

Finance Committee Memo and Report

Heather McKee and Andy Vaughn

Sunday, December 6, 2020

Exhibits included as attachments:

- Exhibit A: Audited Financial Statements (Fiscal Year 2020)
- Exhibit B: Audit Balance Sheet one-page summary
- Exhibit C: Budget to Actual (Fiscal Year 2020)
- Exhibit D: Notes to FY20 Budget to Actual
- Exhibit E: Net Investment Report as of June 30, 2020
- Exhibit F: Comparison Summary of Investment Returns
- Exhibit G: List of Amendments and Action Items from Finance Committee
- Exhibit H: Motion to Establish Mason Account
- Exhibit I: Motion to Establish Board-Designated Building Fund

Stable financial position and expanding services:

As Andy Vaughn stated in his Executive Director's Report in May, the state of ASOR is stable. This is a good thing in the midst of a pandemic. In fact, ASOR is reaching new heights in spite of challenging times. The ASOR website has been expanded to include more online resources, the Virtual Annual Meeting was conducted successfully with 1085 registrants, and membership has reached an all-time high (2065 current members [as of December 1), and 2143 if we back-date to September 30).

As the Board may remember, the Finance Committee voted in March, to have ASOR forego distributions in named endowment accounts so that the accounts could recoup some of the losses from March (at the start of the pandemic). In addition, the Finance Committee voted to phase-in new capital received in the Building Fund and in the General Endowment (P.E. MacAllister's gift). As it turns out, the extraordinary rebound of the equities markets made the foregoing of distributions very beneficial. In hindsight, the phase-in of new capital contributions was not as favorable as it would have been to invest funds immediately in May. We have been investing about \$41,000 per month from the MacAllister legacy gift into the General Endowment. Given strong returns, we would have been better off to invest all of the funds at once. We have been investing a little less than \$10,000 per month into the Building Fund. Again, in hindsight, we would have experienced higher gains with investing immediately. However, markets remain volatile, and a phased-in approach for the next six months seems prudent.

In addition to the balances presented in the audit (Exhibit A) and in the summary table found in Exhibit B, we call your attention to the following market balances (not accrual based) of the following Accounts (as of November 30, 2020):

- Cash Accounts = \$759,532.09
 - BB&T Checking = \$209,202.52
 - Schwab General Fund (quasi-checking) = 584,059.21
 - BB&T Temporarily Restricted (Federal Grants) = \$2,270.36
- Board-designated Accounts = \$133,137.74

- Opportunity Fund for Publications (Board-designated) = \$133,137.74
- Building Fund: see below, TR for until Board votes =
- General Endowment for Operations = 1,497,333.19
- Accounts with donor restrictions (other than General Endowment) = \$1,709,661.61
 - Building Fund (TR for now) = \$143,144.27
 - Dana Endowment = \$341,000
 - Geraty Endowment = \$71,202.43
 - Harris Endowment = \$157,836.91
 - MacAllister Endowment = \$168,878.98
 - Mason Endowment = \$51,571.59
 - Carol and Eric Meyers Endowment = \$194,097.17
 - Platt Endowment = \$279,590.65
 - Seger Endowment = \$70,000.00
 - Strange / Midkiff Endowment = \$134,648.17
 - G. E. Wright / Shirlee Meyers Endowment = \$97,691.44

Challenges that we are facing because of COVID-19

While ASOR is stable, we are (and will continue) to face challenges because of the global pandemic. Institutional subscriptions are down about 5% for University of Chicago Press. We fortunately have a guaranteed royalty, but it is unlikely that we will see payments above the guaranteed minimums that UCP predicted last year. In addition, we may see UCP request to lower the minimums in a couple years when it is time to renew our contract / agreement. Related, we have experienced a large drop in institutional membership payments. As of December 2, 2020, we had billed 62 institutional member schools, but we have not yet received payments from 30 of those schools. We in the process of sending out those bills, but it is likely that we could see a significant drop in participation by member schools. This could result in a \$20,000 budget shortfall that would continue into future years. We hope to be able to give an update by the time of the Board Meeting on these payments.

