American Anthropological Association
Committee Annual Report
Finance Committee

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Question 1
Please report on the activities your group undertook during the year. Indicate how these activities correspond to the group’s charge (objectives and responsibilities, provided above). If there has been any shortfall in accomplishing those objectives, please explain.

This has been an atypically busy year for the Finance Committee as measured by number of meetings (we had 5 conference calls and met in person at the annual meeting) or productivity. We aligned our work with the new Strategic Implementation Plan (SIP), extended the auditor contract with Raffa for another year, reviewed and updated the Investment Policy Statement, drafted and advanced Fundraising and Endowment Fund Guidelines for sections (2 separate documents), recommended for approval quasi-endowments for SAFN, CMA, and APLA, and oversaw management of the AAA Reserve Fund which grew from $11,648,389 as of Dec. 31, 2012 to $13,833,490 as of Dec. 31, 2013. This 15.72 net return is less than the S & P 500’s spectacular gain of 29.6%, but it should be remembered that almost half of our portfolio is intentionally in low volatility cash, real estate, bond, and fixed future funds. At the recommendation of financial advisor Brad Coyle, we replaced our investment in a large-cap growth fund managed by Janus, with one managed by TCW (the Janus Fund changed management and our advisor was less sure of how the new manager would perform). This change actually had two steps. At first, Mr. Coyle recommended that a Columbia fund be used as the replacement, but then he noticed that fund invested in a company that produced firearms (which is contrary to AAA’s investment policy). This aborted possible purchase is worth noting as an illustration that our investment priorities and prohibitions are taken seriously. We performed our due diligence tasks of reviewing the Federal 990 tax reporting form for 2012 and reviewing the proposed 2014 association budget. We bid a fond farewell to long-time committee member Alan Smart and welcomed aboard new committee member Hal Odden. This was also the first full-year under new AAA Treasurer Edmund "Ted" Hamann’s committee leadership. Ted replaced previous AAA Treasurer (and now-AAA Executive Director) Ed Liebow at the end of the 2012 annual meeting.

Question 2
Please indicate your group’s plans for activities in the coming year. If they represent significant modification or elaboration of the stated objectives and responsibilities, please explain.

The new SIP identifies 2014 as a year for the Finance Committee to develop “a comprehensive financial review and forward-looking assessment of financial challenges and prospects” (12.1.3). That will be a major effort. With inquiries already from CAE and SUNTA, it looks like 2014 is also likely to be another year full of section requests to create quasi-endowments. Due diligence tasks include reviewing the 2013 Federal 990, preparing a Treasurer’s report for the May EB meeting, and reviewing the association’s proposed 2015 budget in the fall. Having extended the 2009-2012 auditor contract into 2013, 2014 will include putting a four-year auditor contract out to bid. We expect there to be financial implications from the MYB consultants’ recommendations for association communication strategies, which we will consider when/as they come. Similarly, we expect to regularly monitor the performance of our Reserve Fund Assets.

Question 3
This question refers to any specific tasks or activities in the current Strategic Implementation Plan. They are briefly reported separately so that they can be reviewed by the appropriate staff. If your unit was not assigned any activities in the current SIP, please skip Part II.

Please briefly report on how you have fulfilled, or plan to fulfill, those specific tasks or activities, whether new or ongoing, that appear in the current Strategic Implementation Plan. Please refer to each one by their item number.

Per SIP task 12.1.1, prior to the 2013 annual meeting there was a comprehensive investment policy review and the Investment Policy Statement was updated (with no major changes). Per 12.1.2, the Treasurer has reported quarterly to the EB regarding the recent status of the association’s managed portfolio. (This occurred at the 2013 annual meeting and should continue rather routinely as it is pretty easy to do as part of the Treasurer’s ex officio membership on the EB.) In response to element 12.1.3, the Treasurer and AAA’s Chief Financial Officer (Elaine Lynch) and Comptroller (Suzanne Mattingly) spoke in January 2014 about the information that should be assembled for a comprehensive financial review and forward looking assessment. Those draft plans were then shared with the Finance Committee at its February 2014 conference call. The Finance Committee found the plans and their undergirding reasoning to be sound, so the plan is for AAA staff (particularly Elaine Lynch and Suzanne Mattingly) and the Treasurer to assemble the requisite report in time for presentation to the EB in May 2014. Per task 12.3.1 the Treasurer will report to the EB at the annual meeting on the status of aligning budgeting and operating priorities as specified to the Treasurer at the May EB meeting several month earlier. Assuming the May 2014 meeting produces a list of needed alignments, the desired report should not be difficult to produce. Per tasks 12.3.2 and 12.3.3., the Treasurer will orient new section treasurers at the annual meeting and will elicit suggestions and feedback from section treasurers related to their wishes and needs.

