

## **Report of the Committee on Finances For the Year ending June 30, 2010**

Sigma Xi, The Scientific Research Society Report of the Committee on Finances (COF) for the fiscal year ending 30 June 2010

The Committee on Finances met on February 25-26, 2010 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, Treasurer and Chair – March 2010**

Dr. Millicent Goldschmidt

Dr. Richard E. Miller

Dr. Bradford B. Walters

Dr. Howard Ceri, President

Dr. Joseph Whittaker, President-Elect

**Dr. Richard L. Meyer, Treasurer and Chair – resigned March 2010**

Dr. Jerome B. Baker, Executive Director

### **By Invitation**

Mr. Wade Stinnette, Sigma Xi Investment Manager, Marketing & Client Services  
for The London Company

Ms. Jasmine Shah, Sigma Xi Director of Budget and Finance

### **Summary Remarks**

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 was presented. The committee also met with the Sigma Xi Endowment Fund investment managers to discuss performance, projections and investment strategy and policy. The Executive Director reviewed the mid-year status and management tactics for the FY2010 budget including issues of revenues, expenses and cash flow. Following these discussions the FY2011 operating budget was constructed and a recommendation for the FY2012 dues and fees structure was developed.

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

Dr. Baker started his presentation by telling a great survival story of Sir Ernest Shackleton's Antarctic Adventure: 1914-1916. Will Sigma Xi survive to see 2012? This was the question he asked the committee when he presented FY2008 – 2011 income

and expense graphs. He explained how since FY2008 Sigma Xi has spent less than budgeted and that the expenses have been contained as far as possible. On the other hand, the revenues have decreased, primarily due to the decline in membership, shortfalls in fundraising and advertising in *American Scientist* and fewer single copy sales. The membership decline in the current year is about 10% and keeping that in mind, FY2011 membership revenue is based on 8% decline. He further informed the committee that he has changed the development officer to see if a new approach will raise more funds.

Finally, Dr. Baker presented the committee with options available for the survival of the Society as follows:

1. Move to cheaper location. Dr. Baker mentioned that there was a place in the park that will rent the space to Sigma Xi for \$200,000 a year.
2. Lay off 1/3 or more staff
3. Restructure American Scientist
4. Merge/Partnership
5. Locate a wealthy benefactor
6. sell the "company"
7. combination of the above

### **Sigma Xi Endowment Fund**

Mr. Stinnette, 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 CY2009 was a better year than CY2008. He also informed the COF that no changes were made to the portfolio since last year. However, to fund the Society's cash flow US Equities were reduced.

During the quarter ending December 31, 2009 Sigma Xi's portfolio returned 3.64%, compared to 4.30% for its policy 70/30 benchmark. For the calendar year, the portfolio has returned 23.37% versus 20.57% for the policy benchmark. It was also pointed out that had we been totally invested in the 70/30 asset allocation, the market value at 12/31/09 would have been \$10.5 million instead of \$11.5 million.

The investment managers recommended that we retain the overall allocation of our investments and no reallocations or new investment instruments were suggested. The COF passed a motion to recommend to the Board that the investment policy in compliance with UPMIFA and the Spending Policy Statement be adopted by the Board of Directors. This motion passed unanimously.

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

### **Fiscal Year 2010 Budget**

Executive Director Baker reviewed the status of the current operating budget. Dr. Baker informed the COF that in FY2010 the revenues were below budget. The deficits were mainly in three areas, fundraising, membership and advertising in *American Scientist*. To address these issues, the development director was replaced. The dues and fees were budgeted based on 8% decline but the decline is about 10.4% based on FY2009 actual membership numbers. The Board of Directors had approved cash draw from the Emeritus Knowledge Center to fund the budget shortfall. This money was drawn in February 2010. The contributions made to the Emeritus Knowledge Center were to be used for the building and the cash draw of \$109,568 was used to partially pay the mortgage.

Dr. Baker reported that overall, FY2010 expenses are lower than previous years. He further said that within the budget, Governance and Policy division shows an increase in expenses due to additional legal fees incurred for UPMIFA compliance. Salaries and Benefits across the board are lower by \$60K. He also informed the committee that the deficit would be funded by taking loan from institutional funds.

### **Fiscal Year 2011 Budget**

Dr. Baker presented the proposed FY2011 budget as a deficit budget. The deficit of \$511,700 was proposed to be funded from institutional funds as a loan. The decline in membership and non-dues revenue were the main reason for the deficit.

The Committee on Finances unanimously recommended to the Board of the Society a deficit budget of \$5,288,763, where \$511,700 as proposed to be funded from institutional funds as a loan.

### **Fiscal Year 2012 Dues Motion**

The Committee amended the FY2012 Dues Motion and recommended that the Board of Directors adopt the amended motion at the April 8-11 2010 meeting.

A Motion for FY2012 Print Subscription to *American Scientist* was recommended to the Board.

This motion states: Included with payment of dues for all membership categories is a digital subscription to *American Scientist* magazine. A subscription to the printed version will be available for an additional fee according to the schedule included. The print subscription fee must be submitted with the dues payment.

The recommendation did not get approved by the Board of Directors at its April 9-10, 2010 meeting. However, the Board of Directors did approve redirection of \$4.00 portion of dues that goes to GIAR in to the operating budget.

**Announcement**

Dr. Meyer announced his resignation effective March 15, 2010 and that Dr. Gilmore would serve as the Treasurer through June 30, 2010.

Respectfully submitted  
W. Franklin Gilmore  
Treasurer