Date: July 15, 2015
To: Board of Directors and Council of the Botanical Society of America (BSA)
From: BSA INVESTMENT COMMITTEE (5 members, 3 year terms; 3 ex officio members, varies)

• Russell Chapman (2015; member) <chapman@lsu.edu> [225-642-7761]
• Jon Giddens Student Representative (2015; member) <GIDD8708@gmail.com> [918-277-9731]
• Harry T. (Jack) Horner (2017; member, Chair) <hth@iastate.edu> [515-294-8635]
• Larry Hufford (2016; member) <hufford@wsu.edu> [509-335-2183]
• Karl Niklas (2017; member) <kjn2@cornell.edu> [607-255-8727]
• Tom Ranker (2015; ex officio), President <tom.ranker@gmail.com> [808-956-8369]
• Joe Williams (2016, ex officio), Treasurer <joewill@utk.edu> [865-974-6202]
• Bill Dahl (continuous, ex officio), Executive Director <wdahl@botany.org> [928-963-0940]

Re: Annual Report of the Investment Committee (IC) for 2014-2015 regarding the BSA Endowment Fund and its year-to-date activities

❖ Since the previous 2013-2014 Annual Report, the IC has during 2014-2015:
   • monitored monthly the BSA Endowment Fund (EF) invested with Morgan Stanley (MS) in Des Moines, IA, and reviewed reinvestments by MS;
   • transferred $115,500.00 on September 3, 2014 to the Botanical Society of America bank account at Commerce Bank in St. Louis; See later comments);
   • approved making changes in the endowment portfolio per recommendations from MS;
   • supplied MS with a series of questions regarding the investments during Spring 2015;
   • received both the answers to the questions and an Investment Portfolio Review from MS dated May [22], 2015 prior to the May 27, 2015 IC conference call with MS (Bryan Boesen, CFP, CIMA, Vice President – Wealth Management) in Des Moines, IA;
   • renegotiated a lower MS management fee (1.238%) that was reduced, again, to 1.15% on April 29, 2015 when the endowment reached $5M.

❖ Comparison of this year’s value with the EF values for the six previous years

As of June 30, 2015 the EF value was $4,825,405 (this represents a 0.007% decrease [-$33,872] from last year [see below]). This decrease was due to major changes in the global economic conditions during the past year, several changes in the endowment portfolio investment categories and the transfer of $115,500 to the BSA bank account. However, the EF has increased 77.1% from its low point six years ago (see below) of June 30, 2009.

➢ June 30, 2015 the EF value was $4,825,405
➢ June 30, 2014 the EF value was $4,859,277
➢ June 30, 2013 the EF value was $4,128,564
➢ June 30, 2012 the EF value was $3,787,307
➢ June 30, 2011 the EF value was $3,915,427
June 30, 2010 the EF value was $3,108,492
June 30, 2009 the EF value was $2,724,682

The BSA EF Assets (as of 6/30/15) as invested by MS are divided into the following categories (details are available on an individual basis):

- Cash, Bank Deposits, Money Market Funds (3.6%) $ 171,744.69
- Stocks (37.9%) $1,830,140.64
- ETFs* & CEFs** (58.2%) $2,807,945.30
- Net Unsettled Purchases/Sales (0.3%) $ 15,574.81

TOTAL MS Endowment Funds $4,825,405.44

*ETFs = exchange traded funds; **CEFs = closed end funds

Society and Sectional Funds as part of Total Endowment

- TOTAL MS Endowment Funds $4,825,405.44*
- Unrestricted Funds (30.5%) $1,491,590.32**
- Restricted Funds (66.2%) $3,333,815.12**
- Permanent Restriction (3.3%) $ 163,384.40**

- Sectional Cash $ 116,297.27
- Sectional Allotments $ 13,396.14
- Awards $2,225,588.11
- Endowments $ 978,533.60

*as of June 30, 2015

**These categories and percentages have been established by the Board of Directors and Council

Summary of BSA EF monthly totals from June 2014 through June 2015
The EF total management fee was reduced to 1.15% in April 2015* when the EF temporarily reached $5M.

- BSA Total Giving includes Endowment Fund and Special Endowment Drive Spring 2015, and Other Giving During 2014-2015
- (October 2014- July 20, 2015) 8 months, BSA Office time frame
- Total giving in all categories = $57,595.44; = 467 individual donors
- General endowment giving October 2014–July 2015 + Special Spring 2015 Endowment Drive = Total endowment - $38,804.37 = 280 gifts

As of June 30, 2015 the EF continues to be divided into two parts within BSA accounting: Unrestricted funds (31% of total EF = $1,491,590.32); and Restricted funds (69% = $3,333,815.12) that represent BSA section and special award funds.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Donor Giving Levels</td>
<td>October 2014- July 2015 All Endowment Giving*</td>
</tr>
<tr>
<td>$10,000 or less</td>
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<tr>
<td>$5,000 or less</td>
<td>1</td>
</tr>
<tr>
<td>$2,500 or less</td>
<td>1</td>
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<td>18</td>
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<tr>
<td>$100 or less</td>
<td>234</td>
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<tr>
<td>Total Donors</td>
<td>280</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>$38,804.37</td>
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</tbody>
</table>

*This column includes all contributions to the endowment (including**)

Information for Board and Council Discussion: Last year at the Council meeting and during the May 2015 conference call of the IC with MS, it was indicated that future transfers from the Endowment Fund were necessary and would be made annually for the foreseeable future to financially support the *American Journal of Botany* and the salary of the Development Officer. Since June 2009, there have been no deposits into the EF and only one withdrawal, a wire transfer of $115,500.00 on September 3, 2014 to the Botanical Society of America bank account at Commerce Bank in St. Louis. It was further indicated that forward going withdrawals from the EF could be in the range of $150-$200 K per year. The IC will be discussing three options for these future withdrawals and the maximum that can be withdrawn.
Directly related to the above, within the **BSA Endowment Fund Statement of Investment Policy – Objectives and Guidelines** two items relate to requested withdrawals and spending policy:

**“Requested Income:** The BSA Executive Committee [Board of Directors]/Council may request a single, annual withdrawal of funds from the EF, consistent with recommendations from the IC. The amount requested may not exceed 4% of the value of the EF, averaged over the previous three fiscal (June 30) years [average 3-year value (2012-2014; see earlier annual figures) = $4,258,383 x 0.04 = $170,335 maximum allowable/available].

**Spending Policy:** The BSA Executive Committee [Board of Directors] and Council will use the funds received from the EF request to support activities consistent with BSA policies and goals [This is an open ended statement that allows for discretion in how the funds are to be used by the Board of Directors and Council (maintenance or initiatives)]."

- **Finally**, the IC and I would like to thank Russell Chapman (member since beginning of IC thru July 2015) for his long and faithful service to the IC, Tom Ranker (BSA President, 2014-2015) for serving on the IC during this past year and Jon Giddens, student representative, for his active involvement in the IC. Both terms expire as of this annual meeting. The remaining committee members (identified previously) have provided excellent service to the BSA through this committee during the past year.

  The two new members of the committee will be Angela McDonnell <mcdonn@okstate.edu> student representative, and Ned Friedman <ned@oeb.harvard.edu> member.

- **Thank you all for your service and commitment to the IC and BSA.**

  The chair or any member of the IC present will be willing to answer questions about the EF. You are invited to attend the IC meeting on Sunday morning, July 26, 8-9 am in the SCC Board room/The Shaw Conference Centre (Session MO3).

Respectfully submitted,

Harry T. (Jack) Horner, BSA IC Chair