

# **NEW YORK YEARLY MEETING TRUST FUNDS**

## **Notes To Financial Statements**

**December 31, 2006**

### **Note 1 – Organization and Summary of Significant Accounting Policies**

The Trustees of the New York Yearly Meeting of the Religious Society of Friends are responsible for all business matters relating to property transactions including specific management of bequests and deeds of trusts received by the Yearly Meeting in a fiduciary capacity

All trust funds are invested in a common pooled fund, called the Unit Plan. See Note 3 for more information regarding the Unit Plan.

The New York Yearly Meeting Trust Funds' policy is to record investments at their fair market value in the statement of financial position and the related unrealized gain or loss is recorded in the statement of activity.

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

For purposes of the statements of financial position and cash flows, New York Yearly Meeting Trust Funds considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The New York Yearly Meeting is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a religious organization.

### **Note 2 – Investments**

All trust funds are generally invested in the Unit Plan (Note 3) that functions similar to a mutual fund and is a mechanism for equitable allocation of income, realized and unrealized gains and losses (Note 6 and 7) to the individual funds within the Trust Funds.

The change in fair market value for 2006 compared to 2005 resulted an increase or decrease to the net assets of Trust Fund Unit Plan. Shares in the Unit Plan will increase if new bequests or contributions are received and added to the Trust Fund Unit Plan value. The number of shares will decrease when shares and corresponding share value are liquidated. Increase or decrease in fair market value of the Trust Fund Unit Plan is reflected as an increase or decrease in share values (Note 3). Investment in marketable securities with readily determinable fair values is reflected in the statement of financial position as realized and/or unrealized gains or losses in investments not previously recognized.

Unit Plan net assets will decrease when the quarterly "Declared Distribution to Beneficiaries" is declared by the New York Yearly Meeting Trustees. This declaration represents a liability to be paid from the Unit Plan net assets (Note 3) to designated beneficiaries and administrative fund.

### **Note 3 – Unit Plan**

The assets and liabilities of the Unit Plan at December 31, 2006 are:

Total assets		\$ 5,701,006
Less: Accounts payable	( 3,000)	
Declared distribution payable to all beneficiaries (Note 4)	<u>(206,637)</u>	
Total liabilities		<u>(209,637)</u>
Net assets owned by trusts in the Unit Plan		**\$ 5,491,369
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Unit Plan Shares	77,665 shares	
Net asset value per share	\$70.71/share	

\*A quarterly "Declared Distribution to Beneficiaries" is recorded by the New York Yearly Meeting Trustees as a liability to be paid from the net assets of the Trust Fund Unit Plan. The declared annual "Distribution to Beneficiaries" for year 2006 was \$2.86 per share, which was payable to all beneficiaries including regular and non-regular beneficiaries.

\*\*Unit plan net assets under management include:

Montclair Monthly Meeting	\$ 511,867
Ruth and Charles Perera Fund	26,133
Hartland Monthly Meeting	46,373
New Brunswick Meeting	26,611
Lindley Murray Fund	814,072
Cornwall Meeting	107,138
General Fund	<u>14,232</u>
Funds under management	(1) 1,546,426
All other Trust Funds	(2) <u>3,944,943</u>
Total Unit Plan Net Assets	\$5,491,369
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- (1) Trust Funds under management belong to specific meeting groups, committees and appropriate Trustees that have requested professional management of funds owned by these meeting groups, committees and other funds.
- (2) Donor Trust Funds that designate NYYM Trustees to act with fiduciary and administrative responsibility for trust funds with regard to specific bequests.

### **Note 4 – Declared Distribution to Regular and Non-Regular Beneficiaries**

Declared distributions are paid or accrued to appropriate designated regular and non-regular beneficiaries for specified purposes as defined by each trust. However, for trusts defined as non-regular beneficiaries, distribution is administered directly by the Treasurer of NYYM Trust Funds as specific requests are received. These funds are classified as "Accumulated Distributions held for Assigned Purposes" for non-regular beneficiaries.

Declared distribution payable to beneficiaries have been divided into 2 components (Note 3):

1. Current declared distribution payable to regular beneficiaries for the 4<sup>th</sup> quarter total \$41,096 that is payable to the designated regular beneficiaries on December 31, 2006. The total \$41,096 was paid on April 15, 2007.

