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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

and
Report Thereon

FRIENDS COMMITTEE ON NATIONAL LEGISLATION
AND FCNL EDUCATION FUND

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For the Year Ended June 30, 2019

MARCUM
ACCOUNTANTS ▲ ADVISORS

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 Fund (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, 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.

Continued

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, 2019, 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 Summarized Comparative Information

The Organization's 2018 consolidated financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP, and whose report dated October 2, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the consolidated financial statements from which it has been derived.

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
February 5, 2020

FRIENDS COMMITTEE ON NATIONAL LEGISLATION
AND FCNL EDUCATION FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Summarized Financial Information as of June 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,913,235	$ 4,012,106
Pledges and contributions receivable, current portion	553,446	543,814
Employee advances and other receivables	47,081	69,298
Prepaid expenses	147,455	170,323
Total Current Assets	6,661,217	4,795,541
Investments	19,404,261	21,549,670
Pledges and contributions receivable, net of current portion	894,819	484,822
Beneficial interest in planned giving agreements	242,401	235,446
Deposits	81,264	10,962
Cash surrender value of life insurance	23,131	23,131
Property and equipment, net	7,665,552	7,450,350
TOTAL ASSETS	$ 34,972,645	$ 34,549,922
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 358,844	$ 265,474
Planned giving agreement obligations, current portion	339,694	332,359
Loans and note payable, current portion	293,421	292,514
Total Current Liabilities	991,959	890,347
Planned giving agreement obligations, net of current portion	2,761,180	2,710,593
Deferred rent and lease incentive liability	136,806	-
Loans and note payable, net of current portion	113,616	200,506
TOTAL LIABILITIES	4,003,561	3,801,446
Net Assets		
Without donor restrictions	19,593,689	20,533,157
With donor restrictions	11,375,395	10,215,319
TOTAL NET ASSETS	30,969,084	30,748,476
TOTAL LIABILITIES AND NET ASSETS	$ 34,972,645	$ 34,549,922

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING REVENUE AND SUPPORT				
Contributions	$ 3,464,749	$ 2,440,581	$ 5,905,330	$ 4,620,080
Bequests	1,239,929	-	1,239,929	316,467
Meeting registration	162,234	-	162,234	133,177
Rental income	54,394	-	54,394	6,688
Other income	6,232	-	6,232	2,612
Net assets released from restrictions:				
Satisfaction of time restrictions	160,000	(160,000)	-	-
Satisfaction of program restrictions	1,523,572	(1,523,572)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	6,611,110	757,009	7,368,119	5,079,024
EXPENSES				
Program Services:				
Legislative and educational activities	2,725,680	-	2,725,680	2,407,612
Advocacy and outreach	2,111,204	-	2,111,204	1,529,796
Young adult program	643,059	-	643,059	644,166
Total Program Services	5,479,943	-	5,479,943	4,581,574
Supporting Services:				
Management and general	1,186,250	-	1,186,250	1,003,741
Fundraising				
General	1,791,273	-	1,791,273	1,591,675
Capital Campaign	-	-	-	69,040
Total Fundraising	1,791,273	-	1,791,273	1,660,715
Total Supporting Services	2,977,523	-	2,977,523	2,664,456
TOTAL EXPENSES	8,457,466	-	8,457,466	7,246,030
Change in net assets from operations	(1,846,356)	757,009	(1,089,347)	(2,167,006)
NONOPERATING ACTIVITIES				
Investment income, net	795,002	403,067	1,198,069	1,261,399
Contributions to planned giving	172,113	-	172,113	81,075
Change in value of interest in planned giving agreements	(60,227)	-	(60,227)	(14,228)
CHANGE IN NET ASSETS	(939,468)	1,160,076	220,608	(838,760)
NET ASSETS, BEGINNING OF YEAR	20,533,157	10,215,319	30,748,476	31,587,236
NET ASSETS, END OF YEAR	$ 19,593,689	$ 11,375,395	$ 30,969,084	$ 30,748,476

