Treasurers Report June 2021

HES Treasurer's Report

For 22 June Executive Meeting (online).

From John Berdell jberdell@depaul.edu and treasurer.of.hes@gmail.com

(Correspondence to both emails please)

6/16/20201

Attachments:

1) CharityCFO Management Report

2) HES Assets 6/16/21 excel sheet (summary appears on last page this report)

(Note: annual portfolio performance included herein, penultimate page this report).

1) Dean Sandra Peart has agreed to join the investment committee. As mentioned at the previous meeting Professor H. Spencer Banzhaf has also kindly agreed to serve. I intend to have a portfolio review in the Fall of 2021.

2) The performance of the Schwab investment portfolio appears at the end of this document. For our annual reporting period (6/1/20-5/31/21) it was 23.9% in contrast to 40.32% for the SP500 and -0.4 for the Bloomberg bond index. (See Portfolio performance table at the end of this document.)

3) Current Balances and Recent Receipts

3A) Our checking account balance is unusually large (27.6K$). We just (6/16/21) received a payment of $22,101.This represents the residual payment for 2020.

Email from Chris Robinson at CUP "The total surplus share comes to $63,224, which is 15% higher than the forecasted amount of $54,831. Deducting the advance, we now owe HES **$22,101**."

We have not received an advance payment for 2021 and I have emailed Chris Robinson asking when we may expect it.

3B) Investments

The investment portfolio was 1.192m$ on 6/16/2021. The portfolio was overweight US equites so there is a pending sale to bring US equity to its 40% target. Cash will then be 8%, which is above its 5% target. I will discuss adding a shorter-term (2 year) US gov. bond fund to the Bond category and bringing the bond component up to its 40% target from its current 35%. Reits and International Stock are close to target (5% and 10%).

4) The Charity CFO annual report for 6/1/20-5/31/21 indicates that we had had a net operating loss of $20,352 for the period (66.6K$ expenditures and 43.3K$ income), but this does not include the interest and dividends we receive (20.8K$). Once that is included in income we have a 13.3K$ surplus. The last figure is the concept of income less expenditures traditionally used by the HES.

Note that there was no physical conference during the period so we did not make payments to Young scholars for their travel. Note as well that within expenses event expenses (grants and awards) were 25K$ and other expenses (accounting services etc.) were 15.8K$. This is relevant to point 7 below.

5) We are in the process of changing our checking account from Bank of America to Chase, but this has been held up by the need to renew our not for profit corporate charter.

6) Proposed Statement on Grant Overhead

As a small scholarly association, the History of Economics Society does not pay overhead or indirect expenses to institutions except in the most extenuating circumstances.

No overhead example: The American Philosophical Society

https://www.amphilsoc.org/grants/franklin-research-grants

The Franklin program is particularly designed to help meet the costs of travel to libraries and archives for research purposes; the purchase of microfilm, photocopies, or equivalent research materials; the costs associated with fieldwork; or laboratory research expenses.

Franklin grants are made for noncommercial research. They are not intended to meet the expenses of attending conferences or the costs of publication. **The Society does not pay overhead or indirect costs to any institution,** and grant funds are not to be used to pay income tax on the award. Grants will not be made to replace salary during a leave of absence or earnings from summer teaching; pay living expenses while working at home; cover the costs of consultants or research assistants; or purchase permanent equipment such as computers, cameras, tape recorders, or laboratory apparatus.

Reasons to hold back from an outright ban: A) Some US faculty are expected to attract grants that have overhead funds used to support the academic unit. B) The presidents of the Ford, Hewlett, MacArthur, Open Society, and Packard Foundations have become concerned about chronic underfunding of indirect costs.

https://www.philanthropy.com/paid-content/the-bridgespan-group/five-foundations-address-the-starvation-cycle

“Chronic underfunding of indirect costs is a serious problem everywhere - not just in the United States.” - Open Society Foundations President Patrick Gaspard

The concern here seems to be that growth of emerging and/or poorly funded nonprofit organizations is constrained by 15% Caps on overhead. See for example https://www.bridgespan.org/insights/library/pay-what-it-takes/pay-what-it-takes-philanthropy

Here is an illustrative database of maximum overhead charges by grant giving organization:

https://osp.gmu.edu/fa-database/

> Robert Woods Johnson (Health Policy) 12% max (depending on expenditure)
>
> Alfred P. Sloan Foundation (STEM Research and Education) 0% on grants less than 50K$
>
> Spencer Foundation (Educational Research) 0% on grants less than 75K$
>
> Smith Richardson Foundation (Public Policy Research) Max 10%
>
> Social Science Research Council 0%

7) Discussion Item: Consideration of a move to a policy of drawing from the endowment.

In the last treasures' report, I mentioned that:

> Administrate expenses are larger than in the past. Total expenditures June-Nov were $28,331 of which $10,781 were administrative expenses and $13,173 were programming expenditures. HES has a contract with the Todd Mann group that includes accounting services provided by CharityCFO. This contract is for $1,200 per month. I believe the HES has entered a contract with Keifer accounting for auditing and annual reviews of our accounts that will cost $7,500 in 2021, $5,000 in 2022, and $5,000 in 2023. In 2021, payment for these services would then be $21,900. This is larger than the interest and dividend income generated by our assets (the Schwab account), which using year to date numbers I guestimate to be around $9,700.

