

## Guidelines on Apportionment

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### **The Nature and Purpose of Apportionment**

The vision of Baltimore Yearly Meeting as laid out in 2016 includes the affirmation that “Baltimore Yearly Meeting is a worshipping community....As Quakers, we seek to know and follow God’s will for us as a gathered people, to speak the truth that is revealed to us, and to listen to the truth that is revealed to others....We aspire to teach and nourish Quaker ways of worship and service for this and future generations, to uphold and promote Quaker values and to support Friends Meetings in our region.” To discern and accomplish the purpose of our joint community requires the financial support of the constituent Monthly Meetings. BYM has income from several sources including program fees and contributions, but a critical part of the budget is the portion of BYM’s expenses that are shared by Monthly Meetings through the apportionment process. Apportionment is designed to equitably divide the Yearly Meeting’s expenses among the Monthly Meetings based on the relative income of the Monthly Meeting.

### **The Apportionment Formula**

The formula used to calculate apportionment has been through several iterations. Starting in 2018, apportionment has been set at 25% of a Monthly Meeting’s income, with some income exempt from apportionment.

### **Apportionment Process and Schedule**

On about February 1<sup>st</sup> of each year the Yearly Meeting sends to each Monthly Meeting an Apportionment Questionnaire requesting information on the meeting’s contribution and investment income subject to apportionment for the year just ended. The Monthly Meeting’s apportionment for the following year is set at 25% of that reported income. In the case of meetings which follow a fiscal year different from the calendar year, the meeting’s relevant fiscal year is the one that closes in the calendar year in question. (For example, the amount of apportionment that a Monthly Meeting pays in 2021 is based on that Meeting’s income for 2019, or for the Monthly Meeting’s fiscal year ending in 2019.) Once the questionnaires have been received and reviewed by the Stewardship and Finance Committee, the total income from apportionment can be calculated and used by Stewardship and Finance to formulate the budget. The intent is that the list of apportionment from each meeting and the budget should be available for review and approval at annual session.

### **Review of Requests for Reduction in Apportionment**

The Apportionment Questionnaire includes an opportunity for a Monthly Meeting to request a reduction in their apportionment. These requests are reviewed by the Apportionment Subcommittee of the Stewardship and Finance Committee, including the liaison from Stewardship and Finance for that Monthly Meeting.

In order to consider the request, Monthly Meetings should include the reason they expect difficulty in meeting the full apportionment amount, how much they believe they could contribute and a copy of their budget for the current year. The Apportionment subcommittee will review the request and make a recommendation to the full committee on an accommodation. After discernment by the full committee the requesting Monthly Meeting will be notified of the outcome.

Factors to be considered include the reason for the request, whether this is a one- time request required to adjust to a change in income or anticipation of a longer-term change in the Monthly Meeting’s finances, and comparison to other meeting’s contributions.

Adjustments are for one year only, but can be reconsidered the next year.

The Stewardship and Finance Committee will retain records of which meetings have had accommodations but the specifics will be held as confidential. When the proposed apportionment is presented for approval by the Yearly Meeting, any Meetings which have had their apportionment reduced will be identified, and a footnote will state "Apportionment reduced due to financial circumstances." The amount of reduction and the reason for it will not be included.

### **Determination of income subject to apportionment**

To ensure that apportionment is equitably shared by Monthly Meetings, it is important that there is a consistent determination as to what income is subject to apportionment. This is complicated by the variety of income received by meetings, including investment income, rental income, bequests, and pass-through fund raising for outside organizations as well as general contributions.

Meetings have an obligation to honor the wishes of donors who restrict their contributions to a particular purpose, but that does not relieve them of the responsibility to support the Yearly Meeting.

These guidelines can assist Monthly Meetings in assessing whether income is subject to or exempt from apportionment:

### **Contributions**

Contributions that are used for the normal operating expenses of a Meeting are subject to apportionment. Even if a donor requests that their contribution be applied to a specific expense, as long as the expense is part of the normal operating expense of the meeting (such as mortgage payments, utilities, mowing or grounds care, or cleaning services) the income is subject to apportionment.

If a contribution is designated for an unbudgeted expense of a non-recurring nature that would not have been incurred if the donation had not been received (e.g. new cushions for benches) the contribution is exempt from apportionment.

If the contribution is designated as going to a designated building fund or burial ground maintenance fund, it is exempt from apportionment as long as it's not used to pay mortgage interest (which is considered a normal operating expense.) If a contribution is made solely to pay down mortgage principal, it is exempt from apportionment.

If the contribution is to a designated fundraising campaign for an organization outside of the meeting (e.g. a fundraising collection solicited by a local food bank) it is considered a "pass through"; all of the contributions should be forwarded to the soliciting organization, and the contributions are exempt from apportionment.

### **Investment Income**

Income from investments may be either capital gains, or interest and dividends.

Whether or not income from an investment fund is subject to apportionment depends on the purpose for which the fund was established.

If the fund was established with contributions that were exempt from apportionment (e.g. a building fund to provide for future capital improvements) than any interest, dividend or capital gains income is likewise exempt from apportionment.

If the investment fund is a general reserve account that can be used to pay for normal operating expenses, or is designated for a restricted purpose by the Meeting, rather than a donor, then the interest and dividend income is

subject to apportionment. Interest and dividend income is subject to apportionment in the year it is paid even if the income is immediately reinvested in the fund. Capital gains in these funds is exempt from apportionment.

### **Bequests**

Bequests are not subject to the apportionment process. In cases in which the donor has not specified a particular purpose for the contribution which would be exempt from apportionment, the Yearly Meeting requests that 25% of the bequest be donated as a contribution. In this case, the Yearly Meeting would honor a request to restrict the donation to a particular purpose, such as a contribution to the camp capital fund, in line with the monthly meeting's understanding of the donor's interest.

### **Rental Income**

Rental Income is not subject to apportionment.