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

Christine M Keller, Executive Director & CEO
Date 2/28/19

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
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 Global Ends.

AIR is a global association ... [that] exists to empower [higher education professionals] at all levels to utilize data, analytics, information, and evidence to make decisions and take actions that benefit students and institutions and improve higher education. This must 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.

Rationale 1
It is essential that the planned use of AIR resources align with the Ends of the organization. This includes the direct cost of programming, products, and services as well as the cost of support services and infrastructure. Beginning in 2019 and with the establishment of the new Ends, the financial planning process included the division of projected costs for programming across four operational focus areas – 1) education and training, 2) community and networks, 3) knowledge center, and 4) advocacy and policy. These four areas cut across AIR’s operations and activities and serve as a framework for understanding the contributions of current work and new priorities to these focus areas. The costs of governance for the Board and for the Executive Office are not included as resources that contribute to the Ends. This does not diminish the critical role of governance in providing oversight, accountability, and vision for the Association. Rather the separation of governance costs provides a mechanism for tracking the associated costs and maintaining an appropriate balance.
Evidence 1
The financial plan includes $5,342,700 of budgeted expenses. Ninety-five percent (95% or $5,052,700) of the planned expenditures are under the Executive Director’s direction and represent the projected costs associated with programming, products, and services as well as the allocation of support services and infrastructure that are directly aligned with Association Ends. Another $290,000 of budgeted expenses, or 5%, are budgeted for governance (Board and Executive Office). See Exhibit I for a summary from the 2019 Financial Plan, including the resources Utilized for Accomplishing Ends.

Interpretation 2
The interpretations and evidence for Policies A to C reasonably demonstrate that financial planning for any fiscal year or the remaining part of any fiscal year does not place the Association at risk of fiscal jeopardy.

Rationale 2
In aggregate, the interpretations and data for Policies A to C show evidence that the Executive Office undertakes financial planning in a manner that does not risk the conditions described in EL Policy VI. Financial Conditions and Activities; does not omit credible projections of revenues and expenses, separation of capital and operational items, cash flow, or disclosure of planning assumptions; and does not provide less for Board prerogatives than set forth in the GP Policy XII. Cost of Governance.

Evidence 2
Evidence is provided in conjunction with Policies A to C later in this report.

Interpretation 3
Financial planning activities by the Executive Office will include at least two (2) years of financial information - a current year detailed association-wide budget based on aggregated project-level budgets, support services, and anticipated revenue sources and a future-year projected budget that delineates any anticipated changes in projects or programming, the associated revenue streams, or allocation of expenses.

Rationale 3
This interpretation ensures that AIR will not operate without a detailed financial budget for the current year and that it will not be without a financial plan for the next year.

Evidence 3
Financial planning activities for the reporting period included the current year’s budget (2019) and the next year’s projected budget/plan (2020).
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 financial plan will not contain assumptions that violate the executive limitations outlined in *El Policy VI. Financial Conditions and Activities (FCA)*. Listed below are the three policies of particular importance in guiding the planning process.

The Executive Director will not:

A. Expend more funds than have been received in the fiscal year to date unless the debt guideline (B) is met.
B. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days.
C. Use any Board restricted net assets.

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 violated Policies A, B, and C listed above would put the Association at risk of violating the remainder of the policies in the FCA. Planning assumptions that align with Policies A, B, and C create a structure that compels planning within the Association’s means and the development of a stable and secure financial plan that protects against undue risk.

Evidence

The financial planning assumptions within the reporting period did not include the planned use of resources derived from debt, did not incorporate funds from AIR’s unrestricted net asset “safety net” nor the use of the Board-restricted net assets to fund Association activities.

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 educational and membership service revenue included in the financial plan will be based on historic multi-year data.
b) The budgeted expenses associated with the educational and member services revenue in (a) will be based on multi-year average of data (adjusted for previous and anticipated variations).

**Rationale 1**
Most of educational and membership service revenue is derived from membership fees and the Forum (registration, workshop sales and exhibit hall sales). Using a two- to three-year average while considering year-to-year variation, creates stable and predictable revenue and expense projections. It is prudent and reasonable to adjust the averages when past or future conditions and circumstances are atypical or expected to change.

