

American Society of Overseas Research  
Finance Committee Agenda and Report  
For the Year Ending June 30 2021  
Saturday 20 November 2021, 11:30 AM CDT

1. Call to Order (Bonney)
2. Approval of Minutes from prior meeting (Bonney)
3. Review and approval of agenda (Bonney)
4. Review of Documents and Reports (Bonney and Vaughn)
  - a. Review of Statement of Audited Financial (Exhibit A)
  - b. Review of Budget to Actual (Exhibit B)
  - c. Review of Notes to FY 2021 (Exhibit C)
  - d. Review of Net Investment Report, as of 9/30/2021 (Exhibit D)
  - e. Review of Investment Peer Analysis (Exhibit E)
  - f. Review of Net Investment Report as of 6/30/2021 (Exhibit F)
  - g. Review of Comparison of Asset growth FY01 to FY21 (Exhibit G)
  - h. Review of Conflict of Interest Forms
  - i. Review of Draft Form 990
5. Discussion of Financial Position of ASOR (See exhibits above and Finance Report memo below for background)
6. Action Items
  - a. Recommendation to Board to emend of December 2020 decision with regard to Board-Designated Building Fund (Ackerman).
    - i. Possible language for motion: BE ITS RESOLVED that the Finance Committee recommends that the ASOR Board of Trustees emend its prior resolution adopted in December 2020: "BE IT RESOLVED that the ASOR Board of Trustees adopts the motion and amends "Appendix II—Spending Policies" of the ASOR Investment and Spending Policy to add a new account: "Board-Designated Building Fund" with a 5% distribution rate (after the Fund reaches a market value of \$500,000)" to strike the parenthetical "(after the Fund reaches a market value of \$500,000)".
7. New Business or New Discussion Items
8. Adjourn

## Memo to Finance Committee

### *ASOR is in a Strong and Stable Financial Position*

ASOR has emerged from what we hope if the worst of the pandemic in a strong financial position, prepared to continue the organization's important work. It should be emphasized at the top that this state of affairs is due in large part to the very generous gifts to the organization. We also can attribute the financial health to a strong and generous scholarship program that contributes to ASOR's continued growth. By September 2021 memberships had reached an all time high of 2200, an increase of nearly 150 since the finance committee report submitted for the May Board of Trustees meeting although because of deferred revenue this strong growth in memberships is not reflected in the budget to actual (Exhibit B). Through its program of membership scholarships we were able to provide support to people most affected by the pandemic and who might otherwise not have been able to maintain their memberships. The strength of ASOR's current position is summarized succinctly and clearly in the first three paragraphs of Exhibit C the Notes for FY 2021 Budget to Actual prepared by the Executive Director, and I will not reiterate that material here. The goal of this report is to emphasize the most important positive developments and to raise cautionary flags as seems appropriate.

The completed Audit (Exhibit A) provides ample evidence of the strength of the organization's financial position. ASOR's finances continue to benefit from the continued upward motion of the financial markets. The increases in net assets demonstrate the importance of the donors and the impact of an upward-trending equities market. Total Net Assets increased by just over \$1.4 M to \$6,070,798, an increase of approximately 30% as every category of net assets experienced a significant increase in value.

- Board-designated net assets increased by \$463,157 to \$583,748 attributable in part to the establishment of the Norma Kershaw board-designated fund (\$200,000) and in part to the rapid growth of the Building Fund.
- Total net assets without restrictions increased by \$432,666 to a new total of \$2,072,248. Members' contributions and growth in individual memberships - now with 2200 at the highest level ever - were important components to this just over 26% growth.
- Total net assets with donor restrictions increased by a healthy 32%, that is \$969,019, to a new total of \$3,998,550. While some of this can be attributed to the growth of the investments, there also were three new funds as listed on Exhibit B the Net Investment Report - the Mason Fund, the BIPOC Endowment, and the Dana #2 Excavations Fund.

Although the September 30, 2021 report (Exhibit D) appears to show a loss on the investments, those numbers still reflect an overall increase in the investments from the 31

March 2021 investment spreadsheet of about 1-2%. The “snapshot” was taken just after a sharp downturn in the market that was reversed the next day. We expect those investments to continue to grow with the continued overall increases in the markets. The actual state of ASOR’s investments in comparison to FY 2020 appears more clearly in the June 30, 2021 report (Exhibit F) in which net investments are seen to have increased by 35-36% with the Scott and Strngfellow portfolio up by 38.7%. At the same time we should sound a cautionary note. It has been suggested by some that the Federal Reserves’ aggressive purchase of bonds over the pandemic has contributed significantly to the expansion of the equities markets. Should the Fed opt to change its policies in an effort to rein in inflation there could be a corresponding correction to the stock markets. Prudence suggests a watchful eye for such developments.

In addition to the balances presented in the audit (Exhibit A) and in the summary table found in Exhibit B, I call your attention on Exhibit D to the market balances (not accrual based) of the following Accounts (as of September 30, 2021):

- Cash Accounts = \$1,097,271.65
  - BB&T Temporary Restricted = \$234,442.79
  - Schwab General Fund = \$862,828.86
- Board-designated Accounts = \$603,921.75
  - Opportunity Fund for Publications = \$134,981.07
  - Building Fund = 275,543.74
  - Kershaw Fund - 193,396.93
- General Endowment for Operations = \$1,637,235.62
- Accounts with donor restrictions (other than General Endowment) = \$2,097,226.95.
  - Dana Endowment = \$341,000
  - Geraty Endowment = \$105,800.93
  - Harris Endowment = \$176,673.70
  - MacAllister Endowment = \$189,087.52
  - Mason Endowment = \$51,571.59
  - Carol and Eric Meyers Endowment = \$222,568.47
  - Platt Endowment = \$310,706.69
  - Seger Endowment = \$78,435.76
  - Strange / Midkiff Endowment = \$150,978.99
  - G. E. Wright / Shirlee Meyers Endowment = \$109,387.12
  - Dana #1 Scholarship = \$382,798.94
  - Dana #2 Excavation = \$117,985.52
  - BIPOC Endowment = \$197,853.47

