

Finance Committee Agenda and Report
Emily Bonney and Andy Vaughn
Saturday, November 19, 2022; 11:30 AM EST

1. Call to Order (Bonney)
2. Approval of minutes from prior meeting (may need to postpone until next meeting) (Bonney)
3. Review and approval of agenda (Bonney)
4. Review of Documents and Reports (Bonney and Vaughn)
 - a. FY22 Statement of Audited Financials (Exhibit A)
 - b. Budget to Actual (FY 2022) (Exhibit B)
 - c. ASOR Net Investment Spreadsheet (to September 30, 2022). (Exhibit C)
 - d. Analysis of Scott and Stringfellow managed endowment, dated June 30, 2022. (Exhibit D)
 - e. Analysis of ASOR self-managed funds through June 30, 2022 (Exhibit E)
 - f. Notes to Budget to Actual (FY 2022) (Exhibits F and B)
5. Discussion of Financial Position of ASOR (see exhibits above and Finance Report memo below for background)
6. Discussion of Decision to end arrangement with Scott and Stringfellow
7. Action Items (see Exhibit A) Receiving and accepting Audit Report.
8. Discussion and voting on conflict-of-interest disclosures
9. Discussion of timeline for reviewing FY22 990
10. New Business or New Discussion Items.
8. Adjourn.

Memo to Finance Committee

Stable financial position and expanding services:

As a preliminary to a discussion of ASOR's financial position I want to comment briefly on changes in the format of the documents. Exhibit B, Budget to Actual, has been reorganized and the entries recategorized to align with the format of the statement of audited financials. This change should enhance the clarity of the budget documents. A concomitant change is the format and content of the Notes to Budget to Actual, Exhibit F). The Executive Director previously had prepared these notes, but this year the treasurer took over the task. Both the reformulated budget and the notes are works in progress and suggestions/recommendations are welcome and encouraged.

Thanks to the generosity of ASOR donors, the careful management of the Schwab endowments and the successful applications for grants ASOR has come through a turbulent year in the markets in solid financial condition. While the statement of audited financials shows that ASOR experienced a negative change in net assets of \$447,200, ASOR's assets still total

nearly \$ 6 million. If the market recovery that appears to have begun in the wake of the midterms continues, we are hopeful that we will recover from the losses suffered during the first eight months of 2022.

The treasurer's report of 8 May, 2022 previously summarized the positive financial events of most of fiscal 2022, and those observations are reiterated here for the reader's convenience.

- Gifts to the Geraty, Meyers, Strange/Midkiff and Dana #3 fund were much higher than forecast in the budget.
- Grant income of \$308,000 was more than twice the budgeted \$125,000.
- The Annual Meeting, conducted in FY 22 as both in person and virtual generated roughly \$20,00 less in income but with 1086 registrants and lower than budgeted direct expenses resulted in a net favorable of \$4,000.
- Webinars gave ASOR a web presence but generated less income than budgeted in part because we had fewer webinars and in part because registration and sponsorships were lower than budgeted. We did not have the fund-raising webinars that were conducted in FY 21. Finally, we allocated less staff time (the executive director (who was working on federal grants that generated more revenue) and there was simply less demand. Webinars on controversial topics in biblical archaeology outperformed webinars on varied work across the MENA region.
- The increase in memberships indicated that ASOR would achieve a 5% increase in the number of members for 2021/2022. That increase is evident in the budget to actual with institutional memberships bringing in \$60,000 and individual membership continuing to exceed the budgeted amount, reaching almost \$210,000.

In addition to the balances presented in the audit (Exhibit A) and in the summary table found in Exhibit C, I call your attention to the following market balances (not accrual based) of the following Accounts (as of September 30, 2022):

- Cash Accounts = \$1,093,034.70
 - BB&T Checking = \$100,213.95
 - Schwab General Fund (quasi-checking) = \$692,849.21
 - Schwab Temporarily Restricted = \$179,627
 - BB&T Temporarily Restricted (Fed. Grants) = \$120,344.54
- Board-designated Accounts = \$657,242.94
 - Opportunity Fund for Publications (Board-designated) = \$117,716.76
 - Building Fund = 323,859.47
 - Kershaw Fund = 145,666.71
- General Endowment for Operations = 1,209,354.29
- Accounts with donor restrictions (other than General Endowment) = \$1,977,546.30
 - Harris Endowment = \$137,761.57
 - Platt Endowment = \$239,881.48