#### **Note 4 – Declared Distribution to Regular and Non-Regular Beneficiaries...Continued**

2. Accumulated distributions held for specified purposes are payable to non-regular beneficiaries and are separated into four subclasses, where the accumulated distributions payable at December 31, 2006 have not been paid.
  - a) Accumulated distributions held for specified purposes payable to non-regular funds represent the unpaid distributions to be paid to designated non-regular beneficiaries. The \$58,113, or any part thereof, will be approved and released by the Yearly Meeting Trustees, specific committees and regions as requests are made in accordance with the terms of the individual Trusts. The 4<sup>th</sup> quarter declaration of \$6,058 to trust funds for non-regular beneficiaries is included in the \$58,113.
  - b) Accumulated distributions payable to Lindley Murray Fund totaling \$35,255 represents the portion of the \$2.86 declared distribution payable to all trust fund participants in the Unit Plan. The payments to beneficiaries are made in accordance with the terms of the Trust as approved by the Trustees of Lindley Murray and has been classified as a non-regular fund. The 4<sup>th</sup> quarter declared distribution totaled \$8,232 payable to Lindley Murray beneficiaries is included in the \$35,255.
  - c) Deferred administrative revenue has a component classified as accumulated unit plan distributions payable to the Administrative and General Funds (based on Unit Plan shares owned). The second component represents an annual addition of a quarter of 1% of the Unit Plan added to accumulated Unit Plan distributions previously described and totaled \$8,181 at December 31, 2006. The \$8,181 represents the commitment payable to be matched with authorized administrative expenditures and classified as deferred administrative revenue (Note 8).

#### **Note 5 – Net Assets – Unrestricted, Temporarily and Permanently Restricted**

Unrestricted net assets represent amounts available for general management and support expenses without restrictions. The General Fund totaling \$14,232 has been classified as unrestricted net assets available for additional general expenditures. Usage of the 201 shares of General Fund to cover authorized expenditures over and above the accumulated distribution payable will result in a decrease in shares and net asset value of the General Fund Trust.

Temporarily restricted net assets represent amounts available for future declared distributions to trust beneficiaries subject to conditions to be completed, performed or the expiration of a specific event, etc. These net assets are not expended until the New York Yearly Meeting (NYYM) Trustees, Lindley Murray Trustees, committees, specific regional or monthly meeting groups authorize an amount in the form of a “Declared distribution to beneficiaries”. The value of temporarily restricted net assets (\$4,774,369) is subject to fair market value fluctuations, which can result in a change in fair market value of marketable securities at the end of the calendar year.

Permanently restricted net assets value was determined as of 1973, totaling \$702,768 and defined for present purposes as an endowment with a fixed value to be maintained and invested in perpetuity. The amount referred to was reached without research into the existence of/or absence of restrictions on distribution of principals. Such research could result in a decrease in the determined total of \$702,768.

#### **Note 6 – Realized Gain on Investments - Net**

Net realized gain on investments totaling \$191,678 represent the 2006 sale of marketable securities less the purchase cost and adjusted for prior year unrealized gain or losses.

#### **Note 7 – Unrealized Gain on Investments - Net**

Net unrealized gain totaling \$400,994 represents the net increase in the fair market value of marketable securities during year 2006 when compared to prior year's (December 31, 2005) fair market value. Unrealized gain is defined as transactions that have not occurred as consummated sales of marketable securities but has occurred as an increase in the year-end fair market value of specific marketable securities. When the original cost of marketable securities is in excess of December 31, 2006 fair market value, the excess is classified as an unrealized loss. When securities are actually sold, this date defines when the marketable security will be recognized as a realized gain or loss (Note 6).

#### **Note 8 – Recognition of Administrative Revenue**

Deferred administrative revenue totaling \$6,745 were recognized as realized by matching the authorized administrative expenses incurred for insurance, audit fees and other expenses that were funded and classified as designated commitment liabilities (deferred administrative revenue (Note 4(c))).

#### **Note 9 – Commitments and Contingencies**

Real estate properties are owned and leased in Yorktown Heights, New York and Monkton Ridge, Vermont. Value of lease is nominal \$1 and lease periods are in perpetuity. Operating expenses including repairs and maintenance for each property is under the responsibility of the Tenants. Title to property in Vermont is being researched. Management believes that liability insurance coverage held by New York Yearly Meeting and coverage held by the tenants are adequate to handle any contingent liabilities.