

May 17, 2016

Frequently Asked Questions:
York Harbor Reading Room Foundation

What is the Foundation?

The Foundation is a public charity. It accepts donations and provides funding for preserving the historic Reading Room Clubhouse.

Does it increase Reading Room dues?

No, the Foundation is a separate entity from the Reading Room. All donations to the Foundation are voluntary.

Does it decrease Reading Room dues?

The financial plan for the Reading Room hopes to establish an endowment of at least \$500,000 in the Foundation. That endowment's income can help pay for capital projects that are currently being paid for by the Reading Room's capital budget which is comprised primarily of member initiation fees.. With an endowment in place, some of the initiation fees could be put into savings for the Reading Room to further enhance the club and help keep dues as low as possible.

Are donations to the Foundation deductible?

Yes. The Foundation is an IRS approved 501 c 3 charitable organization.

What is the purpose of the Foundation?

It is to preserve the historic Reading Room Clubhouse by paying for projects to take care of the building.

What is meant by “historic” Clubhouse, exactly?

Since 1973 the Clubhouse has been included on the National Register of Historic Places maintained by the US Department of the Interior.

Does the Foundation have by-laws, articles of incorporation, a conflict of interest policy, etc?

Yes. All of these documents are available on the Reading Room website under “New Foundation” or can be provided upon request.

Are all Reading Room members part of the Foundation?

No. The Foundation is a separate entity. It has a Board of Directors but no members. All Board members, however, must be members of the Reading Room and they must have demonstrated an interest in historic preservation.

Who are the Board members of the Foundation?

Sam Reid, President. Bill Baker, Vice President. Debby Ethridge, Secretary. Scott Ramsey, Asst. Treasurer. Bill Hart, Director. Margaret Nichols, Treasurer. John Bockstoce, Assistant Secretary. Peyton Sise, Ex Officio.

How long are the terms of the Foundation Board members?

Directors are appointed for three-year terms and can serve no more than three consecutive terms.

How do the members of the Foundation’s Board of Directors get selected?

Members of the Foundation’s Board are elected by a majority vote of the Reading Room Board of Governors at their regular monthly board meeting that takes place immediately after the Reading Room’s annual meeting. Candidates to fill Foundation Board vacancies are provided to the Reading Room Board by a nominating committee selected by the President of the Board of Governors of the Reading Room.

How will the process work to preserve the historic building?

Once the Reading Room has created the Club's annual capital budget, they request funding from the Foundation for capital projects that preserve the historic Clubhouse. The Foundation Board reviews the request and, if in agreement, forwards the request to the Museums of Old York for review and approval. Once approved, the project(s) can proceed using Foundation funds.

Will there also be a long-term capital plan for the Reading Room?

Yes. The Foundation, in cooperation with the Reading Room, has prepared "baseline documentation" to describe the current status of the building. That documentation will help the Reading Room create a long-term capital budget.

What is Museums of Old York's role?

An independent third party with expertise in historic preservation is necessary to review expenditures and give the Foundation credibility. A written agreement is in place between the Foundation, the Reading Room and Old York describing the roles of each. It is available for review.

Is Museums of Old York compensated for their time reviewing projects?

Yes. Old York is compensated by the Foundation for its review service.

Will the Foundation hire contractors and undertake construction projects?

No. The Reading Room will be in charge of all aspects of maintaining the Clubhouse. The Foundation is only a funding entity.

What are the financial goals of the Foundation?

It is estimated that in recent years at least \$20,000 annually has been needed to help the Reading Room pay for projects the Foundation could take on. Therefore, the current Foundation goal is to have at least \$500,000 in an endowment to generate this level of income annually, while covering the Foundation's small expenses, as well as providing for endowment growth over time to keep pace with inflation.

If an endowment is the goal, can restricted gifts also be provided?

Yes, any gift is welcome.

What sorts of projects can the Foundation fund?

Preserving the historic building involves capital projects that help maintain the structural integrity of the building and its façade. This could include replacing the roof, repairing the windows, patching the stucco façade, painting the exterior, etc.

What sort of projects can't the Foundation fund?

Decorative projects such as carpets, curtains, interior painting or regular operational expenses.

Does the Foundation only relate to exterior projects?

No, any project to preserve the historic building for the public's benefit could be considered; interior, exterior or on the property.

Will the Reading Room be able to pay for other operational expenses with Foundation funds?

No. Operational expense of the Reading Room will not be able to be paid for by the Foundation.

Will the Reading Room's property tax bill be reduced by the creation of the Foundation?

There is no relationship between property taxes for the Club and the Foundation.

Can assessments be made for the Foundation?

No. The Foundation has no members, only a Board. No assessments of Reading Room members can be made by anyone other than the Reading Room.

Who will determine what is an allowable expense for the Foundation?

After the Reading Room requests that a project use Foundation funds, the Foundation will present projects to Museums of Old York for their review that are believed to be allowable expenses.

How much did the Foundation cost to create?

The only costs that the Reading Room has paid for to set up the Foundation were for legal council. That totaled approximately \$20,000.

How long did the process take?

The idea of creating a 501 c 3 to help preserve the Clubhouse has been around for many years. This process began in the fall of 2008. The IRS approved the application for 501 c 3 status on March 17, 2010.

Does the Foundation mean a change in ownership of the Clubhouse?

