

## **ANNUAL REPORT - PROGRAM YEAR 2022 THE TRUSTEES OF BALTIMORE YEARLY MEETING**

**Purpose:** The Trustees carry out the legal responsibilities of Baltimore Yearly Meeting (BYM). That includes administering BYM's fiduciary obligation to preserve, invest and manage BYM's assets. The Trustees carry out these responsibilities by:

- Monitoring and overseeing BYM's financial health and resources, and our investments
- Being sensitive to the Spirit-led interests of the Yearly Meeting, and
- Seeking to fulfil the testimonies of the Religious Society of Friends.

This Annual Report covers the 2022 Program Year running from last year's Annual Sessions to this year's. In 2021, BYM began to emerge from 18 months of uncertainty related to the Covid pandemic. During this period, the Yearly Meeting first cut back, then began restructuring and rebuilding our activities and programs with evolving priorities. BYM's operating budget now better reflects the full costs of our programs. The repricing of camp and other fees provides a chance for greater participation and equity for attendees. Our membership body and monthly meetings continue their generous financial support. And despite its recent dips, the stock market has improved the value of our investment portfolio, although uncertainties remain.

We BYM Trustees believe the Yearly Meeting approaches the end of the 2022 Program Year in good financial condition. We believe BYM has the financial resources to undertake many of the critical tasks of interest to so many of our members. This gives the Yearly Meeting resources to discern how best to face our (and the country's) racial, political, and economic challenges during this 350<sup>th</sup> year of BYM, and beyond. The Trustees are confident in the capabilities and leadership of BYM's staff, our committees, and our working groups involved in these activities.

**Members:** Serving ex-officio on the Trustees are two BYM officers - Steph Bean (Presiding Clerk) and Jim Riley (Treasurer). Trustees approved by the BYM body include Marion Ballard (Bethesda), Dante Bucci (FMW), Tom Farquhar (Sandy Spring), Rich Liversidge (Clerk) (Sandy Spring), Byron Sandford (FMW), Katy Schutz (Charlottesville), and Rich Thayer (Stony Run). We continue to miss our Co-Clerk, Tom Hill (Charlottesville), who passed away in late 2021. For the last two years, we have been meeting monthly, via Zoom. During the fall, we will begin to meet bi-monthly. This reflects our faith that BYM is emerging post-Covid in good financial and management condition.

**Financial Condition of BYM:** Monitoring the Yearly Meeting's financial condition is a core Trustee responsibility. As of this report at the 2022 Annual Sessions, BYM's financial condition is strong. This will help the Yearly Meeting continue its program restructuring and building for the future. The impetus for this originated two years ago with the extraordinary generosity of our camper families and others, when BYM cancelled the 2020 camping season due to Covid and camper families and others provided critical financial support during an uncertain time.

BYM's financial condition was improved further in 2021 and 2022 by the receipt of \$356,000 in Federal PPP loans and a \$10,000 county grant to BYM. These were intended to cover some salary and related costs caused by the pandemic and lockdown, and they served that purpose. BYM was able to keep in place core staff. Make-up compensation was provided to some who

needed to leave. Both PPP loans now have been converted into grants. This increases our Reserves and provides more resources as we rebuild staff and programs.

**BYM’s Investment Portfolio:** During 2022, four Trustees formed a Trustees’ investment committee to oversee BYM’s investments. Recommendations are made to the full Trustees for decisions. BYM has two investment managers – Friends Fiduciary Corporation (FFC) and Morgan Stanley Wealth Management (MSWM). Each follows BYM’s socially responsible investing and environmental, governmental, and social practices. In 2021, the Trustees’ updated BYM’s Investment Policy Statement, which is attached.

During the 2022 program year, the Trustees moved about 40% of the funds in MSWM’s all-equities portfolio into FFC’s more conservative balanced fund (a mixture of equities and fixed income investments). Our combined portfolio is invested about 85% in a diversified mix of equities, mutual funds, and electronically traded funds, and 15% is in fixed income investments. BYM’s investment portfolio has benefitted in recent years from the long bull market in stocks. Now, however, the market is volatile given inflationary pressures and the risk of a recession.

