

# AEA Finance Priority Area Team

## FAQs & As

(Frequently Asked Questions & Answers)



# Time and Money

- What's AEA's "year" for budgets, for expenditures?
  - 12 months, ending at the time of least activity: June 30
- AEA's 12-month financial cycle ...
  - called a "budget year" or "financial year" or "fiscal year:" FY
  - is July 1 of Year A through June 30 of Year A+1
- example:
  - AEA's 2012 FY was July 1 2011 through June 30 2012



AEA

# Assets

What we've got...





# What are AEA's assets, and what is their approximate total value?

- No buildings
- No land
- No copyrights
- Some T-shirts and badge ribbons
- CDs, other investments, and cash
  - \$US 2.6 million (on 6/30/2012, end of audit period) before subtracting liabilities



# Net Assets

- The difference between the association's total financial assets and total financial liabilities (accounts payable and debts).
- AEA divides its net assets into two categories:
  - Operating Reserve
  - General Reserve



# Operating Reserve

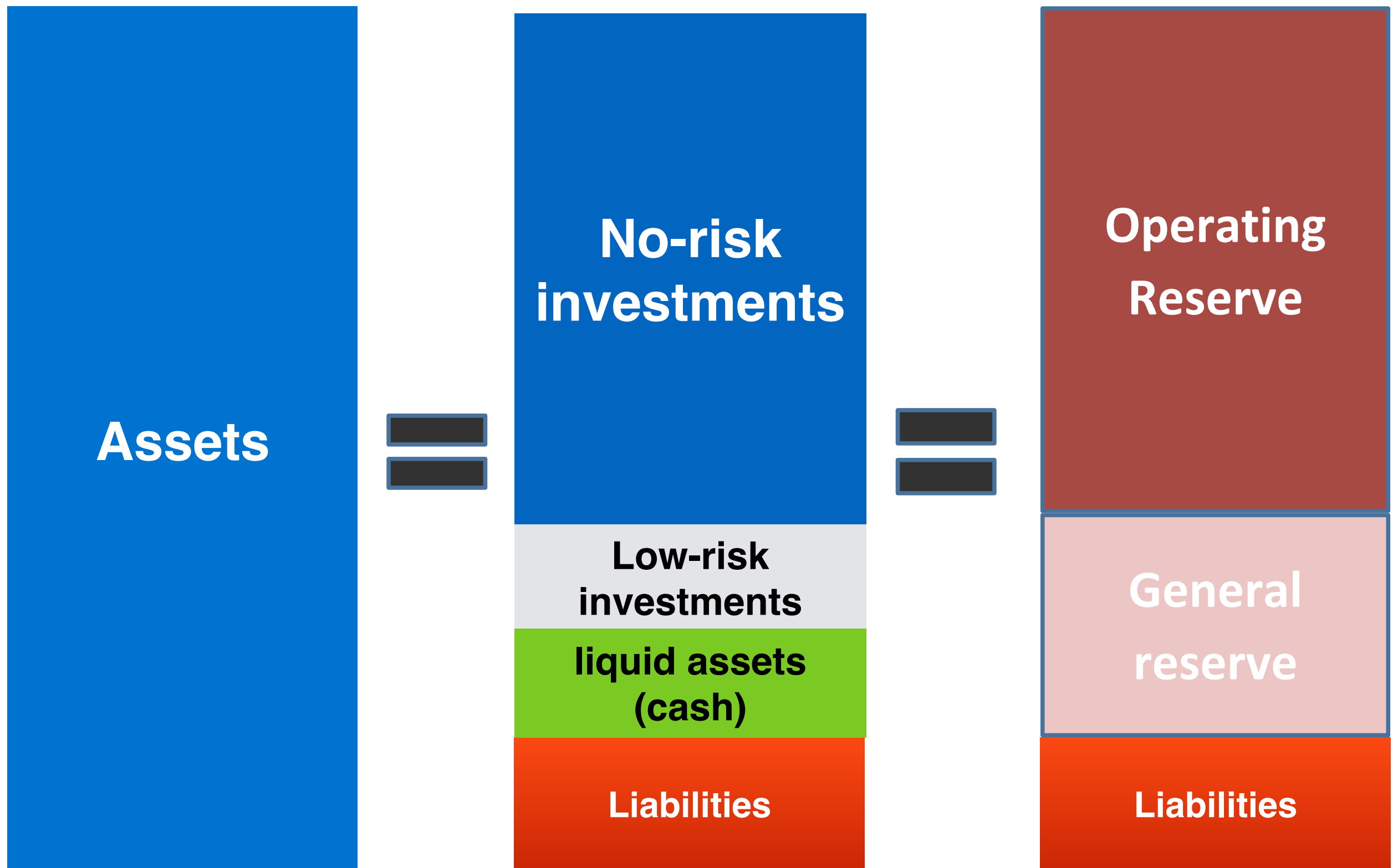
- Funds set aside to stabilize our finances by providing a cushion against unexpected large expenditures and unexpected large fluctuations in income.
- AEA sets aside one year's Schedule I budget (more about "Schedule I" soon) as its operating reserve.
- The Operating Reserve is identified at the beginning of each fiscal year and is defined as the highest of either the current year's estimated Schedule I budget or either of the immediate past two year's actual Schedule I expenses. The Board sets policy that establishes parameters on accessing the funds within the Operating Reserve.



