

Endowments Task Force Report

Members: Erika Dowell (chair), B.J. Irvine, Mary Strow, Larry Griffin

June 7, 2006

The InULA Executive Board requests member feedback on this report. Please email individual board members or continue the discussion on InULA-L.

For a number of years, InULA has conducted very successful fundraising for endowments related to its two major areas of expenditure, the Julieann V. Nilson Scholarships and Research Incentive Funds. Likewise, InULA's annual book sale has proved to be very profitable in recent years. As of December 2005, InULA's total financial assets topped \$50,000. The Endowments Task Force was established to research and recommend a means to best manage InULA's endowment funds.

At the task force's first meeting, members were agreed that InULA should seek to invest our funds labeled "endowment funds" through the IU Foundation. Further research revealed that the Foundation does not handle funds raised through means other than donations.

On April 24, 2006, Dowell and Irvine met with Jim Spore, Senior Financial Advisor, IU Credit Union Investment Services. The following proposal is based on the discussion with Spore and on analysis of InULA financial information from the period 2003-2005. The proposal makes some assumptions about InULA's typical income and expenses, details of which are found in Appendix I. The proposal uses the following 2005 year-end figures as a basis for discussion. For informational purposes, the annual percentage yield earned by each of the current accounts or investments is listed in the far right hand column (using rates accurate for May 10, 2006).

IU Credit Union balances on 12/31/05

Name of account	Balance	APY (%)
Checking account	\$ 1,775.14	0.0
Money Market2 (MM2)	\$ 28,370.85	3.0
MM3/Scholarship	\$ 8,828.49	0.85
CD one-year	\$ 12,605.99	4.5
Total assets	\$ 51,580.47	

PROPOSAL

1. The task force proposes that InULA establish two named investment accounts with IU Credit Union Investment Services:

- Julieann V. Nilson InULA Scholarship Fund

- InULA Research Incentive Fund

2. Funds in each account will be invested in one or more mutual funds designed to build income. The committee proposes that each account use the following mutual fund recommended by Spore: *American Funds Capital Income Builder Fund*. The fund has a good track record of creating income over the past ten years. While results are not guaranteed, Spore suggested we use an 8% percent yearly return on investment in our planning. Other funds may also be considered.

3. The task force further proposes that InULA reduce the amount of money it keeps in relatively low-earning accounts and investments.

4. An outline of the financial picture proposed by the task force, including proposed starting balances of the two new investment accounts, follows.

Account	Balance on 12/31/05	Proposed New Balance	Est. APY (%)	Explanation
Checking account	\$1,775	\$1,000 – 1,500	0.0	► Maintain current practice: keep as low as convenient; transfer funds to/from MM2 as needed
Money Market 2 (MM2)	\$28,370	\$15,000	3.0	► Keep total to approximately one year’s budgeted expenses ► Transfer \$4,113 to Research Incentive Fund as total proceeds of special 35 th anniversary fundraising campaign ► Transfer remainder (\$9,257) to Nilson Scholarship investment account
Money Market 3 (MM3, Scholarship)	\$8,828	0	0.85	► Transfer all funds to Nilson investment account ► Close MM3 account
CD one-year	\$12,605	\$6,605	4.5	► When CD comes due, transfer half of funds (\$6,000) to Research Incentive Fund investment account
Nilson InULA Scholarship Fund	<i>new account</i>	\$18,085	8%	\$9,257 transfer from MM2 + \$8,828 transfer from MM3
InULA Research Incentive Fund	<i>new account</i>	\$10,113	8%	\$4,113 funds from MM2 + \$6,000 from CD

5. The task force proposes that all earnings from the investment accounts be reinvested for a period of at least five years, to give the investments an opportunity to rise in value. After five

years, the organization should restrict disbursement of earnings to half of the year's earnings. See appendix II.

6. The task force proposes that an existing group or new committee be designated to review investments and the distribution of InULA funds on an annual basis. The InULA Executive Board as a whole may wish to take this responsibility.

7. Additionally, the task force advises InULA to budget and track both expenses and income each year and to create a long-term financial plan for the organization. This report and proposal could be seen as the seed of such a plan.