Question 4
Please comment on any issues or recommendations you would like to bring to the special attention of the Executive Board. These might be problems in fulfilling group objectives and responsibilities or in fulfilling tasks listed in the SIP, the need for additional resources, recommended changes to the group charge (objectives, responsibilities, products/outcomes), and recommended changes to the committee structure or membership. Any problems or recommendations listed here will be discussed by the Association Operations Committee and then considered at the EB meeting for possible action.

There are no obvious concerns at this point, but other issues may come from the production of the comprehensive financial review and/or from any unexpected recommendations from the Federal 990 review or the external Financial Advisor (i.e., Brad Coyle).

**Question 5**

Please identify one or more of the 12 objectives of the AAA Long Range Plan (LRP) that your group’s activities have fulfilled over the last five years. In many cases those objectives are identified in the various Strategic Implementation Plans. There is no need to provide specific details on individual activities; summary statements should suffice. The purpose of this question is to evaluate whether the group continues to meet stated Association objectives.

Objective 12 of the LRP identifies that, “The AAA will develop and periodically revise its long-term financial plans and goals, including but not limited to its investment policy, its targets for annual fundraising, and the growth and size of the endowment. Financial goals and funding decisions will be based upon articulated objectives and priorities of the Association, the size and diversity of our membership, and costs to members and others consumers of AAA's services.” While the Finance Committee does not have any direct role in fundraising, it has attended to these other tasks. In the last five years through Dec. 2013, AAA’s reserves grew spectacularly—gaining $6 million in value, or 78%—although that is a bit misleading in that the beginning of the measured time frame found the U.S. economy in its worst recession since the Great Depression of the 1930s. Still, one important point is that the Finance Committee succeeded in its oversight role if measured quantitatively. It also succeeded structurally and ethically (as measured by maintaining desired distributions in various investment classes and by continuing to assure that the socially responsible investment policies desired by members were followed). Additionally, the Finance Committee has been active in reviewing and revising various policies (e.g., the Investment Policy Statement) and creating new ones demanded by membership (e.g., guidelines for section fundraising).

**Question 6**

Please briefly discuss any projects or activities over the last five years that cannot be directly tied to LRP objectives or your committee’s charge but are of value to the Association. The purpose of this question is to assess how the group is adapting to the changing needs of the discipline and the Association, and whether the group charge or the LRP should be modified.

Although the Treasurer has been asked to play additional roles (e.g., serving on the subcommittee reviewing MYB’s bid to become an external communications consultant to AAA), these roles were understood from the beginning more as service to the EB than as any directly Finance Committee-related activity (and ex officio member of the EB is one of the descriptors of the Treasurer role). There have not been charges to the Finance Committee in the last five years that seem to have strayed from that committee’s raison d’etre. Nor does there seem to be a need to change the group’s charge at this time. However, it should be reiterated, that in the LRP and SIP fundraising is named in objective 12 and strategic task 12.2. Those are not parts of the current Finance Committee charge, so it should be noted that at least portions of these objectives and strategic tasks are being pursued by other portions of the Association.

**Question 7**

In reviewing the Annual Reports of the last five years, do you see continuing or emerging problems regarding the group’s ability to meet its responsibilities? Do you have recommendations to the Executive Board for changes or any reservations about re-authorization of the group with its current structure, composition, and charge?

Briefly, ‘no.’ That said, it is possible that the production of the “comprehensive financial review and forward-looking assessment” (Strategic Task 12.1.3) that has just gotten underway at the time this report is being written may identify/highlight an issue that otherwise has not yet surfaced.

**Question 8**

In reviewing the Annual Reports of the last five years, do you see continuing or emerging problems regarding the group’s ability to meet its responsibilities? Do you have recommendations to the Executive Board for changes or any reservations about re-authorization of the group with its current structure, composition, and charge?

We expect both the new communications strategy outline (from MYB) and major changes to publishing to have implications for association finances and, relatedly, the activities of the Finance Committee. So we expect to track these activities closely. Similarly, we are looking at membership trends, particularly the demographic overhang of having a high number of long-time ‘Baby Boom’ members. As these members retire in increasing numbers, the association may face different pressures for sustaining its membership size and, relatedly, the revenue that comes from membership dues. As with Question 7, this question too might be answered differently and more thoroughly after the completion of the currently underway “comprehensive financial review and forward-looking assessment” (Strategic Task 12.1.3).