

TRUSTEES OF TRUST FUNDS OF THE
NORTH CAROLINA YEARLY MEETING OF FRIENDS
Greensboro, North Carolina

REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS

March 31, 2012

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

INDEX

Independent Auditor's Report

General Fund Exhibits

Statement of Assets, Liabilities and Net
Assets Arising from Cash Transactions

Exhibit A

Statement of Changes in Principal Funds

Exhibit B

Statement of Changes in Income Funds

Exhibit C

Notes to Financial Statements

Schedule of Principal Funds as to Beneficiaries

Schedule 1

Minister's Pension Fund

Schedule 2

Church Extension Fund

Schedule 3

Emmett C. Edgerton, Sr. Trust Fund

Schedule 4

July 6, 2012

INDEPENDENT AUDITOR'S REPORT

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends
Greensboro, North Carolina

We have audited the accompanying statement of assets, liabilities and net assets arising from cash transactions of the Trustees of Trust Funds of the North Carolina Yearly Meeting of Friends (A Nonprofit Organization), as of March 31, 2012, and the related statements of changes in Principal Funds and changes in Income Funds for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Trustees of Trust Funds of the North Carolina Yearly Meeting of Friends as of March 31, 2012, and the related statements of changes in fund balances for the year then ended, on the basis of accounting described in Note 1.

Councilman Farlow Marlowe & Co PLLC

Certified Public Accountants

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Statement of Assets, Liabilities and Net Assets
Arising from Cash Transactions
March 31, 2012

ASSETS

CASH

Cash in Bank	\$ 8,620.78
Cash in Brokerage Account – Charles Schwab	<u>39,664.58</u>

TOTAL CASH	<u>\$ 48,285.36</u>
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INVESTMENTS – AT COST

Bonds of Corporations (Market Value \$582,918.40)	\$ 655,782.55
Common Stocks (Market Value \$4,537,179.94)	<u>3,431,636.87</u>

TOTAL INVESTMENTS	<u>\$ 4,087,419.42</u>
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FIXED ASSETS

Computer	\$ 1,364.35
Accumulated Depreciation	<u>(1,364.35)</u>

TOTAL FIXED ASSETS	<u>\$ 0.00</u>
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TOTAL ASSETS	<u>\$4,135,704.78</u>
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LIABILITIES

CURRENT LIABILITIES

Distribution Payable	\$ <u>200,331.38</u>
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TOTAL LIABILITIES	<u>\$ 200,331.38</u>
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NET ASSETS

Permanently Restricted - Principal Funds	\$2,406,007.78
Temporarily Restricted - Income Funds	(561,312.05)
Temporarily Restricted - Contingency Reserves	<u>2,090,677.67</u>

TOTAL NET ASSETS	<u>\$3,935,373.40</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$4,135,704.78</u>
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See accompanying notes and independent auditor's report.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Statement of Changes in Principal Funds
For the year ended March 31, 2012

<u>Principal Fund Balance</u>	
Beginning of Year	\$2,400,141.85
<u>Additions</u>	
Existing Trust Funds	3,025.00
Transfers to Income Funds	<u>2,840.93</u>
<u>Principal Funds Balance</u>	
End of Year	<u>\$2,406,007.78</u>

See accompanying notes and independent auditor's report.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Statement of Changes in Income Funds
For the year ended March 31, 2012