# General Reserve

- Funds available for programs and services.
- It is identified at the beginning of each fiscal year
- $\text{General Reserve} = (\text{Net Assets}) - (\text{Operating Reserve})$  at the end of the fiscal year.
- Board establishes policy for accessing the funds from the General Reserve.

# Composition of AEA Assets





# So, how much we got?

as of June 30, 2012, per audit]

no-risk investments	\$2,245,000
low-risk investments	\$131,917
accounts receivable, prepaid expenses	\$85,050
liquid assets (cash)	\$154,902
liabilities (deferred revenue)	-\$346.483
total AEA assets	\$2,219,187



# Who invests AEA's assets?

- The Treasurer

# Where are AEA's assets invested?

- Charles Schwab, in CDs (\$ 2.24 million)
- Parnassus Equity Income Fund (\$ 0.13



# And what are we going to do with it?

as of June 30, 2012, per our audit:

for July 1, 2011 to June 30, 2012:	
total net AEA assets	\$2,270,386
operating reserve	\$1,514,718
general reserve	\$755,668

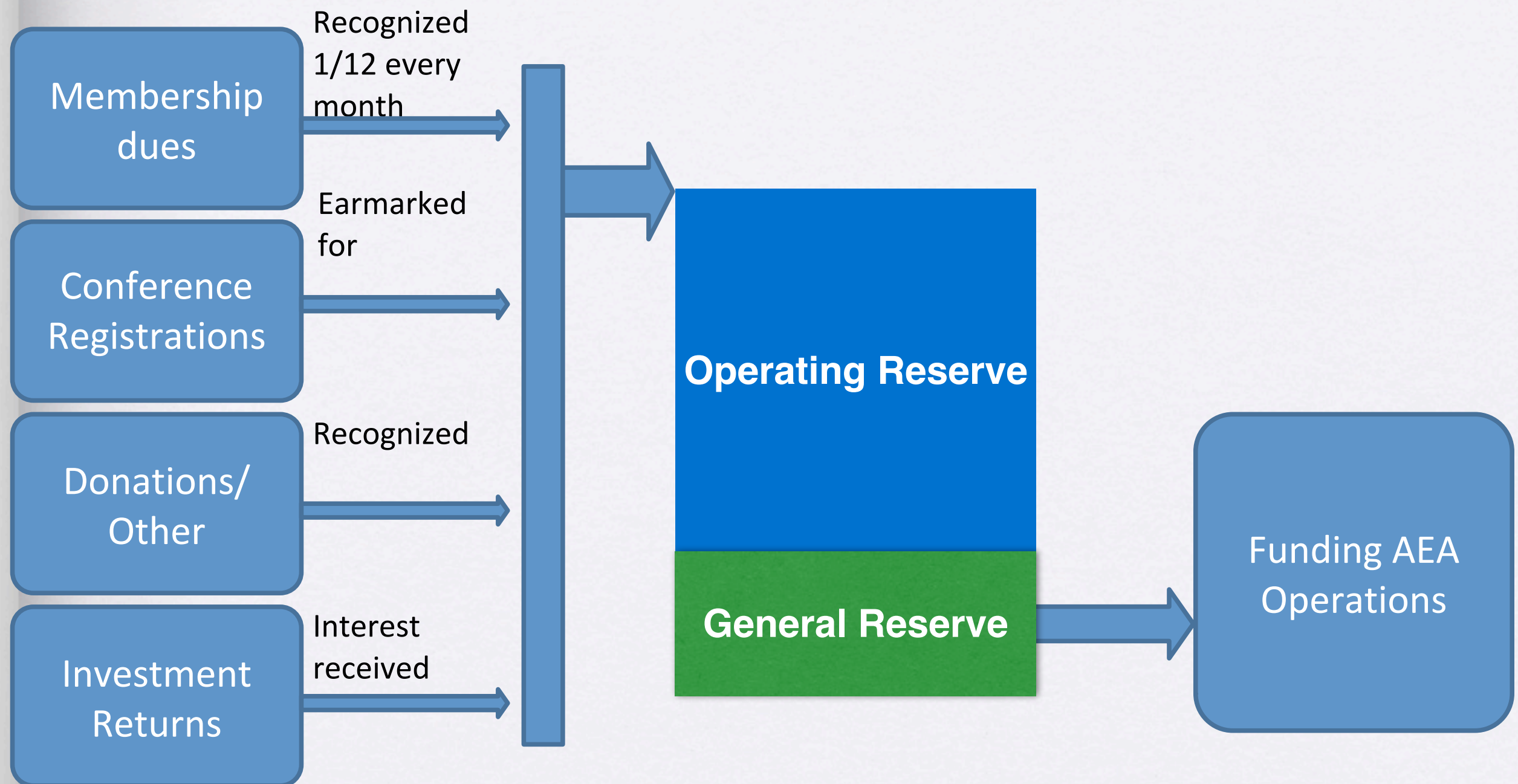


# Does this mean ...

- That AEA has only the \$0.7 million to spend for all operations for the entire year?
  - Nope.
  - Financial resources flow into AEA continually
  - Expenditures occur continually as well
  - Income "in" and Expenditures "out" usually balance pretty precisely.
- Does that mean AEA can spend as much as it can, as long as its expenditures are about the same as its income?
  - Yes, as assured in AEA policy



# Flow and Use of Funds at AEA





# What measures has AEA taken to preserve its assets?

- Fully insured investments
- Embezzlement risk minimization



# What measures has AEA taken to preserve its assets?

- Fully insured investments
  - Invest only in CDs that are fully insured by the US government (the FDIC).
  - Hold no more than \$250,000 in CDs and any other instruments in any one financial institution.



# What measures has AEA taken to preserve its assets?

- Embezzlement risk minimization
  - Check writer and check signer are two different persons.
  - More specifically, the Executive Director writes the checks for specific amounts, to specific persons or businesses or organizations, but cannot sign the checks (is not recognized by the institution holding AEA's funds — Charles Schwab — as a valid *signatory*).



# What measures has AEA taken to safeguard its assets?

**And...**

- Only the Treasurer, and the current President of AEA, can sign the checks.
- In practice, the President only signs reimbursement checks made out to the Treasurer.
- Amount of spending by the Executive Director to be reimbursed by AEA is limited by AEA policy developed by the Board (and publicly available) to specific thresholds, after which approval by the Board is required for additional expenditures that year.