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services				Supporting Services				
	Legislative and Educational Activities	Advocacy and Outreach	Young Adult Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries	$ 1,363,296	$ 849,473	$ 131,130	$ 2,343,899	$ 329,062	$ 742,251	$ 1,071,313	$ 3,415,212	$ 2,941,263
Meetings and travel	400,334	107,519	346,555	854,408	24,241	101,446	125,687	980,095	979,502
Professional fees	193,386	192,757	84,848	470,991	304,735	189,004	493,739	964,730	783,444
Employee benefits	354,709	196,934	32,583	584,226	87,939	199,194	287,133	871,359	759,210
Occupancy	291,069	166,426	23,088	480,583	222,420	145,547	367,967	848,550	514,135
Printing	26,890	279,450	13,262	319,602	5,004	212,355	217,359	536,961	503,165
Supplies, licenses and other expenses	24,837	23,595	6,942	55,374	112,420	41,892	154,312	209,686	236,544
Postage	8,986	94,411	663	104,060	-	91,627	91,627	195,687	210,880
Advertising	2,235	78,740	451	81,426	40,345	1,813	42,158	123,584	90,807
Web design and maintenance	1,233	59,311	919	61,463	23,114	16,119	39,233	100,696	50,352
Dues, memberships and subscriptions	31,407	36,993	859	69,259	11,441	6,110	17,551	86,810	61,081
Telephone	27,298	25,595	1,759	54,652	8,512	12,308	20,820	75,472	72,523
List rental expense	-	-	-	-	-	31,607	31,607	31,607	12,671
Interest	-	-	-	-	10,182	-	10,182	10,182	13,582
Insurance	-	-	-	-	6,835	-	6,835	6,835	16,871
TOTAL EXPENSES	$ 2,725,680	$ 2,111,204	$ 643,059	$ 5,479,943	$ 1,186,250	$ 1,791,273	$ 2,977,523	$ 8,457,466	$ 7,246,030

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, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 220,608	$ (838,760)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	436,524	301,507
Net realized and unrealized gains on investments	(979,636)	(375,502)
Contributions for long-term purposes	(649,584)	(5,248)
Change in value of beneficial interest in planned giving agreements	(6,955)	(2,648)
Change in value of planned giving agreement obligations	244,193	150,384
Donated stock	(204,859)	-
Changes in assets and liabilities		
Pledges and contributions receivable	(419,629)	1,250,602
Employee advances and other receivables	22,217	(27,173)
Prepaid expenses	22,868	(59,334)
Deposits	(70,302)	540
Accounts payable and accrued expenses	93,370	(59,650)
Deferred rent liability	37,156	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,254,029)	334,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	8,434,184	6,304,149
Purchases of investments	(5,104,280)	(7,471,690)
Purchases of property and equipment	(552,076)	(1,133,783)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,777,828	(2,301,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	649,584	5,248
Proceeds from planned giving agreements	172,113	81,075
Proceeds from loans	-	50,000
Principal payments on loans and note payable	(85,983)	(86,207)
Payments to planned giving agreement beneficiaries	(358,384)	(298,378)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	377,330	(248,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,901,129	(2,214,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,012,106	6,226,974
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,913,235	$ 4,012,106
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 10,182	$ 13,582
NONCASH TRANSACTIONS		
Noncash investing activities:		
Donated stock	$ 204,859	$ -
Leasehold improvement costs	$ 99,650	$ -
Deferred lease incentive	(99,650)	-
	$ -	$ -

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

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 also includes a subsidiary, 205 C Street NE LLC (the Company), 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.

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.

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 securities, real estate funds, a pooled life income fund 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.

Continued

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

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 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, 2019.

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.

Continued

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

Fair Value of Financial Instruments (continued)

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, 2019, 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 Board of Directors (the Board). 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. 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

Continued

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

Revenue Recognition (continued)

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.

Donated investments are recorded at the estimated fair value on the date received.

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 occupancy allocations.

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 split-interest 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.

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, 2019, 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.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in

Continued

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

New Accounting Pronouncement (continued)

information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented. The major changes of the ASU affecting the Organization include (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or the notes to the statements and disclose a summary of the allocation methods used to allocate costs; (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and (d) presenting investment return net of external and direct internal investment expenses.

2. Pledges and Contributions

As of June 30, 2019, the Organization's pledges and contributions receivable were due as follows:

Due in less than one year	$ 553,446
Due in one to five years	1,045,988
Total Pledges and Contributions Receivable	1,599,434
Less: Allowance on Doubtful Pledges	(9,104)
Less: Discount to Present Value (average rate of 3%)	(142,065)
Pledges and Contributions Receivable, Net	$ 1,448,265

3. Investments

Investments, at fair value, consisted of the following as of June 30, 2019:

Equities	$ 15,127,753
Fixed-income securities	2,721,738
Real estate funds	527,254
Pooled life income fund	881,388
Equity mutual funds	146,128
Total Investments	$ 19,404,261

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

Continued

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 $242,401.

5. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of June 30, 2019, aggregated by the fair value hierarchy level within which these measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Equities:				
Large cap	$ 8,848,021	$ 8,848,021	$ -	$ -
Mid-cap	2,572,134	2,572,134	-	-
Small cap	2,661,359	2,661,359	-	-
Foreign stocks	1,046,239	1,046,239	-	-
Total Equities	15,127,753	15,127,753	-	-
Fixed-income securities:				
Corporate bonds	1,073,803	-	1,073,803	-
U.S. government agency bonds	1,178,922	-	1,178,922	-
Foreign bonds	320,418	-	320,418	-
Municipal bonds	148,595	-	148,595	-
Total Fixed-Income Securities	2,721,738	-	2,721,738	-
Real estate funds:				
Real estate investment trust	527,254	527,254	-	-
Pooled life income fund	881,388	-	881,388	-
Equity mutual funds:				
Large value	146,128	146,128	-	-
Total Investments	19,404,261	15,801,135	3,603,126	-
Beneficial interest in planned giving agreements	242,401	-	-	242,401
Total Assets	$ 19,646,662	$ 15,801,135	$ 3,603,126	$ 242,401

Continued

5. Fair Value Measurement (continued)

For the year ended June 30, 2019, the Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Equities, equity mutual funds and real estate 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, 2019:

	Beneficial Interest in Charitable Gift Annuities
Balance, June 30, 2018	$ 235,446
Payment from charitable remainder trust	-
Change in value of existing planned giving agreements	6,955
Balance, June 30, 2019	$ 242,401

The change in value of planned giving agreements (unrealized loss, 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, 2019:

Building and improvements	$ 9,727,812
Land	589,933
Furniture and fixtures	884,563
Computer equipment and software	73,526
Total Property and Equipment	11,275,834
Less: Accumulated Depreciation and Amortization	(3,610,282)
Property and Equipment, Net	$ 7,665,552

Depreciation and amortization expense totaled $436,524 for the year ended June 30, 2019, and is reported in program services and supporting services in the accompanying consolidated statement of activities.

7. Loans and Note Payable

Loans

The Organization receives financial support from individual donors in the form of 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, 2019, the Organization received a no new loans, but $2,500 of existing loans were converted to gifts and reported as contributions in the accompanying consolidated statement of activities. The balance outstanding for all loans at June 30, 2019, totaled $206,531.

Note Payable

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 at $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, 2019, totaled $200,506.

Interest expense related to this note totaled $9,859 for the year ended June 30, 2019, and is included in management and general in the accompanying consolidated statement of activities.

Continued

7. Loans and Note Payable (continued)

Note Payable (continued)

As of June 30, 2019, future principal payments on the note payable were as follows:

For the Year Ending June 30, 2019	
2020	$ 86,890
2021	90,436
2022	23,180
Total	$ 200,506

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, 2019, was calculated using a discount rate of 2.2% based on Internal Revenue Service (IRS) Publication 1457 and the Annuity 2000 mortality table. Contribution revenue for the year ended June 30, 2019, from charitable gift annuities totaled $172,113. As of June 30, 2019, the Organization's obligations to donors or individuals designated by donors under these charitable gift annuity arrangements totaled $2,299,489. As of June 30, 2019, the assets of the gift annuities totaled $6,753,754 and they are included in investments in the accompanying consolidated statements 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 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, 2019, was calculated using a discount rate of 2.2% and applicable mortality tables. As of June 30, 2019, the present value of the estimated future payments of the trusts totaled $334,388. As of June 30, 2019, the assets of the charitable remainder trusts totaled $1,148,165, 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

Continued

8. Planned Giving Agreements (continued)

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, 2019, the market value of the pooled life income fund totaled $881,387, and it is included in investments in the accompanying consolidated statements of financial position. As of June 30, 2019, the present value discount on this total was $404,512. As of June 30, 2019, $62,485 of income earned in the last quarter of the year ending June 30, 2019, was owed to the donors to the fund.

9. Net Assets

Net assets consisted of the following as of June 30, 2019:

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, 2019, the Organization's net assets without donor restrictions were as follows:

Undesignated	$ 4,847,308
Board-designated:	
Plant and equipment	7,577,701
Annuities	3,257,166
Building maintenance reserve	1,868,042
Capital campaign initiatives	1,520,341
Forward planning initiatives	500,000
Life insurance policies	23,131
Total Board-Designated	14,746,381
Total Net Assets Without Donor Restrictions	$ 19,593,689

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.
- Annuities – represents the excess of assets (investments) of charitable gift annuities agreements and the related obligations to donor or donor-specified beneficiaries.
- 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.

