

Yearly Meeting Funds Recalculation & Restatement Project

The purpose of the Funds Recalculation & Restatement Project is to correct calculation errors in the accounting entries of our permanently restricted and board-designated funds (collectively called our invested funds). Former Treasurer Shearman Taber did much of the research for this project and devised the methodology we are using to determine the restatement required for each fund.

Our invested funds are under the care of the Board of Managers, which sends the Yearly Meeting investment income quarterly. The main error, which the Funds Recalculation & Restatement Project effort will fix, was in the method used to allocate the income and appreciation from investment among the various funds.

The Yearly Meeting's invested funds are managed by the Board of Managers as part of a larger pool of funds, referred to as the "Pooled Funds." In FY2009 (fiscal year 2009), the amount made "available" to be spent out of the funds did not match the funds' actual cash income received from the Board of Managers. The Yearly Meeting set the available amount at five percent of the appreciated balances of the funds, however the Board of Managers was not routinely distributing five percent of the appreciated balances – only the dividend income (a smaller percentage).

To implement the Funds Policy (approved by Permanent Board in 2008) the Treasurer in 2008 planned to obtain the amount of cash needed for a five percent distribution by withdrawing it from the Yearly Meeting's invested shares in the Pooled Funds each year; but amid turnover of treasurers and staff, that part of the plan was not implemented. As a result, for ten years Yearly Meeting Treasurers distributed more as cash expense from our invested funds than the Yearly Meeting was receiving in cash income from the Board of Managers, leading, in effect, to our invested funds borrowing cash from the Yearly Meeting's unrestricted reserves. If the Treasurers had been withdrawing the five percent from our invested funds as needed to provide cash for the disbursements, the invested funds would have grown slightly more slowly.

An additional error was made when Yearly Meeting Treasurers allocated the income and appreciation (change in fair market value [CFMV]) to the individual invested funds. Since the invested funds had slightly larger balances than they should have had because they were borrowing cash from the reserves, the invested funds were allocated slightly more investment income and CFMV each year than they should have had.

Other issues of note:

1. Prior to FY2005, the Yearly Meeting's operating fiscal year ended in August, while the Board of Managers' fiscal year ended in June. In FY2005 the Yearly Meeting changed its

fiscal year to end in September, but continued to quote the invested funds' balances as of June 30th until FY2010. In 2010, the statements began quoting the invested funds' balances as of Sept 30th, but incorrectly, with the July-Sept 2010 quarter of market value change left out. In 2012, an attempt to fix this error was not completely successful.

2. Unit-value calculation errors were made for large investment transactions in 2007.
3. The Permanent Board approved the change in funds-management policy in 2008 to switch from using only dividend income as available for distribution, to using a percentage of total value. Dividend income was reinvested in FY2008 and FY2009, following the approved plan. Part of the plan was for the Treasurer to make withdrawals from the Pooled Funds to provide the cash needed for the distributions of this percentage-based "available" amount (while dividend income was being reinvested), however these required withdrawals were not made.
4. Between 2009 and 2011, \$12,000 worth of disbursements from the Freedmens Fund were not deposited by their recipients and were returned to the Yearly Meeting's bank accounts (the checks were voided), but were not credited properly back to the Freedmens Fund.

The following table shows the changes that we propose to make to each fund to correct the errors explained above. If approved, these changes will be made before the close of FY2023 and will be reflected in the in the closing financial statements for FY2023. A full log of the entire Funds Recalculation & Restatement Project will be posted on the Yearly Meeting website.

The most significant effect of implementing these proposed changes would be to decrease Total Reserves by \$8,341.65 and to increase the invested amount of the Freedmen's Fund by \$7,684.46. The other changes to funds are relatively minor.

I am grateful for the tireless efforts of Shearman Taber and Frederick Martin, without whom this project could not have been completed.

Permanent Board approved the proposed changes to the balances of the invested funds at its meeting on February 11, 2023.

Proposed Funds Restatement, February 11, 2023

Fund	Balance before adjustment, Sept 30, 2022	(Decrease)	Increase	Balance after adjustment
Reserves				
Unrestricted Net Assets <i>invested in Pooled Funds</i>	4,737.54	0.00	30,636.62	35,374.16
Unrestricted Net Assets <i>in bank accounts (cash)</i>	(113,965.11)	0.00	91,758.83	(22,206.28)
Quasi-Endowment	229,831.96	(137,036.44)	0.00	92,795.52
Student Loan Fund	0.00	0.00	6,299.33	6,299.33 ¹
Total Reserves	120,604.39	(137,036.44)	128,694.78	112,262.73
Legacy Gift Spendable Fund				
Future Fund	0.00	0.00	732.31	732.31 ²
Board-Restricted or Permanently Restricted				
F&P Revision Printing	55,475.94	(75.23)	0.00	55,400.71
Witness & Ministry Fund	911,137.52	0.00	2,427.71	913,565.23
NEYM Endowment	52,391.54	0.00	1,684.48	54,076.02
Alice Needham	17,999.80	(93.99)	0.00	17,905.81
Amy Hayden	59,310.84	(105.52)	0.00	59,205.32
Anna Brown	37,927.17	0.00	1,470.05	39,397.22
Freedmen's	144,305.13	0.00	7,684.46	151,989.59
FUM Foreign	48,512.24	(256.66)	0.00	48,255.58
FUM Home	6,792.12	(85.88)	0.00	6,706.24
FUM Ramallah	61,340.85	(323.85)	0.00	61,017.00
Mosher Book & Tract	86,545.54	(4,740.52)	0.00	81,805.02
Phillips- Purrington- Hawkes	26,127.83	(249.62)	0.00	25,878.21
Pittsfield- Varney	10,899.20	0.00	107.11	11,006.31
Susan Kirby	8,531.58	0.00	199.74	8,731.32
West Falmouth Prep.	4,422.70	(32.92)	0.00	4,389.78
Total Board-Restricted or Permanently Restricted	1,531,720.00	(5,964.19)	13,573.55	1,539,329.36
Total All Funds	1,652,324.39	(143,000.63)	143,000.64 ³	1,652,324.40

Notes

1. All cash, to Unrestricted Net Assets
2. All cash, to distribute
3. Discrepancy caused by rounding