

## **Report of the Administration and Finance Committee to the July 2006 meeting of the ARRL Board**

Since the January Board meeting the Administration and Finance Committee has met two times, in Newington on April 29, 2006, and also in Newington on July 20, 2006. Minutes for the April meeting were distributed to the Board on May 10, 2006 [arrl-odv:14046].

A summary of the April meeting activity:

- 1) Met with Hooker and Holcombe, a consulting actuarial firm, to discuss their report which reviewed the ARRL's financial statement liability for Life Members and the adequacy of the current Life Member rates. There were no management recommendations for any changes. A review should be done at least every five years.
- 2) The Pension Investment Committee (Treasurer, COO and A&F chairman) met with MassMutual, the pension plan investment advisor, and Shuster Driscoll, the ARRL's benefit's broker, to review the performance of assets in the pension plan during 2005. MassMutual made several suggestions for changes, the Committee agreed with most of them, and a few changes were made to the investment funds. The PIC meets with MassMutual annually.
- 3) The Pension Plan Review Committee was established by the previous A&F Committee and appointed earlier in the year. ARRL pension costs have been increasing and the most recent payment was \$480,000, with prospects for continuing increases in future years. The Committee held one meeting with Shuster Driscoll to start their education about the current plan and options available to the ARRL, with additional meetings planned.
- 4) The newly created Future Revenue Committee had one meeting and was started to brainstorm on possible areas to look at more carefully.
- 5) The Committee considered Minute 49 from the January Board meeting asking A&F to review the current rate for Life Members over age 65 and report back to the Board with any recommendations or changes. After discussion, the Committee had no recommendation for change to make.
- 6) New Membership Manager Katie Breen presented a report on the status of the membership recruitment program and progress made year to date. This report will be updated and presented at the July 2006 meeting.
- 7) The Quarterly financial reports were presented and discussed with some concerns expressed about contributions and the unknown date of FCC action on licensing. The Committee voted to remove the Life Member requirement for Diamond Club Director level membership.
- 8) Mr Sumner and Shelley were tasked with reviewing the options for determining the limit on expenditures to influence legislation and report to the Committee in July.
- 9) Mr Kramer spoke about plans to make Logbook of the World more "customer friendly" and to reduce the support burden. The next major software project will be the integration of our web sales modules with the accounting system, expected to begin during July.

10) Slow progress on the Program Review project (strategic plan) was reported by Mr Kramer. Mr Sumner reminded us that the goal was to create a process for doing program evaluations, not necessarily to complete them all at this time.

Minutes for the July 20, 2006 A&F meeting will be distributed in the next week, after they have been reviewed for completeness and accuracy. A summary of actions is below:

1) The Committee met with our auditors (Hagette Longobardi) regarding the recently completed and distributed annual audit. They stated that our financials were sound, that the people and processes in place were doing a very good job, and highlighted some of the trends shown in the numbers - fairly flat numbers for revenues from membership dues, publication sales and advertising revenues over the past four years, and an increase in contributions received. On the expense side, they noted fairly even (unchanged) numbers for programs and services, publications, administration and governance. They recommended that the Board adopt a requirement for regular conflict of interest statements to be filed by Board members and management, and that harassment training for all management be continued. Overall, they gave us an unqualified opinion for the year ending 12/31/2005,

2) Mr Shelley presented a report he and Mr Sumner developed regarding limitations regarding IRS limitations on ARRL involvement in influencing legislation. The IRS offers two options, one is a vague definition that the lobbying effort can't be a substantial portion of the organization's activities, and the other is a straight forward calculation. For the ARRL, that number was \$675,795 for 2005 - and our actual spending was likely in the \$100k range. The Committee agreed with their recommendation that the ARRL start filing the IRS Form 5768, "Election/Revocation of Election by an Eligible 501(c)(3) Organization to Make Expenditures to Influence Legislation." This will insure that our spending, if kept under the calculated limit, continues to satisfy IRS requirements with more certainty.

3) The Pension Review Committee reported on several meetings with Schuster Driscoll since April, including one on July 19<sup>th</sup> that included an actuary from Mass Mutual. The Committee is still reviewing options for savings, including the timetable, revisions to the current defined benefit plan, or a possible switch to a defined contribution plan. The Committee expects to have a recommendation for the A&F's scheduled meeting on November 18, 2006. If action is indicated and endorsed by the full A&F Committee, a proposal may be presented to the Board in January 2007.

4) The Future Revenue Committee met on July 19<sup>th</sup> to narrow down their list of possible revenue sources and options. They expect the process to take some time and will continue their work through the rest of the year.

5) There was considerable discussion on a proposal from the Grassroots Committee for funds to support legislative volunteers. In the end the Committee supported a plan to allow them to use their Committee balance to reimburse volunteers, assuming the Board also endorsed the idea. A separate request to allow Division funds to be used to support travel costs of Section Managers to Division cabinet meetings, or to increase Section budgets did not gain sufficient support within the Committee.

6) Mr Shelley covered the mid-year financial reports in some detail. The bottom line was that though we met our revenue goals during the first half of the year, we still lost money. Looking forward, the failure of the FCC to act on our license restructuring requests, particularly on the Morse Code requirement for the General class license, has left us with as much as \$200k in net income that will probably not be realized during 2006. Management did perform a re-forecast of revenues and expenses through the end of the year, and the current expectation is that the year will end with the loss of \$104k - a fairly small variation in a \$13m budget that originally projected a \$71k gain.

7) Mr Frenaye and Ms Hobart spoke about Development and the Foundation, noting that there can be confusion about the two organizations when viewed by members. They also noted that while Development has been successful over the past four and a half years, we have still not found the means to attract very large donors. This is something that may take more Board member involvement, some

imagination and ideas about future activities and our strategic plan, and possible some means for donors to participate in ARRL or ARRLF governance.

8) Mr Kramer summarized his efforts to do a thorough review of two ARRL programs - ARISS and Radios On-Line. The process seems to be accurate, a few suggestions for improvement were noted, and plans are now in place for a broader review of ARRL programs in the future.

9) The agenda item on staff officer compensation was postponed until Mr Sumner was able to be present to discuss it with the Committee.

10) A planned presentation on the Information Technology infrastructure had to be postponed because of a staff member's absence, but it will be rescheduled for the next A&F meeting and a Board presentation in January 2007.

11) Plans to repair upgrade the W1AW antenna system are in progress with completion expected later this summer.

As we go into the second half of the year, the Committee is cautiously optimistic about our ability to come in close to the re-forecast estimate of a \$104k loss, and management indicates that cost control will be a very visible activity during the rest of the year. Board members should keep that in mind as they work on organizational activities.



A&F Committee

Tom Frenaye, K1KI, chairman

Frank Butler, W4RH

Bill Edgar, N3LLR

Bob Vallio, W6RGG

Jim Weaver, K8JE

David Woolweaver, K5RAV

Jim McCobb, K1LU

plus

Dave Sumner, K1ZZ, CEO

Barry Shelley, N1VXY, CFO

Mary Hobart, K1MMH, CDO

Harold Kramer, WJ1B, COO

20 July 2006