9. Net Assets (continued)

Net Assets Without Donor Restrictions (continued)

- 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.
- Forward planning initiatives – represents funds from bequests to support strategic initiatives regarding the Organization's sustainability.
- 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, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
Donor-restricted endowment income	$ 3,405,608
Capital Campaign	1,863,246
Strategic Advocacy	524,891
Trust fund	406,168
Pooled income fund	470,877
Peaceful Prevention of Conflict	117,500
Nuclear Disarmament and Calendar	76,667
Other	39,712
Federal budget/militarism	30,000
Foreign policy	26,596
Total Net Assets Restricted For Specified Purpose	6,961,265
Subject to occurrence of passage of time:	
General operating support for future periods	112,500
Total Subject to Occurrence of Specified Purpose and Passage of Time	7,073,765
Subject to held in perpetuity:	
Capital Campaign:	
Youth Involvement	1,371,690
Laura Wilcox Fund	560,084
Young Adult Leadership	102,285
Friend in Washington	97,137
Sustain Lobbying	61,968
Total Capital Campaign	2,193,164

Continued

9. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

Native American	$ 470,422
D Intern Endowment	463,006
General Endowment	427,740
Freeman Intern	280,431
Lepke Intern Endowment	104,784
Paxton Endowment	100,000
Elder Endowment	100,000
Builders of a Better World	78,485
Levering Fund	41,855
Youth Involvement	41,743
Total Net Assets to Subject to be Held in Perpetuity	4,301,630
Total Net Assets With Donor Restrictions	$ 11,375,395

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 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.

10. Endowment Funds (continued)

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 Board'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 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. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2019.

Continued

10. Endowment Funds (continued)

Endowment Net Asset Composition

Endowment net asset composition by type of fund was as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Historical gift value	$ -	$ 4,301,630	$ 4,301,630
Appreciation	-	3,405,608	3,405,608
	$ -	$ 7,707,238	$ 7,707,238

For the year ended June 30, 2019, the endowment funds had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, beginning of year	$ -	$ 6,985,043	$ 6,985,043
Contributions	-	649,584	649,584
Investment income, net	-	403,067	403,067
Amounts appropriated for expenditure	-	(330,456)	(330,456)
Endowment Funds, End of Year	$ -	$ 7,707,238	$ 7,707,238

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	$ 4,301,630
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA:	
With purpose restriction	$ 2,732,761
Without purpose restriction	672,847
Total	$ 3,405,608

11. Commitments and Risks

Operating Lease

The Organization entered into a noncancelable operating office space lease on June 20, 2018, 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 commenced on August 15, 2018 and expires on December 15, 2024.

Continued

11. Commitments and Risks (continued)

Operating Lease (continued)

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 June 30,	
2020	$ 135,391
2021	140,147
2022	145,064
2023	150,169
2024	155,414
Thereafter	79,966
Total	$ 806,151

Rent expense for the year ended June 30, 2019 totaled $102,926 which is included occupancy expenses in the accompanying consolidated statement of functional expenses.

Hotel Contracts

The Organization has entered into contracts for hotel rooms and event spaces for events occurring through March 2020. In the event of cancellation, the Organization is required to pay various cancellation fees as stipulated in the contracts; the amount is dependent on the date of cancellation. As of June 30, 2019, the estimated potential liability should FCNL cancel all future hotel contracts totaled approximately $190,500. The Organization does not anticipate any cancellations; therefore, no loss has been provided for in these consolidated financial statements.

Continued

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, 2019, were as follows:

Cash and cash equivalents	$ 5,913,235
Pledges and contributions receivable, net, collected in less than one year	553,446
Employee advances and other receivables	47,081
Investments	19,404,261
Total Financial Assets Available Within One Year	25,918,023
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(7,073,765)
Amounts unavailable for general expenditures within one year due to donor's restriction in perpetuity	(4,301,630)
Amounts unavailable to management without Board approval	(14,746,381)
Add:	
Amounts available for donor-specified expenditures in the following year	681,154
Endowment earnings that is appropriated for the following year	374,100
Board designated assets for the following year	850,000
Investment earnings from investment of split interest agreements for the following year	376,921
Financial Assets Available to Meet General Expenditures Within One Year	$ 2,078,494

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

12. Availability and Liquidity (continued)

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 of service. Employees are fully vested after two years of service. Effective January 1, 2019, the Organization amended their 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, 2019, the Organization's contributions totaled $231,318.

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 qualifies as a tax-exempt organization 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, 2019, as the Education Fund had no net unrelated business income.

The Company 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, 2019, 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, 2019, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns. The Organization is not currently under audit by the IRS for the year ended June 30, 2019. 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, 2019, the Organization had no accruals for interest and/or penalties.

Continued

15. Prior Year Summarized Financial Information

The accompanying consolidated 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

16. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated, for potential recognition or disclosure, events and transactions through February 5, 2020, the date the consolidated financial statements were available to be issued. Except described below, there were no other subsequent events that require recognition or disclosure in these consolidated financial statements.

