

2008 WSSA Committee Report to Members

Summary for 2008 and Action Plan for 2009 (prepared 1-28-09)

Committee Code and Name: F2 Finance Committee

Committee Chair: David Gealy (rotating off)

Board Coordinator: David Gealy (rotating off)

Committee Members Rotating Off:

Appropriate Replacements:

Sharon Clay, South Dakota State Univ. (joined fall 2008)

Committee Goals for 2008 (what did the committee plan to accomplish in 2008):

Evaluate current and upcoming financial status and obligations of WSSA, its budget, banking accounts, investments, and its budgetary operations.

Summary of Progress for 2008:

WSSA finances were hit hard by the substantial, continued, widespread declines that have been experienced in U.S. and world markets since the all time high market value in October 2007. Financial challenges are accentuated due to the substantial resources dedicated to the success of high priority projects such as the IPSM journal, and the declining membership trends in WSSA.

WSSA bank accounts at end of FY08 (November 30, 2008) had the following balances:

- a) Checking account, \$101,658.48 (up from \$34,852.18 in FY2007).
- b) Money Market account, \$14,790.25 (down from \$20,910.11 in FY2007; account receives interest from the WSSA Endowment Fund).

WSSA investments:

WSSA investments are managed professionally by A.G. Edwards/Wachovia following the guidelines established in the WSSA Investment Policy. The primary goals of the WSSA General Fund are growth and low cash generation (presently 65% equities; 35% 'cash'). Management fees are based on total amount invested regardless of the number of transactions. Primary goals of the Endowment Fund are significant cash generation (for scholarships) and low growth (presently 52% equities; 48% 'cash'). Management fees are transaction based (more transactions generate higher total fee).

Calendar year 2008 (Jan. 1 to Dec. 31) had the following performance as provided by Jeff Holloway at A.G. Edwards/Wachovia in January 2009:

- a) General Fund value, \$645,139. CY08 beginning value = \$922,105; Withdrawals = \$60,010 (in August or September for ongoing WSSA operations); Annualized Rate of Return = -24.67%. One thing to keep in mind is that in terms of maintaining a 'healthy reserve', the value of the General Fund (\$645K) is now below the total one-year operating budget of WSSA and is about double what we spend on an annual meeting (typically \$250,000 - \$280,000).
- b) Endowment Fund value, \$207,436. CY08 beginning value = \$286,589; Withdrawals = \$24,807 (this number appears to contain an error; WSSA records show \$19,000). Annualized rate of return = -20.75%.

Keep in mind that these are highly uncertain and largely unprecedented times (i.e. a bear market which resulted from a 'perfect storm' of popping bubbles in commodities, emerging markets, hedge funds, and real estate). However, WSSA investments fared better than a number of well known 'index benchmarks' used by the investment world: S&P500, -37.0%; Dow Jones Industrial Average, -31.9%; EAFE Index, -43.1%; LB Aggregate Bond Index, 5.24%. From Oct.

2007 through Nov. 2008, the S&P500 declined 52%, making it the third worst bear market since 1929. Volatility is expected to continue through most of 2009. Should November 2008 end up being the 'low' for the current bear market, investment returns are expected to begin rebounding substantially by the end of 2009.

WSSA non-investment financial operations:

If we set aside the investment losses, our overall WSSA budget projections were fairly accurate. We had about \$68,011 in expense over revenue compared to our projected amount of \$119,308 out of the total WSSA non-investment revenues of about \$1.04 million. The major contributor to our projected budget shortfall was the IPSM journal, which was projected to have a net loss of \$119,945. However, its actual net loss was only \$107,152.

Committee expenses were under budget with a total of \$48.5K spent. This under spending was achieved in large part due to substantial finances obtained from outside sources by the Public Awareness Committee in support of 'public awareness activities' and the 'Weed Science Subject Matter Liaison to the EPA'.

Increases in funds potentially or already obligated for various WSSA contracts will also impact WSSA finances for 2009 (e.g. new contracts with Allen Press).

Other accomplishments toward the goals of the committee.

The Committee held conference calls with investment manager Jeff Holloway in May, November, and January to review the performance of WSSA's investment funds (General Fund and Endowment Fund), and to discuss the risks/benefits of various changes to the current approach we take with these funds. The consensus was to maintain our current approach/policies. Committee participation and involvement was good.

The Finance Committee has continued its in-house audits of WSSA check transactions, with David Vitolo as internal auditor. The results of the internal audits are that there were no findings of material errors and the system seems to be working as desired.

Recommendations for Board Action:

- Do not apply the \$10,000 surplus revenue from the IWSS meeting in Vancouver to fund the next IWSS meeting as requested by IWSS (WSSA policy has been that funds not be held over year-to-year; IWSS is free to request new funds at the appropriate time).
- Consider requiring all 2009 discretionary funding, except for our highest priority project (i.e. the new IPSM journal), to be revenue neutral and to have an identifiable revenue generating stream.
- Consider prioritizing committee expenditures, reducing existing expenditures, and delaying funding for new projects where possible until current national financial crisis has passed. (e.g. reducing total committee expenditures compared to FY2008 levels). All other areas within WSSA should also be scrutinized.
- Finance Committee will discuss other funding requests and strategies at the Orlando meeting.

Impacts: The independent financial advice and evaluation from the Finance Committee is crucial to the financial stability of WSSA which directly or indirectly impacts all of the MAPLE areas. The Finance Committee addresses financial questions as identified by the Board or the President, the Committee itself, or through external or internal audits.

Committee Goals for 2009:

Continue to evaluate financial status and obligations of WSSA and assist in preparation of annual budget, and conduct financial evaluations as directed by the Board or the President.

Plan of Action for 2009:

- Continue to work with the President, Executive Secretary, and Board to conduct financial tasks and analyses for WSSA in a sound and independent manner.
- Continue to monitor financial issues related to operating/maintaining a viable IPSM journal.
- Reevaluate the policies, goals, and approaches of the existing WSSA Investment Policy.
- Continue to hold quarterly Finance Committee conference calls with fund manager Jeff Holloway and A.G. Edwards/Wachovia to manage/fine-tune WSSA investments as appropriate in light of uncertain U.S. and world economies and markets.
- Invite Jeff Holloway to the summer Board meeting in July 2009 or the WSSA annual meeting in Feb. 2010 in Denver to discuss investment goals and approaches (Jeff is interested in attending).

Resources needed for 2009:

Finances: None