FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

FINANCIAL REPORTS
JUNE 30, 2020 AND 2019

FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fellowship of Reconciliation, Inc. and Affiliates
Nyack, New York

We have audited the accompanying consolidated financial statements of the Fellowship of Reconciliation, Inc. and Affiliates (a nonprofit organization, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits. We conducted our audits 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
February 12, 2021

THE FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019
ASSETS		
Cash	$ 554,126	$ 74,697
Contributions receivable	703,816	15,000
Other receivables	824	865
Prepaid expenses and other current assets	15,721	6,422
Investments	1,572,115	1,630,355
Investments held in charitable remainder trusts	311,175	350,632
Investments held in charitable gift annuities	1,032,193	1,104,995
Investments - restricted escrow	208,670	205,428
Fixed assets, net	26,466	23,092
Beneficial interest in perpetual trust	21,367	-
Total Assets	$ 4,446,473	$ 3,411,486
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 40,505	$ 65,255
Accrued expenses	7,871	10,263
Liabilities under charitable remainder trusts	148,851	170,644
Liabilities under charitable gift annuities	804,253	885,059
Paycheck protection program loan	48,582	-
Line of credit	-	20,000
Demand loans payable	89,200	90,700
Total Liabilities	1,139,262	1,241,921
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	2,715,822	1,559,897
With donor restrictions	591,389	609,668
Total Net Assets	3,307,211	2,169,565
Total Liabilities and Net Assets	$ 4,446,473	$ 3,411,486

See accompanying notes to consolidated financial statements.

THE FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Contributions	$ 331,459	$ 25,419	$ 356,878	$ 418,376	$ 15,959	$ 434,335
Bequests	1,352,129	-	1,352,129	73,813	-	73,813
Investment return, net	91,165	(12,824)	78,341	120,888	6,968	127,856
Miscellaneous income	9,306	-	9,306	10,257	-	10,257
Change in value of charitable remainder trusts	2	(17,666)	(17,664)	1	(5,437)	(5,436)
Change in value of charitable gift annuities	28,603	(18,074)	10,529	37,423	(9,106)	28,317
Change in value of beneficial interest in assets held by others	-	4,866	4,866	-	-	-
Gain on sale of property	-	-	-	4,000	-	4,000
Total support and revenues	1,812,664	(18,279)	1,794,385	664,758	8,384	673,142
EXPENSES:						
Program	405,224	-	405,224	505,280	-	505,280
Management and general	137,721	-	137,721	147,930	-	147,930
Fundraising	113,794	-	113,794	224,756	-	224,756
	656,739	-	656,739	877,966	-	877,966
CHANGE IN NET ASSETS	1,155,925	(18,279)	1,137,646	(213,208)	8,384	(204,824)
NET ASSETS, BEGINNING OF YEAR	1,559,897	609,668	2,169,565	1,773,105	601,284	2,374,389
NET ASSETS, END OF YEAR	$ 2,715,822	$ 591,389	$ 3,307,211	$ 1,559,897	$ 609,668	$ 2,169,565

See accompanying notes to consolidated financial statements.

THE FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30,							
	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Professional fees	$ 101,137	$ 84,072	$ 12,000	$ 197,209	$ 149,586	$ 97,618	$ 112,812	$ 360,016
Payroll and related expenses	153,945	37,421	60,464	251,830	151,357	38,280	58,003	247,640
Program expenses	48,218	-	-	48,218	58,312	-	-	58,312
Office and administrative expenses	37,320	7,946	23,183	68,449	23,273	5,039	24,225	52,537
Software and publications	13,016	2,228	8,009	23,253	23,013	3,376	23,557	49,946
Travel and entertainment	9,741	257	771	10,769	44,510	-	656	45,166
Contributions	18,000	-	-	18,000	41,000	-	-	41,000
Occupancy expense	18,769	4,562	7,372	30,703	10,140	2,577	3,921	16,638
Depreciation	5,078	1,235	1,995	8,308	4,089	1,040	1,582	6,711
	$ 405,224	$ 137,721	$ 113,794	$ 656,739	$ 505,280	$ 147,930	$ 224,756	$ 877,966

See accompanying notes to consolidated financial statements.

