

## Correct application of charitable funds

### **Preamble:**

*Quaker Stewardship Committee has recently produced a paper entitled 'Giving to Non-Quaker Organisations' that deals with donations to and preferential room hire for such groups. The general principle is that Area Meeting funds, including the money held by Local Meetings, can only be spent on the Meeting's charitable purposes. These are set out in each AM's governing document and also in Quaker Faith & Practice, 5<sup>th</sup> edition, 14.4. Trustees of this Area Meeting adopted an aide-memoire in 2013 which covered most aspects of this subject but it seems appropriate to review and update this taking account of the guidance given by Stewardship Committee. The vast majority off the wording is from the 2013 document although the section on due diligence and preferential room hire is a new addition.*

### **Introduction:**

We are sometimes asked by Local Meetings for guidance on whether certain activities which they undertake are charitable, and whether gift aid can be claimed on associated donations. A good case in point is when a Meeting wishes to support project work undertaken overseas – such as the Cape Town Quaker Peace Centre, the Uganda project supported by Stourbridge Meeting, and more recently a project in Palestine (*Stourbridge Seir Twinning Group*) adopted by Stourbridge Meeting. This aide-memoire, agreed by Trustees on 14 November 2013, seeks to clarify the position, and may be used, at the discretion of Link Trustees, to ensure that the guidelines are followed by Local Meetings and Branches.

### **Definition of “charitable activities”:**

For most Local Meetings the money available for “charitable activities” comes mainly from voluntary income from members and attenders, and income from room hire. Room hire income is essentially “unrestricted”, but there are restrictions on the use of voluntary income, (a) because some of it may have been Gift Aided, and can only be used for “internal LM expenditure” or gifts to registered charities, and (b) because the money can only be used for the purposes for which the money has been given by donors. We expect members and attenders to allow their donations to their Local or Area Meeting to be used at the discretion of the Meeting, and key decisions about the allocation of funds should always be taken at a Business Meeting held (and Minuted) in the manner of Friends, so that donors are party to the discernment (whether or not they choose to attend Business Meetings).

The “charitable activities” of a Meeting may include:

- The running costs of the Meeting, including heating, lighting, repairs, maintenance, insurance and other administrative expenses
- Meeting events
- Literature, books and other equipment and materials for the use of the Meeting
- Grants and bursaries to members/attenders for courses or events
- Subscriptions to local ecumenical bodies
- Gifts to Quaker and non-Quaker charities (including BYM, for central work)

**(For gifts made to a non-Quaker charity, the aims of that charity must be broadly consistent with the charitable aims of the Religious Society of Friends).**

*Note that Area Meeting delegates authority for expenditure used for charitable purposes to its Constituent Meetings (subject to the guidelines set out in the Memorandum of Understanding) and does not need to be consulted for expenditure which falls within the charitable activities described above.*

If the Meeting wishes to make a donation to an organisation which is not a registered charity the money must be raised from a “special collection” – this is known as “acting as agent” - as the Meeting is simply collecting money on behalf of the beneficiary, and not using charitable funds. *Note that collections for beneficiaries that are not registered charities cannot be “topped up” from the Meeting's charitable funds.*

### **Supporting other projects and concerns:**

The wording of the CEQ Governing Document indicates that charitable funds can be applied to any concern formally adopted by Local Meetings within the CEQ area. The relevant extract is:-

## 5. Application of the Income and Property

Within Central England Area Meeting, income and property are used to further the area meeting's object by work such as:

iv) funding the concerns that Quaker meetings in the area of Central England Area Meeting or beyond have adopted or agreed to support;

CEQ Trustees have considered how this clause should be applied in practice. There is a distinction to be made between sending a donation to a "good cause" overseas – Quaker or non-Quaker - (or indeed a "good cause" in the UK which is not a registered charity) and supporting a project in UK or overseas which is administered and managed directly by Quakers.

The CEQ Office maintains a register of funds sent overseas, and some LMs will be unaware of the need to declare such donations.

Trustees suggest the following procedures:-

- 1 Before any donation from charitable funds can be made the beneficiary must either be a registered charity or a project managed and administered by Quakers (such as the central work undertaken by BYM, and recognised CEQ projects). In order to qualify as a "Quaker project", the allocation of the money raised must be directly controlled by Quakers, and not just given to third party organisations.
- 2 For a project to be "recognised" as a LM/AM concern, and thus qualify as a charitable activity, the Meeting must formally adopt it as a concern by means of a suitable Minute agreed at a Local Business Meeting. As with all Quaker concerns, the decision to adopt it should reflect careful discernment by the Meeting.
- 3 Quaker Stewardship Committee draws our attention to sections 13.12 and 13.14 of QFP on testing and adopting concerns stressing that copies of any such Minutes should be forwarded to Area Meeting, via the CEQ Area Office, and treated by the AM Clerk as a Received Minute – in most cases the Minute would be disclosed to Friends for information only, but at the discretion of the Clerk the Minute could be put before Friends for consideration.
- 4 The CEQ Secretary will automatically note, for the register, any Minutes which relate to funds sent overseas.

### **Demonstrating due diligence:-**

#### **Preferential rates for room hire**

Some meetings give preferential rates to local groups and charities for the hiring of rooms. It needs to be recognised that, by charging at a lower rate, we are in practice making a donation (the difference between a normal charge, and the preferential charge) to a non-Quaker organisation. In these cases such donations need to be handled in the same way as donations of money, i.e. the arrangement for a preferential room hire rate needs to be recorded in a minute, and preferably as an adopted concern.

#### **Subscriptions for Membership of Non-Quaker Organisations**

Care needs to be taken with membership fees for non-Quaker organisations in cases where such a membership fee could be construed to be a donation.

#### **Related party transactions**

Meetings should be particularly careful to record the process of discernment and rationale for a grant, donation or below market hiring charge or subscription when the recipient is an organisation where members of the Area Meeting are involved in the running of such an organisation, or where some family member of a trustee is involved. In such cases it is essential to notify the Area Meeting trustees so that they can ensure that they meet all the requirements for reporting related party transactions.

*First issued by Trustees Finance Committee in October 2013, revised November 2016.*