

Sometimes Accountants Fail to Budget

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Budgeting is important in all organizations, but it is especially in nonprofit organizations where revenue sources are often inconsistent from year to year. Nonprofit leadership has a fiscal responsibility to monitor the variances between actual revenues and cost and make operating decisions to ensure the organization's viability and success.

INTRODUCTION

In August 2003, the Steering Committee of the American Accounting Association Midwest Region (AAA-MW) discovered that its 2003 annual meeting had a net loss of \$24,232, leaving a net account balance at less than \$50,000. This was on top of a loss of \$13,264 the previous year. Concerned about a possible trend, the board created a treasurer position and asked the treasurer to investigate these losses.

THE ORGANIZATION

The steering committee is an entirely volunteer board whose task is to organize and run an annual conference targeting members of the American Accounting Association who reside in the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Nebraska, and Wisconsin. The American Accounting Association (AAA) is a not-for-profit organization whose members are primarily accounting academics. The organization "promotes worldwide excellence in accounting education, research and practice. Founded in 1916 as the American Association of University

Instructors in Accounting, its present name was adopted in 1936. The Association brings together the academic community to further accounting education and to advance the discipline and profession of accounting." (*American Accounting Association Our Shared Vision*, http://aaahq.org/about/AAAShareVisionDocumentJan08fml_4_.pdf, 2008, p 6)

The steering committee meets twice a year; every spring at the annual AAA-MW Region meeting and in August at the national meeting of the American Accounting Association. The typical process for organizing the AAA-MW annual meeting was as follows:

1. Eighteen months prior to the meeting (usually at the August AAA national meeting), the steering committee determines in which city within the Midwest region to hold the meeting and submits a meeting site search request to the AAA national office.
2. The program chair for the meeting is a volunteer of the steering committee and is a different (and new) person each year.
3. The event coordinator (a third party hired by the AAA national office) contacts hotels in the chosen city and provides the AAA-MW steering committee with a list of hotels, room rates, and parking rates.
4. At the spring AAA-MW regional meeting, one year prior to the next meeting, the steering committee chooses a hotel based on its location in the city and room rates offered.
5. The event coordinator negotiates the final contract, it is signed by the AAA executive director, and a copy is kept in the AAA headquarter files.

6. The new AAA-MW regional meeting program chair is then responsible for organizing the meeting.

There was little in the way of a formal process, so each program chair would determine how he/she wanted to run the meeting. There was a tradition of charging a registration fee that covered food, audiovisual needs, and meeting rooms. The program chair, working with a few other volunteers, would organize the call for papers, review of papers, program speakers, receptions, and communication with members within the region. Typically, the meeting had multiple continuing professional education (CPE) sessions, offered breakfast on Friday and Saturday, lunch on Friday, snack breaks on Friday and Saturday morning and Friday afternoon, and evening receptions on both Thursday and Friday. All of this planning was a significant amount of effort and generally consumed the program chair's attention. All cash inflows and outflows were handled by the AAA staff members. They collected registration fees, paid the hotel bills, etc., charging or crediting the region's accounts. The AAA-MW steering committee president would receive periodic account activity reports. Prior to 2002, the AAA-MW meetings had generally resulted in an increase in cash flow and the steering committee had little need to worry about finances.

BACKGROUND

At the August 2002 meeting of the AAA-MW steering committee, the committee learned that the spring 2002 regional meeting showed a loss of \$14,389.13. The comparison of 2001 and 2002 is shown in Exhibit 1. The 2002 AAA-MW regional meeting had been held in Milwaukee in March and the attendance at that meeting was 170. This was a 30.6 percent drop from the previous year's meeting held in St. Louis, and one of the few times in the region's recent history that the meeting attendance was below 200 attendees. The committee believed the main reason for the low attendance was reluctance to fly (travel) so soon after the after the 9/11 terrorist attack. In addition, the committee believed the location (Milwaukee, Wisconsin) in early spring was difficult to travel to and may not have been appealing. Therefore, the committee was satisfied that the net cash outflow for the 2002 meeting was an anomaly and there was no need for more investigation. As such, the committee proceeded to discuss the plans for the 2003 AAA-MW annual meeting, which was to be held the following spring at the Millennium Hotel in St. Louis. The Midwest region had the policy of holding the annual meeting in St. Louis every other year and, because of the central location

and more favorable spring weather, the St. Louis meetings had always been well attended. For that reason, the committee was not concerned that the 2003 meeting might result in a loss.