Another “caveat” topic—Virtual Annual Meeting. While it was fantastic that we had 1085 registrants, the net revenue for the meeting will be below our budget. About 500 people who registered for the Boston in-person meeting allowed ASOR to keep the higher registration fee paid for the in-person meeting. That was a big help for our net revenue. However, almost 600 registrants for the VAM paid a lower rate that was about half of the advertised (and budgeted) in-person rates. In addition, the fees for the virtual annual meeting platform were comparable to what we budgeted for AV costs in Boston. Andy does not have a precise estimate of the shortfall of the overall ASOR budget, but it could be unfavorable by about \$30,000 to \$40,000 above levels from Fiscal Year 2020 (San Diego Meeting). The FY20 Audit shows a shortfall of \$28,000 for the Annual Meeting in FY20, and the shortfall (that includes staff time) for FY21 could be \$70,000 to \$80,000. This shortfall could be unfavorable to our budget somewhere around \$50,000. We are still adding up all of the expenses, and we may receive more revenue as people pay for viewing the VAM recorded content through June 2021.

Another area of financial concern is the Annual Fund. One of the primary reasons that ASOR had a successful year with our operating budget last year was that our trustees contributed an amazing \$147,000. We are *not* on pace to have that same level of participation this year, so that could be another unfavorable component for Fiscal Year 2021 Operating Budget. Another reason that we did not experience a larger Operating Loss last year (FY20) was that we received a PPP Loan. We used that loan to increase staff capacity to produce online content, and those funds provided needed salaries consistent with the purpose of the CARES Act. That forgivable loan also paid for many ASOR salaries, and we will not likely have such federal support in Fiscal Year 2021.

In spite of these challenges, ASOR has the resources (our unrestricted net for operations) to weather this crisis and to continue to operate and plan for the long-term. During our discussion of the financial position of ASOR, Andy and Heather recommend that the EC and Board discuss these challenges and how ASOR may need to utilize unrestricted assets as we discussed during our May 2020, meeting.

Decision to hire an outside financial management firm

When ASOR moved to Alexandria, we discussed the benefit of hiring an experience financial consultant or employee to oversight. We discussed hiring someone part-time because such specialists are available in the DC and Alexandria area. The global pandemic made such a move difficult because ASOR moved to working mostly remotely in mid-March (2020).

Related to this need, ASOR was pleased to receive a proposal from ACLS (American Council of Learned Societies) to help small to medium-sized societies with their financial management. ACLS selected a consultant (Todd Mann Management Group—TMMG) in Chevy Chase, Maryland, to provide financial oversight, reconciliation of accounts, and review and oversight of grants. TMMG (www.toddmannmanagementgroup.com) has engaged another firm called Charity CFO, and that firm has three CPA's and other accounting staff who handle reconciliations and journal entries. Further, ACLS offered to pay the \$1,500 setup fee for member societies that chose to utilize this service.

In response, Andy Vaughn and Sheldon Fox held three virtual “interviews” with TMMG and Charity CFO. Andy and Sheldon clarified the services that would be provided, and Andy conducted reference checks. Andy reviewed the proposals with Heather McKee, Sharon Herbert, and Richard Coffman. Following a recommendation from Heather and Andy that we hire TMMG, this group of ASOR officers concurred that we should proceed with engaging TMMG (and Charity CFO). Andy signed a contract about a month ago, and Britta and Andy have held two virtual meetings with TMMG and Charity CFO. The contract locks in the monthly price (\$1500) for at least two years, and either party can terminate the agreement with 90 days written notice.

The following paragraphs present brief summaries of the services provided by TMMG and Charity CFO:

- Todd Mann Management Group (TMMG) strengthens professional societies and trade associations by providing full-service or a la carte management services. CEO Todd Mann spent the first part of his career leading startup companies before joining trade associations, like the National Restaurant Association, in leadership roles. He started

TMMG in 2012, offering smaller to mid-sized associations services such as finance, sponsorship/exhibitor sales, membership recruiting, and marketing. Todd developed a relationship with ACLS and has been providing services to ACLS societies since March of 2020. Finance/accounting is the single-most sought-after service, and to meet that need Todd created a relationship with The Charity CFO to create a consistent focus for ACLS societies.

