

June 30, 2015

Sigma Xi, The Scientific Research Society

Treasurer's Report: 2015 Annual Meeting, Kansas City, MO

To: Board of Directors and the Assembly of Delegates

The Treasurer reported on the Society's financial positions as of June 30, 2015 at the October 21-24, 2015 Board of Directors and Assembly of Delegates meetings held in Kansas City, Missouri.

### **Fiscal 2015 Report**

The Treasurer reported that Society's total fund return (dividends, interest and realized gains) for the fiscal year ending June 30, 2015, was +7.92%. The Society's fiscal year 2015 return was consistent with Goldman Sachs & Co.'s forecast of moderate, positive returns. The Society's combination of active and passive managed funds achieved net investments results of \$225,000 during the fiscal year. The overall estimated fee was 71 basis points (0.71%), and the total account fees were \$74,000 during fiscal 2015. The Society's investment returns in fiscal 2015 follows a strong +13.55% return in fiscal 2014.

### **Fiscal 2015 Budget Summary**

The Board approved a FY2015 budget of \$7.3 million, significantly greater than the budget of \$7.0 million recommended by the Committee on Finance. The approved budget identified a significant liquidation of invested funds to advance the Society's reorganization (both staffing and functions). As of June 30, 2015, the expenditures during fiscal year 2015 were significantly less than the budget approved by the Board, but were still greater than revenues. Significant expenditures were associated with the sale of all the Society's real estate. Shortfalls in revenue resulted in the necessity for liquidation of some of the Society's unrestricted funds as well. Member gifts were included in operating budget while unanticipated bequests were added to unrestricted investments; total \$470,000.

### **Major Financial Transactions**

There were two major financial transactions in addition to the traditional elements of the operating budget during fiscal year 2015. The Board of Directors approved both transactions in advance.

The first was a Memorandum of Understanding with an accompanying \$500,000 applied by the Society in a collaboration with the Institute for Global Science Policy. Society funds were provided in three payments to underwrite two IAP conferences with two Sigma Xi Chapters and their affiliated colleges (Ursinus and Eckerd) identified as jointly sponsored by ISGP and Sigma Xi, and one three-day workshop, including one mock IAP conference for Sigma Xi chapter leadership and members.

The second and most significant transaction was the sale of the Society’s former headquarters building and parcel of land. This transaction has associated legal fees (0.40% of the sale price). However, no commercial real estate brokerage fee (estimated at >6% the sale price) was paid for this transaction. The building was sold for slightly more than its depreciated value (\$6.2 million versus \$5.58 million) as shown on the most recently filed IRS Form 990. However, the Society was obligated to pay a mortgage prepayment premium (\$1.79 million) to its lender in order to complete the transaction.

**Line of Credit**

During fiscal year 2015, the Society used an available line of credit from Goldman Sachs Bank to meet shortfalls in its operating budget, and to meet obligations required to settle the outstanding mortgage conditions at the time of the sale of its headquarters property in Research Triangle Park, North Carolina, to the Research Triangle STEM High School. The Society liquidated \$3.34 million in investments managed by Goldman Sachs & Co. to pay off the line of credit on June 16, 2015.

**Assets, Liabilities and Net Worth**

As of June 30, 2015, the value of the Society’s invested assets was \$10.2 million. Net worth as of June 30, 2015 was \$9.9 million. By comparison, net worth on June 30, 2014 was \$12.9 million; based on assets of \$21.9 million (investment + real estate depreciated value+ other) and liabilities of \$9.0 million (mortgage + prepayment premium+ other). Thus, the net worth of the Society was \$3.0 million less at the end of fiscal year 2015 than it was at the end of fiscal year 2014.

**Financial Summary and Investment Returns (Net of Fees)**

As of June 30, 2014	As of June 30, 2015
Assets \$21.9 million	\$12.2 million
(market value of investments, cash, depreciated real estate value)	

Liabilities \$9.0million	\$2.3 million
(mortgage balance, prepayment premium, other)	

Net Worth \$12.9 million	\$9.9 million
(assets minus liabilities)	

<b>Society’s Investment Returns</b>	
Assumed rate of return	+5.00%
<b>1-year</b> total fund return (thru June 30, 2015)	+7.92%
<b>3-year</b> total fund return (thru June 30, 2015)	+25.0%

### **Fiscal 2016 Budget**

The Committee on Finance recommended a balanced operational budget of \$3.3 million for fiscal 2016 to the Board of Directors, which approved the recommended budget without change at its April 2015 meeting in St. Petersburg, Florida. An additional capital budget of \$0.14 million was also approved by the Board.

The fiscal year 2016 budget is based on conservative projections of anticipated revenues from memberships (\$2.04 million), subscriptions (\$0.22 million), advertisers and underwriters (\$0.23 million), plus 75% of the average of the previous 3 years (12 quarters) of investment returns (\$0.45 million).

<b>Society's Approved FY 2016 Budget (\$ in millions)</b>	
Publications & Communications ( <i>American Scientist</i> , etc.)	\$1.10
Programs (GIAR, Awards, Meetings, etc.)	\$0.50
Membership and Chapter Services	\$0.60
Governance, Finance & Administration	0.74
Infrastructure (IT, Rent, etc.)	\$0.34
Capital Budget	\$0.14

### **Society's New Headquarters (Long-term Lease)**

During the first week of July 2016, the entire staff of the Society moved into new leased headquarters in the Cape Fear Building, immediately adjacent to its previous location within Research Triangle Park, North Carolina.

An analysis of the financials regarding the cost of operating and maintaining the former building plus servicing the mortgage debt compared with the annual rent and service fees for the new leased space shows that the Society will benefit from a net operating expense savings of approximately \$750,000 annually for the duration of the lease. The new lease is for 7 years and 9 months; rent-free for the first 9 months (July 2015 through March 2016).

Thus, a major structural component of the previous annual operating budget deficits has been markedly reduced.

Respectfully submitted,

Ronald W. Millard, Ph.D.  
Treasurer