Exhibit 1 Comparison of 2001 and 2002

Financial Report AAA Midwest Region

For years ending September 30, 2001, and September 30, 2002

	09/01-08/02	09/00-08/01
Attendance	<u>170</u>	<u>245</u>
INFLOWS		
Mid-year Meeting		
Registration	\$ 14,835.00	\$ 20,125.00
Contributions	0.00	1,990.00
Exhibitor Fees	4,200.00	4,500.00
CPE	<u>2,400.00</u>	<u>3,270.00</u>
Total Meeting	\$ 21,435.00	\$ 29,885.00
Interest	<u>1,313.29</u>	<u>4,312.20</u>
Total Inflows	<u>\$ 22,748.29</u>	<u>\$ 34,197.20</u>
OUTFLOWS		
Mid-year Meeting		
Printing	\$ 2,890.55	\$ 2,425.52
Mailing	752.35	470.17
Exhibitor Expense	354.82	460.00
Food/Bev	28,527.36	18,490.63
Audio Visual	0.00	2,965.85
Speakers	469.76	1,477.92
Mtg Coord	2,231.05	0.00
Postage	55.97	0.00
Travel	0.00	184.79
AAA Staff	154.00	105.00
CPE travel	<u>350.00</u>	<u>1,990.00</u>
Total Meeting	\$ 35,785.86	\$ 28,569.88
G&A	<u>1,351.61</u>	<u>1,590.02</u>
Total Outflows	<u>\$ 37,137.47</u>	<u>\$ 30,159.90</u>
Net change in assets	\$ (14,389.18)	\$ 4,037.30
Beginning Cash	<u>88,783.55</u>	<u>84,746.25</u>
Ending Cash	<u>\$ 74,394.37</u>	<u>\$ 88,783.55</u>

The March 2003, AAA-MW meeting was held and followed the typical two-and-a-half-day format, with participants attending a number of CPE sessions and other activities included in their registration fee. The schedule of events for the 2003 AAA-MW annual meeting is shown in Exhibit 2.

Immediately after the meeting, during the Saturday steering committee luncheon meeting, the new AAA-MW president (the 2003 program chair) presided over the meeting. As normal, the event coordinator attended and reported the final attendance numbers. The attendance was 185, which was higher than the previous year's attendance of 170, but still lower than the 200 or more expected. The steering committee, not yet having any financial figures from the meeting, did not consider that the low attendance might result in a loss. Therefore, the remainder of the meeting was spent discussing the plans for the 2004 meeting in Kansas City and the plan for the 2005 meeting, which would be back in St. Louis.

The steering committee met again in August 2003 at the AAA national meeting and received from AAA headquarters' staff the financial information about the March 2003 meeting. (See Exhibit 3.) The committee was shocked to find that the spring meeting had resulted in a loss that was almost twice the loss incurred in 2002. If this pattern continued, the Midwest region would be bankrupt within a couple of years. Concerned, the committee decided to appoint a treasurer. The official duties of the treasurer would be to receive monthly financial reports of the AAA-MW from the AAA and report on the AAA-MW region's financial situation at steering committee meetings and the annual meeting. First, however, the treasurer would need to investigate the 2003 loss.

REQUIRED

1. As treasurer, determine what additional information you would like.
2. Analyze the information and prepare a report for the steering committee explaining the losses.
3. Provide suggestions to the steering committee on how to avoid future meeting losses.

ABOUT IMA

With a worldwide network of more than 60,000 professionals, IMA is the world's leading organization dedicated to empowering accounting and finance professionals to drive business performance. IMA provides a dynamic forum for professionals to advance their careers through Certified Management Accountant (CMA®) certification, research, professional education, networking and advocacy of the highest ethical and professional standards. For more information about IMA, please visit www.imanet.org.

