

Is It Subject to Apportionment or Is It Exempt?

Monthly Meetings vary in the types of income they receive, and in the policies they have established regarding contributions and bequests. Some of this income, but not all of it, is subject to apportionment. It can be a challenge for treasurers, especially those new to their jobs, to determine how to properly classify income.

For the apportionment process to be trusted by all, we need consistency between Monthly Meetings in how income is reported. The set of questions below is designed to help Monthly Meeting treasurers classify income accurately, as subject to apportionment or exempt from apportionment.

Contributions

This is the main source of income for all Monthly Meetings. Contributions that are used for the normal operating expenses of a Meeting are subject to apportionment. Please note that what is a normal operating expense may vary among Meetings, as some have budget line items that are absent for other Meetings. The following questions and answers are provided as examples of decisions treasurers may face in classifying contributions. There may be other issues for which there is no example; we suggest looking for the closest equivalent and keeping in mind the principle that funds for normal operating expenses are subject to apportionment.

Was a particular use for the contribution specified by the donor?

If no:

The income is subject to apportionment.

If yes:

Is the intended purpose an expense which is a normal operating expense? (Examples include cleaning services, mortgage payments, mowing and grounds care.)

The income is subject to apportionment.

Is the intended purpose an unbudgeted expense of a non-recurring nature and one that would not have been incurred if the donation had not been received? (An example is new cushions for benches.)

The income is exempt from apportionment.

Is the contribution to a building fund or a burial ground maintenance fund?

The income is exempt from apportionment as long as the fund cannot also be used to pay mortgage interest.

Is the contribution only for reduction of mortgage principal with nothing applied to interest?

The income is exempt from apportionment.

Bequests

Sometimes Meetings know that a bequest is planned; in other cases, it comes a surprise and without the opportunity to discuss the implications of the gift with the donor. Where bequests are known in advance, there should be a conversation with the donor so that he or she

understands the apportionment implications. As is the case with contributions, situations may arise for which we have not offered a specific example. In that case, the Meeting will have to determine how to best honor both the donor's preferences and the apportionment policy.

Did the donor specify how the gift can be used?

If **no**:

The income is subject to apportionment.

If **yes**:

Does the Meeting have flexibility in how the funds are used? Are the uses ones which the Meeting would normally include in its operating budget?

The income is subject to apportionment.

Are the uses ones that are of a type which are not essential to the functions of the Meeting? (Examples include scholarships and charitable contributions.)

The income is exempt from apportionment.

Is the gift designated for building construction or remodeling, or for the ongoing maintenance of a burial ground?

The income is exempt from apportionment.

Investments

Some Meetings have income from investments, which can range from as simple as interest on a savings account to as complex as a professionally managed portfolio. Investments may have been established by the Meeting to build reserves for a particular purpose, or in accordance with the terms of a bequest. Whether or not the income is subject to apportionment is determined in a manner similar to that for contributions and bequests, but is affected by the purpose for which the fund was established.

For interest and dividends:

Was the fund that produced the income established with contributions or bequests which were subject to apportionment or which were exempt from apportionment?

If the source was exempt, the income is exempt.

If the source was subject to apportionment, the income is subject to apportionment.

In addition to the funds that were exempt donations or bequests, are there assets in the fund that were contributed by the Meeting?

If yes, the income from this portion of the investment is subject to apportionment (Note: This can lead to complex accounting and may indicate the wisdom of having two separate accounts.)

For capital gains:

The income is exempt from apportionment.