- The Charity CFO, LLC provides outsourced accounting solutions to nonprofit organizations across the country. Our team of CPA's and accountants includes Tosha Anderson, Tim Hudson, and David Steffens. David is the accounting manager who will be primarily responsible for the oversight of ASOR's financial records. Over the course of the next several weeks, we will be implementing accounting processes in conjunction with industry-leading technology to streamline bookkeeping, bill pay, account reconciliations, and reporting. Throughout the 'onboarding' process, we emphasize a commitment to internal control 'best practices' so that duties are appropriately segregated and the risk of fraud or material misstatement is appropriately mitigated.

In addition to the above paragraphs, the following screen shots outline the services provided by David Steffens and an accounting associate. Andy also notes that one of most important services will also be instituting the external control of a person and firm who does not have check-writing authorization to review and reconcile ASOR's financial accounts.

Accounting Manager



David Steffens, CPA
Accounting Manager
accounting@thecharitycfo.com
314-390-0220

The Accounting Manager serves as your organization's Chief Financial Officer (CFO). This role exists to provide premier financial thought leadership for your organization. Additional periodic requests that your personal CFO can fulfill include:

- Budget Development
- Financial Analysis
- Grant Reporting
- Audit Preparation
- Reviewing Reconciliations and Financial Statements

Associate Accountant



Associate Accountant
accounting@thecharitycfo.com
 314-390-0220

The Associate Accountant oversees your day-to-day needs and can assist you with tasks such as:

- Basic Ad Hoc Reporting
- Bookkeeping and Day-To-Day Transactions within your Accounting System
- Ensures Documentation is Submitted for Expenses and Revenue
- Preparing Reconciliations of Various Accounts
- Preparing Financial Reporting Package

Comments about the FY20 Audit and Financial Records

We would like to recognize and thank Britta for her excellent work in preparing our financial records to the FY20 audit. With the help of Sheldon Fox, ASOR made 19 adjusting journal entries to “cleanup” our books. Prior to the start of the audit, there were many “extra” items on ASOR’s Trial Balance that dated back more than a decade. In some instances, there were balanced from an Annual Meeting from six years ago. All of these extra entries were cleaned up and listed in one, single “retained earnings” entry in the trial balance. This consolidation greatly reduced our audit cost (saved at least \$5,000 from last year), and it makes the further consolidation work that we will do with TMMG and Charity CFO more efficient.

In addition to cleaning up financial records, Andy and Britta have instituted new methods that streamline recognition of membership revenue and deferred revenue. The new workflows utilize automated reports from our online database, so there is less chance for human error. The new methods also drastically reduce duplicated effort by ASOR staff, and they will enable ASOR to forecast better membership revenues during the fiscal year. Starting in early 2021, the reports from Charity CFO should also greatly assist forecasting revenue.

The first two meetings that Andy and Britta have held with TMMG and Charity CFO have been productive. ASOR has already reduced staff time for journal entries by cleaning up accounts, and Andy and Britta anticipate the Charity CFO team will further streamline ASOR’s processes, while making them more consistent with other “best practices.” They anticipate that the new methods will save further staff time, and they may save on our auditing fees—the auditing firm will be checking our work more and more—which is also a best practice.

Conclusion: thanks to all members of the Finance Committee and Board

The Finance Committee packet of materials is one for the larger ones in recent years. That length of the reports in itself is a positive sign—we have a lot of things going on with and in ASOR. Our financial accounts are growing, and we appreciate the time and energy that the Finance Committee and Board invest in overseeing and examining that work.

As stated at the very beginning of this memo and in the notes to the Budget to Actual Spreadsheet, the extremely generous support of our Trustees and donors is the reason that ASOR is thriving and is financially healthy. We are very grateful, and we look forward to continuing to work with you to be good stewards of this generous support.