Markets and our investments fluctuate over time - both up and down. For example, here are the market values of our investment portfolios, net of additional transfers, at recent points in time:

- As of June 30, 2020 - \$1.3 million
- As of December 31, 2020 - \$1.7 million
- As of June 30, 2021 - \$1.8 million
- As of December 31, 2021 - \$1.97 million,
- As of June 30, 2021 - \$1.56 million

**BYM’s Reserves:** BYM’s investments serve as protection for the Yearly Meeting’s financial reserves. Reserves include those that are

- Permanently Restricted (gift principal restricted, uses defined by donors),
- Temporarily Restricted (gift restricted, until used for donors’ purposes), and
- Unrestricted (gifts and other Net Assets available to BYM for programs and other uses).

**What Unrestricted Reserves Are Available for Program Purposes?** The Trustees set aside an amount equal to 25% of BYM’s budgeted operating costs to cover contingencies – drops in investment values, low program revenues, and other risks. In 2022, the Reserves holdback per Trustees policy has been \$623,517. Mid-year calculations are always only estimates.

Unrestricted Reserves	\$ 1,166,103	Unrestricted Net Assets as of 12/31/2021
Add: forgiven 2 <sup>nd</sup> PPP loan	<u>178,241</u>	Converted to grant income in 1/2022
Subtotal – Adj. Unrestricted	\$ 1,344,344	Unrestricted adjusted for PPP loan conversion
Less: Investment Losses	\$ (408,161)	Drop in investment value through June 2022
Reserves Holdback	<u>(623,517)</u>	Equals 25% of BYM 2022 Operating Budget
Subtotal - Reductions	\$ <u>(1,031,678)</u>	Portfolio reductions and Trustees holdback
<b>Avail. Unrestricted Reserves</b>	<b>\$ <u>312,666</u></b>	Est. for programs & other needs as of June 30

This is the Trustees' estimate, as of June 30, of BYM's Unrestricted Reserves available for capital expenditures, possible revenue shortfalls, and outlays for other important purposes. Investment markets have recovered somewhat in July. Markets continue to be volatile.

Only the beginning Net Asset figure in the 2021 audit is certain. The Trustees' mid-year estimate is based on conditions known and risks perceived as of the time of estimating.

**Audit of BYM's Financial Statements:** Our auditors have provided the Treasurer and the Trustees with their draft audit report of BYM's financial statements for calendar 2021. When final, the audit will be included in BYM's Yearbook. You may recall that the first PPP loan was converted to grant income in mid-2021 and is included in Reserves in the draft audit report. The second Federal PPP loan was converted to grant income in January 2022 and will be included in Reserves in next year's audit balances. This is described in Note 6 of the audit report.

**Insurance Coverage.** The Trustees and the General Secretary periodically review the insurances carried by BYM for its assets, staff, and programs. This is addressed periodically.

**Youth Safety Policy (YSP):** The Youth Safety Policy Working Group is under the care of the Trustees, and is convened by one of the Trustees (Katy Schutz). Its membership now includes the STRIDE Coordinator. Revisions to BYM's YSP are seasoned by the Working Group through the year. During 2021, the Working Group recognized that internet communication needed to be included as an area of concern. It continues to season broadening the scope of BYM's youth safety policy to include any intentional emotional, physical, or sexual abuse of OUR youth. When ready, recommendations are brought forward to the Trustees, and then to the Yearly Meeting.

**Friends Burial Grounds:** Tom Farquhar has continued the diligent work of our departed member Tom Hill, in identifying and clarifying BYM's title to a number of burial ground properties throughout the Yearly Meeting. Ownership of most of these properties reverted to BYM when meetings were laid down. Slow progress can be reported for several of these properties as the needs and clarity of ownership are identified and addressed, and in some cases regular cleanup and maintenance resumes. This effort is informing others in our Yearly Meeting community of the rich history which we have inherited.

**Liaison Activities:** Trustees liaise with certain other committees. These include the Camp Property (Katy Schutz) and Development (Marion Ballard) Committees. An Investment Subcommittee of the Trustees oversees BYM's investments (Marion Ballard, Clerk, Dante Bucci, Tom Farquhar and Rich Liversidge).

