Economic Resilience for the AIA Component

Council of Architectural Component Executives
Additional guidance for working within

**AIA Core Services > 07. Finance & Operations**

Conduct secure, transparent, and timely financial practices.

“All components must have a strong system of operational and financial policies and controls in place to prevent and detect irregularities. Component leaders—whether paid or volunteer—are responsible for maintaining these internal controls.”

- AIA Component Playbook

The 2007–2008 global financial crisis is widely considered by economists to be our most serious since the Great Depression in the 1930s.

Predicting economic cycles is tough but this we know for sure: every organization will experience financial hardship at some point.

As architectural associations, our financial risks often reside in factors outside our control: economic downturns, natural disasters, litigation, and others. The key to economic resilience is preparation.

This guide will help you evaluate the financial health of your component. It provides insight from AIA as well as components like you who have weathered financial hardships and emerged stronger. At the end you will find ideas from your peers about ways they enhanced their revenue streams.

This plan is presented in four stages: **Understand, Build, Thrive and Arrive**. Pace yourself through each to enjoy incremental progress.

Finally, all recommendations may not be suitable for every component. If you are uncertain, consult with a certified professional.

Let’s get started!
Numerous resources exist to help you thoroughly prepare your component for success. At the top of our list is the **Component Playbook**, available at Component Connect (aia.org/leaders). Many of the following steps are covered in depth in that document since they are required for accreditation.

**STAGE 1: UNDERSTAND**
Prioritize these steps first and in the order provided. Consider these your “must haves as soon as possible” since the absence of any one of them could result in substantial negative consequences.

- Conduct an honest assessment of your status.
- Build reserves: In Stage I, start with three months’ operational expenses.
- Document your policies & procedures in one place. Share with your board.
- Establish separate bank and investment accounts for the purposes of ordinary cash flow, savings, and PAC contributions (according to your state’s laws). Maintain assets in at least two separate financial institutions that are FDIC insured with no more than $250,000 in each (this is the FDIC coverage limit).
- File returns with all tax entities and maintain organized records of all transactions.
- Purchase insurance:
  - Liability
  - Directors & Officers Insurance
  - Errors & Omissions (recommended especially for printed publications)
  - Event cancellation (recommended for large events)
- Pay off all debt.
- Avoid multi-year and/or auto-renewing contracts.
- Avoid growing (adding salaried employees, real estate, etc.) until your cash reserves can support the commitment.

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**Honest Assessment**
Set aside a time to prepare the “before” picture of your organization’s current health. Develop a spreadsheet with your own data to record benchmarks, making no judgments. Below is a start.

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<td>Sponsorships</td>
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<td>Convention</td>
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<tr>
<td>Resource Allocation</td>
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<td>Rent / mortgage</td>
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<td>Travel</td>
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<td>Insurance</td>
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<tr>
<td>Debt maintenance</td>
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<table>
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<th>Debt</th>
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</tr>
<tr>
<td>Accounts payable</td>
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<tr>
<td>Cash Accounts</td>
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<td>$</td>
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<tr>
<td>Cash Reserves / Savings</td>
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<tr>
<td>Investments</td>
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</tbody>
</table>
STAGE 2: BUILD

Now that you have an understanding of your financial health, let’s work on additional steps that will provide a stable future and restful nights.

- Build reserves: Increase to 6 months’ operating expense ▶
- Build & follow an annual, board-approved budget. Issue monthly (or at least quarterly) financial reports to your board.
- Establish a Finance Committee and conduct an annual internal financial audit to confirm your accounting methods are suitable.
- Install automatic backup systems for financial files.
- Assure all methods of payments are PCI compliant.
- Utilize the resources of the AIA Trust. Refer to the list below to refresh your memory. ▶

- Create a local job board to assist architects in transition and include a link to the national job board. This is important now since individual firms may have hardships that don’t impact the entire industry.
- If you decide to grow (adding salaried employees, real estate, etc.), wait until your cash reserves can cover the commitment for at least 6 months.
- Mercilessly cut unnecessary expenses. Make it a mission to find cost effective options. Renegotiate vendor contracts.

Operational Expenses

In order to retain 6 months’ operating expense, we need to be clear about what that includes. Grab your annual financial statements, highlight the following and add them up. Divide by two. This is the minimum amount you need in reserves.

- salaries
- taxes
- benefits
- pensions
- insurance
- rent
- repairs
- anything required to operate...