**Evidence 1**

a) The financial plan includes $2,902,514 of educational and membership service revenue of which $2,350,528 (81 percent) is based upon stable products and services with multi-year data.

b) The budgeted cost associated with the products and activities revenue in (a) are based off multi-year data and total $2,002,000 in the financial plan.

**Interpretation 2**

a) No more than 25 percent of projected educational and membership service revenue included in the financial plan are derived from products or services without multi-year data.

b) The total projected surplus or “profitability” derived from products or services revenue without multi-year data will not exceed 35 percent of the projected revenue (a).

**Rationale 2**
The development and delivery of new products or services are part of a dynamic and responsive organization. The financial plan includes projected revenues from new products and services, but without historical data to guide projections it is prudent to establish limits on the projected revenue and “profitability” of these products and services until they have a record of accomplishment.

**Evidence 2**

a) The financial plan includes $2,902,514 of educational and membership service revenue of which $600,350 (21 percent) is related to new products and services without multi-year data.

b) The budgeted surplus associated with the new products and activities listed in (a) is $84,350 or 14 percent ($600,350 of projected revenue less $516,000 of projected costs).

**Interpretation 3**

a) 100 percent of revenue derived from contract and partnership activities included in the financial plan are based on contracted payment schedules.
b) 100 percent of expenses from contract and partnership activities are shaped by prior period financial data (adjusted for inflation or other expected variations).

**Rationale 3**
Most activity included in contract and partnership section of the budget are related to the RTI/NCES contract (80%). This contract is a fixed fee agreement - AIR is paid set amount to fulfill the contract deliverables regardless of AIR’s cost. AIR financially benefits when work is executed in an efficient and effective manner, and AIR assumes the risk of financial loss if the costs to perform the work exceed the agreed upon payments. The year-to-year stability of the RTI/NCES contract work allows AIR to confidently use historical data to guide most of the cost estimates, while using knowledge of the contract to shape cost estimates for any parts of the contract that have changed.

**Evidence 3**

a) The financial plan includes 100 percent ($1,620,000) of contract revenue, which is based off the contracted payment schedules.

b) The financial plan includes 100 percent ($1,502,000) of contract expenses, which are based off prior year financial data.

**Interpretation 4**

a) 100 percent of revenue derived from grant activities included in the financial plan are based on the actual payment schedules included in the grant agreement or use historic payment schedules if the grant is up for re-bid or renewal during the planning cycle.

b) 100 percent of expenses from grant activities included in the financial plan reflect the agreed upon grant budget. Grant-related expenditures are typically equal to grant revenues and create a zero sum. However, if the grant agreement includes non-grant dollars, the financial plan will show AIR’s planned match/in-kind contributions.

**Rationale 4**
Given the changeable nature of grant funding amounts and timelines, the financial plan includes anticipated grant revenue only if a grant agreement is in place or if grant funding is imminent. Historically AIR has only received cost reimbursable grants, which means grant revenue are spent based on allowable grant expenses in pursuit of achieving the grant’s purpose. If funds remain following the conclusion of a grant, the funds are typically returned to the granting organization.

AIR could potentially spend more on a grant project than is received in grant funds (i.e., in-kind contribution), but in those cases AIR is financially responsible for those additional costs. It is prudent and reasonable that AIR include all estimated costs during financial planning whether covered by grant funds or Association funds.
Evidence 4
a) The financial plan includes 100 percent ($515,000) of grant revenue as reported on agreements.

b) The financial plan includes 100 percent ($524,800) of grant expenses which includes a $9,800 in-kind contribution of staff time.

Interpretation 5
100 percent of expenses related to support activities and services that do not have a direct revenue source are included in the financial plan and are based off multi-year data.

Rationale 5
A realistic and viable financial plan includes expenses associated with activities and departments that support the Association but have no direct funding source (e.g., accounting, human resources, technology and website support, communications, rent, depreciation, and insurance). These expenses can be reasonably projected based on historic financial data, known costs for the future year, and/or best estimate projections.

Evidence 5
The financial plan includes 100 percent ($507,900) of support service expenses.

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 purchases of capitalized assets and contains the corresponding depreciation expense associated with those assets.

