



**American Brain Foundation
Finance Committee Meeting
February 19, 2019**

**9:00 a.m. ET/ 8:00 a.m. CT/ 7:00 a.m. MT/ 6:00 a.m. PT
Conference Call**

In attendance: Ralph Józefowicz, MD, Chair; James Essey, Sharon Klein, Martin Shenkman, CPA

Staff: Jane Ransom, ED; Timothy Engel, CFO; Lindsey Taveren, Natalie Baumgartner

Excused: Joseph Sirven, MD; Lisa Shulman, MD

The inaugural Finance Committee meeting was called to order by Dr. Józefowicz at 8:00 a.m. CT. Dr. Józefowicz thanked the committee members for accepting the nomination to this committee. The remainder of the meeting focused on the Year-End financials, 2019 cash flow, and the conservative multi-year budget forecast.

a. Purpose of the Finance Committee:

- i. This Committee was formed to recommend financial policies, strategies, and budgets that support the mission of the Foundation. The Committee will bring further clarification to the financial health and integrity of the Foundation. (See "Purpose" document attached.)

b. 2018 Preliminary Year-End Financial Results: Tim Engel, CFO discussed the pre-audit year-end 2018 financial report. No changes to the year-end report are expected after the audit period.

- i. The net surplus is \$82,000, which is an increase over what was expected.
- ii. ABF recognized \$5M in revenue, with \$1.2M in unbudgeted Gift-in-Kind revenue, which is related to advertisements in magazines and *Brain & Life*.
- iii. Long-term investments have declined by \$600K because of the decline in market conditions. The net assets are: \$3.1M in unrestricted and \$4.9M in temporarily restricted net assets.
- iv. Looking at the non-GAAP financial statement, the Foundation has raised \$4M in development fundraising, this includes \$2M raised in research, which includes funds raised for the Raymond Adams Endowment.
- v. The Foundation was \$736K under budget with general operating revenue, which is 60% under budget for 2018, and 18% under 2017 revenue raised.
 1. This underscores the Foundation's ongoing concern about the need for more unrestricted revenue. Luckily, the Foundation had surplus unrestricted funds from 2015 which was applied to erase the deficit.
 2. The Foundation has only been implementing its new strategic plan for two years and struggling to raise the operating revenue that

the AAN used to cover. The Foundation needs to focus on building brand recognition to raise the necessary operating funds.

- vi. The “Release from Restriction” funds are those raised in prior years, such as CRTS/CSDAs, and other various awards.
- vii. The Gift-in-Kind of \$1.2M is broken out as \$1M to programming, \$200K to fundraising. This is because the Foundation has taken the portion of the page that has a direct donation ask and designated that portion as “fundraising”.

c. 2019 Cash Flow Projection

- i. Finance staff put together a cash flow analysis based on recognizing only 50% of the Foundation’s general operating support revenue for 2019. There was enough cash on-hand to meet liabilities and expenses, should they become due.

d. Conservative Multi-Year Budget Forecast

The committee reviewed a conservative multi-year projection which was requested by the Board.

- i. Major Assumptions of this forecast:
 - 1. Increased support from the AAN at \$750K per year, plus 10% of all funds granted by the ABF to the AAN Research Program
 - 2. Increased revenue from dues check off
 - 3. Expanding donor base
 - 4. Annual expense growth of 3%
 - 5. Staff size will stay the same, but salaries and benefits increase at 3% per year
 - 6. Special increases are included in some categories to allowed for increased marketing activities to expand brand recognition
 - 7. There will be a cap on Clinical Research Training Scholarships with only 16 per year starting in 2022 and beyond.
 - 8. Crowdfunding will not be as high a priority as building brand recognition.

The Committee agreed that the multi-year conservative budget needs to explain what the Foundation will be unable to pursue in programming to achieve a break-even budget. At the same time, the Foundation needs to create a more aggressive budget, showing what we can do with greater investments that will appeal to investors.

The Foundation needs to present AAN with information of what they will get if they support us at a higher level, and what they will lose if they support at a lower level.

Staff will present a summary of the conservative scenario and the scale-up plan to the Board at the upcoming Board meeting.

Meeting Adjourned: 9:02 a.m. CT