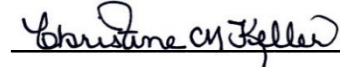


Monitoring Report IV: Financial Planning

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



Christine M Keller, Executive Director & CEO

2/29/2024

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 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 and 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. [PREVIOUS 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](#)

Context & Assumptions for 2024 Planning

(From January 2024 Ends Report)

AIR works at the intersection of people and data to build the individual and institutional competencies necessary to use data, information, and analytics in ways that are effective, ethical, and equitable. Therefore, AIR programs, services, and resources are designed to serve the interests of three primary constituencies:

1. *Higher education professionals, especially AIR members.* AIR seeks to educate, elevate, connect, and support professionals who produce, analyze, and use data.
2. *Higher education institutions.* AIR works to build, sustain, and support institutional capacity and capabilities to use data and analytics for better decision making and institutional improvement.
3. *Higher education community.* AIR facilitates the informed use of data and analytics within higher education systems, institutions, and policies through advocacy and partnerships.

Historically, AIR has largely focused on serving individual professionals – “empowering higher education professionals to use data, information, and analytics in ways that are effective, ethical, and equitable.” More recently AIR has intensified and expanded its efforts to serve institutions and the broader community through programs such as the Data Literacy Institute (DLI) and the addition of organizational membership. The new Global Ends language codifies these expanded efforts as part of AIR’s mission, noting that “AIR supports data-informed decision making that amplifies student and institutional success.”

Within the three constituent groups, AIR strives to include diversity of perspectives, approaches, and backgrounds to advance and model the effective, ethical, and equitable use of data, information, and analytics. This includes working with the AIR community to co-create and sustain a welcoming and inclusive association in which individuals find a sense of belonging, connection, and respect.

Framework for Success Indicators

The Executive Office has three operational priorities for 2024. The priorities are not intended to encompass all of AIR’s programs, events, or activities – many of which are important to the AIR community and AIR’s financial viability. However, these priorities are areas of special focus to advance AIR’s continued progress, sustainability, and expansion.

1. Grow and retain individual and organizational members.
2. Continue to develop and implement the systems, expertise, and infrastructure necessary to deploy professional services and technical assistance to institutions.
3. Improve internal use of data and technology for decisions, operations, and programming.

The allocation of time, resources, and money for the operational priorities will be considered and balanced with ongoing commitments and activities. In the words of the Ends, “be done within AIR’s available resources and in such a manner that the value to higher education is worth the investment of those resources.” Considerations and commitments that will be balanced include the following.

- Achievement of grant and contract deliverables.
- Delivery of a successful AIR Forum
- Alignment of the necessary staff capacity, required expertise, and organizational infrastructure.
- Level and sustainability of projected revenue streams and the size and composition of the audience.
- Value and benefit of the program, resource, or service to the AIR community.

Global Policy Language

Financial planning for any fiscal year or the remaining part of any fiscal year will not deviate materially from the Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.

Interpretation 1

- a) Financial planning is guided by the Ends priorities set by the Board and aligned with the goals and objectives established by the Executive Director in the Ends monitoring report.
- b) No less than 90 percent of projected expenses (use of resources) in the financial plan will be allocated to produce and/or deliver products and services that align with the Ends.

Evidence 1

- a) Financial planning for 2024 took a balanced and future-focused approach, incorporating stretch programming goals, grant opportunities, and investments in future products and services. Allowances were also built in for unanticipated expenses. Planning assumptions and decisions focus on the achievement of the vision of success and priorities articulated in the January 2024 Ends report, taking into account the ongoing operational considerations and building on the experiences of previous years.

Vision of Success

AIR works at the intersection of people and data to build the individual and institutional competencies necessary to use data, information, and analytics in ways that are effective, ethical, and equitable. AIR programs, services, and resources will serve the interests of three primary constituencies – higher education professionals, higher education institutions, and the wider higher education community.

Operational Priorities & Considerations

- *Grow and retain individual and organizational members.*
 - *Continue to develop and implement the systems, expertise, and infrastructure necessary to deploy professional services and technical assistance to institutions.*
 - *Improve internal use of data and technology for decisions, operations, and programming.*
-
- *Achievement of grant and contract deliverables.*
 - *Delivery of a successful AIR Forum within a changing environment.*
 - *Alignment of necessary staff capacity, required expertise, and organizational infrastructure.*
 - *Level and sustainability of projected revenue streams and the size and composition of the audience.*
 - *Value and benefit of the program, resource, or service to the AIR community.*
- b) 100 percent of the projected expenses in the 2024 budget support the Ends. The \$5,153,000 of projected expenses are allocated within three broad categories: 1) education, knowledge, and community programming; 2) grants and contracts; and 3) operations. Expense estimates are aligned with the operational priorities and considerations established to meet the Ends. The estimated

expenses include the \$130,000 within the operations category that is set aside for governance per the Board's directive.

Interpretation 2

Financial planning will avoid the risk of fiscal jeopardy by conforming to the executive limitations described in *EL Policy VI. Financial Conditions and Activities (FCA)*.

Evidence 2

As described in more detail within the interpretation of Policy A, financial planning for 2024 conformed to the constraints of *EL Policy VI. FCA*.

Interpretation 3

Financial planning for established programs and services will consider historic financial and participation information.

Evidence 3

As described in more detail within the interpretations of Policy B, financial planning for established, ongoing programs included the consideration of historic financial and participation data adjusted for the current environment.

A. Policy Language

The Executive Director will not allow financial planning that: Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Conditions and Activities."

Interpretation

The 2024 financial plan will not contain assumptions that violate the executive limitations outlined in *EL Policy VI. Financial Conditions and Activities (FCA)*. Listed below are three policies of particular importance in guiding the planning process.