<u>Income Funds Balance</u>	
Beginning of Year	\$ (162,043.45)
<u>Income</u>	
Gross Income from Investments	\$ 180,825.55
Net Loss on Sale of Investments	(262,890.87)
Management Fee Income	4,860.92
Total Income	<u>\$ (77,204.40)</u>
<u>Expenses</u>	
Business Manager Fee	\$ 27,900.00
Audit Fee	7,500.00
Fidelity Bond Expense	2,048.00
Office and Bookkeeping Expense	276.81
Taxes	565.54
Trade Fee	500.00
Total Expenses	<u>\$ 38,790.35</u>
<u>Transfer to Principal Funds</u>	<u>\$ 2,840.93</u>
<u>Funds Available for Distribution</u>	<u>\$ (280,879.13)</u>
<u>Distributions (By Activity)</u>	
Guilford College	\$ 3,154.04
Board of Christian Education	47.70
Missionary Committee	46,626.21
Evangelism and Outreach Committee	3,050.56
General Trust Fund Disbursements	2,830.70
Publications Board	1,935.44
Quaker Lake Operating Fund	9,814.46
Quaker Lake Development Fund	5,013.46
Maintenance Quaker Collection Room	1,059.04
Committee on Care of Yearly Meeting Records	309.83
Christian Vocations Committee	10,842.25
Quaker Lake Campership Fund	4,502.63
Church Extension Committee	62,660.09
Friends Home, Inc.	637.65
Young Friends Activities Committee	522.05
Undesignated Funds to Yearly Meeting Treasurer	41,549.87

See accompanying notes and independent auditor's report.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Statement of Changes in Income Funds
For the year ended March 31, 2012

Friends Disaster Service	763.27
Charles Norwood Memorial Trust	525.70
Building and Maintaining Meeting Houses	28,601.54
Cemetery Maintenance Funds	5,986.43
MOWA Choctaw Friends Center	<u>50,000.00</u>
Total Distributions	<u>\$ 280,432.92</u>
<u>Income Funds Balance</u>	
End of Year	<u>\$ (561,312.05)</u>

See accompanying notes and independent auditor's report.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Notes to Financial Statements
March 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Administrative Organization

Historically, the current group of Trust Funds have been a part of the North Carolina Yearly Meeting of Friends since 1881, established by gifts from individuals, while living or conveyed by will, as cash money, securities or real estate, the principal of which is held in trust by the Trustees of Trust Funds and managed by the committee of trustees so that earnings are directed to the purpose(s) designated by the donor(s). Trustees are appointed by the Yearly Meeting Nominating Committee and approved by the Representative Body Meeting of the Yearly Meeting to serve one or more seven-year terms. Composition of the Committee of Trustees is structured such that one member rotates off and another on each year. The Committee selects its own officers and presents a yearly financial report to the annual sessions of the Yearly Meeting. The Trustees of the Trust Funds operate under a fiduciary obligation to the beneficiaries.

Method of Accounting

The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles; consequently, revenues and the related assets, are recognized only when received and expenses are recognized when paid rather than when the obligation is incurred except liabilities that have been recorded to account for distributions to be made from current earnings. Accordingly, the financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of the resources available to the Trustees, the accounts of the Trust Funds are maintained in accordance with the principles of "fund accounting". Resources are classified for accounting and reporting purposes into funds which may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Investments

Investments in bonds and stocks are carried at cost, and gains and losses are recognized when investments are sold. The losses, which are realized from bond and stock sales, are split equally and recorded half to "Income Funds" and half to "Contingency Reserves". The gains realized are fully recognized in the year of sale.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Notes to Financial Statements
March 31, 2012

2. PRINCIPLE FUNDS

Permanently restricted net assets at March 31, 2012 and 2011 consist of an endowment funds established over the years to support programs and services of the NC Yearly Meeting. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the funds is to be expended for programs and services. In accordance with donor restrictions, contributions to the endowment funds are classified as permanently restricted net assets. The historic dollar value of those contributions must be maintained inviolate. Income from the funds are classified with temporarily restricted net assets until the purpose restriction is satisfied. When the purpose restriction is met, the net assets are reclassified to unrestricted net assets.

3. CONTINGENCY RESERVES

Changes in contingency reserves from the sales of investments for the year ended March 31, 2012 are detailed below:

Balance, April 1, 2011	\$ 2,410,008.04
Net Loss on Sale of Investments	<u>(319,330.37)</u>
Balance, March 31, 2012	<u>\$2,090,677.67</u>

Effective April 1, 1999, the Trustees elected to allocate gains and losses from sale of investments equally between income funds and contingency reserves. Prior to this date all gains and losses were retained in contingency reserves. The trustees have subsequently amended this policy to recognize all gains and continue to equally allocate losses from sale of investments between income funds and contingency reserves.

