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From the Treasurer: AALL Current Reserve Fund Restored

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from the treasurer

by Joyce Manna Janto, jjanto@richmond.edu



AALL Current Reserve Fund Restored

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."

regarding the overall financial condition of the Association. Members of the committee were given an opportunity to ask questions regarding any items related to the statements, methods, records, or procedures employed by the financial staff.

The schedules found on the following pages summarize the data presented in the audit report received by the Executive Board. If you would like to receive the complete report, you may request a copy from Director of Finance and Administration Steve Ligda at sligda@aall.org.

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. AALL's overall portfolio continues to reflect a modest approach with a market volatility slightly less than the S&P 500 index.

Three years ago AALL segregated and endowed funds, which have been contributed by members and AALL supporters, to ensure that all contributions to these funds are permanently endowed and support the donors' intentions. These endowed funds consist of the Scholarship Fund, the AALL/West George A. Strait Minority Scholarship Endowment, the Lexis-Nexis/John R. Johnson Memorial Scholarship Endowment, Institute for Courts Management Fund, Alan Holoch Memorial Fund, Ellen Schaffer Annual Meeting Grant Fund, and the AALL/LexisNexis Research Fund. I am pleased to note that as a result of the contributions from members, SISs, chapters, and publishers, the Strait

Endowment increased by more than \$45,000 during this past fiscal year to eclipse the \$100,000 matching goal set by the Executive Board. Currently, the fund has a balance of more than \$236,000—sufficient to assure scholarships for many years to come.

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.

Comparative Balance Sheets Schedule A

	Fiscal Year 2003	Fiscal Year 2004
Assets		
Cash	\$ 243,773	\$ 327,618
Accrued Interest Receivable	24,986	16,918
Accounts Receivable	186,373	158,010
Prepaid Expenses	115,194	99,860
Investments at Market Value	3,037,359	3,357,828
Furniture & Equipment, net of depreciation	119,509	107,217
Total Assets	\$ 3,727,194	\$ 4,067,451
Liabilities & Fund Balances		
Accounts Payable & Accrued Expenses	\$ 268,111	\$ 140,290
Deferred Membership Dues	486,781	531,473
Deferred Subscription Income	90,818	102,003
Deferred Exhibit Fees	5,100	28,300
Unrestricted Fund Balances	2,193,115	2,572,143
Restricted Fund Balances	683,269	693,242
Total Liabilities & Fund Balances	\$ 3,727,194	\$ 4,067,451

At the February meeting of the Finance and Budget Committee, the Wolf and Company partner responsible for our audit presented the report and comments

Comparative Statement of Revenues & Expenses Schedule B

Total of All Funds: Current Reserve, Investment,
Special Interest Sections, and Restricted

	Fiscal Year 2003	Fiscal Year 2004
Revenues		
Membership Dues	\$ 690,259	\$ 770,752
Publications & Royalties	603,418	582,328
Scholarships, Grants, Contributions	130,785	91,198
Annual Meeting	1,294,508	1,461,840
Professional Development	55,325	22,610
Member List Sales	102,526	107,398
Dividend & Interest Income	81,819	74,101
Realized Gain (Loss) on Investments	(148,492)	11,462
Unrealized Gain (Loss) on Investments	219,770	79,525
Special Interest Sections	98,701	102,485
Other Revenues	39,429	31,105
Total Revenues	\$ 3,168,048	\$ 3,334,804
Expenses		
Publications	\$ 623,562	\$ 635,249
Annual Meeting	1,093,656	1,152,150
Professional Development	57,851	25,961
Executive Board & Committees	147,087	139,075
Government Affairs	14,401	19,676
Scholarships, Grants, Contributions	44,396	46,157
Representatives to Allied Organizations	199,859	174,533
Special Interest Sections	113,266	105,311
Administrative & General	691,630	647,691
Total Expenses	\$ 2,985,708	\$ 2,945,803
Excess (Deficiency) of Revenues over Expenses	\$ 182,340	\$ 389,001
Fund Balance at the Beginning of the Year	\$ 2,694,044	\$ 2,876,384
Fund Balance at the End of the Year	\$ 2,876,384	\$ 3,265,385

Comparative Statement of Revenues & Expenses

General (Operating) Fund

Schedule C

	Fiscal Year 2003	Fiscal Year 2004
Revenues		
Membership Dues	\$ 690,259	\$ 770,752
Publications & Royalties	245,750	272,129
Index to Foreign Legal Periodicals	354,984	310,199
Annual Meeting	1,294,508	1,461,840
Professional Development	55,325	22,610
Member List Sales	102,526	107,398
SIS Dues Allocated to HQ	43,951	43,705
Other Revenues	<u>42,020</u>	<u>35,592</u>
Total Revenues	\$ 2,829,323	\$ 3,024,225
Expenses		
Publications	\$ 426,977	\$ 446,244
Index to Foreign Legal Periodicals	196,585	189,005
Annual Meeting	1,093,656	1,152,150
Professional Development	57,851	25,961
Executive Board & Committees	147,087	139,075
Administrative & General	691,630	647,691
Representatives to Allied Organizations	<u>178,234</u>	<u>174,237</u>
Total Expenses	\$ 2,792,020	\$ 2,774,363
Excess (Deficiency) of Revenues over Expenses	\$ 37,303	\$ 249,862

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.

Schedule D details the components of the restricted and unrestricted fund balances from the bottom of Schedule A.

Comparative Statement of Fund Balances

Schedule D

Funds	Fiscal Year 2003	Fiscal Year 2004
Current Reserve Fund	\$ (30,765)	\$ 354,097
Investment Fund (at Market)	1,819,061	1,832,816
Special Interest Sections	154,967	144,459
Aspen Research Grant Fund	18,811	12,073
Call for Papers Award Fund	(1,250)	(2,000)
Government Affairs Fund	37,260	17,704
Grant Fund	3,729	6,030
Schaffer Annual Meeting Grant Fund	17,616	16,492
Scholarship Fund	92,473	90,076
AALL & West George A. Strait Minority Scholarship Endowment	236,152	271,767
CIS Scholarship Fund	5,074	3,574
ICM Scholarship Fund	33,739	34,491
AALL Centennial Fund	9,270	9,370
LexisNexis™/John R. Johnson Memorial Scholarship Endowment	177,197	171,146
Holoch Fund	10,166	10,169
LexisNexis Series Project	2,335	—
AALL/LexisNexis Research Fund	75,584	74,640
IFLP Reserve Fund	206,999	206,999
Combined Fund	7,966	11,482
Totals	\$ 2,876,384	\$ 3,265,385

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. ■