Rationale
AIR capitalizes assets purchased for $5,000 or more and have a useful life beyond a year. The asset is then depreciated of its useful life in accordance with Generally Accepted Accounting Principles (GAAP). This means the initial purchase of the asset isn’t completely expensed for several years as compared to operational items that are immediately expensed. Use of a capital asset acquisition plan assures that the AIR financial plan adequately considers cash flow to cover purchases and records the economic activity, while allowing for a more realistic plan.
Evidence
The financial plan includes all planned purchases of capital assets and the associated depreciation expense.

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 (e.g., Forum registration revenue is collected months before the event). As such, AIR has not needed an extensive cash flow planning process. As part of financial planning, the annual cash flow is projected at a high-level to confirm the cash flow situation remains stable. If the cash flow analysis identifies potential cash deficits, a more detailed report would be developed and used to adjust financial planning.

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

Rationale
The financial planning process begins with an outline of the high-level assumptions regarding AIR’s operations for the year. These assumptions provide the framework to develop the revenue and expense projections in the financial plan.
Evidence
The financial plan includes a record of the assumptions used. The high-level assumptions are reflected in the interpretations, rationale, and evidence for the first three limitations within Policy B [1], [2], [3].

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. Further, the financial plan will also include the estimated costs of Executive Office support for governance and Board prerogatives as required by other policies including EL Policy X. Communication and Support to the Board and GP XI. Board Committee Structure.

Rationale
The GP Policy XII. Cost of Governance policy includes a set amount of funds reserved for use by the Board of Directors. The Executive Office may also reserve additional amounts as part of the financial plan in anticipation that the Board might authorize other spending on governance. An estimate of Executive Office support for the Board and Board prerogatives is also included to provide adequate resources to comply with other policies such as EL Policy X. Communication and Support to the Board and to support Board committees as stipulated in GP XI. Board Committee Structure. This interpretation ensures that funds required to support important governance activities will be included in the financial plan and allows the Executive Office to anticipate additional financial needs in budget planning.

Evidence
The financial plan currently includes $130,000 for Board expenses related to the cost of governance and $160,000 for the cost of support provided to the Board by the Executive Office. The amount set aside will be updated if the cost of governance amount in GP Policy XII changes.
EXHIBIT I

Summary from 2019 Financial Plan

2019
Total Projected Revenue $5,037,514
Total Projected Expense (under EO control) $5,052,700
Net Surplus (Loss) before Governance ($15,186)
Less Projected Governance Expense:
  Governance Cost (Board Means) $130,000
  EO Cost to Support Governance $160,000
Total Projected Governance Expense $290,000
Total Project Net Surplus (Loss) ($305,186)

2019 Resources Utilized for Accomplishing Ends by Program/Means & Operational Focus Areas:

<table>
<thead>
<tr>
<th>2019 Program/Means</th>
<th>Total</th>
<th>Education &amp; Training</th>
<th>Community &amp; Networks</th>
<th>Knowledge Center</th>
<th>Advocacy &amp; Policy</th>
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<tbody>
<tr>
<td>Contracts &amp; Partnerships</td>
<td>$1,502,000</td>
<td>$924,150</td>
<td>$317,850</td>
<td>$115,500</td>
<td>$144,500</td>
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<td>Educational Programming &amp; Member Services</td>
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<td>$781,950</td>
<td>$335,800</td>
<td>$157,100</td>
<td>$43,150</td>
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<td>Forum &amp; Exhibit Hall</td>
<td>$1,200,000</td>
<td>$454,500</td>
<td>$471,500</td>
<td>$106,750</td>
<td>$167,250</td>
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<td>Grants (Access/Lex &amp; BMGF)</td>
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<td>$88,000</td>
<td>$66,000</td>
<td>$296,320</td>
<td>$74,480</td>
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<td>Support Services</td>
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<td>$251,290</td>
<td>$133,116</td>
<td>$75,509</td>
<td>$47,985</td>
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<tr>
<td><strong>2019 Budgeted Use of Resources</strong></td>
<td><strong>$5,052,700</strong></td>
<td><strong>$2,499,890</strong></td>
<td><strong>$1,324,266</strong></td>
<td><strong>$751,179</strong></td>
<td><strong>$477,365</strong></td>
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