



NATIONAL COALITION FOR FOOD AND AGRICULTURAL RESEARCH

February 12, 2009

TO: NC-FAR Board
FR: R. Thomas (Tom) Van Arsdall, Treasurer
RE: Staff Treasurer's Report & Recommendations

- 2008 Year-End Budget
- 2009 Proposed Budget

2008 Year-End—

Attached for your information and review is the 2008 Year-End Budget. It includes my NOTES at the bottom, that at least for me were helpful in deciphering the bottom line.

2008 Year-End Loss. At the annual meeting, the board had approved a modified budget from the year-beginning projected loss of (\$20,000) to anticipate a loss of about (\$10,000) by accepting staff recommendation to reduce the ED's retainer by \$9,500. 2008 ended with a (\$24,103.75) loss:

- About \$7,400 of this loss is due to unrealized losses, netting out dividends, in the investment accounts (what I call "reserves").
 - The dividends were reinvested by purchasing shares at the reduced prices, and thus not available as cash for current year expenditures.
 - If shares ever recover, this could turn into good news for our reserves investments in the future.
- Another \$6,500 of this loss is because the positive unused balance in the hill seminar sponsorship fund was treated as a restricted account and thus deducted from the 2008 year-end.
 - In committing to increased membership and sponsorship fundraising efforts to address the remaining deficit last year, the board also approved a shift of sponsorship funds from restricted to unrestricted so that funds would be used in the current year and not carried forward.
 - Unfortunately I failed to communicate that change adequately to accounting, and this change was not implemented by accounting in 2008.
 - Thus, while we had significant success in increasing sponsorships, it is not reflected in a positive way in the 2008 bottom line.
 - The good news is that sponsorship funds are available for 2009.
- Membership revenue ended up as a \$5,500 reduction. While we did get some new members, we lost a number of existing members. For the most part members indicated they were not renewing due to their own budget challenges, primarily among the land grants.
- The expense side of the equation generally came in at budget as expected overall for what I will call "all other" expenses, plus the planned \$9,500 savings in the exec director line item.

Proposed Budget, 2009—

I have based the 2009 proposed budget on a commitment to presenting a balanced budget for 2009 for the Board’s consideration. There are several important assumptions that merit mention:

- The change approved last year to shift the Sponsorship fund account from restricted to unrestricted is implemented, and that the \$10,407 fund balance is spent in 2009 as part of balanced budget.
 - This is a kind of triage to keep us moving forward in 2009.
 - If the organization continues into 2010, another source for this revenue would have to be found, as once consumed, it is gone.
- Membership dues income is assumed to remain the same as in 2008. This will be challenging at best in the current economic climate.
- Sponsorship efforts [incl corporate] are conservatively estimated to decrease about 15% from 2008 levels, but still represent significant work to be done.
- The ED retainer remains at the reduced monthly level approved at the 2008 annual meeting.
- Investment dividends and unrealized losses/gains are treated separately from the 2009 annual budget, basically regarding that activity as related to the value of the “reserves” investments.
 - Regardless, I am assuming a zero net between dividends and unrealized gains/losses.

Exhibit 1, below, is a simplified version of the proposed 2009 budget . The Executive Director/consultant retainer—and any flexibility to adjust on the expense side—is currently about 74% of the total budget.

Exhibit 1

NATIONAL C-FAR PROPOSED BUDGET—SUMMARY
020909

2009 Revenue

Membership Dues	\$55,400
Sponsorships, Current Year	\$10,000
Sponsorship Account Balance, Changed to Unrestricted [<i>Non-Recurring!</i>]	\$10,408
Interest Income	\$50
Investments—Dividends & Unrealized Gains/Losses	\$0
TOTAL REVENUE	\$75,858

2009 Expenses

Total Admin Support, incl D&O Insurance	\$20,755
Professional Fees-Sec/Treas	\$55,103
TOTAL EXPENDITURES	\$75,858

6-Year Budget Perspective—

For perspective, following is a summary of dues revenues and total expenditures over from 2003-8 [additional revenue from sponsorships, and dividends/unrealized gains/losses not factored in]:

Year	Revenue	Expenditures
2008	\$56,000	\$77,000
2007	\$64,000	\$84,000
2006	\$76,000	\$86,000
2005	\$72,000	\$77,000
2004	\$85,000	\$84,000
2003	\$71,000	\$77,000

Expenditures have been fairly stable. Dues revenue was generally stable through 2006, but has declined significantly each of the past two years—about 12-15% decline per year. Without significant effort in 2009, this trend could continue or accelerate. Offsetting income through sponsorships would have to be generated to avoid a year-end deficit.

Reserves, 2009 Year-Beginning:

In speaking to accounting, once obligated expenditures are taken into account, including (1) accounts receivable (for December 2008), (2) the hill seminar sponsorship fund (\$10,407); and (3) 2009 dues revenue received to date (\$16,600), the year-beginning value of the general fund that I refer to as unobligated “RESERVES” is \$45,394.45.

- This factors in the \$13,000 reduction in investment asset value, or unrealized losses, which occurred over the past year.
- “Reserves” represent about 60% of the 2009 proposed budget, or about 7 months of projected operating expenses. That still exceeds the 6 month reserve guideline approved by the board several years ago.
- Most “RESERVES” are currently in a mix of funds (about \$40,000 value as of 010109) managed by Morgan Stanley, with some in a savings account for liquidity.
 - Exhibit 2 is a summary of our investments and activities.
 - We did redeem one investment at the end of 2008 at zero loss [well, \$.13 loss] and transferred some funds near the end of 2008 to checking/savings to ensure adequate cash flow.
 - A couple of years ago the board approved shifting from laddered CD’s to other conservative investments that would provide more liquidity if needed and generates equal or better returns.
 - I am advised by a Morgan Stanley representative that 2008 was an unprecedented year, and that the principle value of the Evergreen Fund had been exceptionally stable over the prior 2 decades or so. Hopefully the fund values will rebound at some point, but of course there is no guarantee.