- G. E. Wright / Shirlee Meyers Endowment = \$100,695.56
- MacAllister Endowment = \$147,470.48
- Strange / Midkiff Endowment = \$148,532.27
- Carol and Eric Meyers Endowment = \$202,201.40
- Seger Endowment = \$61,170.31
- Dana 1 Scholarships Endowment = \$300,439.40
- Geraty Endowment = \$94,466.21
- Mason Endowment = \$43,169.70
- BIPOC Endowment = \$177,432.30
- Dana 2 Scholarships Endowment = \$244,612.40
- Dana 3 Excavation Endowment = \$79,713.22

Challenges that we are facing because of COVID-19

ASOR is stable for now, but we will continue to face challenges because of the persistence of the pandemic and the ensuing economic and political uncertainties. There is no going back to pre-pandemic conditions. Institutional subscriptions are down about 5% for University of Chicago Press. We fortunately have a guaranteed royalty, but it is unlikely that we will payments above the guaranteed minimums that UCP predicted last year. We may see UCP request to lower the minimums in a couple years when it is time to renew our contract / agreement. On the other hand, both UCP and ASOR hope that the addition of a fourth journal, *Maarav*, will help us fully “earn” our guaranteed royalties. Book Sales also remain down, but revenue in FY22 was favorable because we moved from recognizing revenue and expenses when books were sold. This change was unfavorable in FY21, but favorable in FY22 (and should be neutral in FY23 and forward). Institutional memberships returned to \$60,000 in FY 2022, but declines in enrollment at most institutions and the particular fiscal challenges that public institutions face may precipitate a drop in institutional members. In May 2022 we were uncertain whether the Annual Fund would reach the budgeted target of \$125,000. Achieving that goal required members donating an additional \$35,000. As the budget to actual shows donors outperformed, by nearly \$17,000. With continuing inflation and the potential of a recession it may be difficult for supporters to maintain that level of generosity. Grants will continue to provide support for administrative work, but there clearly will be no additional federal funds comparable to the PPP loans. The format for the Annual Meeting – in-person and VAM; in-person only; VAM only – remains uncertain and clearly has bottom-line consequences.

Change in Investment Strategy

At the May meeting the Board concurred with the recommendation of the Finance Committee that at the end of June 2022 the Executive Director, the President, the Board Chair and the Treasurer confer as to whether ASOR should continue to have some portion of the endowments managed by Scott and Stringfellow. The analysis of the funds managed by Scott and Stringfellow on Exhibit D and those in the Schwab self-managed account, Exhibit E, made it clear that the self-managed funds consistently out-performed Scott and Stringfellow, and the

difference in performance likely would only increase over time. The Executive Director, Board Chair, President, and Treasurer conferred in August and agreed that the appropriate course was to terminate the arrangement with Scott and Stringfellow. While this means that ASOR no longer will have a line of credit with Truist Bank, there seems little reason to think that ASOR ever would make use of the line of credit.

Comments about the FY22 Audit and Financial Records

As directed by the Finance Committee and the Board, the Executive Director and the Treasurer put out an RFP for a firm to conduct the audit of ASOR's books and prepare the Audited Statement of Financials and the 990. This decision did not result from dissatisfaction with the auditor ASOR had been using, Romeo, Wiggins & Company, L.L.P., but from the need to follow best practices and consider alternative auditors. Five firms submitted proposals, one of which was suspiciously low and the other simply too high. The Executive Director and the Treasurer interviewed representatives of three firms – Schmersahl Treloar & Co., Ryan, Gunsauls & O'Donnell, LLC, and Romeo, Wiggins & Company, L.L.P. The interviews and the terms of the proposals led us to decide to continue with Romeo, Wiggins & Company, L.L.P. Although Schmersahl, Treloar's proposal was \$3,000 a year for the three years covered by the RFP, we were concerned that they might discover as Charity CFO had that they could not perform the work at the rate they offered. Gunsauls & O'Donnell made an error in their proposal that took them out of consideration. Finally, Romeo & Wiggins reduced their proposal sufficiently to bring the fees to a comfortable level with a charge of \$18,400 for year 1, \$18,950 for year 2 and \$19,500 in year 3 with an additional fee of \$6,230 for preparation of a single audit in year 2, should that be necessary. The resolution directing that the RFP go out specified that the guaranteed price must not exceed the FY23 Budget by more than 10%, and the Romeo, Wiggins bid fell within those parameters.

Andy would like to recognize and thank Britta and Sheldon Fox for their excellent work in preparing our financial records to the FY22 audit. Angie, the representative for Romeo, Wiggins remarked it was the cleanest audit ever.

Action item: Receive and accept the 2022 audit.

Conclusion:

ASOR's financial stability made possible by the generous contributions of ASOR's supporters and the number and amount of endowment funds bodes well for ASOR's future. The dedication and commitment of our members and of the Trustees who support the work keep the organization true to its mission. The Executive Director should be commended for the work in securing grants and for managing the Schwab accounts effectively. Finally, thank to the Finance Committee for its work.