THE FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,137,646	$ (204,824)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	8,308	6,711
Actuarial change in annuities and trusts	19,644	77,926
Gain on investments and reinvested income	(87,955)	(228,647)
Proceeds from donated investments	(7,245)	(19,917)
Contribution of beneficial interest in perpetual trusts	(16,501)	-
Change in value of beneficial interest in perpetual trust	(4,866)	-
Gain on sale of fixed assets	-	(4,000)
Changes in operating assets and liabilities:		
Contributions receivable	(688,816)	5,500
Other receivables	41	2,418
Prepaid expenses and other current assets	(9,299)	49,097
Deposits to escrow	-	200,100
Accounts payable	(24,750)	1,909
Accrued expenses	(2,392)	1,742
Net cash flows from operating activities	323,815	(111,985)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	(11,682)	(12,948)
Proceeds from sale of assets held for sale	-	4,000
Purchases of investments	-	(1,229,507)
Purchases of investments - charitable gift annuities	-	(1,876)
Proceeds from sale of investments	140,214	63,605
Proceeds from sale of investments - charitable remainder trusts	13,078	18,787
Proceeds from sale of investments - charitable gift annuities	109,165	119,115
Purchases of investments - restricted escrow	-	(193,702)
Net cash flows from investing activities	250,775	(1,232,526)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries - charitable remainder trusts	(13,078)	(18,787)
Payments to beneficiaries - charitable gift annuities	(109,165)	(119,115)
Charitable gift annuities received	-	1,875
Line of credit (payments) drawdowns, net	(20,000)	20,000
Paycheck protection program loan proceeds	48,582	-
Payment of demand loans	(1,500)	-
Net cash flows from financing activities	(95,161)	(116,027)
NET CHANGE IN CASH	479,429	(1,460,538)
CASH, BEGINNING OF YEAR	74,697	1,535,235
CASH, END OF YEAR	$ 554,126	$ 74,697
SUPPLEMENTAL CASH FLOW INFORMATION:		
INTEREST PAID	$ 1,945	$ 193
DONATED INVESTMENTS	$ 7,245	$ 19,917
CONTRIBUTIONS RECEIVED UNDER PERPETUAL TRUSTS	$ 16,501	$ -

See accompanying notes to consolidated financial statements.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies:

Nature of the Organizations **-** The Fellowship of Reconciliation, Inc. (“FOR”), and Friends of Fellowship of Reconciliation, Inc. (“Friends of FOR”) were formed in New York in 1915 and 2001, respectively, as non-profit organizations. Their purpose is to explore the use of love and truth for resolving human conflict, achieving world peace, elimination of poverty and expansion of human rights. These goals are accomplished primarily through national and international programs and editorial outreach.

Fellowship of Reconciliation Holding Co., Inc. (“FOR Holding”) was formed as a non-profit organization, incorporated pursuant to the Religious Corporations Law of the State of New York, whose purpose is to provide a center for FOR.

FOR sponsors various local groups and organizations. These organizations are not included in the consolidated financial statements since FOR does not have a controlling financial interest, or economic interest and does not have control through a majority voting interest in the local group or organization’s board of directors/trustees.

Principles of Consolidation **-** The consolidated financial statements include the accounts of FOR, Friends of FOR and FOR Holding (collectively referred to as the “Organization”). The entities are consolidated based on control and economic interest.

The financial position and results of operations presented in the accompanying consolidated financial statements do not represent those of a single legal entity. All intercompany transactions and accounts have been eliminated in consolidation.

Cash and Credit Risk **-** Cash is maintained in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (“FDIC”) of up to $250,000 each. At times, these balances may exceed the FDIC limits; however, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risks with respect to these balances.

Cash and equivalents, which includes money market funds and all other highly liquid short-term investments purchased with maturities of three months or less and managed by the Organization's investment managers, are part of the Organization's long-term investment strategies and are included in investments (see Note 3).

Investments **-** Investments are stated at fair value based upon quoted market values. Interest and dividends and realized and unrealized gains and losses, if any, are reported as investment income, net of related expenses, in the consolidated statement of activities and changes in net assets. Investment return is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Purchases and sales of investments are recorded on a settlement date basis. The cost of securities sold is determined using the specific identification method. Investments are reviewed annually for impairment. Management has determined there are no other than temporary losses as of June 30, 2020 and 2019.