# What measures has AEA taken to safeguard its assets?

**And...**

- Accounts holding AEA assets are monitored at least once a week via internet views of accounts by the Treasurer, and once a month via printed statements mailed to the AEA bookkeeper from the financial institutions at which the accounts reside.
- The President can view the amount and nature of AEA assets at any time on any computer connected to the Internet, using her unique ID and password.



# What measures has AEA taken to safeguard its assets?

**And...**

- All financial records of the Treasurer, and all notices regarding AEA's financial accounts that are received by the Treasurer, are stored electronically and backed up by him at two different private, locked sites at least once per week and typically once per hour, 7 days a week, 52 weeks per year.



# What measures has AEA taken to safeguard its assets?

## Finally ...

- All major electronic files of the Association Management Company (AMC) are backed up daily to redundant hard drives on the AMC site as well as to an off-site repository.
- Includes membership contact database.
- Includes accounting records.





# AEA Liabilities

What we owe



# Does AEA have any debt or other liabilities?

- No, and Yes, respectively
  - No debt
  - Some, probabilistic liabilities



# AEA debt

- AEA holds no debt
- No outstanding loans, bonds, or other instruments
- No line of credit



# AEA liabilities

- AEA does have limited liabilities required by hotels to reserve space for future annual conventions.
- “Acts of God,” “War,” curtailments of transportation services such as no planes being allowed to fly, curtail or eliminate the liability.



# AEA liabilities

- These liabilities basically are penalties paid only if AEA cancels its reservation to hold a convention at the hotel for no good reason. This is a common business practice, akin to the penalty for reserving a room and then reneging on it.
- Contracts in the range of are held with hotels for future conferences. Examples:
  - \$375,000 (for cancellation of the 2010 conference in San Antonio)
  - \$388,000 (for cancellation of the 2011 conference in Anaheim)
  - \$82,500 (for cancellation of the 2012 conference in Minneapolis).



# AEA Liabilities continued:

- conference (registration) fees already paid
- workshop fees already paid
- membership dues already paid



# AEA Operations





Who is immediately  
responsible for day-to-day  
operations of AEA?

- the Executive Director



Does AEA borrow funds to  
tide it over periods of low  
income?

- No



AEA's budgets often estimate that expenditures will exceed income; how can that be?

