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GREAT LAKES UNITED

Memo

To: Executive Committee
From: Philip Weller, Executive Director
Re: 1992 Financial Picture
Date: June 12, 1992

This memo provides background information to the Executive Committee for decisions that must be made on Great Lakes United budgetary matters. Two central decisions need to be made by the Executive Committee: 1) Should we convert the gold and coins to cash and invest it? 2) Do we need to initiate staff layoffs or other cost cutting measures?

Gold Contribution

In August 1990, we received a contribution of gold bars and coins from a donor for unrestricted use. The value of the gold and coins at the time of purchase was approximately \$82,000. Because the gold and coins were bought at a time when prices for gold were very high, the appraised value for the coins at the end of 1990 was only \$50,820. At the end of 1991 the coins and gold had decreased in value to \$48,460.

In mid May, I discussed sale of these assets with one of the people who had appraised the coins. He provided me a quote of \$43,240 for the sale of the coins and gold. This value is lower than the appraised value because of further reductions in gold prices and the difference between an appraised value and a "sale" value.

It is his advice to me that we should sell the gold and coins put the money we receive in an interest accruing account to increase the value to us. It is his understanding that gold will continue to fall in value. He suggests that if we sell it now we will at least continue to increase the value of our asset.

If we invest the money in a money market account at our existing bank we would receive interest in the amount of 3.8% with a yield of 3.87% upon completion of term. If we bought Treasury Bills we would receive interest at 3.71% for 13 to 26 weeks, or 26 weeks to a year at 4.07%. Certificates of deposit of 24-35 months are paying interest of 4.75%.

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Staff Layoffs

At our January Board meeting we adopted a revised 1992 budget that projected revenue for the year of \$292,800 and projected expenses of \$303,258. This deficit budget was adopted because of a 1991 surplus of \$13,132 that was in part based on revenues (Alton Jones and Public Welfare) which we received in 1991 for which the work would be completed in 1992. We also were to receive additional funds in the amount of approximately \$9,600 for which we completed work in 1991 but would not be payed until 1992. This included funds from the Great Lakes Protection Fund of \$8,600 and just over \$1,000 from the Canadian Institute for Environmental Law and Policy.

Important about the 1992 budget was that it was based on Supplemental Grants (unidentified) of \$25,000. The Board recognized that it would be irresponsible to go through the entire year with the 1992 projected expenses based on the assumption that we would receive \$25,000 in additional grants unless there was assurances that we would receive these funds. The Board therefore decided upon an end of June cutoff date for budget cuts and layoffs if additional revenues had not been secured.

The status to date of revenues and expenses for Great Lakes United until the end of May are recorded in the June 9, 1992 Income Statement which is attached with this memo.

Total Revenues for this period (5 months) are \$225,163.77.

Total Expenses for this period (5 months) are \$142,816.52.

Excess Revenue over Expenses for the U.S. Budget are \$82,347.25 during this period.

While these figures give a general picture of our financial situation what will likely be more helpful is information comparing expected revenues and expenses from actual revenues and expenses for the first 5 months of 1992.

Analysis of these figures provides the following list of revenue and expense items which differ from budget projections. Explanations for the differences are provided in the text.

Revenue

General Fund

1) Cormorant Research Project - We have budgeted 8,800 for income from the administration of the Cormorant Research project. We have already received \$7,000 of this amount and we should receive \$13,364 by years end. This means that by the end of the year we will have \$4,500 excess revenue over that budgeted. It should be pointed out, however, that we have incurred additional accounting

expenses that will use up a substantial portion of this amount.

2) Supplemental Grants - The current income statement contains a figure of \$8,600 which was carryover Great Lakes Protection Fund \$ from 1991 for work done (not yet completed) in 1991. No additional supplemental grants have been received with the exception of the C.S. Mott Environmental leaders meeting which is listed separately below. An application for funding has been sent to the Kellog Foundation but as yet no word has been received on funding for this proposal. In addition I will be meeting this week with EPA about the organization of a workshop on Ecosystem Objectives that they would like us to organize. It is possible that this would provide some supplementary grant revenue. If this and the Kellog project do not materialize there will be a \$16,400 shortfall in this line item.

3) Donations/Direct Mail - We have not yet received significant funding from donations. In large part this is because we have not yet sent appeal letters in 1992. It appears, however, that \$6,000 may be a more realistic target although we have in the past received some large individual donations which have helped us meet our targets.

4) Organizational Memberships - Based on the current projections it is likely that we will not receive the \$13,000 we have budgeted for this but probably closer to \$11,000.

5) Individual Memberships - It appears that our individual memberships are down over previous years and we need a substantial effort to get this rectified if we are to generate \$13,000 in revenues. It is my estimate that \$10,000 revenues from this may be more realistic.

6) Annual Meeting Registration - The total registration fees for the annual meeting amounted to \$1006.52 below projected revenues of \$7000.