4. CONCENTRATION OF CASH

The Trustees of Trust Funds have some financial risk relating to cash balances on deposit at financial institutions which at various times exceeded the maximum amount insured by the FDIC.

5. DONATED SERVICES

The Trustees of Trust Funds prepared the financial statements on the modified cash basis of accounting. Accordingly, the value of donated service is not recorded.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Notes to Financial Statements
March 31, 2012

6. DISTRIBUTIONS

Beginning with the fiscal year ending March 31, 2008, the annual distribution will be four percent of the fair market value of investments of the previous fiscal year – except for distributions from the Dr. J. R. Williams Fund which are made on recommendations of the Evangelism and Executive Committees of the North Carolina Yearly Meeting of the Religious Society of Friends and for distributions for the Robert and Sarah Wilson Trust Fund which were made on recommendation from Robert and Sarah Wilson.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2012, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

July 6, 2012

Trustees of Trust Fund of the
North Carolina Yearly Meeting of Friends
Greensboro, North Carolina

Our report on our audit of the basic financial statements of the Trustees of Trust Fund of the North Carolina Yearly Meeting of Friends appears at the beginning of Report on Examination of Financial Statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statement taken as a whole. The schedules of Principal Funds as to Beneficiaries, Minister's Pension Fund, Church Extension Fund, Share the Blessing Fund, and Emmett C. Edgerton, Sr. Trust Fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Councilman Fawcett Maulsow & Co. PLLC
Certified Public Accountants

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Schedule of Principal Funds as to Beneficiaries
For the year ended March 31, 2012

Guilford College Funds	\$ 33,058.22
Mission Funds	488,700.89
Christian Education Board Funds	500.00
Quaker Collection Room Funds	11,100.00
Maintenance of Yearly Meeting Records	3,247.41
Repairing and Building Meeting House Funds	282,069.47
Evangelism and Outreach Funds	31,973.58
Quaker Lake Operating Funds	102,867.91
Quaker Lake Development Funds	57,977.15
Quaker Lake Campership Funds	47,243.07
Yearly Meeting Appropriation Funds	449,641.83
Ministerial Education and Training Funds	113,640.19
Church Extension Committee Funds	656,755.78
Friends Homes Inc. Funds	6,683.34
Young Friends Activities	5,471.71
Maintenance of Friends Cemeteries Funds	62,745.34
Robert & Sarah Wilson Trust Fund	18,536.07
Friends Disaster Service Fund	8,000.00
Publications	20,285.82
Charles Norwood Memorial Trust Fund	<u>5,510.00</u>
<u>Total Principal Funds</u>	<u>\$2,406,007.78</u>

See independent auditor's report on additional information.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Minister's Pension Fund
For the year ended March 31, 2012

<u>Fund Balance</u>	
Beginning of Year	\$ 2,341,077.82
<u>Income</u>	
Gain (Loss) on Sale of Investments	169,635.77
Income from Investments	59,267.73
<u>Transfers In</u>	
From Yearly Meeting	313,714.00
<u>Disbursements</u>	
Payment to Yearly Meeting for Pensions	244,937.96
Taxes	166.97
Management Fees	<u>6,068.84</u>
<u>Fund Balance</u>	
End of Year	<u>\$ 2,632,521.55</u>
<u>Assets</u>	
Cash in Money Market Account	\$ 47,663.85
Corporate Bonds and Stocks-at cost	<u>2,584,857.70</u>
Total Pension Fund Assets	<u>\$ 2,632,521.55</u>

The assets, fund balance, income and disbursements listed above are not included in the financial statements of the Trustees of Trust Funds of North Carolina Yearly Meeting of Friends.

