Financial Health of ASURA

The Finance Committee met to discuss the strategic goal concerning the financial health of ASURA. The Committee discussions covered three areas: Definition of financial health, negative financial impacts on ASURA and, the scholarship endowment.

The Finance committee recommends the following definition of “Financial Health”: ASURA would be considered financially healthy if current year revenue is greater than current year expense and there is an “adequate cash reserve”. An adequate cash reserve is defined as an amount equal to the current scholarship amount plus one-half of prior year expenses. Using FY 2014 as an example, the required cash reserve would be $23.5K ($10K for the scholarship and one-half of prior year expenses of $13.5K). The cash reserve would be used in the event of large unforeseen (unbudgeted) expenses or loss of income. The reserve would be used to cover these and then replenished as possible.

The Committee felt the most significant negative impact to ASURA would be a drop in membership. A decline in membership over a 5 year period of 25% would be a serious problem. They also discussed the Golf Tournament and felt that although it does provide some extra funding, it would not cause a large impact if it were not held.

The Committee discussed the Scholarship Endowment at great length. The consensus of the group is the endowment should be grown with all earnings reinvested. To fund a scholarship of $10K would require, under current conditions, a principal of around $285K. Assuming an average return of 7% and current gift levels, it would take about 9 years to reach $100K, 19 years to reach $200K and 24 years to hit $285K. These calculations include only investment returns and current gifts. It would possible to speed up the growth if, for example, after computing our adequate cash reserve, it is determined that we have an excess, this amount could transferred to the endowment. For this year, that difference is about $15K. If this amount were added to the endowment, $100K would be achieved in 6 years, $200K in 16 years and $285K in 21 years. Taking this one step further, our current fund balance is projected to increase $3K for this year. If we assume this amount would be generated each year and were added to the endowment, $100K would be reached in 4 years, $200K in 12 years and $285K in 17 years.

The Foundation’s Endowment earnings are reasonably good, and very consistent with overall capital market returns, having earned 12.4% for fiscal 2013, but only 7.6% over the last 10 years, which included several poor investment return years, resulting in the overall, long term slightly conservative, assumed future investment rate of 7%.

**Motion 1** - the Board approve the definition of financial health given in the report above

**Motion 2** - the Board “spend” any cash reserves exceeding the “adequate cash reserve” as defined in the above report where “spending could be investing in the Scholarship endowment, purchasing equipment beyond that approved in the budget, funding a new project / activity, etc..

**Motion 3** - the Board approve reinvesting the scholarship spending account back into the scholarship

**Motion 4** - by the September 2014 Board meeting the Treasure, Business Manager, and Chair of the Finance Committee develop and implement a report to present the budget and the financial health of the Association to the Board so that action can be taken, if necessary, during the October Board meeting relative to any surplus or shortage in the “adequate cash reserve”.