



To: BSA/AIA and BSA Foundation Boards
From: Eric White, Lesley Slavitt, and Li Lam
Re: 2022 Budget FY Projection and 2023 Budget
Date: November 10, 2022

2022 FY Projection (as of Aug YTD)

We anticipate finishing 2022 operating financials in the black, although we must note that the impact of the market and economic downturn make the future a little more challenging to predict.

2022 has two significant features: 1) the strategic engagement of IDEO and the launch of our beta call for proposals (which crosses 2022-23); and 2) the close out of the U.S. government's pandemic relief programs (reflected in other income). While the BSA has been impacted by the market's volatility (as seen on the balance sheet and in our full year projections below the line), the BSA's practice of not budgeting for investment gains or losses, but only for investment management fees, has proven prudent given market performance.

A few notes on our 2022 anticipated full year performance:

- Communications revenues remain strong and are outperforming the budget, as a result of the strength of the jobs board.
- Fundraising revenues have been revised downward from the budget. This is the result of staffing transitions after a 2-year development hiatus. We are also working on how best to engage funders in the innovation practice work. With Alex leading our fundraising, and the addition of a staff member to assist his work, we continue to have conviction that we will meet the revised fundraising projections.
- We also note that we exceeded the capital funding, approved by the BSA Foundation at the September Board meeting, to cover expense related to the IDEO engagement. We recognize this is not good practice and will not repeat in 2023.

As we begin the transition to a new joint investment advisor, the BSA/AIA raised the \$200K approved by the BSA/AIA Board at the September Board meeting to help manage cash flow during the settlement period. We anticipate the recovery of funds into the endowment by the close of 2022 or in early 2023. We raised \$100K of the \$150K BSA/AIA approved capital funding to cover design services related to the space redesign, but we did not raise the \$200K for the Foundation to support the endowment's transition to the new investment advisor approved by the Foundation Board.

2023 Budget

Developing the 2023 balanced budget is a challenge as we embark on our new strategic direction and reinvest in our commitment to fundraising and ramp up revenue generation in professional practice in line with pre-COVID levels, while navigating an economy that appears to be headed for significant inflation.

The 2023 budget reflects our commitment to implementing the BSA's new strategic framework: the realization of the professional practice and implementation of the innovation practice. Our ability to successfully launch our

strategic framework is interdependent ensuring the infrastructure, reflected in both human capital and tools/systems, necessary to drive our plans.

These commitments align with and are enhanced by the other major opportunity presented to the BSA by our landlord, which we began to explore in 2022: the reconfiguration of the BSA's space.

Notable items compared to 2022 and the rationale for our projections:

- **Innovation Practice** - Our direct commitment to this strategic direction is \$1.1M in the budget. We are seeking an additional \$900K-\$1M to support unbudgeted work (totaling nearly \$2M per year). These additional resources include support for fellowships, partner stipends, and additional needs based upon the accepted proposals. We will only commit to these allocations if we raise the funds to support the work, recognizing we must first reach our budgeted fundraising goals of \$784,778.
 - We are investing \$660K in staff to manage the 6-10 initiatives and to oversee/manage KPIs and reporting. This allocation includes existing staff only. The 2023 budget, however, is affected by a full year of the innovation managing director's compensation.
 - We have included about \$100K in revenue, which comes primarily from "boutique" type conferences (similar to TED Talks) that will feature results from the initiatives.
- **Professional Practice** - Our commitment to professional practice is about \$1.1M, with staffing accounting for nearly half, general operating costs about a third, and the rest in additional expenses including marketing/communications and management.
 - Revenues are ~ 2 ½ times the 2022 reforecast. We believe this is realistic for two reasons. First, these numbers are on par with the pre-Pandemic 2018 and 2019 professional practice revenues. Second, we realigned dedicated staff and resources to specifically provide support to these initiatives and to support revenue generation. Revenues are derived from programming that advances services for membership such as: professional development, boutique conferences, and awards.
- **Fundraising** - Investing \$332K in development: half in staff costs and the remaining in general operating expenses. We are looking to raise \$784,778 for baseline activities, with another \$1M to achieve major success and provide support for capital needs related to space renovations and database. 2022 projections reflect a conservative return to pre-Pandemic levels of corporate fundraising of ~\$600K and building our focus on individual giving to reverse the declines seen in 2020 and 2021 when we did not have staff dedicated to development. If we see significant traction with our 2023 fundraising goals, we recommend adding a third member to the team, which is not currently budgeted, to help manage a growing portfolio.
 - The 2023 revenue budget is \$784,778, an increase from the 2022 reforecast and based on:
 - Expansion of major gifts supporting the launch of the innovation practice and capital expenses.
 - Increased allocation of resources necessary for success including:
 - Staffing. We currently have one full-time development director and a support staff member. Staff investment in fundraising in 2023 reflects:
 - Increasing the executive director's time in development to focus on high-net-worth major donor prospects.