Dividends and interest are recognized as earned. Net realized gains or losses and changes in net depreciation in fair value are determined by comparing cost to proceeds and fair market value, respectively. Gains and losses on sales of securities are recorded in the consolidated statements of activities and changes in net assets in the period in which the securities are sold.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies (continued):

The investments are protected by the Securities Insurance Protection Corporation ("SIPC"), which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to $500,000 for securities and $250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

Investments Held in Charitable Remainder Trusts ("CRUTS") and Related Liabilities - The Organization acts as trustee, or has been named as successor trustee, for various charitable remainder unitrusts. These trusts are governed by their respective written agreements, which provide for the assets to become the property of the Organization, in whole or in part. Accordingly, the assets of such trusts, are reflected in the accompanying consolidated statements of financial position of the Organization at fair value with a related liability (liabilities under charitable remainder trusts) at net present value of the estimated future cash flows to be distributed to certain beneficiaries over their expected lives or for a specified period, and the difference recognized as contributions in the year the assets were initially transferred.

The Organization discharges its fiduciary duties pursuant to these agreements under the direction of the Board of Directors and management. Generally, any trust assets held by the Organization are held in the name of the Organization as trustee for a particular trust and the trusts are administered by an investment manager. The Organization has determined the liabilities using investment returns consistent with the composition of the investment portfolios, life expectancies using mortality tables published by the Internal Revenue Service ("IRS") and risk adjusted rates, ranging from 6% to 10%, applicable in the years in which the agreements were entered into. The liabilities are evaluated annually and any change in the present value is recognized as a change in value of charitable remainder trusts on the consolidated statements of activities and changes in net assets. Upon termination of the trust or agreement, the remainder of the assets are paid to any named beneficiaries and to the Organization for its unrestricted use.

***Investments Held in Charitable Gift Annuities and Related Liabilities* -** Under charitable gift annuity contracts, the Organization receives irrevocable title to the contributed assets and agrees to make fixed period payments over various periods, generally the life of the donor. Contributed assets are recorded at fair value at the date of receipt and a liability is established for the present value of future annuity payments. Net present values are calculated using mortality tables published by the IRS and the applicable federal discount rate at the date of the gift. The assets to fund these liabilities are maintained in a separate and distinct fund managed by an investment manager and are invested in accordance with applicable state laws and reserve requirements. The State of California has imposed investment restrictions, specifically, limiting equities to comprise up to 50% of reserve fund, including mutual funds. As of June 30, 2020 and 2019, the Organization's reserves totaling $942,745 and $1,041,623, respectively, were calculated following New York and California reserve requirements. In addition to these assets, the Organization set aside an additional gift annuity reserve of $89,448 and $63,372 as of June 30, 2020 and 2019, respectively, which is reported as investments held for charitable gift annuities on the consolidated statements of financial position. Any actuarial gain or loss resulting from the computation of the liability for the present value of future annuity payments is recorded as a change in value of charitable gift annuities without donor restrictions on the consolidated statements of activities and changes in net assets. Upon termination of the annuity contract, the remaining liability is recognized as a change in value of charitable gift annuities on the consolidated statements of activities and changes in net assets and the asset account is transferred to the Organization's unrestricted investment account.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies (continued):

Fixed Assets - The Organization capitalizes all acquisitions in excess of $2,000 at cost, if purchased and at fair market value on the date of donation, if donated. When fixed assets are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets. Estimated useful lives are as follows:

Website and software redesign	5 years
Furniture and equipment	3 - 5 years

Repairs and maintenance costs are expensed as incurred while major renewals and betterments are capitalized. When assets are disposed of, the assets and related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations.

Beneficial Interests in Perpetual Trust Held by Others **-** The Organization has been named as an irrevocable beneficiary in a perpetual trust held and administered by an independent trustee. Under the terms of the trust, the Organization has the right to receive its portion of the income earned on the trust assets in perpetuity, but never receive the assets held in trust. At the date the Organization received notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and changes in net assets, and underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities and changes in net assets.

Long-Lived Assets **-** The Organization evaluates all long-lived assets for impairment. Long-lived assets and intangible assets, other than goodwill, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value and is charged to expense in the period of impairment. At June 30, 2020 and 2019, management has determined that these assets are not impaired.