The Executive Director will not:

Policy A. Expend more funds than have been received in the fiscal year to date unless the debt guideline (B) is met.

Policy B. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days.

Policy I. Allow net assets to fall below six months of operating expenses.

Rationale

The FCA policy provides oversight and guidance for the management of AIR's finances. Although all the limitations outlined in the FCA are important for prudent fiscal management, the creation of a financial plan

that violates Policies A & B would put the Association at risk of violating the remainder of the FCA policies.

Evidence

Per the FCA limitations, the financial planning assumptions for 2024 do not:

- Include projected revenues that are less than projected expenses and/or include any use of debt.
- Allow net assets to fall below six months of operating expenses, which for 2024 are estimated to be \$1,714,412. (The ratio will be finalized upon completion of the 2023 audit).

B. Policy Language [1]

*The Executive Director will not allow financial planning that: [1] **Omits credible projection of revenues and expenses**, separation of capital and operational items, cash flow, and disclosure of planning assumptions.*

Interpretation 1

- a) 75 percent or more of the revenue included in the financial plan will be based on contractual agreements or historic financial and participation data, adjusted for the current external environment.
- b) The budgeted expenses associated with the revenue in (a) will be based on contractual agreements or historic financial and participation data, adjusted for the current external environment.

Evidence 1

- a) The 2024 financial plan includes \$5,169,000 of revenue of which \$4,755,000 (92 percent) is based upon contractual agreement or historic financial and participation data (adjusted for current circumstances).
- b) The budgeted costs associated with the revenue in (a) are based off contractual agreements or historic financial and participation data (adjusted for current circumstances) approximately, \$5,153,000 in expenses.

Interpretation 2

The financial plan will include mechanisms for tracking, reviewing, and adjusting revenue and expense projections to mitigate the uncertainty caused by external environmental factors.

Evidence 2

Progress toward revenue targets and actual versus budgeted expenses for AIR programs and services are updated regularly by AIR staff, typically on a quarterly basis. The progress reports, along with information on contracts and grants, are included as part of regular financial reviews by the Executive Director, Chief Financial Officer, and Director of Finance so that any necessary adjustments to budget revenue and expense projections can be made.

Interpretation 3

- a) Revenue derived from contract and grant activities included in the financial plan are based on contracted payment schedules, adjusted as appropriate for current circumstances.
- b) Expenses necessary to perform contract and grant activities are shaped by prior period financial data and experience, and then adjusted for current circumstances.

Evidence 3

- a) The financial plan includes revenue from grant and contract activities. The primary funding sources are RTI International (NCES/IPEDS), and the Bill & Melinda Gates Foundation.
- b) The financial plan projected expenses, which are based on contract and grant deliverables, prior year data, and experience.

Interpretation 4

Operational expenses for support activities and infrastructure that do not have a direct revenue source are included in the financial plan and are based on contracted amounts and/or historical data, adjusted for current circumstances.

Evidence 4

The financial plan includes \$961,000 of operational expenses for activities and individuals that support the Association but have no direct funding source (e.g., accounting, technology and website support, communications, depreciation, and insurance). These expenses are projected based on historical financial data, known/contracted costs for the year, and future planning - while considering financial constraints.

B. Policy Language [2]

*The Executive Director will not allow financial planning that: Omits credible projection of revenues and expenses, [2] **[omits] separation of capital and operational items, cash flow, and disclosure of planning assumptions.***

Interpretation

The financial plan separately accounts for the anticipated costs of capitalized assets and contains the corresponding depreciation expense associated with those assets.

Rationale

AIR capitalizes assets with a value of \$5,000 or more and that have a useful life beyond a year. The asset is then depreciated in accordance with Generally Accepted Accounting Principles (GAAP). In other words, a capitalized asset is not completely expensed for several years as compared to operational items that are immediately expensed.

Evidence

The financial plan for 2024 includes approximately \$50,000 of intangible assets that will be capitalized in accordance with GAAP principles. These assets include new course content and curricula. The depreciation expense from previously capitalized assets is also included in the financial plan.

B. Policy Language [3]

*The Executive Director will not allow financial planning that: Omits credible projection of revenues and expenses, separation of capital and operational items, [3] **[omits] cash flow**, and disclosure of planning assumptions.*

Interpretation

The financial plan considers the timing difference between payments of revenue and cash outlays for expenses related to those revenues.

Rationale

Most of AIR's expenses occur after revenues are received. As such, financial planning does not require an extensive cash flow planning process. However, the annual cash flow is reviewed at a high level to confirm the cash flow situation remains stable.

Evidence

The financial plan includes a high-level cash flow analysis. The analysis did not raise any cash flow timing concerns.

B. Policy Language [4]

*The Executive Director will not allow financial planning that: Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and [4] **[omits] disclosure of planning assumptions**.*

Interpretation

The planning process discloses the assumptions used to develop the financial plan.

Evidence

The highest-level assumptions are reflected in the interpretations and evidence for the first three limitations within Policy B [1], [2], [3]. In addition, the 2024 budget and supporting documents include a record of the assumptions used as part of the financial planning process, including those at the program level.

C. Policy Language

The Executive Director will not allow financial planning that: Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.

Interpretation

Expenses for the cost of governance as defined in the *GP Policy XII*. *Cost of Governance* will be included in the financial plan.

Evidence

The financial plan includes up to \$130,000 for Board expenses related to the cost of governance. All of the members of the 2024-25 Board have not been elected as of the date of this report and the amount set aside will be updated if the cost of governance amount in GP Policy XII changes for the 2024-25 Board year.