

DATE: 2 January 2008
TO: American Anthropological Association Executive Board
FROM: Ed Liebow, Treasurer and Finance Committee Chair
SUBJECT: 2007 Annual Finance Committee Report

1. **2007 Finance Committee Members**

Ed Liebow (term: 2004-08), Chair; Linda Basch (07-11), Charles Cambridge (06-10), Ted Hamann (07-11), Doug Schwartz (06-07), Setha Low (06-07 - *ex officio*), Alan Goodman (06-07 *ex officio*); Staff: Bill Davis, Elaine Lynch, Suzanne Mattingly

2. **2007 Finance Committee Activities**

The Committee's mission is to ensure the Association's financial stability through the ongoing assessment and monitoring of AAA's annual operating budget, investment portfolio, grants and contribution activities, and annual audit report. The Committee is also charged with periodically developing, reviewing, and/or modifying financial and investment policy guidelines and financial performance benchmarks in support of AAA's long-range plan. The Committee makes recommendations, as appropriate, to Executive Board.

During 2007, the Finance Committee met five times (once each quarter by teleconference and once in person at the Annual Meeting). Our accomplishments included:

- Recommended that the Executive Board approve a "Conflict of Interest" statement to be signed by the Executive Board, staff, and key committee members.
- Continuing a long-range financial planning process to strengthen our oversight for both the long term financial health and viability of the Association, as well as the current short-term monitoring of AAA's financial position.
- Recommending that the Executive Board approve the Committee for Human Rights proposal to establish a Human Rights Fund
- Recommending to the Executive Board a "Reserve Policy" statement that in effect divides the AAA's investment portfolio into a "quasi endowment" for the purposes of generating operating income, and a "strategic investment pool" for the purposes of making capital investments for the Association's long-term benefit.
- Reviewing Quarterly Investment Performance Reports from A.G. Edwards with Brad Coyle, Senior Investment Advisor, and approving changes in investment tactics consistent with the Association's Investment Policy Statement.
- Receiving the Audit Committee's report on the FY2006 Annual Audit.
- Contributed to review of publishing partner proposals and assessing impacts on section budgets from new contract
- Served in *ex officio* capacity to the Committee on the Future of Print and Electronic Publishing
- Reviewed the change in travel reimbursement policies that eliminated the Association's practice of reimbursing up to half the airfare to the annual meeting by the Executive Board. The Committee recommended reinstating the policy to pay for half of the airfare to the annual meeting for the Executive Board, with the Board approved in August 2007.
- Reviewing and recommending Executive Board approval of the FY2008 AAA Consolidated Operating Budget of \$5.3 million, which includes a net surplus of about

\$300,000 after repaying the operating reserves \$100,000 borrowed for AnthroSource startup expenses.

- The FY2008 consolidated budget also provides funds to begin specifying the design and implementation plans for a major overhaul of Association Management System software and hardware, general plans for which were reviewed by the committee and recommended for endorsement by the Executive Board.
- Met with Section Treasurers to discuss the annual budgeting process and short-term financial challenges posed by the transition to a digital publishing model.
- Reviewed new section proposal for financial issues from the Association of Indigenous Anthropologists, and recommended that this section proposal be approved
- Reviewed the impact of new dues structure on Association revenues

These activities are consistent with Article VI of the Long Range Plan, to strengthen its internal working relationships among its Sections and Committees and the National Office by better communicating its organizational structure, its long-range plan, and its financial and programmatic activities.

3. **2008 Planned Finance Committee Activities**

The Committee will add one member to replace Douglas Schwartz, who resigned from the committee in July.

The Committee will meet quarterly by phone conference, with no in-person meetings planned, except perhaps an informal meeting at the Annual Meeting in San Francisco.

Routine responsibilities to be completed in 2008 include:

- Receiving the Auditor's Report
- Reviewing investment portfolio performance
- Working with the AAA staff to develop the 2009 budget
- Be available for consultation with Section Treasurers as requested

In addition, the Committee aims to complete the following activities:

- Review the performance of our investment manager, A.G. Edwards.
- Work with our investment manager to review our allocation of assets in light of our long-term objectives and reserve policy.
- Review the current approach to management of restricted funds on behalf of the Association and sections, which are currently intermingled with our other investments.
- Provide oversight to the staff and consultants working on the design of an upgraded Association Management System.
- Consult with the Committee on Scientific Communications and the Committee on the Future of Print and Electronic Publishing on the development and implementation of revenue allocations under the new publishing agreement with Wiley-Blackwell.

The expenses associated with the Committee's 2008 work are limited to about \$1600 in teleconference costs. These funds are budgeted in the AAA Annual Operations.

These planned activities are consistent with Article VI of the Long Range Plan, to strengthen its internal working relationships among its Sections and Committees and the National Office by better communicating its organizational structure, its long-range plan, and its financial and programmatic activities.

4. Changes in the Responsibilities and Objectives of the Finance Committee

No changes have occurred, nor does it appear that any are needed.

5. Issues for the Long-Range Planning Committee to consider

The Finance Committee will be preparing a series of recommendations concerning use of reserve funds for the Association Management System and other strategic investments, and concrete long-term financial stability objectives for the Long-Range Planning Committee to consider incorporating into its planning process.

6. Issues for the Executive Board to consider

The Finance Committee will be preparing a series of recommendations concerning use of reserve funds and concrete long-term financial stability objectives for the Executive Board to consider.