



IFN General Body Meeting - Q & A

Date: 05/06/2018

1. Why is this [\$40,000] transaction not shown on the Q1 report? What are the IRS implications?

Answer: Based on the request from the IFN community in the past to make the financial reporting simple for everyone to easily grasp and absorb, the current Finance Committee decided to report high level summary of actual expenses against approved budget. As we were confining ourselves to the Cash Position and Actual versus Budgeted expenses presentation, we did not disclose some other transactions mainly occurring in the Balance Sheet viz. \$40K Payroll Advance, \$32K for Syrian Rice Costs and \$5K for the Main Gate. The summary slide showing a Cash Balance of \$938,315 accounts for all the above 3 Balance Sheet Items.

A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization. Therefore, the \$40K Payroll Advance did not trip the 501(c) (3) hurdle because:

- A. The transaction was handled by IFN Attorney who was expected to make sure the 501(c) (3) hurdle is not tripped;
- B. The beneficiary is an employee of IFN who does not control IFN, IFN is controlled by the BOT;
- C. The payroll advance of \$40K (now \$37K after payroll deduction) was secured against the property of the beneficiary, which is 3 times the value of the outstanding advance, therefore, there is no loss to IFN.
- D. The transaction was not in violation of IFN by-laws.

2. What does "take full responsibility" mean? What are the consequences?

Answer: The Chairman, Vice Chairman, and Finance Director have formally submitted their resignation. The BOT is reviewing their resignation and will have an update after Ramadan.

3. Payment Advance for the Employee: can you please reiterate the circumstances which lead to giving any such loans/salary advance?

Answer: The IFN employee needed help getting out of paying interest on their current mortgage loan. No policy exists today to handle such requests. The criteria for this specific payroll advance was shared at the GBM.

4. Regarding the \$40,000 [loan] to IFN employee: what if this was not raised by any BOT or community members? Was it okay to take a decision without having all BOT members on the same page?

Answer: It is not best practice to make a decision without the consensus of the entire board. The concerned members have admitted to this mistake.

5. **IFN loan: there should “No Loan” policy. Before having loan policy, it must be approved by General Body whether this will be followed. If not, what is the explanation?**

Answer: Question is not clear – please feel free to resubmit at the rescheduled general body.

6. **Can we please consider a policy to have the audit done each year? For example, 2017 audit to be completed by 2018 (report issued). Final report remains open from 2014 onwards.**

Answer: To be reviewed by the Board for a decision of when to begin the 2017 external audit. However, at the beginning of 2018 the IFN treasure asked Auditors to audit 2017 also, along with the 2014 – 2016 audit, as he was ready for 2017 as well. The Auditors asked to be confined to 3 years.

7. **Since this loan was not done according to statute, what are the consequences for people responsible for this?**

Answer: There was no statute or violation of the law. The communication and approval from the entire Board was lacking and therefore the Board will be creating and adopting a policy on this matter.

8. **We took bid from one contractor only. How about comparing other engineering firms before deciding on one? Not comfortable approving without comparison.**

Answer: The numbers we shared are estimation. Bidding process for construction will start after the completion of Phase1. Br Saleem was referred by a community member and he did most of the work without any cost.

9. **Youth education and spiritual guidance was a goal for the majority of BOT and EC leadership per pre-election discussions. What specific steps have been taken towards that goal thus far?**

Answer: Good reminder. For the past four months, the newly elected EC and BOT members have focused so far on transition and Ramadan preparation for the EC, and transition and Capital Project preparation for the BOT. Let us not forget though, that the Multipurpose Building at completion will include 21 additional classrooms and a library. This is directly related to the education of IFN’s future generations inshaa’ Allah.

10. **Sorry, very disappointing to hear that not any policy is followed when giving out payments or loans.**

Answer: Comment taken.

11. **Since payment or loan was made in February, we had Townhall meetings and Community update. Why this was withheld? where is financial transparency & communication transparency?**

Answer: This was not deliberately withheld with the intent to hiding anything. With new leadership we pray that you will get the required transparency and clarity that is being requested.

12. Why if there was no policy loan or advance payment in IFN by-laws we made decisions is illegal and very damaging.

Answer: The by-laws don't say anything about loan or advance payments. The decision is not illegal, but best practice of consulting with all board members was not followed.

13. All four members who made decision without consultation of rest of board members should resign now.

Answer: The Chairman, Vice Chairman, and Finance Director have formally submitted their resignation. The BOT is reviewing their resignation and will make a decision after Ramadan after they are satisfied that the transaction is sound.

14. Why bylaws were not followed? Illegal is no bylaws was followed. Everybody who made this decision should resign.

Answer: This is not a by-laws issue and there is nothing illegal about the transaction. The attorney would not have completed the transaction if there was anything illegal.

15. How was the loan taxed?

Answer: The repayment is paid out of payroll which is after tax withholding. The payroll advance is not an income to the beneficiary, but a liability to them and an asset to IFN, therefore not taxable. It is being paid back at \$3,333.33 per month as a withdrawal from the beneficiary's salaries. It was financed out of the Restricted Funds.

16. Who is responsible for the erroneously reported Q1 financials omitting the loan? What are the consequences to this action?

Answer: The Q1 financials was not an erroneous report. Based on the request from the IFN community in the past to make the financial reporting simple for everyone to easily grasp and absorb, the current Finance Committee decided to report high level summary of actual expenses against approved budget. As we were confining ourselves to the Cash Position and Actual versus Budgeted expenses presentation, we did not disclose some other transactions mainly occurring in the Balance Sheet viz. \$40K Payroll Advance, \$32K for Syrian Rice Costs and \$5K for the Main Gate. The summary slide showing Cash Balance of \$938, 315 accounts for all the above 3 Balance Sheet Items. The Finance Committee welcomes any one to drill into the details of all the IFN expenses as emphasized by the Treasurer in his email to the community.

17. Who is resigning so IFN can move forward and there is accountability from the board?

Answer: The Chairman, Vice Chairman, and Finance Director have formally submitted their resignation. The BOT is reviewing their resignation and will have an update after Ramadan.

18. Are the board members responsible for the loan decision in secret going to take accountability and resign?

Answer: The Chairman, Vice Chairman, and Finance Director have formally submitted their resignation. The BOT is reviewing their resignation and will have an update after Ramadan.

19. Have you established an investment strategy for the Endowment Funds?

Answer: No.

20. Is counseling part of Imam's responsibility & why he is charging \$150 for counseling?

Answer: There is \$150 charge for the pre-marital counseling session. The session takes approximately 2 hours. It takes an additional 2 – 3 hours to prepare for each couple's session since each couple receives an individualized objective assessment of potential problems and possible solutions for their relationship. The EC is reviewing all relevant documents to ensure that all contracts are still valid.

21. Is it within the BOT rights to lend community [money] to individuals? Can I get a loan? What is the criteria for approving the loan?

Answer: Payroll Advance or Loan Policy is being draft by the Board with the intent to publish it by September 30.