

**DRAFT Minutes of Public
Meeting of the Finance
Committee of the Board of
Directors of the Arizona
Historical Society**

July 19, 2022

Mission: Connecting people through the power of Arizona's history.

1. **Call to Order** – Meeting called to order at 9:35am by Committee Chair Jim Snitzer
2. **Roll Call** – Jim Snitzer
 - a. Committee Members Present: Gene Kunde, Richard Powers, Colleen Byron
 - b. Committee Members Absent: Sandra Navarrete, Valerie Welsh-Tahbo
 - c. Staff Members Present: David Breeckner, Carole McQueen
 - d. Members of the Public: Linda Whitaker
3. **Minutes** - Discussion and action, if any, to approve the draft Minutes of the September 21, 2021 Finance Committee meeting.
 - a. No comments or discussion.
 - b. Motion to approve by Richard Powers.
 - c. Second by Gene Kunde.
 - d. Unanimously approved.
4. **Call to the Public** – Consideration and discussion of comments from the public.
 - a. No members of the public present.
5. **AHS Financial Overview** – Jim Snitzer and Carole McQueen
 - a. Review of monthly and annual reports for FY22.
 - The May report has been completed and provided to Committee members. The June report is still being developed for reasons detailed in the next section below. Copies of the July-April reports will be sent to Committee members shortly.
 - The ending balance at the end of FY22 was \$4.577m in carryover, non-appropriated reserves. This reflects a significant, positive change by AHS in its financial practices, which has taken a legacy of deficit budgets to savings

and creative growth.

- Jim Snitzer highlighted key line items (revenue and expenses) within the FY22 and FY23 budgets across various reporting sheets, to demonstrate the navigation and cross-representation of the same data in different formats across various reports. These documents also track performance at AHS locations. Jim recommended other Committee members use this introduction in their review and preparations for the next Committee meeting in August.
 - **David Breeckner** demonstrated how to track revenue/expenditures by funding source: appropriate, enterprise, etc.
 - **Gene Kunde:** Where did the excess in grant funding come from in FY21?
 - **Carole McQueen:** This was a SVOG grant for COVID recovery in support of general operating expenses.
 - **Linda Whitaker:** Can you speak on the security and nature of funding in “Aid to Historical Societies”?
 - **Carole McQueen:** Funding comes from both appropriated and nonappropriated funds.
 - **David Breeckner:** While appropriated funds make up a portion of this category’s funding, AHS can increase its own non-appropriated contribution to augment budgets through either reallocation or increased revenue.
 - **Updated 7/22/22:** “Aid to Historical Societies” is recognized as a separate budget by OSPB, and receives its own separate appropriation. AHC Tempe holds a similar designation. AHS is investigating with OSPB the reasons for this distinction.
 - **Colleen Byron:** Do these budgets reflect our “best guess” of how much we will receive in appropriated funds, or are these “real” budgets?
 - **David Breeckner:** FY19-23 budgets are real budgets. They reflect what has been previously awarded. A breakdown of State appropriations over past years is detailed in the FY23 Agency Detail Book by OSPB. The FY24 budget is AHS’ recommendation to the state, and assumes a certain level of state support. This level is based on FY23 appropriations.

- Jim Snitzer recommended the document “AHS Overall – Current and Past Budgets FY19-22” be submitted to the State Board as a core document for its financial review at the July 29 meeting.
- b. Review of AHS accounting procedures and practices, challenges, and proposed solutions.
- Carole and Jim shared current Procurement Code practices within AHS, demonstrating the complexity of our current financial systems.
 - **David Breeckner:** Codes are generated to distinguish between activity (e.g. collections vs education vs marketing), location (e.g. Tempe, Tucson, Yuma), and funding source (e.g. Appropriated, Enterprise, etc). This creates thousands of permutations which must be reconciled each month.
6. **Budget Review** – Jim Snitzer, Carole McQueen, and David Breeckner
- a. Review of the operating budget for FY23 and its recent drafts.
- Jim reviewed the changes to the original FY23 budget approved by the Executive Committee on May 23, 2022.
 - **David Breeckner:** Both budgets were designed with deficits, but the May version grew that deficit to \$278,446. This was recognized by the Executive Committee but approved anyway to ensure financial support of core operations.
 - **Colleen Byron:** When we run a deficit budget, where does the money come from?
 - **David Breeckner:** Operational savings would be used to cover this deficit. AHS reserves going into FY23 are \$4.577m.
 - **Jim Snitzer:** Due to the size of AHS’ reserves, the current burn is not overly great and AHS can sustain several years without feeling the strain. Long-term, this needs to be addressed.
 - **Richard Powers** asked about the future provision of balance sheets (assets, liabilities, accounts, etc) to this Committee.
 - **Jim Snitzer:** Not right now due to a “survival mode” focus on income statements. It is a good point and one to be pursued in a future meeting.
 - **Carole McQueen** will create a balance sheet, starting in July. Jim Snitzer and Colleen Byron offered expertise in their drafting.

