

## MEMORANDUM

Date: May 5, 2014

To: USSF National Planning Committee

From: Victor Arbulu, USSF Bookkeeper/Accountant.

Cc: Makani Themba, Salimah Salaam Muhammad, Jacqui Patterson.

Re: Accounting Principles for the 2015 Polycentric USSF

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In anticipation of the NPC face-to-face meeting this week in Jackson, I would like to share a few matters for your consideration. They pertain to clarifications I need from this body on USSF 3 budgets: resource generation and distribution; local accounting responsibilities; local anchor financial capacities and experience for each site; my role in the accounting process for the USSF's fiscal sponsor; and lessons from USSF 2 that bear on critical areas of work that I carried out prior to and during June 2010.

### **1. National and Local accounting responsibilities.**

- a) As identified in the site selection application process, each polycentric site is required to have at least one anchor organization with current non-profit tax status.
- b) Organizations with a non-profit tax status are typically familiar with their federal, state and local requirements for the management of resources and required filings.
- c) It is expected that one or more of the non-profit organizations identified as an anchor in each polycentric site is prepared to help manage local USSF resources through appropriate accounting principles.
- d) For USSF 2, The Praxis Project developed a USSF-Praxis Fiscal Manual that outlines processes for receipt and distribution of forum funds. The manual was developed to ensure secure specific accounting measures and procedures (including authorizations and expenditure levels).
- e) Although aspects of the manual need updating, I continue to refer to it for fiscal operations.
- f) However, with a polycentric forum I am unclear as to how the accounting of resources at the national and local level will take place in multiple locations. Can you please provide me with an explanation of this process. Also note there will be a corresponding cost involved.
- g) From an accounting point of view, I ask the following:
  - \* Philadelphia – Given the fact that AAU has formally withdrawn as an anchor, I'd like to know which of the remaining anchors/partners will be assume formal accounting responsibilities on the ground?

\* Jackson – Have any of the anchor non-profit organizations handled large sums of money? None of the listed anchors at the present time have public 990 records indicating such.

\* San Jose – The exact situation is present for this location: Have any of the anchor non-profit organizations handled large sums of money? None of the listed anchors at the present time have public 990 records indicating such.

h) In Detroit, a similar situation arose after an anchor dropped out. But I was brought in by MWRO because of my accounting expertise and experience with managing very large budgets and grants.

## **2. Local anchor financial capacities and experience for each site**

a) To gain a stronger understanding of the financial accounting and capacity of all USSF anchors organizations, I review each group's public 990 records submitted to the IRS, i.e., its federal non-profit tax returns.

b) Long Form 990 is required by any tax exempt organization with gross receipts of \$200,000 or more, or assets of \$500,000 or more. Otherwise a short form 990-EZ can be filed.

c) In particular, the withdrawal of anchor support by Asian Americans United in Philadelphia

d) All three sites must have at least one non-profit anchor organization that has the capacity to handle the accounting and documentation process necessary to handle large sums of money.

e) Furthermore, these non-profit anchor organizations must ensure that their Board of Directors understand the organization's responsibilities, risks and benefits of this partnership agreement.

f) The NPC will need to draft MOUs between itself, The Praxis Project and each anchor organization to ensure the understanding of responsibilities and expectations among all.

g) For the last forum, the majority of all transactions took place through bank transfers between Praxis and a local bank account overseen by the anchors and accountant; and payables and receivables processed through this local checking account. Out of a \$1.2 million budget only about \$1500.00 has handled in cash thereby making the documentation process auditable; and creating a trail to be reviewed by outside CPA's, if necessary.

h) I use Quickbooks to manage the financial accounts. Similar or relatable software would make it easier to share data across sites, as well as, meager with our fiscal sponsor.

## **3. My role in the accounting process for the USSF's fiscal sponsor.**

a) The Praxis Project operates as the fiscal sponsor or partner of the USSF. That is to say, the USSF is a *project* of Praxis. The USSF is not a separate entity or organization in its own right.

b) The Praxis Project and NPC have a Memorandum of Understanding (MOU) that is dated from January 2010.

