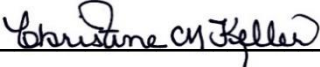


## Monitoring Report V: Financial Conditions and Activities – 1st Quarter (2024)

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*I certify that the information contained in this report is true.*



*Christine M. Keller, Executive Director & CEO*

*June 26, 2024*

*Date*

### Financial Oversight of Association: Context

To facilitate the Board's financial oversight of the Association, several reports are provided each year - including the results of the annual independent audits (financial audit and single audit) and six monitoring reports in response to three executive limitations (Financial Planning, Protection of Assets, and Financial Conditions and Activities). A brief explanation of the purpose of each report is provided below.

**Independent Audits.** Each spring the Board-selected audit firm (auditors) performs a financial and a single audit. During the financial audit, the auditors examine the financial statements of the Association and provide an opinion on the truth and fairness of those statement in accordance with the applicable financial reporting framework. During a single audit, the auditors review the Association's internal processes and financial controls and provide an opinion on the effectiveness of those processes and controls on ensuring compliance for the federally funded work. The Treasurer of the Board leads and coordinates the audit, and the auditors present their findings to the full Board in May. [LINK TO 2023 FINANCIAL STATEMENT](#)

**Policy IV. Financial Planning.** This policy requires that the Association operates with a financial plan developed through a process that is sound and reasonable. The planning cannot materially deviate from the Ends or risk fiscal jeopardy to the Association. Moreover, the policy requires that financial planning be in line with the limitations of Policy VI. Financial Conditions and Activities and include projections of revenues and expenses, cash flow, separation of operations/capital, and clear assumptions. This policy is focused on ensuring that the processes, mechanisms, and assumptions used to create the financial plan are reasonable and complete, and less focused on the specific numbers. This monitoring report is created in February and discussed by the Board in March. [REPORTS IN TEAMS](#)

**Policy V. Financial Conditions and Activities.** This quarterly monitoring report provides information about financial operations from the previous quarter and allows the Board to review the status of year-to-date revenues and expenses, any borrowing or debt, the timeliness of important payments, and large commitments or purchases. The report is prepared at the end of each quarter and discussed by the Board the following month. [REPORTS IN TEAMS](#)

**Policy VII. Protection of Assets.** This monitoring report ensures that the Association's assets, including financial ones, are adequately protected, maintained and not subject to unnecessary risk. It also describes the processes in place to avoid conflicts of interest when making purchases and provides the guidelines for managing working capital. The report is prepared in November and discussed by the Board in December. [REPORT IN TEAMS](#)

***The monitoring information provided below is the first of four reports on Policy V: Financial Conditions and Activities for 2024. AIR's fiscal year is from January 1 to December 31. The information and data contained in this report correspond to January 1 to March 31 of 2024 - the 1st quarter of 2024 (reporting quarter) unless otherwise noted.***

### **Global Policy Language**

*With respect to the actual, ongoing financial condition and activities, the Executive Director will not cause or allow the development of fiscal jeopardy.*

### **Interpretation**

The interpretations and evidence for Policies A to K, reported quarterly, reasonably demonstrate that current, ongoing financial conditions and activities do not cause or allow the development of fiscal jeopardy.

### **Evidence**

Evidence is provided within Policies A to K later in this report.

### **A. Policy Language**

*The Executive Director will not: Expend more funds than have been received in the fiscal year to date unless the debt guideline (below) is met.*

### **Interpretation**

Fiscal year-to-date financial data will show that either revenues exceeded expenses, or the debt restriction outlined in Policy B has been met.

### **Rationale**

In general, AIR will spend within its means as defined by revenues received but doing so without exception means that excess net revenues may build up and never be used to fund services that benefit members. When spending exceeds revenues, the standards of Policy B ensure that AIR does not overextend its financial resources.

**Data**

YTD Statement of Revenue & Expenses (January thru March 31, 2024) <sup>1</sup>		
Revenue	\$1,595,002*	<i>From January to March 2024 revenues exceeded expenses by \$882,222. Compliance was achieved for both this policy (Policy A) as well as the debt restriction in Policy B.</i>
Expenses	<u>(\$712,780)</u>	
Profit (Loss)	\$882,222	
		<i>*The Q1 revenue number includes income from AIR Forum registrations without the matching expenses, which are incurred in Q2 and Q3.</i>

**B. Policy Language**

*The Executive Director will not: Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days.*

**Interpretation**

- AIR will have no long-term debt obligations (payment period of 91 days or greater) that cannot be repaid in 90 days by unencumbered revenue.
- AIR will have no short-term debt obligations (payment period of 90 days or less) unless fully payable by unencumbered revenues anticipated to be earned within 90 days.

**Data**

AIR had no short-term or long-term debt during the reporting period that could not be repaid within 90 days.

**C. Policy Language**

*The Executive Director will not: Allow payroll and debts to be settled in an untimely manner.*

**Interpretation 1**

Monthly payroll authorizations will be released to AIR's payroll management vendor no later than close of business, two business days prior to the last day of the month.

**Data 1**

All payroll files were submitted to the payroll processing company on time.

<sup>1</sup> Historical financial information can be found on page 4 of the [AIR Fact Sheet \(DRAFT\)](#) located in the Board Teams account.

**Interpretation 2**

A random sample of expenses paid during the quarter will be reviewed to determine the proportion that were paid within 30 days of receipt of invoice or by the payment date stated on a fully executed contract, except for contested or incomplete invoices. The acceptable threshold is 95%.