7) Annual Meeting Advertising - The annual meeting advertising revenue is money we will generate as a result of the commemorative book. The total projected gross revenue for this is approximately \$5,000. Projected expenses for this item are listed on the expense side. Neither revenue or expenses was budgeted for in our 1992 budget. On balance this activity should add at least \$2,000 revenue over expenses.

8) Interest - Because of reduced interest rates we will probably not receive \$6,000 in income but \$4,000 may be a more realistic figure.

Restricted Funds

9) George Gund - We will receive the full \$30,000 budgeted from the George Gund Foundation.

10) Environmental Leaders Meeting - This \$7,850 item was not budgeted for when we began 1992. This was funding for conducting a meeting (held in March) for G.L. environmental leaders. Most of the funds from this grant are for travel for participants (see C.S. Mott Environmental Leaders Expenses). Approximately \$2,500 of this grant, however, is for salary and expenses for telephone and copying. This is revenue we had not budgeted for.

11) Alton Jones and Public Welfare - An additional \$900 over that budgeted will be received from these Foundations.

Expenses

12) Salaries and Benefits - Since April we have not had anyone in the position of Administrative Coordinator/Information Manager. (See below under contracts for costs for administrative help that we have hired). For each month that this position remains unfilled there is a saving of \$1,340 in salary. There is also limited savings for benefits. Savings for this position do not include full benefits because the employee previously in this position had alternate health coverage and did not require the GLU coverage.

Total salaries and benefits payed out up to the end of May amount to \$78,033. Projected salary expenses until the end of the year will be \$95,520 (this does not include the Technical Analyst from the end of August and does not include rehiring of a Administrative Coordinator). The total of these two figures is \$173,553. This is \$17,040 below the figure budgeted for salaries and benefits in 1992.

13) Contracts - This line item was not budgeted for in the 1992 budget but as you can see from the income statement we have incurred expenses for contracted help. Throughout the past two months we have hired an administrative assistant, Sean Enright, to help ease the administrative burden and put our data base in order. He is hired under contract at a cost of \$125 per week. In addition, the expenses listed of \$2,648 include \$1,000 contract we had with Dave Hahn Baker to develop funding and program ideas for Environmental Justice activities. If we retained Sean at the level of pay we are currently paying him it would cost approximately \$4000 until the end of the year over what we have already spent.

14) Accounting - Our expenses for accounting to date have been \$7,402 out of the \$11,000 we budgeted for this activity. This has in part been because of additional work needed to complete the accounting on the Cormorant Research project.

15) Bank Charges - We will probably only incur about half of the charges outlined or approximately \$250.

16) Computer - The computer line at present exceeds the budgeted amount but this figure will be reimbursed in the amount of \$2,300

and this expense should not exceed the budgeted amount.

17) Equipment Repair and Service - The costs of equipment repair and service are greater than we anticipated because we entered into a service contract for our copy machine. The total cost for this at the year end will be approximately \$2,500. This is \$1,500 over what we have budgeted.

18) Office Supplies - The May income statement indicates that given the current spending in this category we will be way over budget if we continue at the current rate. However, we have expended a lot of money on office supplies because we have ordered large quantities of supplies in order to get economy of scale. We should not be making large expenditures on this item through the rest of the year.

19) Direct Mail Printing/Lists/Postage - We have expended only \$350 of the \$5,500 we have budgeted for this activity. We need to determine if we will spend this money on getting new members and how we will best be able to spend it.

20) Fundraising - We have not budgeted any expenses for this activity which includes the purchase of T-shirts. We will presumably have revenue that will offset this expense.

21) Board Reimbursement - We have already spent \$3,721 of the \$5,000 budgeted for board travel.

22) Printing - We have so far only spent a small portion of the amount allocated in the budget for printing. A number of upcoming projects will use up a considerable portion of the printing budget. Four thousand dollars of this must be spent on the Great Lakes Protection Fund guides. In addition we need a new brochure, we will also print the resolution book, and three additional newsletters will be printed this year. It is possible even with these items that we would not fully expend the amount we have budgeted for printing. I would anticipate that we would likely only spend approximately \$16,500 of this amount for a saving of \$2,000.

23) Annual Advertising Expense - This is the expenses related to the annual meeting advertising book. These expenses were not budgeted for but will be offset by revenues for this activity.

24) Miscellaneous - To date we have spent less than one-third of this line item and projecting that through the year would mean a realistic saving of \$500 over that budgeted.

25) Zero Discharge Expense - This is money we are to use in support of grassroots zero discharge activities as specified in the Joyce Foundation grant. We should use these funds for these unspecified activities by the end of the year.

26) C.S. Mott Expense - These are the expenses for travel which

were incurred as part of the Environmental Leaders Meeting. These expenses were not budgeted for but are covered by the grant we received from the Mott Foundation for these activities.