AIA Trust

Benefits for Firms, Employees & Offices:

- Business Owners Insurance including General/Commercial Liability and Property & Casualty.
- Workers Comp, Umbrella, & Employment Practices.
- Cyber Liability Insurance
- Disability Insurance Employee Coverage
- Health Coverage Options
- Key Person Term Life Insurance
- Legal Information service
- Life/Term Life Insurance Employee Coverage
- Professional Liability Insurance
- Retirement Plans, including a variety of 401(k) and Profit-sharing plans

Benefits for Individual Members, Sole Practitioners & Family Members

- Accident (AD&D) – High Level Accident Insurance
- Automobile Insurance
- Cancer Care Insurance
- Disability Insurance – Personal & Business Expense Coverage
- Health Coverage Options
- Homeowners, Renters & Home Office Insurance
- “Practice Coach” Legal Information service
- Life Insurance
- Long Term Care Insurance
- Medicare Supplement Insurance
- Retirement Plans (Owner’s, Solo 401(k)s, etc.)
- Short Term Disability Insurance Coverage
- Travel Assistance Plans

ciaiatrust.com
STAGE 3: THRIVE
The work is never done but, if you’re in this category, you can at least pace yourself. Developing revenue streams is one of the most exciting aspects of association management. Get great at it and you’ll have equally great job security!

- Build cash reserves: 12 months’ operating expense
- Grow VERY slowly. Employee expense is the hardest to quantify and the quickest to impact your organization. Only add employees when you have cash reserves for 6 months of their expense (salary, benefits, taxes, etc.).
- Build a “starving architects” recession fund for grantmaking during financial hardship.
- Diversify revenue generation strategies so that your component has a healthy non-dues income portfolio.
- Be diligent that every single event must generate some level of revenue or measurable added value.
- Explore ways to share costs with other organizations.

Diversify revenue generation strategies
A true recession generally impacts organizations in membership and sponsorship income. If those are your primary sources of revenue, it will take time and resources to put alternatives in place. If you are building new strategies reactively, their success will be limited by the money and manpower you’re already cutting. Here are ideas from your colleagues:

- Expand awards income by promoting public categories (such as architectural photography, youth contests, etc.) that boost event ticket sales and create external engagement.
- Develop a subscription service for regular, recurring monthly revenue such as advertising space on your website, paid enhanced listings in your firms directory, etc.
- Expand your expo to include the general public and charge admission. Encourage architects to exhibit their services – especially residential architects. Educate the public about the profession.
- Partner with a local printed magazine to sell architectural project profiles with the agreement that you share the revenue from the sales.
- Reimagine your Continuing Education strategy. Offer unique paid units that are curated by your component (such as private tours, lectures by local practitioners, specialized training for career-enhancing skills, etc.). Increase the cost to vendors to provide their content.
- Partner with 501(c)3 organizations to pursue grant funding for events & programs.

Build a Hardship Grantmaking Fund

Build it: Consider allocating a percentage of membership dues to this fund as seed money. On each sale item in your portfolio (luncheons, awards, conventions, etc.), add a line item for contributions to the “starving architects” fund. Explain its purpose.

Distribute it: Establish an application process with a blend of member reviewers who determine how grants will be awarded and to whom.
Respondents to our survey stated that their areas lost as much as 50% of all architectural jobs, 20% of their members, and 50% of their sponsors during the 2008 recession. If you have completed the first 3 stages, you will be well positioned to implement the 4th and final stage: **showing up.**

### STAGE 4: ARRIVE
If your component is facing a challenging economic period, consider the following ideas from others who have weathered hardship. Your members will forever value their relationship with AIA if you are positioned to show up when they are in most need.

- Offer AND publicize cost waivers/reductions for financial hardships (dues, event registrations, services fees, etc.) but...
  - **Don’t** give away amenities for free. Components report that re-establishing costs generated ill will among members feeling as if they were then being penalized instead of seeing the reduction as a temporary benefit.
  - Suspend hiring, raises and cost of living increases. Reduce travel and other expenses.
  - Reduce event expenses as well as ticket prices. Economize where possible on catering, venues, etc. Focus on delivering value, not flash.
  - Begin a “Members in Transition” program or “Unemployed Architects Resource Center.” Offer exclusive benefits to enrollees such as software training, career counseling, portfolio/resume refinement, interview skills, social media strategies, ARE test assistance, etc. Graduates from the program are required to return to mentor others who enroll.
  - Host education about how to start a firm.
  - Keep people on your distribution lists even if their memberships lapse. Otherwise they are not aware of your offerings that can help them.
  - In a recession, build a list of alternative career paths that may not occur to the job hunter.

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**Example alternative careers for architects & associates**
- public service / government
- manufacturing sales/service
- IT management and/or sales
- construction / contracting
- building trades / historic preservation
- education / teaching
- 3D modeling / animation
- augmented or virtual reality (AR/VR)
- real estate sales or development
- facility management
- meeting planning
- museum designer
- city planning
- archivist

Find more great resources at:
- aia.org
- asaecenter.org
- nonprofitcenter.com
Some components reported that their membership actually increased during the recession because architects viewed their services as essential to remaining solvent or finding employment.

Be that component.

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