portion	2,000	182,712	-	-	-	184,712
<b>Total Current Liabilities</b>	<b>3,061,058</b>	<b>704,492</b>	<b>-</b>	<b>620,878</b>	<b>(2,980,548)</b>	<b>1,405,880</b>
Planned giving agreement obligations, net of current portion	-	2,596,117	-	-	-	2,596,117
Deferred rent and lease incentive liability	-	73,674	-	-	-	73,674
Loans and notes payable, net of current portion	-	-	-	38,938	-	38,938
<b>TOTAL LIABILITIES</b>	<b>3,061,058</b>	<b>3,374,283</b>	<b>-</b>	<b>659,816</b>	<b>(2,980,548)</b>	<b>4,114,609</b>
Net Assets						
Without donor restrictions	2,067,857	15,593,317	3,566,135	445,129	-	21,672,438
With donor restrictions	2,031,544	14,335,040	-	278,621	-	16,645,205
<b>TOTAL NET ASSETS</b>	<b>4,099,401</b>	<b>29,928,357</b>	<b>3,566,135</b>	<b>723,750</b>	<b>-</b>	<b>38,317,643</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,160,459</b>	<b>\$ 33,302,640</b>	<b>\$ 3,566,135</b>	<b>\$ 1,383,566</b>	<b>\$ (2,980,548)</b>	<b>\$ 42,432,252</b>

See independent auditors' report on supplementary information.

**FRIENDS COMMITTEE ON NATIONAL LEGISLATION  
AND FCNL EDUCATION FUND**

**CONSOLIDATING SCHEDULE OF ACTIVITIES  
For the Year Ended June 30, 2021**

	FCNL Education Fund					Total
	FCNL	FCNL Education Fund	205 C Street NE LLC	William Penn House	Eliminations	
<b>OPERATING REVENUE AND SUPPORT</b>						
Contributions	\$ 2,744,258	\$ 3,484,241	\$ -	\$ 345,150	\$ -	\$ 6,573,649
Bequests	232,605	77,995	-	-	-	310,600
Meeting registration	48,408	-	-	-	-	48,408
Rental income	-	-	75,438	-	-	75,438
Forgiveness of debt – PPP	-	344,435	-	-	-	344,435
Other income	1,429	9,382	-	-	-	10,811
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>3,026,700</b>	<b>3,916,053</b>	<b>75,438</b>	<b>345,150</b>	<b>-</b>	<b>7,363,341</b>
<b>EXPENSES</b>						
Program Services:						
Advocacy and outreach	1,238,936	1,526,571	-	-	-	2,765,507
Legislative and educational activities	1,307,329	1,132,773	-	-	-	2,440,102
Young adult program	124,169	147,826	-	-	-	271,995
Friends place program	-	-	-	151,164	-	151,164
<b>Total Program Services</b>	<b>2,670,434</b>	<b>2,807,170</b>	<b>-</b>	<b>151,164</b>	<b>-</b>	<b>5,628,768</b>
Supporting Services:						
Management and general	5,197	133,523	345,468	-	-	484,188
Fundraising	789,504	1,160,917	-	-	-	1,950,421
<b>Total Supporting Services</b>	<b>794,701</b>	<b>1,294,440</b>	<b>345,468</b>	<b>-</b>	<b>-</b>	<b>2,434,609</b>
<b>TOTAL EXPENSES</b>	<b>3,465,135</b>	<b>4,101,610</b>	<b>345,468</b>	<b>151,164</b>	<b>-</b>	<b>8,063,377</b>
Change in net assets from operations	(438,435)	(185,557)	(270,030)	193,986	-	(700,036)
<b>NONOPERATING ACTIVITIES</b>						
Investment income, net	1,332,568	6,715,336	-	-	-	8,047,904
Contributions to planned giving	-	439,528	-	-	-	439,528
Change in value of interest in planned giving agreements	-	315,529	-	-	-	315,529
<b>CHANGE IN NET ASSETS</b>	<b>894,133</b>	<b>7,284,836</b>	<b>(270,030)</b>	<b>193,986</b>	<b>-</b>	<b>8,102,925</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,205,268</b>	<b>22,575,509</b>	<b>3,836,165</b>	<b>529,764</b>	<b>68,012</b>	<b>30,214,718</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,099,401</b>	<b>\$ 29,860,345</b>	<b>\$ 3,566,135</b>	<b>\$ 723,750</b>	<b>\$ 68,012</b>	<b>\$ 38,317,643</b>

See independent auditors' report on supplementary information.