Exhibit 2

Midwest Region of the American Accounting Association 2003 Meeting Program

Day	Time	Participant Events	Steering Committee Activities
Thursday	Afternoon	Tour of Cardinals Baseball Stadium	
	Evening	Welcome reception with appetizers and open bar. Reception was sponsored in part by the textbook publishers	
Friday	7:00 pm	Buffet breakfast: continental rolls, cereal, toast, yogurt, fruit, coffee, milk, tea	Steering committee breakfast meeting to receive information on meeting attendance and issues that needed to be addressed and finalize location or other details not yet decided for next year's event.
	8:30 -10 am	5 concurrent CPE sessions	
	10-10:30 pm	Morning reception with food and drink (coffee, bottled water, and juice)	
	10:30 – noon	7 concurrent CPE sessions	
	Noon – 1:30 pm	Luncheon with speaker	Awards for papers and lifetime members
	1:45-3:15 pm	7 concurrent CPE sessions	
	3:15- 3:45 pm	Afternoon refreshment break with coffee/soda and snack	
	3:45-5:15 pm	7 concurrent CPE sessions	
	6-7:30 pm	Reception with hot and cold hors d'oeuvres including two carving stations (roast beef and turkey) as well as vegetables, egg rolls, chips and dips... and an open bar	
	7:30-9:00 pm	Ice cream social sponsored by the Teaching and Curriculum Section of the AAA *	
Saturday	7:30-9:00 am	AAA-MW business meeting	President and program chair preside over the meeting; Nominate and vote on new steering committee members
	9- 10:30	FASB update and 2 other concurrent CPE sessions	
	10.30-11.00 am	Morning break with coffee and snacks	
	11- 12.30 pm	5 concurrent CPE sessions	
	12.30– 2:00 pm	No events; conference has ended	Steering committee luncheon and meeting; the program chair becomes the president and presides over the meeting

* AAA stands for American Accounting Association

Exhibit 3

AAA-MW Financial Information Provided to Steering Committee for 2002-2003

	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	TOTAL	Prior Year Totals
Beginning Cash Balance	74394.37	75500.56	75568.03	74529.07	74562.27	76392.44	79251.84	92040.53	91981.19	53269.27				
INFLOW MID-YEAR MEETING														
Advertising						1032.00	12477.00	2919.00					0.00	
Registration Fees													16428.00	14835.00
Contributions					1800.00	1800.00	600.00						0.00	0.00
Exhibitor Fees													4200.00	4200.00
CPE													0.00	
Registration Fees													0.00	
Total Mid-year Meeting	0.00	0.00	0.00	0.00	1800.00	2832.00	13077.00	2919.00	0.00	0.00	-	-	20628.00	2400.00
OTHER INCOME														
Contributions													-	
Interest Income	67.47	67.83	67.83	33.80	30.77	30.59	26.53	33.73	28.76	13.36			332.84	1313.29
Total Inflow	0.00	67.47	67.83	33.80	1830.77	2862.59	13103.53	2952.73	28.76	13.36	-	-	20960.84	22748.29
OUTFLOW MID-YEAR MEETING														
Printing								2716.25					2716.25	2890.55
Copying													0.00	
Mailing													0.00	752.35
Registration Expense													0.00	
Exhibitor Expense													0.00	354.82
Hotel-Rooms/Food/Bev									34010.36	(40.00)			33970.36	28527.36
Hotel-Audio Visuals									3983.40				3983.40	-
Mtg. Entertainment									84.00				84.00	-
Speakers									662.32	507.35			1169.68	469.76
Mtg. Coord.-Exp.	(1106.19)		1106.19							1244.59			1244.59	2231.05
Postage													0.00	55.97
Supplies								105.00					105.00	-
Telephone													0.00	-
Travel													0.00	-
AAA Staff Support													0.00	350.00
Misc.													0.00	154.00
CPE													0.00	
Hotel-Rooms/Food/Bev													0.00	-
Hotel-Audio Visuals													-	-
Misc.													-	-
Speakers													-	-
Travel													-	-
Total Meeting	(1106.19)	0.00	1106.19	0.00	0.00	0.00	0.00	2821.25	38740.08	1711.94	0.00	0.00	43273.28	35785.86
GENERAL/ADMIN.														
Postage			0.60	0.60	0.60	3.19	58.04	78.32	0.60	0.60			142.55	86.11
Misc.													0.00	-
Council Fee													0.00	1000.00
Awards							256.80	112.50					0.00	265.50
Total General	0.00	0.00	0.60	0.60	0.60	3.19	314.84	190.82	0.60	0.60	-	-	511.85	1351.61
COMMITTEES/OFFICERS														
Hotel-Rooms/Food/Bev													-	-
Travel													-	-
Misc.													-	-
Total Committee/Officers	(1106.19)	0.00	1106.79	0.60	0.60	3.19	314.84	3012.07	38740.68	1712.54	-	-	43785.13	37137.47
Total Outflow	(1106.19)	0.00	1106.79	0.60	0.60	3.19	314.84	3012.07	38740.68	1712.54	-	-	43785.13	37137.47
Ending Cash Balance	75500.56	75568.03	74529.07	74562.27	76392.44	79251.84	92040.53	91981.19	53269.27	51570.09	-	-		