Based upon my best estimates the net impact of all these changes the financial picture at the end of 1992 if we maintain the status quo (this means we do not hire an information manager/office coordinator but retain our contract administrative help).

Revenue

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|-----------------------------------|------------|----------------------|
| 1) Cormorant Research | \$ 4,500 | |
| 2) Supplemental Grants | - \$16,400 | |
| 3) Donations | - \$ 2,000 | |
| 4) Organizational Memberships | - \$ 2,000 | |
| 5) Individual Memberships | - \$ 3,000 | |
| 6) Annual Meeting Registration | - \$ 1,000 | |
| 7) Annual Meeting Advertising | \$ 5,000 | |
| 8) Interest | - \$ 2,000 | |
| 10) Environmental Leaders Meeting | \$ 7,850 | |
| 11) Alton Jones/Public Welfare | \$ 900 | |
| Total | - \$6,150 | (less than budgeted) |

Expenses

| | | |
|----------------------------------|-----------|----------------------|
| 12) Salaries and Benefits | -\$17,040 | (less than budgeted) |
| 13) Contracts | \$ 6,650 | |
| 14) Accounting | \$ 2,500 | |
| 15) Bank Charges | -\$ 250 | |
| 17) Equipment Repair and Service | \$ 1,500 | |
| 19) Direct Mail Printing/lists | -\$ 1,000 | |
| 22) Printing | -\$ 2,000 | |
| 23) Annual Meeting Advertising | \$ 3,000 | |
| 24) Miscellaneous | -\$ 500 | |
| 26) Environmental Leaders | \$ 5,000 | |
| Total | - \$2,140 | (less than budgeted) |

Based on these revised figures we would conclude the year with a deficit of \$4,010 in excess of the existing budgeted deficit. The assumption of these figures, however, is that an administrative coordinator is not hired, that the Technical Analyst Position is not retained past August, and that we retain the existing part time administrative help at the salary level we are currently paying.

Based on the figures I have provided I would suggest the following staffing options be considered.

1) Elimination of the Position of Technical Analyst at August 31, 1992 - The revised budget I have just presented does not appear to reduce the need to eliminate the position of Technical Analyst as decided by the Board in January. Maintenance of this

position after August 31, 1992 would increase the deficit by \$13,600 over that anticipated. If the technical analyst position was eliminated at August 31, 1992 the deficit over that projected would only be \$4,000. At the completion of the Alton Jones and Public Welfare project (Technical Analyst) we can resubmit applications for funding from those foundations.

2) Reduction in hours of Pollution Prevention Researcher - The program for which we do not have sufficient funding is the pollution prevention program. By reducing the current researchers time by 1/3, \$3,000 would be saved over the current budgeted amount. Working at 2/3 time for the last five months of the year would allow the program commitments to be completed and this decision could be amended if additional funding was found.

Another option would be to have the pollution prevention researcher devote 1/3 of his time to fundraising activities including the telephone solicitation of individual and organizational members. This could increase the revenue for these items above that budgeted.

3) Reduction or Elimination of the Position of Publications Specialist - By eliminating the position of publications specialist we would reduce our salary costs at the end of the year by \$4,500. Undertaking this measure we would mean that we would be without needed publication expertise and I believe we would diminish the professional appearance of our publications. This position is currently a half-time position but it is possible that a reduction in hours could occur.

4) Elimination of Part-time Administrative Help - The elimination of part time help would reduce our contract costs at the end of the year by \$3,300. The current administrative assistant has been very helpful in filling information requests and in improving the data base. It is my belief we are currently getting good value for our money and elimination of this expense would necessitate other staff performing the functions because the administrative burden is already too large for our main administrative assistant.

5) Benefit or Salary Reduction Options as Discussed in January - I have not calculated impact of any of the benefit or salary reduction options because it was my understanding from the board and staff that these options should not be considered. Work can be done to make calculations related to this option if it is requested.

6) Staff Reorganization and Hiring of Administrative Coordinator - It is my belief that in the long run the organization needs a strong administrative coordinator to help the executive director manage grants, ensure effective office operation, and provide administrative coordination. Hiring of this position at present would increase the projected deficit if existing staff positions were maintained. A decision to hire

such a position would likely be most beneficial after the new director has been on the job for a few months and has had the opportunity to assess the strengths of the existing staff and the skills necessary for such a position.

One final point to consider in making decisions on staffing and in assessing the financial picture is that we need a staff member to pick up responsibilities for soliciting workplace giving commitments in support of the Environmental Federation of New York. You will recall that last year we payed dues of \$2,000 to join the federation which is now up and going. In addition to an obligation to contribute staff time to this activity we can also expect additional revenue. I would not recommend that we expect income in 1992 but I expect revenues from this work in 1993 could bring in \$5,000 to \$10,000 and higher amounts if a lot of workplaces are signed up.

This information is intended as background for the Executive Committee in making decisions on the 1992 budget. Copies of this memo will also be circulated to the staff so they can provide input on the decisions.