

Paul D. Roberts, ASA

February 26, 2004

TO: Region 15 Members

SUBJECT: Board of Governors Meeting

ASA held their Mid-term Board of Governors (BOG) meeting at International Headquarters in Herndon, Virginia, February 20-21. As has been my practice for the years I have served you, I wanted to provide a brief report on this meeting.

The morning program consisted of presentations by Staff Directors on their activities. After Ted Baker provided a brief overview, Jerry Larkin explained the Membership & Customer Services activity, the roll of each employee and the improvement that occurred over the past few years in responding to requests. Howard Ducet followed with an update of Information Services and the features that have been added. Janet Coe provided an overview of what is required in arranging for ASA annual conference and other meetings as well as some of the savings that have been achieved. Pat Christoff followed with an overview of the present education program and a list of new projects that are being developed to promote ASA and generate income. (After dues, education is the largest generator of revenue.) Harriet Davis explained the responsibilities of Finance & Administration including preparation of the budget, monthly financial reports and assisting the auditor with the annual report. Rebecca Maxey concluded with an update on the activities of Communications including the new responsibilities for Public Relations.

After lunch, the new Public Relations Consultant, Sheri Singer of Singer Communications introduced herself and her firm by providing background, accomplishments and other clients. She explained what was accomplished by the prior consultant in 2003 (establishment of a PR infrastructure) and what was planned for 2004 (refining ASA's messages, prioritizing PR goals and creating news opportunities). She explained the need to review and update media lists and develop press releases and media advisories. As Chair of the PR Committee, I look forward to working with Sherri this year.

Mark Frye, CPA, was the next speaker. He reviewed ASA's financial statements covering the fiscal year ending June 30, 2003 and explained that deferred rent liability and the allocation of expenses (governance, membership and management & administration) were the result of new reporting requirements. Mark suggested that these expenses also can be detailed in a supplemental schedule to track with the budget line items. He provided the Board with a detailed explanation of the financial statements and answered all questions. Concerns were raised over the differences between the internal monthly statements and the annual audited statements. Mark explained that ASA has been reporting on a cash basis for internal monthly reports and on an accrual basis for annual audited reports, as is the practice of almost all not-for-profit organizations. [2003 net assets were reported as \$350,405 in the May internal statement and (\$190,305) in

the June audited statement]. To reduce the differences in reporting by more closely matching revenue and expenses, Mark suggested changing the way member dues are handled, recognizing commitments when billed rather than paid and report depreciation monthly on an estimated basis. The consensus of the Board was that the monthly internal reports must more accurately reflect ASA's financial position so that there are no surprises at the end of the year.

The purpose of the first day of meetings was for the BOG to be aware of what the responsibilities are of the various staff members at Headquarters. In this manner the BOG could help determine what programs and/or member services could be cut in the future if the budget problems continue.

The next morning, the Secretary-Treasurer Donna Walker reported on the efforts of the Budget & Finance Committee (B&FC) and proposed a revised budget for 2003-2004 which reduced revenue \$133,038 to \$4,228,962 and operating expenses \$184,869 to \$4,150,006. With this revision, it was estimated that there would be a loss for the year of \$125,000 after applying all accruals. In addition, Staff provided a detailed summary of revenue and expenses for seven months ending January 31, 2004.

HQ-1: A resolution was introduced to reduce the budget for 2003-04 operating expenses to \$4,171,983 and develop a budget for 2004-2005 operating expenses no greater than \$4,000,000. Considerable discussion followed. Past President John Connolly and President Gene Kaczowski offered amendments to minimize the risk of another loss. Agreement was reached to 1) reduce the budget for 2003-2004 operating expenses to \$4,100,000 and 2) develop a budget for 2004-2005 to show a positive change in net assets after accruals of no less than \$100,000. This resolution passed unanimously with only one abstention. Charles Tholen, Steven Tatro and I were the three governors that sponsored this resolution.

HQ-2: A resolution to require the ASA Education Foundation to pay for all of its expenses (including audit and tax) passed unanimously.

HQ-3: A resolution to increase the fees of the Mexico Chapter to \$100 per member passed unanimously.

HQ-4: A resolution was introduced to form an Executive Search Committee. Concerns were raised over the cost estimated at \$50,000 by the Secretary/Treasurer and the impact on negotiations with other appraisal organizations. After a lengthy discussion, a vote was taken and the resolution failed. It may be brought back at a future meeting.