Effective August 30, 2019, the Organization entered into a "change-of-control" agreement with the William Penn House (WPH). Under the terms of the agreement, the Organization received the right to appoint WPH's governing Board of Directors and also requires that the Organization provide support and services to WPH. The Organization intends to maintain WPH's corporate existence and charitable activities, while coordinating employees and other services under a service agreement. As a result of the presence of common control and economic interest in WPH by the Organization, WPH will be included in the consolidated financial statements of the Organization for the year ended June 30, 2020, as required under GAAP. All significant intercompany balances and transactions will be eliminated during this consolidation.

SUPPLEMENTARY INFORMATION

FRIENDS COMMITTEE ON NATIONAL LEGISLATION
AND FCNL EDUCATION FUND

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2019

	FCNL	FCNL Education Fund	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,664,104	$ 4,249,131	$ -	$ 5,913,235
Pledges and contributions receivable, current portion	298,430	255,016	-	553,446
Employee advances and other receivables	22,552	24,529	-	47,081
Due from affiliate	-	310,085	(310,085)	-
Prepaid expenses	92,115	55,340	-	147,455
Total Current Assets	2,077,201	4,894,101	(310,085)	6,661,217
Investments	3,079,310	16,324,951	-	19,404,261
Pledges and contributions receivable, net of current portion	341,381	553,438	-	894,819
Beneficial interest in planned giving agreements	-	242,401	-	242,401
Deposits	44,556	36,708	-	81,264
Cash surrender value of life insurance	-	23,131	-	23,131
Property and equipment, net	-	7,665,552	-	7,665,552
TOTAL ASSETS	$ 5,542,448	$ 29,740,282	$ (310,085)	$ 34,972,645
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	$ 237,399	$ 121,445	$ -	$ 358,844
Planned giving agreement obligations, current portion	-	339,694	-	339,694
Due to affiliate	310,085	-	(310,085)	-
Loans and note payable, current portion	2,000	291,421	-	293,421
Total Current Liabilities	549,484	752,560	(310,085)	991,959
Planned giving agreement obligations, net of current portion	-	2,761,180	-	2,761,180
Deferred rent and lease incentive liability	-	136,806	-	136,806
Loans and note payable, net of current portion	-	113,616	-	113,616
TOTAL LIABILITIES	549,484	3,764,162	(310,085)	4,003,561
Net Assets				
Without donor restrictions	2,863,946	16,729,743	-	19,593,689
With donor restrictions	2,129,018	9,246,377	-	11,375,395
TOTAL NET ASSETS	4,992,964	25,976,120	-	30,969,084
TOTAL LIABILITIES AND NET ASSETS	$ 5,542,448	$ 29,740,282	$ (310,085)	$ 34,972,645

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, 2019

	FCNL	FCNL Education Fund	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
Contributions	$ 2,549,463	$ 3,355,867	$ -	$ 5,905,330
Bequests	975,297	264,632	-	1,239,929
Meeting registration	158,549	3,685	-	162,234
Rental income	-	54,394	-	54,394
Other income	1,777	4,455	-	6,232
TOTAL OPERATING REVENUE AND SUPPORT	3,685,086	3,683,033	-	7,368,119
EXPENSES				
Program Services:				
Legislative and educational activities	1,596,398	1,129,282	-	2,725,680
Advocacy and outreach	992,108	1,119,096	-	2,111,204
Young adult program	372,630	270,429	-	643,059
Total Program Services	2,961,136	2,518,807	-	5,479,943
Supporting Services:				
Management and general	719,055	467,195	-	1,186,250
Fundraising				
General	948,924	842,349	-	1,791,273
Total Fundraising	948,924	842,349	-	1,791,273
Total Supporting Services	1,667,979	1,309,544	-	2,977,523
TOTAL EXPENSES	4,629,115	3,828,351	-	8,457,466
Change in net assets from operations	(944,029)	(145,318)	-	(1,089,347)
NONOPERATING ACTIVITIES				
Investment income, net	147,651	1,050,418	-	1,198,069
Contributions to planned giving	-	172,113	-	172,113
Change in value of interest in planned giving agreements	-	(60,227)	-	(60,227)
CHANGE IN NET ASSETS	(796,378)	1,016,986	-	220,608
NET ASSETS, BEGINNING OF YEAR	5,789,342	24,959,134	-	30,748,476
NET ASSETS, END OF YEAR	$ 4,992,964	$ 25,976,120	$ -	$ 30,969,084

See independent auditors' report on supplementary information.