



Treasurer's Report - February 20, 2025

Dear EC Members:

I am honored to present to you my first Treasurer's Report. I will try not to replicate anything you may receive from the Chair of the Audit & Finance Committee.

First, a set of executive orders that targeted a specific set of issues and organizations progressed quickly to a general order from the Office of Budget and Management (OMB) and placed a freeze on all federal grants. The last directive, which occurred on January 27, was immediately stayed by a DC circuit court judge in response to lawsuits and while that legal fight goes on, certain nonprofits, like international aid organizations, are still subjected to a wide array of more immediate cuts and threats.

ASALH is laying quick groundwork to explore the full range of our possible choices for delivering on our mission, even when it appeared that some of our funding might be disrupted and maybe eliminated.

Taking on the first phase of what is likely to be an extended period of financial uncertainty; I present to you a structured, actionable checklist designed to build our organization's agility during these turbulent conditions.

The first part focuses on the importance of building our ongoing access to unrestricted and liquid dollars while the second part is about using our network and advocacy to protect ourselves from these actions.

Here are Twelve Steps we will take to Improve our Finances

1. We will check and monitor our cash flow and liquidity.

Disruption, whether caused by economic, regulatory, or political forces, is often first felt in cash flow. Understanding our cash position will help us determine the urgency of our response.

Our Liquid Unrestricted Net Assets (LUNA) Ratio is computed as follows:

$$\frac{\text{Net Assets Without Donor Restriction} - \text{Fixed Assets}}{\text{Typical Month's Expenses}}$$

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This ratio indicates how many months of operating expenses we have if no additional income is received. In our case, that number is XX months. I'll report this to you in-person when I see you on Friday, February 20th.

2. Bill paying: begin to identify the timing of and need for expenditures.

We need to identify any possible expenditure that can be scheduled to a later date. This includes, but is not limited to, capital expenditures we are going to undertake. We must manage our payables carefully, taking advantage of the full time the organization must pay its expenses.

3. Inventory all contracts along with their associated risks and requirements

We need to inventory all contracts to see how much latitude we have to renegotiate them. This includes, but not limited to, funding agreements as well as any contracts for services that we may have. Knowing when grants or revenue contracts are up for renewal is essential to understanding when risk may be higher. Likewise, understanding cancellation terms on contracts is important to know where levers might exist for reducing costs

4. Be realistic and active on all elements of cash flow projections and management.

If we have suffered from late payments on government contracts, it might be safest to assume that the problem may worsen soon. We need to take the time to make sure that we have a realistic cash flow projection updated and ready to be used by staff and the board.

5. Address any external barriers to the use of cash.

We need to review our relationship with our bank. More on this later as I begin to gain an understanding of our banking relationship.

6. Board Restricted Cash.

I spoke and written on this issue before in the audit and finance committee. We must determine, in advance, the criteria to release the restriction on our savings in the event cash is needed for cash flow purposes during 2025 and replace at-risk operating funds. We need to begin this conversation at the governance level to lay the groundwork for this possibility.

7. Measure the risks in existing revenue mix.

To understand financial risk, we must analyze our revenue sources. We must assess our concentration of total revenue that comes from government contracts, individuals,

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foundations, and other sources. This information will provide the context for understanding implications of potential funding changes.

8. Review information related to changes in revenue streams and regulatory schemes as soon as possible.

Things are changing quickly. State and local funding may come from the federal government and be impacted by the changing Federal environment. Additionally, as these changes flow through the economy, there may be an effect on individual donations or fee-for-service programs. We need to listen to our branches and local networks to learn how they are impacted by changes in the Federal environment.

9. We need to ask our funders to improve liquidity, ease transaction requirements, and increase revenue dollars overall.

During the pandemic, many foundations relaxed their restrictions on funding, even in existing grants. We may need to approach our funders and ask them to:

- Remove any restrictions on grants already made or under consideration
- Ask them to consider giving at a higher rate than usual – and potentially out of their endowments

One of our problems may be that we are too dependent on government grants and have less unrestricted funds proportionate to overall operating costs. In addition, our funds may be tied up in the cash flow needed to cover late payments and operating costs not covered by government contracts. This means we have less flexibility. We may need to work with other organizations and approach funders collectively to address the challenge of promoting African American History.

10. Clear Communications on Financial Matters of All Committees.

While the intensity of our Federal government crisis may fluctuate, the importance of clear communication on strategies and the potential role of governance in carrying out those strategies remains constant. The current uncertainty has created anxiety among leadership, our executive council, staff, volunteers, and constituents. Transparency, builds trust, and acknowledging the personal stresses caused by this situation are key.

Rather than guaranteeing programs will remain open, let's commit to inviting participation in finding the way forward while sharing what we do know, acknowledging what we do not know,

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and – even when there is information. In my opinion, our frequent ED and EC communications helps reduce our anxiety and certainly builds trust.

11. Continue to deploy social capital

We must continue to engage our human and social capital. This realm of currency exists in our staff, networks, and program participants and it will eventually be converted to more dollars and cents.

We need to continue to empower the people closest to us – board members, staff, donors, volunteers, community members, and constituents - to spread the word. We need to speak with friends, neighbors, elected officials, and other stakeholders about our impact and financial needs.

We must ask the question, “If we went out of business today, who would it matter to and why?” Use this question to articulate both our impact on direct program beneficiaries, as well as the national impact to strengthen advocacy efforts. We need to continue to share this information with our friends and partners to amplify our story. We must advocate for our own survival. Now, more than ever, we must share our story effectively.

12. Support other organizations

At this precarious time, remember that we are not alone. We must work together to support each other and find solutions. Perhaps we should reach out to other organizations to understand their needs, how we might help them, and how they might help us. This collaboration to promote the teaching of African American History is who we are.

Respectively submitted,

John E. Adams, CPA

Treasurer

Association for the Study of African American Life and History