

## **Report of the Committee on Finances For the Year ending June 30, 2009**

Sigma Xi, The Scientific Research Society Report of the Committee on Finances for the fiscal year ending 30 June 2009

The Committee on Finances met on March 19-21, 2009 at the Sigma Xi Center in Research Triangle Park, NC. The committee consists of six members appointed by the Board of Directors plus the President, Past-President, President-Elect, Treasurer and Executive Director. The Treasurer serves as chair of the committee. Attending the meeting were committee members and guests by invitation:

### **Committee Members**

Dr. Grant A. Gardner  
Dr. Arthur M. Geller  
Dr. W. Franklin Gilmore  
Dr. Millicent Goldschmidt  
Dr. Richard E. Miller  
Dr. Bradford B. Walters  
Dr. Ann H. Williams, President  
Dr. Howard Ceri, President-Elect  
Dr. Richard L. Meyer, Treasurer and Chair  
Dr. Jerome B. Baker, Executive Director

### **By Invitation**

Dr. Joseph Whitaker, President-elect, designate (via telephone conference)  
Mr. Wade Stinnette, Sigma Xi Investment Manager, Marketing & Client Services  
for The London Company  
Ms. Jasmine Shah, Sigma Xi Director of Budget and Finance

### **Not attending:**

Dr. James W. Porter, Past-President

### **Opening Remarks**

The chair asked that the Committee mark the passing of Dr. William (Bill) Miller with a few moment of silent remembrance. Bill was former member of the committee, a dear colleague and a staunch supporter of Sigma Xi.

The agenda for the meeting was reviewed and adopted. Following approval of the minutes the Executive Director's report on the status of the present and future programs as well as the development activities will be presented. The committee will meet with the Sigma Xi Endowment Fund investment mangers to discuss performance, projections, and investment strategy and investment policy. The Executive Director will review the mid-year status and management tactics for the FY2009 budget including issues of revenues, expenses and cash flow. Following these discussions the FY2010 operating budget is to be constructed and a recommendation for the FY2011 dues and fees structure developed.

### **Executive Director's Report**

Dr. Baker reported on the organizational restructuring of staff responsibilities and the future allocation of space within the Sigma Xi Center. He presented new brochures from the Director of Organization Advancement and described the associated programs. He explained the roles of the three pillars of the Society and focus groups. He expanded on the role of members in upholding the "Ethics and Honor is Science" and facilitating "Public Understanding of Science". Dr. Baker emphasized that chapters have an important responsibility in "Enhancing the Health of the Research Enterprise". He described how our partners can help us "Engage in Transformational Education" programs.

### **Sigma Xi Endowment Fund**

Mr. Stinnett, investment manager, reported on the status and trends of our equities and fixed instruments portions of our portfolio through the first two quarters. He reviewed the overall performance as well as the performance of individual segments. He reported that at this time investors were more concerned about return of capital instead of return on capital. It was observed that the risk curve was flat to inverse versus the typical slopes. Our portfolio, however, receives higher returns at lower risk than a similar universe of investors.

During the quarter ending December 31, 2008 Sigma Xi's portfolio returned -12.05% or 2.39% greater than the investment policy 70/30 benchmark. For the calendar year 2008 the fund returned -22.06% or 3.96% above the benchmark. These performances exceed the general market. Our market value was \$9.9 million or about \$600,000 greater than an indexed general market strategy.

The investment managers recommended that we retain the overall allocation of our investments and no reallocations or new investment instruments were suggested. The Committee passed a motion to recommend to the Board that the present investment policy remain in force.

[Note: The Committee receives quarterly statement booklets and other documentation throughout the year for their evaluation.]

### **Fiscal Year 2009 Budget**

Executive Director Baker reviewed the status of the current operating budget. He described various adjustments in duties and responsibilities within the staff in order to continue full support of programs and activities. Dr. Baker reported a lower than anticipated receipt of dues and fees and discussed the possible rental of a portion of the Center space as a revenue source. He further discussed the multiple adjustments installed in all departments to control expenses.

The executive director and committee discussed the cash flow issues associated with our spending practices. The Society follows an accrued accounting practice where the income received for the succeeding year is recorded as deferred revenues and is shown on the balance sheet. However, the cash received for the succeeding year is used to pay the current year's expenses. This results in diminish cash available for the following fiscal year. The committee recommended that the reoccurring cash flow issues be presented to the Board for further analysis and resolution.

## **Fiscal Year 2010 Budget**

Chairman Meyer introduced the discussion on the next fiscal year's budget by explaining the development process. Executive Director Baker, along with Jasmine Shah, Director of Budget & Finance, presented to President Ann Williams and Treasurer Meyer multiple projections of revenue returns and a variety of mechanisms for controlling expenses. From these discussions four conservative scenarios were identified for presentation to the Committee on Finances for their analysis and recommendation. Elements from these four scenarios were used to construct a budget forwarded to the Board.

Revenues sources included some adjustments in estimate membership levels, reimbursement of life-member at an increased rate, including rental of a portion of the building at \$125,000 and limiting income from the Sigma Xi Endowment Fund to interests and dividends accrued within the restricted portion of the fund.

Each of the expenses categories was examined in detail. The scenario for each organizational level that was most efficient and satisfied the strategic plan was retained. The *American Scientist* expenses were divided into production, printing and On-line for further analysis. Based on these analyses the Committee recommended that the digital version of *American Scientist* be sent not only to students but also to transitional and international partners. The Committee recommended that the magazine be printed quarterly for FY2010 and transition into full digital format in FY2011. Those preferring printed copies would be charged a fee to cover printing and mailing costs. Alternates considered included 3 to 12 days staff furlough, diminished benefits, reduced travel, supplies and software, and reduced annual meeting expenses. The Committee recommended that a cost analysis be conducted to determine if the annual meeting could become self-supporting.

The Committee on Finances unanimously recommended to the Board of the Society a balanced budget of \$5,200,877. This budget contained a conservative estimate of revenues from regular sources, possible rental of space and limited the draw on the endowment to interests and dividends from restricted funds. Expenses were controlled via tight management of operating expenses and quarterly publication of *American Scientist*. They were sensitive to an implied contract in the approved FY2010 dues.

## **Fiscal Year 2011**

The Committee members were unanimous in their support for the dues and fees to remain at the FY2010 amounts. Therefore an unmodified 9-point motion was forwarded to the Board.

## **Announcement**

Dr. Meyer announced that he would be completing his term of office as Treasurer on June 30, 2010 and would not be a candidate for another term.

Respectfully submitted  
Richard L. Meyer, Ph.D.  
Treasurer