Monitoring Report IV: Financial Planning

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

Christine M Keller, Executive Director & CEO — 2/28/2023 (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. 2022 REPORT 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 2023 Planning
(From January 2023 Ends Report)

The overall vision of success for AIR over the next four years is to increase the number of higher education professionals served by the association through high quality products, resources, and services. The collective purpose of these products, resources, and services (new and existing) will be to advance the use of data and analytics to make effective, ethical, and equitable decisions for the benefit of students and institutions. Success includes rebalancing the AIR business model so that revenue from AIR's paid products and services are sufficient to sustain the programming and contribute to the long-term viability of the association.

AIR is emerging from a period of survival and recovery after the substantial financial and societal impacts of the pandemic on the association, higher education institutions, our stakeholders, and the world at large. A new equilibrium and external environment have emerged, and planning for the future must adapt and be responsive to these new realities.

Immediate challenges facing AIR include historically low attendance at the Forum, stagnant participation rates in some educational programming, and lower membership numbers. Individuals within the AIR community are facing their own challenges with staffing shortages, increased workloads, reduced time/capacity, more restrictive policies, and financial constraints. The challenges faced by AIR stakeholders affect how and when AIR engages with them – from the assessment of needs to the development and delivery of appropriate and responsive professional development, resources, and support.

AIR is well-positioned to capitalize on several opportunities, including the renewal of the IPEDS education and training contract, a grant to develop and deliver training for the Postsecondary Data Partnership, a grant to work jointly with other associations to advance the effective/ethical use of analytics, and a grant to develop and deliver products and services to institutions that are committed to using data for equitable student success. These opportunities offer the potential for AIR to expand its customer base by engaging a wider audience of IR, IE, and higher educational professionals as well as to provide products and services directly to institutions to increase the data literacy and data use of their staff and faculty.

Commensurate with the experience of AIR community members, the association is faced with its own financial and human capital constraints. Continued attention must be given to staff capacity and engagement, the necessary support infrastructure, and the long-term financial viability of activities – i.e., the value provided exceeds the cost in time, people, and money. In short, most programming must pay for itself. Thus, the following criteria remain central in decisions about the investment of operational resources in new or continuing programs, products, and services:

- The level and sustainability of projected revenue streams.
- The potential value and benefit to stakeholders, including the size and composition of the target audience and informed by input from members, stakeholders, or partners.
- The opportunity for expanding into new markets and/or serving new stakeholders with unmet needs.
- The operational resources available or required – e.g., staff capacity and expertise, technical infrastructure, business processes, and communication reach/effectiveness.

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 2023 took a balanced and future-focused approach, incorporating stretch programming goals, new 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 4-year vision of success and operational priorities and pathways articulated in the January 2023 Ends report and build on the experiences of 2022.

Vision of Success
The overall vision of success for AIR over the next four years is to increase the number of higher education professionals served by the association through high quality products, resources, and services.

Ongoing Priorities
- *Achieve contract and grant deliverables.*
- *Meet the needs of current stakeholders through programs, resources, and services.*
- *Attend to staff capacity, required expertise, and organizational infrastructure to support current and new programming.*

Emerging Pathways
- *Implement the organizational membership option to expand the number of stakeholders, increase utilization of products and services, and raise the visibility of AIR within the higher education community.*
- *Partner with higher education institutions and organizations to deliver products and services to their faculty and staff.*
- *Inventory and evaluate existing programming and activities for value to the community.*

b) The 2023 budget includes $5,414,000 of projected expenses allocated within three broad categories: education and community programming, grants and contracts, and operations. Expense estimates are aligned with the operational priorities and pathways 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. *See Exhibit I for the 2023 Budget Summary*.

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 2023 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. However, in the aftermath of the pandemic, financial and participation targets will be conservative and adjusted based on more recent data and the ongoing uncertainty in the external environment.

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 2023 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 2023 do not include debt that could not be repaid within 90 days, nor do they allow net assets to fall below six months of operating expenses, which for 2023 is $1,349,572.

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 revenue included in the financial plan will be based on contractual agreements or historic financial and participation data, adjusted for the current external environment and financial constraints created in the aftermath of the pandemic and the uncertain trajectory of the economy.

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 and financial constraints created by aftermath of the pandemic and the uncertain trajectory of the economy.

Evidence 1

a) The 2023 financial plan includes $5,392,000 of revenue of which $5,116,000 (95 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, $5,414,000 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 $3,863,000 of revenue from grant and contract activities including RTI International (NCES/IPEDS), the Bill & Melinda Gates Foundation, the Association of Public and Land-grant Universities, and the Rockefeller Philanthropy Advisors.

b) The financial plan includes $2,972,000 in 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 $672,000 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 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 in accordance with Generally Accepted Accounting Principles (GAAP). In other words, the initial purchase of an asset is not completely expensed for several years as compared to operational items that are immediately expensed.

Evidence

The financial plan for 2023 does not include the planned purchase of any capital assets. The depreciation expense from previously capitalized assets is 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 projected 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 2023 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 2022-23 Board expenses related to the cost of governance. All of the members of the 2023-24 Board have not been elected as of the date of this report and amount set aside will be updated if the cost of governance amount in GP Policy XII changes for the 2023-24 Board year.

EXHIBIT I: 2023 Budget Summary

	Totals	*Programming: Education, Knowledge & Community*	*Contracts & Grants*	*Operations*
PROJECTED REVENUE				
Programs				
Courses, webinars, workshops	232,000	232,000		
Forum	927,000	927,000		
Membership	325,000	325,000		
Other	45,000			45,000
External Project Funding				
RTI/IPEDS	2,028,000		2,028,000	
Other Contracts/Grant (APLU, RPA)	157,000		157,000	
Gates (3 grants)	1,678,000		1,678,000	
Total Projected Revenue	**5,392,000**	**1,484,000**	**3,863,000**	**45,000**
PROJECTED EXPENSES				
Personnel	2,370,000	755,000	1,164,000	451,000
Other than Personnel	3,044,000	1,015,000	1,808,000	221,000
Total Projected Expenses	**5,414,000**	**1,770,000**	**2,972,000**	**672,000**
NET PROJECTED SURPLUS (LOSS)	**(22,000)**			