

Finance and Legal Committee Report to Annual Session
June 2020

Our Committee has been meeting via phone or Zoom approximately every 6 weeks during the past year. We are a small committee (three members plus the Treasurer and Assistant Treasurer) that monitors the financial assets of NPYM and finds answers for legal questions that come our way. In addition to supporting the Treasurer we have taken on several projects during the past year:

1. Last year at Annual Session a “Friends of Color Fund was established and F&L committee transferred funds \$15,000) to establish this fund. Executive Committee has been working in setting up an ad hoc committee to clarify the purpose of this fund, and establish guidelines for use and access of the fund. We look forward to a report on this work so the fund can be accessed and used by Friends. \$5,000 was spent on funding for a spring conference to be held in April 2020 (Covid 19 hit and the conference has been postponed).
2. Early in the year we wrote an explanation regarding the assessment assigned to each monthly meeting (see attached), and how the assessments are based on the membership count sent in every spring to the Secretary.
3. Our biggest project of this past year was to study our investments and close out the PAX World account. After exploring options we have invested all of our long term funds with Friends Fiduciary Corporation and closed our PAX World Account. In addition we still maintain both a checking and savings account with On Point Credit Union
4. During this year we have been asked several questions about tax exempt status.
 - First was a question about general guidelines needed to maintain a Meeting's tax exempt status. We researched this and sent out a guideline to all meetings in NPYM (see attached)
 - Second, Eugene Meeting asked about using the NPYM 501c3 (tax exempt status) in order collect funds on line for Eugene Meeting. We encouraged Eugene to apply for their own tax exempt status.
 - Port Townsend Meeting has asked about using the NPYM tax exempt status to obtain a PayPal discount for their on line collection.
 - Given these last 2 questions we are continuing to work on the issue of tax exempt status and are consulting with a CPA with tax code experience for a professional opinion regarding the use of an organization's tax exempt status by subsidiary organizations under the primary organization. Once we have all the information we will issue a policy statement from our committee.
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5. We have been working with the Personnel Committee and the Executive Committee to establish the 2 new paid positions for Annual Session planning. We now have both a paid event planner and paid registrar working with the Annual Session planning committee to plan our summer event. And then Covid 19 came along and everything looks different, but plans are going forward for a virtual instead of in person event for Summer 2020.

6. We also worked with the Youth Committee to look at the “funds” available to Junior and Young Adult Friends. Looking backwards, we reaffirmed the purpose of the Youth Opportunity Fund and asked Youth Committee to take on the oversight of the “service projects fund” (a pot of money devived from individual contributions to support service trips for our Junior Friends.)
7. We have also prepared a proposed budget for fiscal year 2020 (10/2020 – 9/2021). We hope Friends will approve it knowing that life is changing due to Covid 19. As things unfold, we recognize that there may be the need to amend the budget.

Submitted by Finance and Legal committee

Janet Jump, co clerk

Nancy Iriving, co clerk

Carl Abbott.

Donal Sullivan, Treasurer

Corin Whittemore, assistant Treasurer

Attachments:

A note from NPYM Finance and Legal Committee

June 2019

As we worked on preparing the YM budget for fiscal year 2020 (Ocr1, 2019 – Sept 30, 2020) we realized that there maybe some confusion about the Yearly Meeting assessments. Like most yearly meetings the assessments paid by monthly meetings is the major part of our YM annual income. This figure is based on \$60 per member and is paid by the monthly meetings to support the work of the Yearly Meeting. NPYM has not changed the amount of this assessment fee for several years and we do not anticipate an increase in the near fututre.

Membership in the Society of Friends is held by the monthly meetings and therefore we ask meetings to provide a count on an annual basis through the use of the statiscal report that generated every spring. This count is a static amount for May 1 of every year. This report is used both for our budget purposes and to create an offical count reflecting the size and vibrancy of NPYM compared to other Yearly meetings. Knowing that meetings differ on how they track attendance, and membership figures we ask for several pieces of information on the statistical report:

2. Offical memberships (includes members in the monthly meeting and any worship groups or preparatory meetings under the care of that monthly meeting
3. average attendance numbers of adults and children who participate in the life of the meeting - this helps describe the vibrancy and activity level of our YM compared to other YM's in the world.
4. **Assessment figure** that the meeting is going to pay to NPYM – this number is the same as the membership number for many meetings but may vary based on a variety of factors including if worship groups/prepatory meetings will also be making assessment payments, or whether

meetings make a distinction between active and inactive members.

Please note that the assessment figure is a self evaluation and is the basis for the YM budget (and presumably the monthly meeting budget) and therefore is the amount requested by the YM from each monthly meeting. Since meetings provide this number to NPYM it should not be a surprise and the amount of payment should be honored unless there are unusual circumstances. To make cash flow easier for meetings the YM treasurer requests half of the amount twice a year. If it is easier for a meeting to make an annual payment that is fine or if some other payment arrangement is needed please work with the YM treasurer to arrange that.

As of June 1 2019 new assessment figures are not available as many meetings have not yet provided the information to the NPYM secretary. Therefore the NPYM budget will reflect the May 2018 figures until new information is available. Hopefully by the time the fiscal year starts (Oct 1, 2019) the treasurer will have the updated numbers to put on the assessment bills.

Please share this information with monthly meeting clerks and treasurers and if you have questions please contact the NPYM finance and Legal Committee.

Reference: NPYM Faith & Practice (2018), chapter 8, page 179 – Yearly Meeting finances

A statement from NPYM Finance & Legal Committee
February 2020

A question came to Finance & Legal committee regarding tax exempt 501C3 status and what an organization should do to maintain that status. Here is what our committee's research found. The rules are somewhat subjective but here is a list of what you should not do:

- 1) Divert funds to the private use of individuals within the organization (e.g., clerk and treasurer decide to use Meeting funds for a vacation in Mexico).
- 2) Divert substantial funds on an organization or entity that is "non-charity worthy." Obviously this doesn't apply to purchases of goods and services.
- 3) Provide any material support (contributions or staff time) to support candidates for public office.
- 4) Engage in "substantial" lobbying of elected officials or in grassroots organizing around specific issues. Spending money on research and other ways of *informing* the membership about issues is not a problem.

So what is "substantial?" A very rough rule is no more than 20% of the organization's budget and/or its staff time. This said, "substantial" is judged by IRS officials on a case by case basis, and what one official might deem "unsubstantial" another might flag as a problem.

Stick to 10-15 percent of budget and a Meeting is probably safe. And remember, focus on issues, not people.

To get somewhat painful detail, go to p. 46 of this IRS publication: <https://www.irs.gov/pub/irs-pdf/p557.pdf>

5. Large organizations like FCNL have two wings, FCNL proper which is not a 501 c 3 and FCNL Education Fund which does outreach, education, and the like and is a 501 c 3.

Addendum : above sent to all Meeting clerks and contacts 2/10/20