HQ-5: A resolution to award up to 100 hours of re-certification credit for preparing a new discipline or specialty exam or major revision of a current exam (including a study guide, bibliography, exam and retake exam) passed unanimously with only one abstention.

HQ-6: A resolution to establish a category of Connoisseur within the membership grade of affiliate was discussed and withdrawn because it was not submitted 10 days in advance. Support was expressed and a revised resolution will be considered by email ballot.

HQ-7: The Constitution & Bylaws Committee added only a reference to the Delegations of Authority in Administrative Rule III. A resolution to add the Delegations of Authority in their entirety to the Administrative Rules passed unanimously.

HQ-8: A resolution awarding Life Membership to Guy Blankinship, FASA, passed unanimously.

HQ-9: A resolution recommending Larry D. Phillips, ASA, as President, Donna J. Walker, ASA, as Senior Vice-President and Leslie H. Miles, ASA, as Secretary/Treasurer for 2004-2005 passed unanimously.

HQ-10: A resolution recommending that John D. Willey, FASA, be appointed as the ASA Representative to The Appraisal Foundation passed unanimously.

HQ-11: A resolution for an amnesty program to reinstate formerly designated members (AM, ASA) effective immediately through June 30, 2005 was passed unanimously. Under this program, the \$100 reinstatement fee and Chapter approval are waived. An applicant must complete an application, pay current year dues, pass the ethics exam, meet the USPAP requirement within one year of reinstatement and receive approval from the discipline membership chair.

HQ-12: A resolution was passed unanimously to provide direction to the Ethics Committee on the handling of a complaint.

NAIFA: A report from the joint Task Force was discussed that presented three possible levels of cooperation: 1) joint programs (catalog, membership directory, annual conferences, chapter meetings and benefit programs), 2) joint RP education courses and physical or virtual merging of the Staffs and 3) full merger. After discussion, the consensus was that the Task Force should continue their efforts for at least the level two initiatives. NAIFA's Board is planning to meet next month and consider the report. It is anticipated that they will indicate which general level of cooperation appears to be the most acceptable at this time.

While there is nothing definite to report, progress is being made. The SWOT or PAT effort to bring together all appraisal organizations at one time under a common governance umbrella was revolutionary and to date, has only been endorsed by one appraisal organization, ASA. Most of the other appraisal organizations support some of the umbrella concepts. Most support cooperating in those areas that make the

most sense, such as educational programs, publications and staff, and letting the governance and designation issues evolve over time.

EBAY: A strategic alliance with eBay has been proposed to combat fraud and promote ASA and its members. It is proposed to recruit ASA appraisers to review high-end art (\$5,000+) listed on eBay and flag those that appear to be questionable. While David Kinney, ASA the Personal Property Discipline Governor, supports this effort, the Chair and the other members of the PP Committee oppose this proposal because of the risk and lack of compensation. Although the PR benefits to ASA would be significant, it was determined that the proposal requires further study.

From the presentations, it is evident that ASA has a dedicated and diligent Staff to serve our membership needs. In addition to administering the present programs, it appears that they understand the need to increase revenue and reduce expenses. Quite frankly I was very impressed with the staff and feel we are fortunate to have them.

The BOG came together to address the financial difficulties facing our society. The operating budget for 2003-2004 was reduced \$234,875 or 5.4% from \$4,334,875 to \$4,100,000. There is now a chance that ASA may break even or have a small loss this fiscal year (less than \$100,000). Further, the operating budget for 2004-2005 will be developed to show a minimum positive change in net assets after all accruals of not less than \$100,000. This will begin to restore our reserves. Action also will be taken to make the internal monthly statements consistent with the audited annual report. Overall, much was accomplished at this Mid-Term BOG meeting. Considering the severity of the problems the BOG worked in relative harmony over the two days. As I visit your Chapters over the next few months, I will be happy to go into greater detail. If there are any questions, please contact me by email at asagov15@optonline.net or by telephone at 201-934-4573.

Sincerely yours,

Paul D. Roberts, ASA
Governor, Region 15

A special thanks to my fellow Governor Charles Tholen, ASA for his substantial contribution to this report.