Appendix I, InULA Budget Assumptions

InULA Budget Assumptions

For Endowments Task Force Report

Income

Member dues	\$800.00	
Special fundraising	\$0.00	*
Book sale	\$7,000.00	*
Donations	\$200.00	*

TOTAL INCOME \$8,000.00

* highly variable income sources

Expenses

Grants & donations

Research Incentive Grants	- \$6,000.00
Professional Development Grants	- \$1,000.00
Nilson Scholarships	- \$2,000.00
Dean's Funds (IUB & IUPUI)	- \$700.00

TOTAL, GRANTS & DONATIONS - \$9,700.00

Committees

Communications	\$0.00
Constitution & Bylaws	\$0.00
Election	\$0.00
Membership	-\$75.00
Book Sale, Bloomington	- \$200.00
Professional Development	- \$120.00
Program & Social	- \$250.00
Discretionary Fund	- \$150.00

TOTAL, COMMITTEES - \$795.00

TOTAL EXPENSES - \$10,495.00

SUMMARY

Income	\$8,000.00
Expenses	- \$10,495.00

YEAR-END BALANCE

- \$2,495.00

Appendix II, Earnings Projections

Nilson InULA Scholarship Fund

(These projections include no payouts from account and no additional contributions to account.)

Investment Projections

Initial investment \$18,085.00

APY (%) 8.00%

Year (July 1)	Balance	Earnings	Earnings + balance	Amount paid out	New balance
					\$18,085.00
2007	\$18,085.00	\$1,446.80	\$19,531.80	\$0.00	\$19,531.80
2008	\$19,531.80	\$1,562.54	\$21,094.34	\$0.00	\$21,094.34
2009	\$21,094.34	\$1,687.55	\$22,781.89	\$0.00	\$22,781.89
2010	\$22,781.89	\$1,822.55	\$24,604.44	\$0.00	\$24,604.44
2011	\$24,604.44	\$1,968.36	\$26,572.80	\$0.00	\$26,572.80
2012	\$26,572.80	\$2,125.82	\$28,698.62	\$0.00	\$28,698.62
2013	\$28,698.62	\$2,295.89	\$30,994.51	\$0.00	\$30,994.51
2014	\$30,994.51	\$2,479.56	\$33,474.07	\$0.00	\$33,474.07
2015	\$33,474.07	\$2,677.93	\$36,152.00	\$0.00	\$36,152.00
2016	\$36,152.00	\$2,892.16	\$39,044.16	\$0.00	\$39,044.16
2017	\$39,044.16	\$3,123.53	\$42,167.69	\$0.00	\$42,167.69

Research Incentive Fund

(These projections include no payouts from account and no additional contributions to account.)

Investment Projections

Initial investment \$10,113.00

APY (%) 8.00%

Year (July 1)	Balance	Earnings	Earnings + balance	Amount paid out	New balance
					\$10,113.00
2007	\$10,113.00	\$809.04	\$10,922.04	\$0.00	\$10,922.04
2008	\$10,922.04	\$873.76	\$11,795.80	\$0.00	\$11,795.80
2009	\$11,795.80	\$943.66	\$12,739.47	\$0.00	\$12,739.47
2010	\$12,739.47	\$1,019.16	\$13,758.62	\$0.00	\$13,758.62
2011	\$13,758.62	\$1,100.69	\$14,859.31	\$0.00	\$14,859.31
2012	\$14,859.31	\$1,188.75	\$16,048.06	\$0.00	\$16,048.06
2013	\$16,048.06	\$1,283.84	\$17,331.90	\$0.00	\$17,331.90
2014	\$17,331.90	\$1,386.55	\$18,718.46	\$0.00	\$18,718.46
2015	\$18,718.46	\$1,497.48	\$20,215.93	\$0.00	\$20,215.93
2016	\$20,215.93	\$1,617.27	\$21,833.21	\$0.00	\$21,833.21
2017	\$21,833.21	\$1,746.66	\$23,579.87	\$0.00	\$23,579.87