Board of Directors Meeting #5

September 18, 1997

Conference Call

BOD members on the line included:
Fred Fresh, President
Kathy Plante, Past President
Paul Anderson, President-Elect
Diana Guerrero, Vice President, Group I
Johnny Johnson, Vice President, Group II
Faith Weese, Vice President, Group III
Heather Smith, Vice President, Group IV
Louise Lonabocker, Vice President, Group V
Melanie Moore Bell, Secretary-Treasurer

AACRAO National Office Staff on the line included:
Wayne Becraft, Executive Director
Roger Swanson, Associate Executive Director
Cecilia Balazs, Assistant Executive Director
Henny Wakefield, Assistant Executive Director

- President Fresh called the BOD meeting to order at 1:00 p.m. EST.

Weese has been suffering a health problem and President Fresh asked her to share her medical report. Weese reported that she is waiting until the surgeon is in his office, so surgery is imminent.

President Fresh reviewed the agenda for the conference call included the budget and revisions and the BOD's response that Becraft and Bell are comfortable in publishing. He said that the conference call is necessitated because of the financial crisis that we have reached. Auditors expressed serious concerns that AACRAO was in crisis mode. President Fresh said that the auditor's letter, instead of showing we were in the negative by $444940, says that we are in the hole and it says it in a gentler way. Balazs, referring to the last page of the fax that went to BOD members prior to the conference call, said that they will decide if we are a "going concern." Actually this would appear as a footnote to the financial statement. If we provide them documentation that we are recovering then we may get a revised letter from the auditor. Balazs emphasized that this is the best of all worlds, that is, to have this as a footnote. Johnson said, "welcome to the real world." Auditors should know that this is how institutions work and how the government works. Johnson asked about the status of Bainbridge and the Standards Council? He emphasized that Betsy Bainbridge is a gold mine. He talked about TOEFL becoming a member of the Standards Council. Becraft said that organizations are popping out all over with interests in the Standards Council. He emphasized that timing is everything. Anderson asked, presuming it is successful, will it benefit AACRAO? Becraft responded "not really." (Guerrero joined the conference call at 4:13 p.m. EST.) Bell asked about the dues income status compared to last year? Becraft responded that dues are coming better than last year. Fresh asked if there are likely to be more funds from dues? Becraft responded that they would not be in a category of $400,000. Swanson emphasized that we will be doing better with what we have more than we have in the past.

President Fresh returned to the agenda of the Standards Council. He asked what are the quantitative parameters that we are going to put on that project? Becraft responded that we have been funded through December 1997. Plante offered that as much as we have invested in SPEEDE, it would be a mistake to eliminate that now. Becraft said that elsewhere is few and far between. President Fresh asked what is the end point? Plante responded that Bainbridge just started working six weeks ago on bringing this about. President Fresh asked how long are we are going to give it? Plante responded until the end of the fiscal year. Becraft said that we need to discuss it more today because we need to deal with priorities. President Fresh said that he did not see a single sheet that listed priorities or that listed cuts like we had and that means now that we are going into this discussion. What he would like to see come out of this at what point is a date such as October 1 that we have to keep priorities 1-9, etc., if we do not have that plan. Becraft said that we took some of those priorities and made the recommendations in his memo, such as cutting registration numbers for the Annual Meeting anticipating revenues in several areas, and in cutting revenues and increasing expenses in other areas. Lonabocker noted that it was difficult to read the Fax. She asked if changes that have made will this satisfy auditor concerns. Becraft responded that the numbers are more reasonable. Balazs referred the BOD to the cash flow on the last two pages. Bell observed that those are negative. Balazs said that $87,494 is a different series of percentages across the columns based on the differences in revenue streams. Bell noted that both are negative and how will this set with the membership? Plante asked which is more important, auditors or the membership? Johnson said that we are in a transition and that the BOD and the ones preceding it decided to take the lead. What if the membership says back down? Becraft emphasized that we should have no negative by the end of the year.

Anderson asked how can we show a surplus of $115,000 and the column to the left shows $301,000? What will auditors say about that? Balazs responded that the auditors want to know can we make it through the year with the budget that has been set up. Anderson asked if on the $329,000, is this cash in. Becraft answered yes. Balazs responded affirmatively if the trend continued as in July and August and that is how we would come out at the end of FY98. Becraft said that revenue is just about where we expected it would be. Balazs referred the BOD to Column 9 $547,000 and then the expenses. Look down Column P so that revenues would be $371,000. Anderson asked why is the last statement so much less? Becraft indicated that Balazs has put together a five-year average. The FY98 budget pattern was quite different with summits and student-right-to-know and the increase in revenue in the Annual Meeting. We were looking for revenues later in the year. Anderson asked how much surplus we will have next June? Becraft responded that we do still have $270,000 in investments. Anderson asked Becraft why did we reduce student-108 right-to-know? Becraft answered that we were being more conservative. Becraft will share registration figures for student-right-to-know conference. (Guerrero had to depart at 2:37 p.m. because she was in an airport and her plane was called.)