- c) The Praxis Project does not charge the USSF a fiduciary or an administrative fee (typically 7% or more).
- d) In the MOU, Praxis required that the NPC provide an accountant to prepare the monthly USSF accounts payable/receivable and other documentation, as needed, for Praxis' annual audit.
- e) I have served in the role of USSF Bookkeeper/Accountant since June 2009. I also assisted in the fiscal sponsor transition from Project South (original USSF fiscal sponsor) to The Praxis Project.
- f) During and in the lead up to USSF 2010, I served as the only bookkeeper/accountant for the U.S. Social Forum – handling all of the documentation for the \$1.2 million in payable and receivable accounts that came through Detroit.
- g) I communicate directly with the co-chairs of the Resource Development Committee and The Praxis Project Finance Manager, Salimah Salaam Muhammad.
- h) I assist the Resource Development Committee with financial records, budgets and accounting advice, as needed.
- i) Additionally, I want to point out that the cost to provide financial oversight for the USSF over the past four years has been significantly understated. In looking at the financial statements for 2010, only about \$23,000 was spent on accounting and no fiduciary fees were charged against the Forum. I point this out because if we had gone with other recommended fiscal sponsors, the fees would have exceeded \$72,000. Plus we would not have had the flexibility to handle many of the situations that have arisen over these years.
- j) I am still on a “small retainer fee” to maintain the USSF books on behalf of the NPC for The Praxis Project. This fee was negotiated during a lesser active USSF period from 2011-2013.
- k) If it is the desire of the NPC and Praxis for me to stay on as the USSF Bookkeeper/Accountant for the Polycentric USSF, this fee will have to be renegotiated given the nature of USSF3.

#### **4. USSF 3 budgets: resource generation and distribution.**

- a) I have expressed my concerns to the Resource Development Committee about the lack of current USSF funds and projected revenue to meet the cost of upcoming local expenses at each polycentric site.
- b) I strongly suggest that discussions and decisions related to the USSF budget not be held until the last day of the NPC meeting. As expectations and responsibilities and expectations build within and across each site, the need for local resources to plan and organize for the Forum in 2015 will grow quickly.
- c) I have already been contacted by several people for information on payments for approved NPC meeting stipends or expenses. I need to know who will provide me with clear and exact information on who payments are to be made to and who is authorizing such payments. A former past National Coordinator provided me with this information but it has been unclear to me in recent months who is tasked with these responsibilities.

**5. Lessons from USSF 2 that bear on critical areas of work that I carried out prior to and during June 2010.**

a) Vendors: I contacted, assisted, negotiated and arranged for services with national and local vendors to provide services such as printed materials from union shops, plain t-shirts for USSF screen printing, banner making and so on. I also provided critical and immediate resolution to problems that arose, e.g., convergence site security, bus service for large-scale transportation to the convergence site, hotel guest blocks for over 150 people, and overnight payments to language interpreters and travelers (scholarships).

b) Staff/Independent Contractors: I processed bimonthly checks, direct deposits and reimbursable expense payments to 14 national and local staff; and nearly a dozen stipened volunteers before, during and after USSF 2. I also assisted with personal financial crises that arose (e.g., health matters, banking problems) for all involved. Providing timely and expected payments to people who have been contracted to work for the Forum is a serious matter.

c) Budgets: While I have not been an active participant in the political discussions and decisions of the NPC, I do assist the Resource Development Committee (and former 2009-10 Finance Team) with budget development, analysis and oversight, as requested. (Privately, I am managing director of a multi-million dollar non-profit organization in Detroit.) What I most notice different now than from USSF 2 is the distinct lack of dedicated staffing to fundraising. For USSF 2, Grassroots Global Justice committed its national organizer to building relationships with large foundations that would fund the forum. This was handled through the Resource Mobilization Working Group. Also, a Development Coordinator was brought in ~.25 FTE to do grassroots fundraising. For USSF 3, there is no Resource Mob and no dedicated fundraisers although they are greatly needed.

I hope you will accept my comments, advice and questions with the utmost respect. I have enjoyed working with the Forum for several years. I've appreciated the people I met on the ground and in cities across the U.S. who have traveled to the USSF to share what's happening where they live. You are involved in many good plans to prepare for USSF 3 and I hope to help you as best as I can.

I look forward to your feedback and responses. Thank you.