- Expenditures are estimated liberally
- Income is estimated conservatively
- ... as both cannot be estimated with entire accuracy and as those are the directions to err for conservation of AEA resources



# About how much money does AEA take in each year?

- About \$1.6 million each year (estimated conservatively)
- Varies from year to year, and has been increasing in most of the preceding decade



# What are AEA's main sources of income?

- Annual conference
- Dues
- Summer institute
- Fees for workshops held immediately before and after the annual conference



# Could you rank those in relative size?

source: budget for fiscal year 2013

- Annual conference : \$480 K (net \$86 K)
- Dues, Publications, Mailing List: \$530 K (net \$68 K)
- Fees for conference workshops: \$155 K (net \$37 K)
- Summer Institute: \$220 K (net \$19 K)



About how much money does  
AEA spend now?

- \$1.7 million (estimated liberally)



# What happens to the difference between income and expenditures?

- It's invested by the Treasurer in fully federally insured instruments -- currently in CDs at Charles Schwab, as noted earlier.



# What does AEA spend most of its money for?

source: budget for Fiscal Year 2013

- Annual Meeting: \$395 K
- Services for members (AJE, NDE, TIGs, Web/Tech, Communications, EPTF): \$463 K
- Summer Institute: \$201 K
- Leadership: \$121 K



# Which officers of AEA are paid?

- None. Neither Presidents nor Treasurer nor Board members nor Task Force nor Priority Area Team members.
- The Association Management Corporation's Executive Director, and her staff, are paid.
- Consultant to the Evaluation Policy Task Force is not an officer of AEA and is paid. Currently search for new consultant.



# Do AEA officers receive any form of payment?

- Only reimbursement for travel expenses to Board meetings
- They are not reimbursed for travel to the Board meeting that is just before the annual conference, and in the same place.
- It is assumed that they (we!) would travel to the conference site anyway.



# Who makes out the checks to pay people or organizations?

- The Association Management Company or AMC.



# Who signs the checks?

- The Treasurer.
- The President can sign them too, in case the Treasurer is not available.

# Why not require double signatures on AEA checks?

- We asked. The financial institution that holds AEA funds does not do this.



# What financial institution holds AEA funds?

- Charles Schwab.

# How long are the terms of the two officers who can sign AEA checks?

- The term of the President is 1 year.
- The term of the Treasurer is 3 years.



# Are background checks required of anyone who handles AEA money?

- Yes, for candidates for Treasurer, President, Executive Director.
- Background checks have been advocated and discussed for several years in both Finance Advisors to the Board (FAB) and Board meetings.
- Proposals from the FAB have included financial background checks for all candidates for President and Treasurer, and of the Executive Director and other AMC staff.

# How often is AEA audited?

- AEA received its first audit for the 2010 fiscal year in October 2010. Annual audits since.
- AEA policy requires that a "regular review of AEA finances" be conducted regularly,
  - but not necessarily an audit
  - and not necessarily annually.
- The FAB has recommended an annual audit.



# AEA Budget



# Who develops AEA's budget?

- The Executive Director.



# What is the time period for which AEA's budget?

- 12 months
- This is a fiscal year, July 1 of Year A through June 30 of Year B, and is called "Fiscal Year B"
- June 30 begins a period of relative inactivity at AEA, which is the time to end a fiscal year for accounting and auditing purposes.

# Why are there 2 parts to AEA's budget?

- To distinguish between:
  - regular income and expenditures that can be expected every year (**Schedule I**), and
  - income and expenditures for new, experimental projects that may or may not be continued (**Schedule II**)
- **Schedule II** also provides a conduit through which funds from other organizations, such as the National Science Foundation, can be “passed through” to pay for specific events or purchases, such as receptions.
- These funds are not considered true income for AEA, and **Schedule II** is a good place for such funds to be listed.



# How large is Schedule II relative to Schedule I?

- Expenditures for Schedule II have ranged from 7% of Schedule I in FY 2010 to slight over 21% in FY 2011 to date.
- Schedule I net revenue usually more than covers the net loss common in Schedule II.

# Do Schedule I and II expenditures have to match revenues?

- Yes, for Schedule I
- No for the smaller Schedule II
- The Treasurer, and AMC, watch net revenue for Schedule I + II carefully throughout the fiscal year.



# What prevents Schedule II from being a way to hide shortfalls in Schedule I revenues?

- Projects can stay on Schedule II only 3 years before they must be dropped or moved to Schedule I.
- The Board can override this policy, but has done so only when the project required an additional year or two before a conclusive evaluation that would move it either off the budget entirely, or to Schedule I as a regular recurring expense item.
- Also, Schedule II revenues and expenditures are limited to being a small portion of Schedule I revenues and expenditures. Specifics can be found in AEA policy, which is available to the public at the AEA web site at:
- <http://www.eval.org/policies.asp>