Paycheck Protection Program Loan - In April 2020 the Organization applied for and received funding for a Paycheck Protection Program ("PPP") loan totaling $48,582 under the U.S. Small Business Administration ("SBA"), which is part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), enacted on March 27, 2020. Under the terms of the PPP, up to 100% of the principal and accrued interest may be forgiven if certain criteria are met and the loan proceeds are used for qualifying expenses such as payroll costs, benefits, rent, and utilities as described in the CARES Act. The loan accrues interest at a rate of 1% and any portion of the principal and interest that is not forgiven is required to be paid. The Organization's policy is to account for the PPP loan as debt until either (1) the loan is partially or entirely forgiven and the debtor has been legally released, at which point the amount forgiven would be recorded into income or (2) the Organization pays off the loan.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies (continued):

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions, Contributions Receivable and Revenue - Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions receivable primarily represents unconditional promises to give arising from bequests that were received in full subsequent to June 30, 2020. Contributions receivable are evaluated by management on an annual basis for collectability based on history of payments, write-offs and the Organization's relationships with its contributors. All contributions receivable are expected to be collected within one year therefore no provision has been made for uncollectible amounts.

Miscellaneous income consists of program and special projects, bookstore sales and rental income and is recognized when earned.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of estimated time and effort. Other expenses are allocated on the basis of direct costs.

Estimates and Uncertainties - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies (continued):

Income Taxes **-** FOR and Friends of FOR are recognized by the IRS as organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). FOR Holding is recognized by the IRS as an organization exempt from income tax under Section 501(c)(2). Accordingly, the Organization has made no provision for Federal or State Income taxes in the accompanying consolidated financial statements. The Organization has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a)(1) of the IRC.

Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax ("UBIT"). Management has determined that the Organization had no activities subject to UBIT in the years ended June 30, 2020 and 2019. All significant tax positions have been considered by management, and it has been determined that all tax positions would be sustained upon examination by taxing authorities. FOR, Friends of FOR and FOR Holding are required to file form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the IRS up to three years from the extended due date of the tax return. The forms 990 for 2017 through 2019 are open to examination by the IRS as of June 30, 2020.

Newly Adopted Accounting Pronouncement **-** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective approach for all periods presented or a modified retrospective approach through a cumulative-effect adjustment directly to net assets as of the beginning of the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date one year for entities that have not yet issued their financial statements, making it effective for annual reporting periods beginning after December 15, 2019. The Organization early adopted ASU 2020-05 using the modified retrospective approach. Analysis of various provisions of this standard resulted in no material changes in the way the Organization recognizes revenue, and therefore, there is no cumulative impact on the Organization's financial position, net income, and cash flows. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, the FASB issued ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)." The amendments in this standard clarifies and improves guidance concerning 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the Topic 958, Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance and 2) determining where the contribution is conditional. This ASU is effective for annual periods beginning after December 15, 2018 and has been applied on a modified prospective basis. The impact to revenues from adoption of Topic 605 for the year ended June 30, 2020 was not material.

Recently Issued Accounting Pronouncements **-** In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which replaces the existing guidance in ASC 840 - Leases. This ASU requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases, the lessee would recognize a straight-line total lease expense. This ASU is effective for fiscal years beginning after December 15, 2021. The requirements of this standard include a significant increase in required disclosures. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

Note 1 - Nature of the Organizations and Summary of Significant Accounting Policies (continued):

Reclassifications **-** Certain prior period amounts have been reclassified for consistency with the current year presentation. These reclassifications had no impact on the change in net assets or on total net assets.

Subsequent Events **-** Management has reviewed and evaluated all events and transactions from June 30, 2020 through February 12, 2021, the date that the consolidated financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the consolidated statement of financial position date have been recognized in the accompanying consolidated financial statements.

In early 2020, the worldwide coronavirus pandemic that causes COVID-19 spread to the United States and caused significant business disruption in the area in which the Organization operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The Organization is closely monitoring its investment portfolio and liquidity and is actively working to minimize the impact of these declines. Given the uncertainty related to COVID- 19, management cannot reasonably estimate the overall impact on the Organization's consolidated financial statements related to these matters.