The assets of Minister's Pension Fund are held by the Trustees of Trust Funds under instruction of the Representative Body of the North Carolina Yearly Meeting of Friends for the purpose of managing funds.

The market value of Corporate Bonds and Stocks at March 31, 2012 is \$2,736,878.57

See independent auditor's report on additional information.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Church Extension Fund
For the year ended March 31, 2012

<u>Fund Balance</u>	
Beginning of Year	\$ 183,818.36
<u>Income</u>	
Gain (Loss) on Sale of Investments	(23,068.74)
Interest Income on Loans	654.37
Income from Investments	5,266.38
<u>Disbursements</u>	
Miscellaneous	<u>150.51</u>
<u>Fund Balance</u>	
End of Year	<u>\$ 166,519.86</u>
<u>Assets</u>	
Cash	\$ 4,460.06
Corporate Bonds and Stocks – at cost	149,441.88
Loan – Marmac Friends	<u>12,647.92</u>
Total Assets	<u>\$ 166,519.86</u>

The assets, fund balance, income and disbursements listed above are not included in the financial statements of the Trustees of Trust Funds of the North Carolina Yearly Meeting of Friends.

The North Carolina Friends Extension Corporation was established to make loans to Monthly Meetings for new construction. This corporation was dissolved in 1996 with its assets being transferred to the Trustee of Trust Funds of the North Carolina Yearly Meeting of Friends. Administrative functions have been assigned to the Church Extension Committee.

The market value of Corporate Bonds and Stocks at March 31, 2012 is \$175,396.50. Restricted funds at March 31, 2012 for the Burlington Fund – Western Quarter amounted to \$21,074.29.

See independent auditor's report on additional information.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Emmett C. Edgerton, Sr. Trust Fund
For the year ended March 31, 2012

<u>Fund Balance</u>		
Beginning of Year		\$ 951,607.44
<u>Income</u>		
Income from Investments		36,663.79
Gain (Loss) Sale of Investments		(87,292.34)
<u>Disbursements</u>		
Management Fee		4,860.92
North Carolina Yearly Meeting of Friends		7,943.37
Salvation Army of North Carolina		6,354.70
Bethesda Monthly Meeting of Friends		4,766.02
American Friends Service Committee		3,177.35
Miscellaneous		<u>29.39</u>
	Total Disbursements	<u>27,131.75</u>
<u>Fund Balance</u>		
End of Year		<u>\$ 873,847.14</u>
<u>Assets</u>		
Cash – High Point Bank		\$ 1,071.22
Cash – TD Ameritrade		15,347.49
Corporate Bonds and Stocks – At Cost		<u>879,669.87</u>
	Total Assets	<u>\$ 896,088.58</u>
<u>Liabilities</u>		
Disbursements Payable		<u>\$ 22,241.44</u>
<u>Fund Balances</u>		
Principal Fund		\$ 522,629.95
Retained Fund		<u>351,217.19</u>
	Total Fund Balances	<u>873,847.14</u>
	Total Liabilities and Fund Balances	<u>\$ 896,088.58</u>

The assets, liabilities, fund balances, income and disbursements listed above are not included in the financial statements of the Trustees of Trust Funds of North Carolina Yearly Meeting of Friends.

See independent auditor's report on additional information.

Trustees of Trust Funds of the
North Carolina Yearly Meeting of Friends

Emmett C. Edgerton, Sr. Trust Fund
For the year ended March 31, 2012

Emmett C. Edgerton, Sr. Trust Fund is to provide funds to the North Carolina Yearly Meeting of Friends, the Salvation Army of North Carolina, the Bethesda Monthly Meeting of Friends, and the American Friends Service Committee. The principal of the account will be maintained as an endowment. Thirty percent (30%) of income from interest and dividends less fund expenses will be retained by the fund. The remainder will be distributed to the aforementioned organizations. Gains and losses from the sale of securities will be allocated to the Retained Fund of the Trust.

The market value of Corporate Bonds and Stocks at March 31, 2012 is \$1,027,031.80.

See independent auditor's report on additional information.