As of July 30, 2022

## INVESTMENT POLICY OF BALTIMORE YEARLY MEETING

### Investment Policy

The investment portfolio of Baltimore Yearly Meeting (BYM) is managed by the Trustees. To the extent practicable, the investments in the portfolio shall reflect the values and witness of the Quaker faith and further Quakers' testimonies.

In managing BYM's investments, The Trustees will balance three strategic considerations as they weigh the risks and rewards of investing BYM's investment portfolio:

- Protect the value of the investment assets from capital loss,
- Grow the value of the assets under their care, as faithful stewards of resources, and
- Generate income from the assets to help fund BYM programs and activities.

The investments themselves may be in different kinds of financial assets, possibly requiring different investment strategies for managing the funds. This approach is intended to achieve an appropriate risk-balanced combination of investment assets at any time. BYM's investment policy will be sufficiently flexible to allow BYM to access funds from these investment assets to use in BYM's programs and activities. This may affect the BYM portfolio's interest income, investment growth, and balances.

### Advisory and Investment Services

The Trustees will evaluate, to extent possible, the benefits and risks related to their investment decisions. They understand investment decisions are made in an environment of uncertainty about market factors and future conditions. In evaluating the investments, the Trustees expect to utilize and rely on the expertise and services of professional financial advisors and fund managers to develop and implement both investment strategies and specific investment decisions. Financial results cannot always be assured and may be uneven over time.

A diversified BYM investment portfolio may include a variety of mutual funds, exchange-traded funds, common and preferred stocks, U.S government and corporate bonds, and shorter-term certificates of deposit (CDs). They may also include some investments in cash or money-market funds, in response to near-term cash needs as identified by BYM staff and committees.

### Socially Responsible Investing Principles

BYM's investment horizon includes opportunities to invest in a variety of assets. The Trustees recognize that some possible investments better reflect the values of Friends than other investments that do not. BYM's investment policies will support our commitment to being a caring, inclusive, and anti-racist faith community. Advisors to the Trustees will employ various sustainability management tools that will guide BYM and them in making values-based investment decisions that are consistent with Friends' values.

Sustainability management tools include those that identify investments that satisfy "Sustainable and Responsible Investment" (SRI) criteria and/or "Environmental, Social and Governance" (ESG) criteria. Such investment screening criteria may be described as follows:

- **Social Responsibility Investing ("SRI") Criteria** are what may be called **Negative Screening Criteria**. They help investors avoid investments in industries and companies

that are directly and significantly involved in producing or distributing products that damage or do not enhance society. Negative screening criteria avoid investments in companies such as manufacturers and distributors of alcohol and tobacco products, non-prescription addictive drugs, firearms, offensive weapons of war, adult entertainment products, and management of private prisons. And

- **Environmental, Social and Governance (“ESG”) Criteria** identify industries and companies that are helpful to society. These may be called **Positive Screening Criteria**. ESG screens help identify investment opportunities in businesses with products, services, and personnel practices that support a sustainable, peaceful society. Examples might include many food, healthcare, clothing, housing, renewable energy, transportation, communication and recreation companies.

### **Tailoring Objectives and Time Horizons for Investment Withdrawals**

The Trustees shall be responsible for structuring the investment portfolio to anticipate articulated needs of BYM for withdrawals to meet prospective operating costs or capital outlays. Such needs shall be identified by BYM management and include input from the organization’s cognizant committees, such as the Stewardship and Finance, Camp Property Management and Camping Program Committees. Such needs shall be communicated to the Trustees in a timely way to permit proper planning by the Trustees.

The structure of the BYM investment portfolio will need to accommodate the need for these program-related cash withdrawals. Some of the funds will be from income funds related to Permanently Restricted Reserves and from Temporarily Restricted Reserves. In addition, BYM may also require funds from its Unrestricted Reserves for specific other purposes or programs. Properly funding program and activity needs of BYM is possible only if the Trustees have adequate lead time. This permits discerning which investments may best be liquidated for an orderly withdrawal. Usually, liquidating shorter-term assets is less disruptive to BYM’s strategic investment profile.

### **Reporting**

BYM’s investment portfolio will be reviewed quarterly by the Trustees. The Trustees will review annually their investment strategies and investment policies.

Approved April 15, 2021