

Report of the Western Quarterly Meeting Audit Committee

13th day, 11th month, 2013

Richard Wortmann, representing the audit committee, Ariana Langford, treasurer and Diane DiRocco, bookkeeper, met on the 8th day, 11 month, 2013 for purposes of performing an annual review of the financial records of Western Quarterly Meeting for the year ended June 30, 2013.

The annual review included examining bank statements, investment account statements, and invoices to support amounts reported in the Western Quarter's financial statements, comprising a balance sheet and income statement.

In our review we noted that transactions relating to activity in the Friends Fiduciary Account had not been recorded. These amounts related to recognition of changes in the fair value of the investments, additional contributions to the investment account in the amount of \$114,000 by the Pennsgrove Property Committee and one re-invested dividend transaction in the amount of \$2,945.62 for the benefit of the Pennsgrove Property Committee investments. At the time of our review, the Friends Fiduciary Account statements were not available for the quarters ended December 31, 2012, March 31, 2013 and June 30, 2013. Subsequent to the meeting the statements were provided.

We also noted the last covenant payment to the Philadelphia Yearly Meeting ("PYM"), in the amount of \$23,281.89, was not recorded in the financial statements. This payment was initiated prior to June 30, 2013 and cleared the bank on July 1, 2013.

We reviewed the invoices for significant disbursements; however, one invoice in the amount of approximately \$2,100, payable to Guide One for business insurance could not be located. In order to gain comfort in the amount of the payment, we reviewed the expenses for the prior three years and noted that the current year amount appeared consistent with the prior year expenses.

The income statement provided at the meeting reflected net income in the amount of \$379.50. After adjusting net income for the unrecorded PYM covenant, change in fair value of investments and additional dividends that were reinvested Western Quarterly Meeting will report a net loss of \$6,503.41

The Committee was concerned about the amount of the loss and performed a further evaluation of the activity to determine the cause. We noted that the loss was primarily caused by the covenant payments to PYM. On July 6, 2012 the Quarter recorded a covenant payment of \$37,853.61 to PYM for the 4th quarter 2012 (period ending June 30, 2012). As a result, under the cash basis of accounting used by the Quarter, there were extra payments reflected in the current year for PYM. We also noted that there were late Monthly Meeting Covenant income as of June 30, 2013 totaling \$17,800 of which \$10,600 was designated for the PYM Covenant; however, in comparing actual current year PYM payments to the budgeted amounts we noted that only \$7,045 was still due to PYM at June 30, 2013.

We further analyzed the net loss for the period and broke it down between operating and non-operating activities, as follows:

Net income as reported prior to examination	\$ 379.50
Additional covenant payment to PYM	(23,281.89)
Adjust fair value of investments	13,453.61
Additional dividends (re-invested)	2,945.62
<u>Net loss as adjusted by examination</u>	<u>\$ (6,503.16)</u>
Quarterly Meeting Operating Activity	\$ (28,479.98)
Change in FV of investments	19,031.20
Reinvested dividends attributable to Pennsgrove	2,945.62
<u>Net Loss</u>	<u>\$ (6,503.16)</u>

As noted above, the actual PYM Covenant activity is not consistently reported in the period to which it relates. If the Operating activity loss is adjusted for the timing differences of the July 2012 payment, and the amount still outstanding as of June 30, 2013 then the operating loss would become net income of approximately \$2,330. This evaluation does not consider the effect of Monthly Meeting Covenant timing differences.

Recommendations for consideration

Currently the financial records are not maintained all in one location, some of the information requested during our review was at the treasure's house while other information was on file in the Meeting's office. It is recommended that all of the records are maintained in the Meeting's office.

- While pulling supporting documents we noted that the filing system is not conducive to easily locate information. We suggest that records be maintained by year and be filed in a systemic manner.
- We reviewed the back-up archives for the Meeting's computer and noted that back-ups are either not being performed regularly as scheduled in the software, or they are interrupted while the back-up is in process. We suggest that the cause of the irregular back-ups be investigated and individuals that use the computer be notified that they should not interrupt the back-ups.
- We noted that all persons with access to the Meeting's computer also have access to the financial records of the Meeting. We suggest that only those individuals requiring access to the

general ledger have that access. This can be accomplished by use of passwords to access the QuickBooks software. We suggest that the access be limited to the bookkeeper and Treasurer.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Richard Wortmann', with a long horizontal flourish extending to the right.

Richard Wortmann

For the Western Quarterly Meeting Audit Committee