- **Gene Kunde:** In the nonprofit world, a shift was made in verbiage from “Income Statement” to “Statement of Activities” and “Balance Sheet” to “Statement of Financial Position.” I’m not sure if this is the same with the State of Arizona.
 - **Colleen Byron:** These are not ubiquitous across all nonprofits, but they represent an attractive shift. However, AHS continues to operate in a world where these are not the norm and must conform with state verbiage.
 - **David Breeckner:** AHS should aspire to a “Net Zero” budget. A surplus budget could indicate to the State that AHS does not require its current appropriations amount.
 - **Linda Whitaker:** In her tenure with the AHS Board, she has not seen balance sheets. Could this be a powerful tool for disseminating information to others?
 - **Colleen Byron:** Traditionally, these are not given much public attention. They are valuable in providing accurate assessments of liabilities and AHS’ ability to address them.
- David reviewed further updates to the FY23 budget from May 23, 2022, effective July 8, 2022. Updates focus on the 10% payroll increase announced by Governor Ducey, constituting an estimated \$198,000 in additional appropriated funds.
 - This 10% only applied to current staff on payroll before July 9. Vacant positions or staff starting after that date were not included. Due to this uneven scaling, additional investment in staffing from non-appropriated funds is required.
 - This has the overall impact of accomplishing a greater overall investment in staffing while reducing the May-approved deficit by \$10,061. No Committee vote is required.
 - **Gene Kunde:** Will we continue to see updates to the FY23 budget throughout the year, or is this now the final draft?
 - **David Breeckner:** This is nearly-final, but the \$198,000 increase (10%) assumed in the July 19 draft is only a reference number provided by OSPB. Final allocation amounts will be announced at the end of August. At worst, AHS anticipates a maximum loss of ~\$30,000 (the

ERE component).

b. Review of the proposed operating budget for FY24 submitted by AHS staff.

- Currently AHS, appropriations covers roughly 70% of personnel services and ERE. This is in difference to the 85% provided in the original FY23 budget. AHS is in talks with ADOA to see about returning this match to the original ratio. Doing so would put AHS in the black for FY24.
- AHS is concurrently following an alternate funding avenue. The updated FY23 budget features a deficit of \$256k. AHS will submit its FY24 budget with that deficit added as the new baseline for total expenses. AHS is asking the State to match that increase in appropriated funds (continuity with updated FY23 budget).
- AHS is proposing to submit to the State Board 8 separate budgets, built around the funding scenarios of a no/85%/90%/100% match by ADOA in payroll expenses and/or an increase in appropriations by \$256k. Depending on the levels of support determined by these scenarios, AHS may face a maximum deficit comparable with FY23 or budget surplus to be reinvested back into non-payroll expenses.
- These determinations will be resolved ahead of the September 1 budget submission deadline, but not ahead of the July 29 Board meeting. A conditional vote around the scenarios provided is be requested.
- **Colleen Byron:** The success of a good budget is its base allocations. An increase to the base is a key focus in budget discussions. This decision lies with the support of legislators. Beyond a written request, how else can AHS emotionally engage legislators for their support?
- **David Breeckner:** We don't know how these requests will play out. AHS is making two separate approaches – one with OSPB and the Legislature (\$256k increase), and one with ADOA for an appropriations rate adjustment – to increase chances of success. Conversations with ADOA are more intimate and further by personal relationships with a smaller group. ADOA has expressed its support of AHS in this effort and is investigating its available options.
- **Colleen Byron:** Can you prepare a list of key legislators and Appropriations Committee members to be contacted, who have a voice in agency budget reviews, and share it with the Board for the July 29 meeting? Can we get the Board to make calls and/or conduct a write-in campaign?

- **David Breeckner:** AHS is already compiling a similar list. The Legislature is out of session at this time, and the new roster of the Appropriations Committee won't be announced until the fall. However, we can begin to plan now.

c. **Action Item:** Approval of the slate of proposed FY24 budgets for presentation and approval by the State Board on July 29, 2022, following requested edits.

- Motion to Approve by Jim Snitzer.
- Seconded by Colleen Byron.
- Unanimously approved.

7. **Committee Meeting Schedule** – Jim Snitzer

a. To determine the schedule for future meetings of the Finance Committee in FY23.

- Meetings decided to occur on the third Tuesday of each month at 9am.
- Meetings will aim to be 1 hour in length.

8. **Announcements** and other matters for consideration in future board or committee meetings.

a. **Jim Snitzer:** Please look ahead for copies of the July-April reports. Reminder to Carole on the requested Balance Sheets.

b. **Carole McQueen:** AHS is being proactive in its communications and engagement with state budgetary agencies. This is unique and new, but already providing returns in expressed support and guidance.

AHS has an audit on September 2 on its Purchasing Cards. This is the first of several to come. Audits are conducted by the Auditor General's Office.

Finance Committee Schedule: 9:00 a.m. and Virtual unless announced otherwise

Click the date to register for the meeting

All meetings are hosted are live-streamed via Zoom

[August 16, 2022](#)

[September 20, 2022](#)

[October 18, 2022](#)

[November 22, 2022](#)

[December 20, 2022](#)

Adjournment at 11:13am.

Dated this 22nd day of July 2022

Arizona Historical Society

Jim Snitzer

James Snitzer, Finance Committee Chair

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