Bell asked President Fresh to save some time for some discussion on FY99, planning, and the Strategic Plan. President Fresh got back on track with the discussion. Becraft said that things in his memo would be additional. President Fresh referred the BOD to the bottom of the second page where it reads "if our revenue..." what is that going to do for this plan? Becraft responded that it would come off expenses in Column 9, Row 11. President Fresh noticed that the annualized rate would be $100,000 so he asked what is the actual realization? Becraft said that would be the actual. President Fresh asked what the implementation date would be based on what trigger? Becraft answered we ought to be looking at combination of revenue and expenses of about $100,000 above. Weese asked about the $100,000 salary, page 4 of other items, is this in priority order? Becraft responded that it was based on President Fresh's memo of possible cuts. President Fresh asked what about sending out an insert? He suggested putting on the Web and in the Data Dispenser and get some response and print fewer inserts? Lonabocker indicated that response that way is very low. Plante suggested that it would be better to send postcards. Smith said that postcards cost a lot. Plante said that bulk mailing a card is better than the other ways of notification. Wakefield suggested that we could send the survey electronically to the PAB for review. PAB has been talking about this for a few years. She was trying to build a fall back position. This is going to go out. There would be a pilot group by the Annual Meeting. It is ongoing. This is the same thing that we have been trying to do with committees. Swanson supports what Wakefield said. We cannot change our members and they may be unhappy with us. Be very careful what we do in a much larger sense. Wakefield said we are trying to prepare the members for changes coming. We are trying to give them as much lead in time. Smith said to include in part of the letter that "the BOD with the assistance of the membership is going to have to say that there are changes coming." Wakefield said to include the reconstitution of the committees. Johnson said they would like to have their voice heard electronically. If people do not have E-mail, then they do not work on committees. We should not be timid when we are worrying about our financial crisis.

M/S/Passed Johnson/Bell 5/1/0 That we accept Becraft's letter and that we delay further decision until October 1. We accept the efforts and evidence in the letter and we are targeting a net cash increase of $100,000 above f13 on the Cash Plan $329,240 in Column d.

Balazs said we must respond to the auditors right away and they need to have a letter from Becraft and Bell. Johnson assumed that Becraft's three page letter was the response. Becraft said we have to have a letter that specifically answers the auditors questions. President Fresh said that the auditors site three years of decline. What is magic now? Becraft responded that the first year was a planned deficit. Last year the plan was $131,000. We do not have any capital budget. Johnson asked if we anticipated the move of publications back to the National Office? Becraft answered "no." He said that we have to have a place to warehouse publications. We have a storeroom and we outgrew it. If we rent space, it would cost; it is smarter to use the fulfillment. Anderson asked how are we going to defend the first page of committee activities down to nothing? Becraft said to look at Column g, Line 78. Lonabocker reported that cuts we made in Group 5 were realistic. Fresh had listed some concerns about the audit letter and he said that they have that been pulled out in a separate document on page 7 of the fax. Becraft said that he sorta put together some things on the Annual Meeting and can show some comparisons and some explanations. President Fresh asked about the status of the July and August financial statements? Balazs indicated that they are in process. President Fresh asked about a contingency plan. Becraft said that it is so significant to show revenues and expenses in periods where we anticipate them being. President Fresh asked what is our response for what Bell and Becraft will have to sign? President Fresh said that when we say "yea" what have we said "yea" to? What are we voting for? Becraft said that we are approving the revised spreadsheet and the things listed in them to be cut. Plante said but we do not have a prioritized list. Bell repeated the motion. Anderson asked that by voting on this, what is the negative? Balazs answered the same as $87,000 and $327,000. Becraft said that if revenue picks up, then the negative will go down. The objective is to get the negative to zero. He said that we have cut the budget back to minimums. Becraft said that President Fresh asked earlier about a benchmark. President Fresh asked at what point do we get a clear indication on what we are making a decision on? Lonabocker responded that on October 1 we will have a better indication. President Fresh asked if we list here what are acceptable outcomes, an aggregate, and then back into what we need to do to make the decision, otherwise it is all smoke and mirrors. Weese asked can we not make a new memo and give Becraft the weekend to create it? President Fresh said that this is more a vote of confidence. Becraft asked if he could throw out $100,000? (Smith left the conference call at 3:17 p.m.) (Plante left the conference call at 3:18 p.m.)

President Fresh said that we will get all of these other items next week. We may need to get back to modify to get the concerns. Anderson said that his reason for voting now is the negative for $329,000 in FY98.

Bell talked about the crafting of the FY99 budget and that a time line needed to be developed for it. Becraft said that we can do it again, and we will. Becraft said that it would be helpful if VP's have input with specific ideas to let him know. President Fresh suggested that Bell assist in putting together priorities and Strategic Plan for programs and goals. Bell responded that Becraft and she can do that.

Anderson talked about room rates in Charlotte. Anderson asked what kind of answer do we give about the health of AACRAO? President Fresh said we will work on that.

Becraft asked if President Fresh had a chance to look at the committee stuff. He said that we will give to committee chairs first. Becraft said that we will work on that at the National Office. Balazs suggested that it could be timed with the audit report. President Fresh said that we would like to have some sense of that before the audit response. Balazs said we have to wait for the final reports. President Fresh said that we cannot be passive. Becraft would appreciate hearing from all of the BOD.

Bell made a motion to adjourn the conference call and Weese seconded the motion. President Fresh adjourned the conference call 3:32 p.m.

Cordially Submitted by

Melanie Moore Bell
Secretary-Treasurer