My estimate of interest and dividend income was quite low (half the dividend and interest income reported for the past year 21K$). Nevertheless, absent increased revenue from operations (the journal, member/conference fees) our increased administrative expenses will require either

1) reduced program spending (grants and conference support)
2) new sources of funding into HES (sponsorships, or grants using its newly audited status)
3) increased member fees
4) an increased use of the endowment.

NACUBO (National Association of College and University Business Officers) in collaboration with TIAA (Teachers Insurance and Annuity Association of America-College Retirement Equities Fund) provides the most widely cited data on the performance of University endowments in the USA. The latest report is:

2020 NACUBO-TIAA STUDY OF ENDOWMENTS (NTSE) RESULTS
(https://www.nacubo.org/Research/2020/Public-NTSE-Tables)

The final (unnumbered) table of the report concerns the annual "draw" from endowments for funding the operating expenses of an institution:

Average Annual Effective Spending Rates* for U.S. College and University Endowments and Affiliated Foundations, Fiscal Years 2019 to 2010

Size of Endowment	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %	2012 %	2011 %	2010 %
Over $1 Billion	4.6	4.6	4.8	4.4	4.3	4.6	4.8	4.7	5.2	5.6
Over $500 Million to $1 Billion	4.4	4.2	4.6	4.3	4.1	4.3	4.6	4.7	5.2	5.7
Over $250 Million to $500 Million	4.2	4.4	4.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Over $100 Million to $250 Million	4.7	4.4	4.6	4.3	4.1	4.3	4.4	4.3	5.0	4.9
Over $50 Million to $100 Million	4.6	4.6	4.5	4.4	4.4	4.4	4.4	4.3	4.5	4.6
Over $25 Million to $50 Million	4.5	4.1	4.2	4.1	4.0	4.2	4.3	3.8	4.0	4.1
$25 Million and Under	4.1	4.1	4.0	3.8	4.5	4.6	4.1	3.7	3.7	3.5
Type of Institution										
All Public Institutions	**4.2**	**3.8**	**4.1**	**4.0**	**4.0**	**4.1**	**4.1**	**4.0**	**4.5**	**4.1**
Public College, University or System	*4.2*	*3.8*	*4.1*	*4.0*	*3.8*	*3.8*	*4.2*	*3.9*	*4.3*	*4.3*
Institution-Related Foundations	*4.2*	*3.8*	*4.1*	*3.9*	*4.2*	*4.3*	*4.0*	*4.0*	*4.1*	*3.9*
Combined Endowment/Foundation	*4.1*	*3.9*	*4.2*	*4.1*	*3.9*	*4.2*	*4.4*	*4.2*	*5.9*	*4.6*
All Private Colleges and Universities	**4.7**	**4.7**	**4.6**	**4.4**	**4.3**	**4.5**	**4.6**	**4.3**	**4.6**	**4.8**
Average (All Institutions)	**4.5**	**4.4**	**4.4**	**4.3**	**4.2**	**4.4**	**4.4**	**4.2**	**4.6**	**4.5**

It is unclear how the average across all institutions is constructed. (Are institutions equally weighted or are they weighted by endowment size?) My suggestion to the executive is that an annually draw of 4% might be considered. If the executive felt it appropriate, I would ask our accountants how a policy of regarding a X% draw could be brought into our annual accounting statements. At present we present the interest and dividend income on the endowment for the past year this was 20.8K$ which constitutes approximately 1.75% of the current market value of the portfolio.

All Brokerage Accounts

Period: 6/1/20 - 5/31/21

	SELECTED PERIOD ($)	YEAR TO DATE ($)	ONE YEAR ($)	THREE YEARS ($)	FIVE YEARS ($)	SINCE INCEPTION ($) 8/31/15
Beginning Value	964,059	1,120,811	964,059	882,623	758,652	0
Net Contribution	-10,617	-10,617	-10,617	-35,617	-39,617	684,383
Dividends Not Reinvested	-19,879	-3,322	-19,879	-61,793	-96,847	-109,172
Interest Not Reinvested	-600	-298	-600	-1,968	-2,559	-2,669
Net Cash In/Out	9,863	-6,998	9,863	28,145	59,789	796,225
Change In Value	227,302	70,550	227,302	333,738	461,709	496,361
Dividend Reinvested	350	1	350	5,095	8,360	11,203
Interest Reinvested	1	1	1	30	78	81
Account Value Appreciation/Depreciation	226,951	70,549	226,951	328,613	453,271	485,078
Ending Value	1,180,744	1,180,744	1,180,744	1,180,744	1,180,744	1,180,744
Return	**23.60%**	**6.31%**	**23.60%**	**11.50%**	**10.20%**	**9.76%**

Common Market Indices

	SELECTED PERIOD (%)	YEAR TO DATE (%)	ONE YEAR (%)	THREE YEARS (%)	FIVE YEARS (%)	SINCE INCEPTION (%) 8/31/15
S&P 500	40.32	12.62	40.32	17.99	17.15	16.32
MSCI EAFE (TRN)	38.41	10.07	38.41	8.23	9.77	8.11
Russell 2000	64.56	15.30	64.56	13.05	16.00	13.91
Bloomberg Barclays U.S. Aggregate Bond	-0.40	-2.29	-0.40	5.05	3.25	3.44
FTSE 3-Month Treasury Bill	0.09	0.02	0.09	1.36	1.14	1.01
S&P GSCI	58.57	25.99	58.57	-3.64	0.89	-1.89