1999 Annual Report of the Financial Advisory Committee (FAC)

Date: July 22, 1999

To: Executive Committee and Council of Botanical Society of America
Pam Soltis, Secretary of Botanical Society of America
Carol Baskin, President of Botanical Society of America

From: Financial Advisory Committee: Joe Armstrong, Charles Daghlian, Jack Horner (Chair), Judy Jernstedt, John La Duke, Kim Hiser (Business Manager, ex officio), Ed Schneider (Treasurer, ex officio) and Pam Soltis (Secretary, ex officio)


The FAC has the responsibility of managing the BSA Endowment Fund. The BSA assets are invested through Salomon Smith Barney (SSB) and are divided among (as of June 27, 1999):

- Money Funds . . . . . . $ 55,709.35
- Mutual Funds . . . . . . . . . $1,292,936.42
- Certificates of Deposit . . $ 75,000.00

$1,423,645.77

The BSA Endowment fund has grown 9.6% since June, 1998 ($1,299,525) and has grown 61% since its inception 5.5 years ago (12/93; $884,317). This represents an average increase of about 11% per year.

The FAC did not change any of the investments during the present fiscal year. It did enter into dialogue with SSB regarding the management strategy of the BSA Endowment Fund. This dialogue is still continuing as the FAC raised a number of questions that are awaiting answers.

The FAC anticipates that the market will remain strong for this coming year. As a result, it anticipates that the growth of the Endowment Fund will equal or exceed its present rate.

The Endowment Fund Guidelines are included here for the Executive Committee and the Council. They were approved in August, 1997 and amended in August, 1998. The FAC now submits an amendment for approval by the Executive Committee and Council at its August, 1999 annual meeting. This recommended amendment deals with replacing Guideline 4. As indicated below:

**Endowment Fund Guidelines of the Botanical Society of America**  
Approved August, 1997; Amended August, 1998; Proposed Amendment August, 1999

1. **Purpose of Endowment Fund:** The purpose of the Endowment Fund is to increase the monetary assets of the Society in order to provide income to fund major initiatives, travel grants, scholarships, and other activities that enhance the effectiveness of the Society to fulfill its Mission (see Bylaws). The Financial Advisory Committee (FAC) is responsible to and empowered by the Executive Committee and the Council to manage the Endowment Fund. The FAC makes no recommendations for use of the Endowment Fund.
2. **Contributions to Endowment Fund**: All monetary gifts, stocks, and bonds designated “Endowment Fund” shall be immediately deposited in either the Endowment Money Market Fund or in the Endowment Fund directly, and then invested in a timely fashion by the FAC. Other gifts, such as property, shall be individually handled by appropriate legal procedures to integrate it into the Endowment Fund.

3. **Solicitation of Membership to Contribute to Endowment Fund**: Solicitation shall be carried out in two ways: first, the membership will be provided ‘purpose and giving’ information in each issue of the PSB and on the annual membership dues form; second, a more select portion of the membership that includes long-time (=/>20 years) members, and members whose ages are 50 years and older, will be individually solicited once every other year (odd-numbered).

4. **Use of Endowment Fund Income**: After the Endowment Fund reaches 1.1 million dollars, up to 15% of the annual income based on the average earnings of the previous 12 quarters can be used for purposes outlined in 1. The percent that can be used annually shall increase as the fund grows: to 25% when the fund reaches 1.5 million dollars; to 50% when the fund reaches 2.0 million dollars; and to 60% when the fund reaches 2.5 million dollars. Any portion of the unused annual income (10%, 25%, 50% or 60%) from each calendar year will be added to the principle.

**FAC Proposal to replace present Guideline 4 (see above)**

Use of Endowment Fund Income: The value of the BSA Endowment Fund (all non-restricted, non-sectional funds) will be averaged over the previous twelve (12) quarters, in July of each year. The ‘usable income’ available for use during the next fiscal year will be 2% of the previous 12 quarters averaged total value, and this amount will be reported at the BSA annual Council Meeting. The FAC will annually evaluate the % used to generate income such that if growth goals are being met, or if growth is too slow, the % ‘usable income’ will be adjusted accordingly. Any ‘usable income’ unallocated or unused by the end of the fiscal year (June 30) shall revert to the Endowment Fund principle. As a means of checks and balances, the % allocated for annual use shall be determined by the FAC in keeping with its charge to increase the value of the Endowment Fund at a rate exceeding inflation. Use of the Endowment Fund ‘usable income’ shall be determined by the Council (see Guideline 5. of Endowment Fund Guidelines).

5. **Approval of use of Endowment Fund**: Any member, committee, section, or ruling body of the Society may submit a request to use the Endowment Fund for purposes outlined in 1. The request(s) must be submitted to the Executive Committee for consideration and recommendation to the Council. The Council at its regular meeting in August, or at a special called meeting, or by e-mail vote in unusual circumstances, will act on the recommendation(s). Approval of any recommendation(s) by the latter three ways will be determined by a majority (51%) of all eligible council members. If the recommendation(s) is/are approved, the Treasurer of the Society will be empowered to distribute the money according to the approved recommendation(s). If an individual member of either the
Executive Committee or the Council submits a recommendation, that member is excused from voting on the recommendation.

Ed Schneider, BSA Treasurer and ex officio member of the FAC, stated that the Executive Committee at its Spring, 1999 meeting approved the following two items that impact Section monies in the Endowment Fund. They are –

1) Effective with the 3rd quarter statement, section cash accounts with the balance of over $1,000 will earn 2% quarterly; 8% per year.

2) Also effective with the 3rd quarter statement all special funds with a balance of $2,500 or greater will earn the same percentage market rate as the Society’s Salomon Smith Barney portfolio. Please note that in some quarters this may result in an actual loss of funds, but based on historical averages, each section should enjoy improved growth of their special fund account(s). Those sections whose balance is below $2,500 may wish to move the special fund balance into the cash account fund and take advantage of the 8% yearly rate of return.

If there are any questions about the Fund, you may direct them to any member of the FAC.