Note 2 - Liquidity and Availability:

Management regularly monitors the availability of resources required to meet its operating needs. As part of management's liquidity plan, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenses over a 12-month period, management considers all expenses related to its ongoing activities. Financial assets available for general expense, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	June 30	
	2020	2019
Available financial assets at year-end:		
Cash	$ 554,126	$ 74,697
Contributions receivable	703,816	15,000
Other receivables	824	865
Investments	1,572,115	1,630,355
Total available financial assets at year-end	2,830,881	1,720,917
Less: amounts not available for general expenses:		
Program-related restrictions (Note 8)	(233,888)	(234,250)
Donor-restricted endowment (Note 8)	(35,322)	(38,866)
Total financial assets available to meet general expenses over the next twelve months	$ 2,561,671	$ 1,447,801

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses. If the need arises, the Organization has access to a $100,000 line of credit (see Note 7).

FELLOWSHIP OF RECONCILIATION, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Investments:

The fair value of the Organization's investments consisted of the following:

	June 30, 2020				
	Investments	CRUTS	Charitable Gift Annuities	Investments - Restricted Escrow *	Total
Money market	$ 2,520	$ 3,179	$ 72,342	$ 3,003	$ 81,044
Cash	13,343	-	-	35,093	48,436
Mutual funds - fixed income	207,927	156,883	555,852	86,398	1,007,060
Mutual funds - equities	793,247	151,113	359,786	-	1,304,146
Exchange - traded funds	100,766	-	-	-	100,766
Other assets - LPs and REITs	124,341	-	-	-	124,341
U.S. government bonds	329,971	-	-	84,176	414,147
Real estate asset funds	-	-	44,213	-	44,213
Total	$ 1,572,115	$ 311,175	$ 1,032,193	$ 208,670	3,124,153
Beneficial interest in perpetual trust					21,367
					$ 3,145,520

	June 30, 2019				
	Investments	CRUTS	Charitable Gift Annuities	Investments - Restricted Escrow *	Total
Money market	$ 27,423	$ 2,379	$ 31,130	$ -	$ 60,932
Cash	10,777	-	-	329	11,106
Mutual funds - fixed income	99,421	-	543,055	97,771	740,247
Mutual funds - equities	914,740	348,253	380,506	24,353	1,667,852
Exchange - traded funds	176,918	-	-	-	176,918
Other assets - LPs and REITs	76,421	-	-	-	76,421
U.S. government bonds	324,655	-	94,718	82,975	502,348
Real estate asset funds	-	-	55,586	-	55,586
Total	$ 1,630,355	$ 350,632	$ 1,104,995	$ 205,428	$ 3,291,410

* See Note 5

Note 4 - Fair Value Measurements - Recurring:

FASB Accounting Standards Codification ("ASC") 820, Fair Value Measurements FASB ASC 820, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used since the prior year.

- *Money Market Funds* - Valued at the closing price reported from an actively traded exchange.
- *Mutual Funds - equities and fixed income, exchange - traded funds, other assets - LPs and REITs, U.S. government bonds and real estate asset funds*: Valued at the closing price reported on the active market in which the mutual fund or real asset fund is traded.
- *Beneficial Interest in Perpetual Trust* – Valued using fair market value of fund investments as reported by third party.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4 - Fair Value Measurements - Recurring (continued):

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	June 30, 2020			
		Fair Value Measurements Using:		
	Total	Quoted Prices in Active (Level 1)	Significant Other (Level 2)	Significant (Level 3)
Money market	$ 81,044	$ 81,044	$ -	$ -
Cash	48,436	48,436	-	-
Mutual funds:				
Fixed income	1,007,060	1,007,060	-	-
Equities	1,304,146	1,304,146	-	-
Exchange - traded funds	100,766	100,766	-	-
Other assets - LPs and REITs	124,341	124,341	-	-
U.S. government bonds	414,147	414,147	-	-
Real estate asset funds	44,213	44,213	-	-
Beneficial interest in perpetual trust	21,367	-	-	21,367
Total	3,145,520	3,124,153	-	21,367

	June 30, 2019			
		Fair Value Measurements Using:		
	Total	Quoted Prices in Active (Level 1)	Significant Other (Level 2)	Significant (Level 3)
Money market	$ 60,932	$ 60,932	$ -	$ -
Cash	11,106	11,106	-	-
Mutual funds:				
Fixed income	740,247	740,247	-	-
Equities	1,667,852	1,667,852	-	-
Exchange - traded funds	176,918	176,918	-	-
Other assets - LPs and REITs	76,421	76,421	-	-
U.S. government bonds	502,348	502,348	-	-
Real estate asset funds	55,586	55,586	-	-
Total	3,291,410	3,291,410	-	-

Note 4 - Fair Value Measurements - Recurring (continued):

Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
Beneficial Interest in Perpetual Trust		
		June 30, 2020
Balance, at beginning of year	$	-
Contributions		16,501
Investment return, net		4,866
Balance, at end of year	$	21,367

Note 5 - Restricted Funds:

In connection with the sale of the New York location in April 2018, the Organization was required under the Religious Corporations Law of the State of New York, to make an original deposit of $200,000 to establish a segregated escrow account for the purpose of renting and moving into a new location.