- Full year of the new development director. Shifting the development director's priorities to cultivation of major donor prospects and foundation grants. We are reducing our investment in an outside fundraising consultant.
 - Full year effect of a new development associate managing donor communications, and accounts receivable to increase cash income from multi-year commitment collections and reduce bad debt write-offs.
- Fundraising is currently operating without a donor database or CRM. It is essential to invest in this infrastructure to position the BSA for effective fundraising. This is a capital expense, devised as a comprehensive solution for fundraising and membership, as well supporting the professional and innovation practices. Total investment is projected at 200K. However, we will only support this through a direct fundraised commitment.
- Salaries and Benefits - The increases in the compensation budget is the largest line rising from ~\$2.1M to \$2.3M, reflecting a 10.2% increase as compared to 2022. This is the result of the following factors, largely described in the above sections:
 - Full year effect of building out the innovation practice, including the managing director.
 - Addition of a staff member to fundraising, without which we cannot expect to meet our targets.
 - 5% raise pool given the high cost of living and the competitive job market, as well as minor market adjustments for staff with increased responsibilities. The bonus line has been reduced to zero and will be assessed at the end of the year based on financial performance.
- General
 - Elimination of U.S. government pandemic relief aid.
 - Membership 2% CPI increase in dues.
 - We are budgeting an increase in advertising/sponsorship in communications with a new sponsor package available, which will be actively promoted through program, communications, and development staff. We also forecast a decline in the Jobs Board in anticipation of the impact of the predicted recession.

Capital Funding - In addition to the above operating expenses, we have identified two capital projects. Capital expenses are a long-term investment in the organization, and we will be looking to raise the resources necessary to fund the projects. We will include capital projects in our fundraising strategy and are in the process of carefully devising the strategy to make sure that we do not cannibalize budgetary obligations and that support for capital needs is above and beyond the baseline budget. Two anticipated capital requests:

- Build out of a development database to enable our fundraising and the migration of our membership database to better support our work and integrate a CRM across the BSA/AIA and the Foundation, as well as ensure a better public-facing interface is integrated with our website. Currently projected at: \$200K. Note: we anticipate that operating expenses will be reduced going forward as we currently have a costly and cumbersome membership database.
- Reconfiguration of the BSA's space still under development, which includes:
 - Reduction of square footage from 14,436 sf to 11,561 sf, savings of ~\$180/sf
 - Total rent reduction savings over the remaining 10-year life of the lease of \$772,639
 - Rent savings in 2023 of \$225,139
 - \$191,639 from 6 months of rent relief during construction

- \$33,500 from 6 months of rental reduction
 - 2024-31 rent savings of \$547,500
- Real estate tax savings, which is difficult to estimate over time, but the 2023 savings will be \$11,500
- BPX support for fit out
 - \$155K fit out allowance
 - \$60K demolition of existing BSA space
 - \$250K stair removal and slab infill
- A specific budget based on: 1) must do, 2) should do, and 3) want to do. We will focus on must do and, where possible hold on should and want to do until we have strong sense of how the space fits with the BSA's strategic direction. As noted in the FY2022 section, we have a capital draw of \$100K to cover expenses incurred this year.

Contingency Planning - We recognize the need for contingency planning based upon the speculative nature of revenue lines (particularly fundraising, sponsorships, and professional practice). We know most options are limited and minimal with the exception of:

- Staffing, which would require adjustments to achieving our strategic goals and, primarily, to the innovation practice.
- Delay or reduction in capital investments.

Beyond 2023

2023 is a significant year of transition for the BSA. We will move forward to fully pilot and activate a comprehensive new strategic direction for the organization. As we do so, we will build out and begin to form new structures and cement a new, comprehensive business model. It is imperative that we benefit from this exploration and development to forecast a multi-year budget model with confidence.

There are certain principals we feel are likely to guide the BSA's operations going forward:

- Reduce overhead expenses with the consolidation of our space
- Explore earned revenue models as well as build a philanthropic culture around the work
- Expand earned revenue opportunities through the development of the professional practice
 - Boutique conferences
 - Leadership training
 - Sponsorships