**Rationale 2**

The use of a random sample of invoices conforms to generally accepted processes for financial audits (Statement on Auditing Standards AU 350).

**Data 2**

40 of the 40 invoices randomly selected were paid on time - meeting the 95% threshold. AIR currently processes about 160 invoices per quarter.

**D. Policy Language**

*The Executive Director will not: Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.*

**Interpretation**

- All government-ordered payments and/or filings will be made on time.
- All government-ordered payments and/or filings will be prepared accurately and in accordance with reporting agencies' guidelines and regulations.

**Data**

- Verified that all seventeen government ordered payments and/or filings were made on time.
- Verified that all seventeen government required payments and/or filings were completed accurately.

**E. Policy Language**

*The Executive Director will not: Make a single purchase or commitment of greater than \$100,000 without notifying the Board within seven business days. Splitting orders to avoid this limit is not acceptable.*

**Interpretation**

All contracts and commitments for purchases of \$100,000 or more will be reported to the Board within seven business days of signing by AIR.

**Data**

Two commitments greater than \$100,000 were made in the first quarter of 2024 and were reported to the Board within seven business days.

- A contract with AV Media was signed on March 11 for \$123,492. The 2023-24 Board was notified via email on the same day.

- A commitment was made for the 2027 AIR Forum to the Colorado Convention Center and the Hyatt Regency that includes estimated room rental of \$96,000 and food and beverage expenditures of at least \$120,000. The contract was signed on March 12 and the 2023-24 Board was notified via email on March 15.

#### **F. Policy Language**

*The Executive Director will not: Make a single purchase or commitment of greater than \$250,000. Splitting orders to avoid this limit is not acceptable.*

#### **Interpretation**

No purchases will be authorized in an amount greater than \$250,000 or will be combined from one vendor to equal this amount or greater.

#### **Data**

There was no single purchase or commitment of greater than \$250,000 during the reporting period.

#### **G. Policy Language**

*The Executive Director will not: Acquire, encumber, or dispose of real estate.*

#### **Interpretation**

Each Financial Conditions and Activities Monitoring report will contain a written statement by the Executive Director that no real estate has been purchased.

#### **Rationale**

The Association owns no real estate property as of October 27, 2022. Any acquisition of property would be shown as part of the annual audit. The quarterly written statement provided by the Executive Director in each Financial Conditions and Activities Monitoring Report, checked annually through the Board's official audit, is adequate to monitor that there has been no change in the Association's ownership of property between audits.

#### **Data**

Executive Director Statement: *I certify that no real estate has been acquired, encumbered, or disposed of in the period covered by this monitoring report.*

#### **H. Policy Language**

*The Executive Director will not: Allow receivables to be unpursued after a reasonable grace period.*

#### **Interpretation 1**

Any contract or grant receivables outstanding for 61 days or more will be documented showing the trail of collection actions taken.

**Data 1**

There were no contract or grant receivables outstanding for 61 days or more during the quarter.

**Interpretation 2**

The “Average Collection Period” ratio (ACP) - also known as the Receivable Turnover Ratio - for non-contract and grant receivables will not exceed the mean ACP ratio for similar organizations.

**Rationale 2**

The ACP ratio shows an organization’s ability to timely collect accounts receivables. The American Society of Association Executives’ (ASAE) 2016 Operating Ratios indicates that the mean ACP ratio is 56 days for organizations like AIR. It is reasonable to expect that AIR’s ACP ratio will be within the range of our peers.

**Data 2**

AIR’s Average Collection Period (ACP) is 14 days. The mean ACP ratio benchmark is 56 days<sup>2</sup>.

**I. Policy Language**

*The Executive Director will not: Allow net assets to fall below six months of operating expenses.*

**Interpretation**

The balance of undesignated net assets will exceed six months of operating expenses.

**Data**

2024 Benchmark: 6-months of operating expenses	\$1,797,698	<i>The 2024 benchmark for 6-months of operating expenses is calculated from the 2023 audited financial statements.</i>
Undesignated net asset balance (as of 3/31/2024)	\$3,836,985	
<b>Balance over (under) benchmark</b>	<b>\$2,039,288</b>	

<sup>2</sup> The benchmark is based on the ASAE’s 2016 Operating Ratios, which are calculated using the 990 Annual Tax Returns of 550 non-profits 501(c)(3) or 501(c)(6) professional and/or trade associations with annual revenues between 3- and 5-million dollars. The 2016 ACP benchmark will continue to be used as the ACP ratio in the 2021 ASAE Operating Ratios publication is not usable due to an unknown data issue— per an email exchange with ASAE in June 2022. As of 6/18/2024, the ASAE operating ratios have not been updated since the 2021 release.

## **J. Policy Language**

*The Executive Director will not: Accept gifts and endowments not in keeping with Ends, or that will cost more to administer than their worth.*

### **Interpretation 1**

- All non-cash gifts will be independently evaluated by an appropriate appraiser to establish their value and estimated costs for maintenance, upkeep, or disposal.
- All accepted non-cash gifts, endowments, or liquid assets will be judged by a panel of AIR members to be practically usable for educational purposes within the established Ends of AIR.

### **Data 1**

There were no occurrences of non-cash gifts, endowments, or liquid assets during the reporting period.

### **Interpretation 2**

100% of cash contributions to AIR scholarship funds will be accepted as in keeping with established Ends and being worth more than the cost of administering them.

### **Data 2**

There was one cash contribution to an AIR scholarship fund during the first quarter of 2024.