Note 6 - Fixed Assets:

Fixed assets are comprised of the following:

	June 30,			
		2020		2019
Website and software redesign	$	21,800	$	15,000
Furniture and equipment		35,579		30,696
		57,379		45,696
Less: accumulated depreciation		30,913		22,604
Fixed assets, net	$	26,466	$	23,092

Depreciation expense totaled $8,308 and $6,711 for the years ended June 30, 2020 and 2019 respectively.

Note 7 - Commitments:

Demand Loans Payable - All demand loans made to the Organization are non-interest bearing and carry no restrictions as to the use of the funds.

Line of Credit - The Organization has an existing unsecured line of credit with a bank for $100,000, which has no expiration date and bears interest at a rate of 5.50%. The Organization owed $0 and $20,000 towards this line of credit, as of June 30, 2020 and 2019, respectively.

Profit Sharing (401K) Plan - Effective July 1, 2008, the Organization adopted a profit sharing 401(k) defined contribution plan. The Organization will contribute 4% of an employee's compensation and match up to an additional 3% of an employee's contribution into the plan. For the years ended June 30, 2020 and 2019, the Organization contributed $12,236 and $7,707, respectively, which is reported under payroll and related expenses on the consolidated statements of functional expenses.

Note 7 - Commitments (continued):

Lease - The Organization leased office space under an operating lease agreement on a month-to-month basis with an unrelated party. Rent expense is included with occupancy expense on the consolidated statements of functional expenses and amounted to $23,038 and $12,987 for 2020 and 2019, respectively.

Note 8 - Net Assets with Donor Restrictions:

Net assets with donor restrictions are available for the following purposes:

	June 30, 2020	June 30, 2019
Restricted by Purpose:		
Charitable remainder trusts	$ 162,321	$ 179,987
Charitable gift annuities	138,491	156,565
Program - related	233,888	234,250
	534,700	570,802
Endowments (see Note 10):		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Peace and justice library	45,000	45,000
Underwater endowment	(9,678)	(6,134)
	35,322	38,866
Beneficial interest in perpetual trusts:	21,367	-
Total	$ 591,389	$ 609,668

Note 9 - Endowment Funds:

The Organization maintains one donor-restricted fund whose purpose is to provide long-term support for its charitable programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The National Council of the Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original fair value of the initial and subsequent gift amounts gifts donated to the endowment, (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Note 9 - Endowment Funds (continued):

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

1. The duration and preservation of the fund;
2. The purpose of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the organization;
7. Where appropriate and circumstances would otherwise warrant, alternative to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; and
8. The investment policy of the organization

Endowment Net Asset Composition by Type of Fund as of:

	June 30,	
	2020	2019
	With Donor Restrictions	
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 45,000	$ 45,000
Accumulated investment losses	(9,678)	(6,134)
Endowment funds	$ 35,322	$ 38,866

Changes in Endowment Net Assets for:

	Year Ended June 30,	
	2020	2019
	With Donor Restrictions	
Endowment net assets, beginning of year	$ 38,866	$ 36,830
Investment return, net	(3,544)	2,036
Endowment net assets, end of year	$ 35,322	$ 38,866

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration, creating an "underwater" endowment. In accordance with GAAP, deficiencies of this nature are reported as reductions in net assets without donor restrictions. As of June 30, 2020 and 2019, the Organization had one fund with underwater deficiencies totaling $9,678 and $6,134, respectively.

Note 9 - Endowment Funds (continued):

Investment and Spending Policies - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to its charitable programs supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted funds the Organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested per the board of directors' direction with assistance from outside, objective financial professionals at a moderate level of risk to maintain purchasing power and grow its base prudently. The Organization expects its endowment funds over time, to provide an average rate of return in excess of its annual appropriation for expenditure. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.