



RANCHO SANTA ANA BOTANIC GARDEN

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REPORT

To: Board of Directors, Botanical Society of America
From: Lucinda McDade, Treasurer, BSA
Re: Treasurer's Report for our meeting, July 21, 2018 Rochester MN
Date: July 14, 2018

NB: There is a homework assignment for you at the bottom of this memo. It would be great if you could give the topic reviewed there some thought before our meeting and be prepared to discuss.

This year has been one of change and transition at BSA. As you know, after serving us as Executive Director for 15 years, Bill Dahl retired. After a period of interim leadership, in March, the Board of Directors of BSA made the decision to hire Heather Cacanindin as Executive Director.

Heather's work as interim ED focused initially on understanding BSA's finances and continuing to provide membership and management support to the other two Societies (SEB and SSE) that contract with BSA for management services. Concomitantly, it fell to Heather (and Wanda) to steer the BSA through the financial repercussions associated with the shift to Wiley and the marked reduction in revenues during the fall that this yielded owing to the fact that publication revenues are paid by Wiley and are distributed in quarterly payments throughout the year. We are also dealing with the fact that any royalties we will receive from Wiley for our publications for the 2018 calendar year will not be received by BSA until June 2019 (per the terms of our contract with them). This situation has involved reliance on the 'set-aside' from the BIP that the Board of Directors instructed the Investment Committee to implement last summer. The transfer of those dollars from the BIP to the operating account generated quite a bit of communication with the chair of the IC, Jack Horner. By the end of this fiscal year (FY), and certainly by the end of the calendar year, the financial implications of the shift to Wiley should become clearer, although we will not have a clear estimate of royalties until June of next year. The Board will want to monitor this situation closely because it has implications for the financial well-being of the BSA, including everything from membership and subscription rates to management of the BIP.

Among the many things that fell to Heather, both during her interim leadership and in continuing as our Executive Director, has been coming to a full understanding of the many smaller accounts that have been set-up at the BSA over the years. This has required conversion of Bill Dahl's somewhat personalized way of managing these accounts into a system that will be fully transparent and readily interpreted by everyone. It is important to note that no aspersions are cast on Bill's system except that it was challenging for anyone else to understand. These accounts are all 'nested' within the BIP and together comprise our named awards, sectional accounts, BSA-wide awards, BSA Endowment, and BSA Board-designated funds. Each requires quite a bit of accounting work to be managed successfully.

Since March, Heather, with strong support from Wanda and backing from me, as Treasurer, has worked diligently to sort out all of these accounts. We hope to be able to present you with the results shortly and to also present some recommendations for streamlining. We are seeking clarity on what each account is intended for, who 'owns' each one, and whether each is intended as an endowed fund (permanently restricted) or a temporarily restricted account.

California's Native Garden



These projects have brought us into contact with two policy areas: management of the BIP and guidelines for setting up dedicated accounts at the BSA. The former is guided at present by a document called: "Botanical Society of America; Investments Portfolio (BIP); Statement of Investment Policy, Objectives and Guidelines."

Board members will remember that this document authorizes a range of investment in equities of 15 to 100%. The BIP has, for some years, instructed our financial management firm to invest the BIP heavily in equities. After quite a bit of discussion of this topic at our March meeting, the Board of Directors voted to instruct the Investment Committee (IC) to shift to a more conservative but still quite aggressive ratio approximating 70% equities and 30% fixed income. This decision was communicated to the IC chair Jack Horner and has engendered considerable discussion with him. This is a topic that we will revisit.

Another topic that I strongly feel that the Board should reconsider is the designation of certain dollars within the BIP as dedicated to certain objectives. An example of this is a partition of nearly \$1M that is "Board designated to continue to fund PLANTS program when NSF no longer supports it." I want to present to you the case that this is a less than ideal way to think about BSA's investment account and what we wish to use it for. Yes, all grants inevitably sunset / have funding lapses. When will that be? Who knows? What will the financial status of BSA be at that time? Who knows? What will BSA's highest priorities be at that time? Who knows? What will be the coolest thing going in K-12 science / plant education at that time? Who knows? I think you will get my point: why, at this time, would we be earmarking nearly \$1M of the BIP for a future purpose when there are so many uncertain parameters? There are several such 'partitions' that have been set up over the years that I believe we should reconsider those decisions. Among other things, these partitions impact how the IC thinks about the BIP in a way that I do not judge to be helpful.

The second policy area, guidelines for setting up dedicated accounts at the BSA, is one about which we currently lack policy. This has resulted in the set-up of many accounts at BSA, many of which are quite small or have dwindled to small balances over time. Some of these small accounts reflect the sectional organization of our society; others reflect awards that either the organization as a whole or the sections wish to fund; others seem a little whimsical (in the best possible, well intentioned way!). Importantly, the cost implications of these small funds has neither been realized nor shared with the sections and membership: importantly, it costs as much (in terms of devotion of administrative time) to manage a tiny account as to manage our largest account. Certainly, the smallest 10% of our accounts cost more to manage than their value. Heather and I have discussed drafting such a policy to bring to the Board of Directors for implementation, and we hope to have a draft for you to consider at Rochester.

In preparation for the meeting, consider topics like: should there be a minimum amount to set up a fund? Should this minimum apply to all funds or 'just' endowed funds? Should there be a draw (%) from the endowed funds that is set by BSA or should donors have the ability to stipulate? Should there be a 'sunset' policy for funds that are inactive / become too small to merit management? ...and any other policies related to these funds that you can think of. If at least some of us do this, we will certainly have a more productive discussion. Thanks.