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From the Treasurer: AALL Current Reserve Fund Restored

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The Association’s fiscal year ended on September 30, 2004, at which time the independent audit firm of Wolf and Company examined our financial records. Wolf is retained by the Executive Board to certify the accuracy of the financial statements and the integrity of the Association’s accounting systems. The essence of the audit report is an opinion as to whether the statements fairly and accurately report the financial condition of the Association at the end of the year. Again this year, Wolf rendered an unqualified opinion to the effect that our financial statements “present fairly, in all material respects, the financial position of the American Association of Law Libraries as of September 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.”

Schedule A is a comparison of the assets, liabilities, and fund balances of the total of all Association funds as of September 30 (the fiscal year-end) of the two most recent years. The investment portfolio constitutes the largest segment of the AALL’s assets. Overall, its three invested funds—the Permanent Investment, Restricted Endowment, and Cash Management Funds—account for 82.5 percent of AALL’s assets at September 30, 2004.

I am pleased to report that our investment portfolio increased in value by $148,000 as a result of dividends, interest, and market appreciation. As a result of this increase in the market value of AALL’s investments, the Executive Board approved the transfer of $135,000 of those returns to the Current Reserve Fund to assist in rebuilding the balance of the fund from the deficit position at the end of our 2003 fiscal year.

Schedule B compares the various revenue and expense accounts for the 2003 and 2004 fiscal years.

Overall, 2004 revenues increased by $207,000 from the prior year, primarily as a result of increased revenues from the Annual Meeting and member dues.
The 2004 Annual Meeting in Boston attracted 1,962 paid attendees, sufficient to generate a net return, after all direct costs and overhead, of $310,000. Member dues increased by $80,000 over 2003 as the second step of the dues increase took effect with the membership year that began on June 1, 2004.

Meanwhile, fiscal year 2004 expenses decreased by $40,000 over the previous year, due in part to staff vacancies at Headquarters and lower expenses for representatives, the Washington Affairs Office, and professional development programs. I am grateful to the Finance and Budget Committee, the Executive Board, and the Association staff for their serious efforts to control expenses during this past year.

In total, the net surplus from all funds and activities was $389,001 in fiscal 2004 as compared to $182,340 in 2003; it was another positive year in regaining our fiscal health and a signal that our financial policies have served us well.

For the four years prior to 2004, our Permanent Investment Fund failed to achieve its targeted level as specified by our financial policy, which meant that, in each of those years, no withdrawals were allowed from the Permanent Fund. These withdrawals helped to build and maintain the balance of the Current Reserve Fund—our reserve against unexpected deficits incurred in our Operating Fund. The sum total of four years without withdrawals, plus the deficit reported in 2002, left the Current Reserve Fund with a negative balance of $59,941 two years ago. A modest surplus in 2003 reduced the fund deficit to $30,675 at the 2003 fiscal year end. With the $135,000 withdrawal and the surplus of $249,862 from the Operating Fund, we have, in very short order, returned the Current Reserve Fund to its pre-2002 level and restored its ability to cushion the AALL from any future financial downturns.

Schedule C reports the fiscal year results of the General/Operating Fund only. The fund experienced significant improvement from 2003, as revenues increased and expenses decreased to net to the $249,862 surplus—the largest net surplus from the fund in more than a decade.

Analyses of some specific items from the General Fund are noted as follows:

- Dues revenues were reported at $770,752, an increase of $80,493 over the previous year. This improvement was due, in large part, to the second ($30) installment of the dues increase, which was effective for the membership year that began on June 1, 2004.
- Net revenues generated from the Annual Meeting were $167,332 greater than in 2003.
- The Boston Annual Meeting total of 1,962 registered attendees was the highest since the 2000 meeting in Philadelphia. Exhibit space sales totaled 181 spaces—our highest total since 1999. Total exhibiting firms were 103, again the highest since 1999.
- AALL’s professional development programs have recovered to a near break-even level as all five programs were well attended, which was quite an improvement from recent years when programs were cancelled for lack of registrants.

Various funds and projects have been established by the Executive Board to ensure that adequate funding is available to support issues, advocacy views, or specific programming efforts or, as is the case with restricted endowments, that contributions are accounted for and restricted to their intended purposes. As the various funds achieve their intended objectives, their unexpended balances are returned to the Current Reserve Fund.

The Current Reserve Fund, as noted earlier, is now in a healthy position with a balance of $354,000. The Finance and Budget Committee discussed and examined several policy revisions to maintain the fund at a level consistent with prudent fiscal management. The committee’s recommendations were presented for Executive Board approval at its April meeting. I expect to report on the board’s recommendations during the Business Meeting in San Antonio.

If any member would like to comment on, or would like clarification of, our financial performance or policies, please feel free to contact me or Steve Ligda. We will be glad to respond.