No. There is no change with ownership of the property. The Reading Room members continue to own the property.

Are there any new restrictions on the Reading Room from the Foundation's creation?

No. The Foundation can only pay for projects that are approved by Museums of Old York. The Reading Room can undertake any project it wishes, if approved for Foundation funding or not.

Can the Reading Room and the Foundation share the expenses of a project?

Yes. If the project is approved as preserving the historic Clubhouse by Museums of Old York, then the Reading Room and the Foundation can share in the cost of the project if they so choose.

Can the Reading Room still choose to take on new projects, or will the Foundation prevent changes to the building?

There are no new restrictions on the building because of the Foundation, either on the interior or exterior. Still, there are plenty of existing zoning restrictions that have nothing to do with the Foundation. For example, any exterior expansion is likely out of the question due to state and local zoning restrictions, including the fact that the building is too close to the ocean, is within the coastal zone, and is too large for the lot

Are there new restrictions on the interior?

There are no restrictions on the interior of the Reading Room created by the Foundation. Local zoning limits the number of seats possible in the Clubhouse at 200. The fire marshal limits the number of people in the building at 250.

What if there is a new project proposed for the interior in the future, such as the bar?

The bar could not have used Foundation funds as it does not preserve the historic Clubhouse – but the Foundation would not have restricted the construction of the bar in any way. If the Reading Room chose to undertake such a project with its own funds in the future that would be fine.

What if the Reading Room, someday, is sold?

The projects that are paid for with Foundation funds will be tracked and depreciated over the years. For example, a replacement of the roof shingles will be fully depreciated after 30 years – the useful life of the shingles. If the building were ever sold, the depreciated value of all Foundation funded projects will be subtracted from the sales price and refunded by the Reading Room to the Foundation. The Foundation will then, most likely, transfer its remaining assets to a similar organization – likely Museums of Old York.

Why would the Foundation's assets transfer to Museums of Old York if the building were sold?

Gifts to the Foundation were given a federal income tax deduction. That means they are to be used for the public good, not for private gain. The Foundation is a public charity and its purpose is to preserve the historic Reading Room Clubhouse, a public purpose. It is assumed, after a detailed look at the many state

and local zoning restrictions on the Reading Room's property, that the only likely sale of the building would be as a private home. In that scenario, the building would, most likely, no longer be providing a public purpose. So, the funds could not continue to be used to preserve the building. Old York, or another similar organization, would continue to use the funds to preserve historic buildings with a public purpose.

Does the public versus private discussion mean that the Reading Room will need to be open to the public for specific amounts of time?

The Reading Room is already open to the public for a variety of events throughout the season. There are no requirements on the Reading Room to change its current practice.

What if the Reading Room is destroyed or damaged by fire or storm?

The Foundation would be very useful in that scenario. Unlike the 2000 renovation that raised funds to rehabilitate the building without providing any tax deduction, funds to rebuild the building in the future would be deductible through the Foundation. The Reading Room has insurance policies to help rebuild in the case of a loss, but the Foundation would be well suited to help.

How will the Foundation's assets be managed?

An investment committee for the Foundation has been created and an investment policy formed. That committee oversees the investment policy and monitors the performance of its funds as well as restricting spending from the endowment to a sustainable amount.

What if the Reading Room is no longer "historic"?

For the Foundation to exist the Reading Room must be listed on the National Register of Historic Places. To lose the historic status of the Clubhouse would take some very substantial changes to the building. It would also take an action of the State Historic Preservation Officer. Knowing the significant number of local and state zoning restrictions on the building means that there are few changes possible to the building. Short of demolition, this outcome is considered very unlikely.

Is there an historic easement in place on the Reading Room?

No. There is no historic easement on the Reading Room. There are so many restrictions in place from state and local zoning that an easement was not believed necessary by the IRS or the Foundation. This means, however, that there is no current prohibition to demolishing the building.

Is the Reading Room in the York Historic District?

Confusingly there are two York Historic Districts. In 1973 a very large (1700 acre) district encompassing many buildings, including the York Harbor Reading Room, was added to the National Register of Historic Places. That district includes York Corners, York Village and York Harbor. This process is how the Reading Room Clubhouse became listed on the National Register. This District has neither a local oversight committee, nor local regulations, but it does provide for review of federally licensed or funded actions that might have an adverse effect upon its historic character.

Much later, a series of three very specific historic districts were created in York Village and York Harbor. These are overseen by a Historic District Commission and include very specific and numerous restrictions on the buildings within the Districts. The Reading Room is only in the National Register District, not one of the local districts. So, the Reading Room is not overseen by any special Commission of local officials nor does it have additional restrictions on it.

What are the operational costs of the Foundation?

The Foundation has minimal expenses of preparing its taxes, paying for Old York reviews, and some minor postage and mailing costs. There will be no compensation for any of the Board of Directors of the Foundation.

Are there restrictions on what the Reading Room can donate to the Foundation?

The Reading Room can donate anything it wishes to the Foundation. For example, the Reading Room paid for the legal expertise to set up the Foundation. Some minor staff assistance from Reading Room staff is expected to continue to benefit the Foundation's operations. There is no tax deduction available to the Reading Room for this support, as it is a 501 c 7 organization.

What are the next steps?

The Foundation will continue to raise funds to help it operate to preserve the historic Clubhouse.