BSA/AIA & BSA FOUNDATION

14-Dec-22

COMBINED BUDGET 2023

	COMBINED FY2021 ACTUALS	COMBINED FY2022 REFORECAST	COMBINED FY2023 BUDGET
Revenues			
Membership	2,030,069	2,072,857	2,044,682
Fundraising	277,288	607,072	784,778
Professional Practice	177,510	174,964	464,000
Innovation Practice	26,910	65,151	105,000
Communications	364,219	305,049	232,500
Allied Orgs	581,217	491,516	454,435
Capital Draw	275,000	850,250	450,658
Other Income	70,229	462,534	23,500
Released from Temp Restricted			85,400
Total Revenues	3,802,442	5,029,393	4,644,953
Operating expenses			
Compensation & Benefits	1,600,379	2,088,453	2,391,129
Membership	17,108	23,493	21,200
Fundraising	226,752	70,191	121,700
Professional Practice	45,205	122,516	293,500
Innovation Practice	100,188	629,477	160,400
Allied Orgs	552,512	436,045	432,935
Communications	241,734	169,971	205,500
HR Expenses	57,635	47,920	34,800
Building Management	358,248	602,194	366,486
Finance & Administration	214,739	241,552	274,750
Technology/IT	176,779	177,547	189,500
Governance	89,453	11,817	11,000
Total Operating Expenses	3,680,732	4,621,175	4,502,900
Income (loss) from operations	121,710	408,218	142,053
Other income (expenses), net:			
Depreciation	(327,465)	(290,963)	(243,466)
Investment Income Net	1,229,222	(1,851,542)	(40,000)
Total other income (expenses), net:	901,757	(2,142,505)	(283,466)
Net Income (loss)	1,023,467	(1,734,286)	(141,413)

Budget 2023

FOR THE YEAR ENDED	FY2021 ACTUALS	FY2022 REFORECAST	BSA/AIA FY2023 BUDGET
Revenues			
Membership Dues	2,030,069	2,072,857	2,044,682
Professional Practice	177,510	174,964	464,000
Innovation Practice	-	50,143	42,500
Communications	364,219	303,258	232,500
Allied Orgs	153,282	63,581	26,500
Capital Draw	-	369,000	324,612
Other Income	38,961	285,434	23,500
Total Revenues	2,764,041	3,319,238	3,158,294
Operating expenses			
Compensation & Benefits	885,717	1,067,614	1,363,021
Professional Practice	45,205	122,516	293,500
Membership Expenses	17,108	23,493	21,200
Innovation Practice	82,833	331,081	35,000
Allied Orgs	552,512	436,045	432,935
Communications	120,585	88,042	185,500
Human Resources	57,635	40,607	22,300
Building Management	358,248	602,194	366,486
Finance & Administrations	141,806	179,415	179,550
Technology/IT	174,381	172,462	185,000
Governance	89,421	10,817	10,500
Total Operating Expenses	2,525,451	3,074,285	3,094,992
Income (loss) from operations	238,590	244,953	63,302
Other income (expenses), net:			
Depreciation	(327,302)	(290,963)	(243,466)
Investment Income Net	869,061	(1,385,394)	(30,000)
Total other income (expenses), net:	541,759	(1,676,357)	(273,466)
Net Income (loss)	780,349	(1,431,404)	(210,164)

BSA FOUNDATION

14-Dec-22

Budget 2023

FOR THE YEAR ENDED	FY2021 ACTUALS	FY2022 REFORECAST	FDN FY2023 BUDGET
Revenues			
Fundraising	277,288	607,072	784,778
BSA Support	427,935	427,935	427,935
Communications	-	1,791	-
Innovation Practice	26,910	15,008	62,500
Capital Draw	275,000	481,250	126,046
Other Income	31,268	177,100	-
Released from Temp Restricted			85,400
Total Revenues	1,038,401	1,710,156	1,486,659
Operating expenses			
Compensation & Benefits	714,662	1,020,838	1,028,108
Fundraising	226,752	70,191	121,700
Innovation Practice	17,355	298,397	125,400
Communications	121,149	81,929	20,000
HR Expenses		7,313	12,500
Finance & Administration	72,933	62,137	95,200
Technology/IT	2,398	5,085	4,500
Governance	32	1,000	500
Total Operating Expenses	1,155,281	1,546,890	1,407,908
Income (loss) from operations	(116,880)	163,266	78,751
Other income (expenses), net:			
Depreciation/Other Expense	(163)	-	-
Investment Income Net	360,161	(466,148)	(10,000)
Total other income (expenses), net:	359,998	(466,148)	(10,000)
Net Income (loss)	243,118	(302,882)	68,751

Five Financial Questions Every Board Should Consider

1. Are our financial resources allocations consistent with the mission and goals? (ie finances shouldn't drive the mission – the mission and goals should drive the budget)

2. Are we maintaining intergenerational equity?
 - a. Do we have long-term financial stability?
 - b. Do we have excessive deferred maintenance?
 - c. How are our reserves? Should we build, maintain or draw upon to achieve goals? (spending high today and hurting tomorrow can be damaging. Equally damaging can be sacrificing today to live for tomorrow. We want to create a good balance between the two).

3. Are present sources sustainable?
 - a. Do we have any dependencies upon unreliable sources?
 - b. Are there opportunities for new sources?

4. What do our revenue sources and uses of funds tell us about our mission, priorities and financial condition?

5. Are there any red flags?