## *Continuing Impact of COVID-19 and Shifts in Higher Education*

Before enumerating the challenges that lie ahead it is important to re-emphasize how important the generosity of ASOR's donors and the robustness of the scholarship have been to the health of the organization. Those two pillars will continue to be critical to ASOR given the uncertainty of the coming months. Many of the challenges that we cited in the 2020 report to the December Board of Trustees meeting remain. The Annual Fund Income of \$147,000 for 2020 was extraordinary and was followed by a similarly spectacular \$126,122.43 in FY 2021 (Exhibit B). As a consequence the Board budgeted \$125,000 for the FY 2022 Annual Fund. Two additional bright spots are the second forgivable PPP Loan and the fact that we have not been compelled to use the prior year unrestricted funds in the amount of \$65,000.

The traditional sources of revenue on which ASOR has depended may become less reliable over the next year. We already had noted a year ago that there had been a decline in institutional subscriptions for the University of Chicago Press, and the continuing reductions in college and university library budgets will negatively impact our contract negotiations when it is time to renew. The guaranteed revenue will likely be eliminated. While the number of memberships has increased, the actual dollars from memberships may decline slightly. Institutional memberships have held steady at 60 again this year, but it is clear that budgets in higher education will continue to tighten, constraining the ability of colleges and universities to commit to ASOR. At the same time individual memberships may increasingly come from the ranks of junior scholars who join at the Associate Level of \$40 rather than \$150. The drop in enrollments nationwide and the continued shrinking of the number of tenure-track positions available may factor into this. Additionally - on another gloomy note - future surges of the virus could wreak havoc in the academy and an additional wave of PPP loans seems unlikely.

The Annual Meeting also remains uncertain as a source of revenue. While the VAM in 2020 was a surprising success with 1085 registrants the actual revenue was well below budget while the expenses were not correspondingly less than budget. We already discussed the implications in the December 2020 Finance Committee report and again in May 2021. As the Executive Director has noted in the Notes for FY 2021 Budget to Actual (Exhibit C), the expenses for the Annual Meeting exceeded the Revenue by \$96,000 and the forgivable PPP loan of \$118,000 significantly helped to address this issue. In 2021 we are conducting both a VAM and an in-person meeting. Continued concern about the virus means that an as yet unknown percentage of those who registered for the in-person meeting in the spring may have canceled their registration and chosen to participate solely in the VAM. One area of concern raised at the May meeting was whether the FOA webinars would produce the level of income that seemed essential to the budget, and that appears to be the case. As the

budget to actual (Exhibit B) indicates we already have reached roughly 40% of the amount budgeted as income for this program for the entire year.

Reliance on the Annual Fund should be another area of financial concern. As already noted donors have been extraordinarily generous the last two years but the organization should explore ways to diversify the income stream. The long-term impact of the pandemic on the economy remains unclear. One strategy may be for ASOR to continue to raise the visibility of options outside the academy as it already has in various ways such as the Junior Scholars programs at the annual meeting and to explore other kinds of non-academic institutions. The organization's support of and engagement in cultural heritage work constitute an additional means of diversifying both the sources of income and the portfolio of projects. We also need to be prepared, as suggested above, for a correction in the equities market. In that regard the success of the Executive Director in securing two significant grants in the last few months so that we already have barreled past the budgeted \$100,000 in Federal Grants by more than \$40,000 is very positive.

#### *The Outside Management Firm*

The engagement of Todd Mann Management Group (TMMG) and Charity CFO in 2020 appeared to be an exceptional stroke of fortune. It appeared that Charity CGO could provide financial oversight, reconciliation of accounts and review and oversight of grants. We entered into such an agreement for the exceptionally locked in monthly price of \$1500. While the contract was to last two years, Charity CFO already has determined that performance of the contract for that price is unsustainable. The Executive Director, as noted in Exhibit C, has renegotiated the contract. That group will continue provide important oversight by performing monthly reconciliation, and Britta will reassume all bookkeeping and QuickBooks entries.

#### *Comments about the FY21 Audit and Financial Records.*

Andy would like to recognize and thank Britta for her excellent work in preparing our financial records for the FY21 audit. Thanks as well to Sheldon Fox who intervened in the audit preparation as it became clear that the outside management firm could not deliver on the proposed timeline. The work was complicated by the need to create separate new worksheets for the new endowments and the special accounting required for expenditures from the restricted funds. This process requires a demonstration that the purposes of the restricted funds have been honored. Regaining control of the daily/weekly entries has reassured Andy and Britta that the information is correct. While the efficiencies and savings anticipated by the retention of Charity CFO will not be realized, ASOR can be confident that the maintenance of ASOR's financial records will continued to be thoughtful, thorough and complete.

### *Conflict of Interest Forms*

Four people have submitted forms indicating they may have a conflict of interest. We will discuss these at the meeting.

Draft of Form 990

We will review the draft of the Form 990.

### *Conclusion*

Thanks to the Members of the Finance Committee. The materials that accompany this report demonstrate the growth and diversification of ASOR's work in spite of the challenges posed by the pandemic. We appreciate the Finance Committee's oversight and careful examination of the details.