

OREGON CHAPTER OF THE AMERICAN FISHERIES SOCIETY
FINANCIAL SUSTAINABILITY PLAN AND INVESTMENT POLICY



Oregon Chapter of the American Fisheries Society
Executive Committee and Financial Sustainability Committee

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Oregon Chapter of the American Fisheries Society

- Financial Sustainability Plan -

1. Introduction

The Oregon Chapter of the American Fisheries Society (ORAFS) is a non-profit organization dedicated to sound stewardship of Oregon’s aquatic resources, primarily through the education of aquatic resource professionals and the distribution of information to resource stakeholders. The ORAFS mission is to improve the conservation and sustainability of Oregon fishery resources and their aquatic ecosystems for long-term public benefit by advancing science, education, and public discourse concerning fisheries and aquatic science and by promoting the development of fisheries professionals.

This Financial Sustainability Plan and accompanying Investment Policy were prepared by the ORAFS Executive Committee (ExCom). This plan is intended to guide the Chapter membership and ExCom in managing and spending the Chapter's financial assets in achieving the ORAFS mission. The ExCom is responsible for ensuring that the guidelines in this plan are followed to the extent practicable. Unforeseen events will arise, and the ExCom shall have the flexibility to make decisions about the Chapter's financial resources, or consult the Chapter membership, as the situation warrants.

2. History and Context

ORAFS ExCom began to develop the precursor concepts for the Financial Sustainability Committee (FSC) and the Financial Sustainability and Investment Policy (FSPIP) in 2014. At the time, the Chapter was preparing to host the August 2015 AFS meeting in Portland, which was to serve as the Chapter’s annual meeting during that calendar year. ExCom and the planning committees decided to forego a Chapter meeting during fiscal year (FY) 2015 to focus on planning and fund-raising for the Portland AFS meeting. Because the AFS annual meeting would not be held until August of 2015, and reimbursement from AFS was not likely to occur until late 2015 or early 2016, ExCom carefully considered how to cover the operating budget for the year. To this effort, ExCom reviewed multiple years of annual operating budgets, annual meeting budgets, and trends in Chapter finances. Prior to this, multiyear trends in Chapter revenue and expenditures had not been compiled. From this exercise, it was apparent that operational expenditures had been outpacing revenue, and Chapter assets had been declining since 2008 (after ORAFS hosted the WDAFS meeting). The multi-year financial trends revealed that Division and/or Society meetings hosted periodically by ORAFS yielded substantial revenue that subsidized Chapter operations in subsequent years. The financial trends during these years showed lower revenue and higher expenditures that led to declining reserves. The large revenues contributed by Division and Society meetings led to financial expectations and budgets that were not sustainable, especially in the absence of future Division and Society meetings.

Prior to 2014, the Chapter had followed a policy of maintaining a financial reserve equivalent to two years of operating expenses. However, beyond this reserve, the Chapter did not have a standard for setting operating budget limits, a method for anticipating revenue, or a basis for linking expenditures to profits. The operating budgets had been developed annually without any sideboards and were not based on previous or expected profit and Annual Meeting budgets did not have target profits or an

accurate method to estimate expected profit. Finally, the Chapter’s reserve fund had been held in savings accounts that did not generate any measurable interest.

In 2014, several strategies were employed to improve the Chapter’s long-term financial stability and ameliorate the financial uncertainty that ExCom was faced with annually. To this end, ExCom developed a framework to interconnect the annual meeting budget and the operating budget, developed budgeting tools to forecast and track income from annual meetings, and founded the FSC. ExCom and the FSC went on to develop the FSPIP, opened an investment account, and began investing in financial markets to produce additional revenues to be used for special Chapter projects in the future.

3. Financial Sustainability Goals Statement

The long-term financial goal of the Chapter is to be economically solvent while using Chapter resources for various membership services, and to encourage sound scientific research and enlightened management of Oregon’s aquatic resources. To these ends, the Chapter may use its financial resources to support continuing education and information exchange among aquatic resource professionals, student participation in Chapter events, and special projects that are compatible with the Chapter’s mission. It is desirable, but not imperative, that each Chapter activity or event yield a net profit. However, to maintain financial solvency within any fiscal year (FY; defined below), it is critical that the Chapter balance its financial obligations with its revenue base. This includes adapting to variable returns on investments and proceeds from Chapter activities (i.e., stock market crashes and failing to gain revenues from annual meetings). Because of these uncertainties, this Financial Sustainability Plan is intended to provide general policy guidance and is not meant to be a specific spending plan.

4. ORAFS Annual Finances

Fiscal Year

The ORAFS FY is a 12 month period beginning on May 1 and ending on April 30 the following year. The fiscal year is identified by the calendar year in which it ends; thus the FY from May 1, 2020 to April 30, 2021 is FY2021. The timing of the Chapter FY reflects the occurrence of the Annual Meeting (typically in February or March) and the settlement of income/expenditures from the meeting.

Revenue

The majority of the Chapter’s revenue is generated by the Annual Meeting. Other sources of revenue include: workshop registration fees, ORAFS member dues, AFS member rebate (AFS pays ORAFS 3% of member dues for each regular member who lists an Oregon mailing address), donations, royalties from past ORAFS publications, ORAFS branded merchandise sales, and interest on checking, savings, and investment accounts. Intermittent (about once every 5-10 years) revenue is received from hosting WDAFS or AFS meetings. Revenue from hosting WDAFS and AFS meetings is usually much larger than revenue from ORAFS Annual Meetings.

Expenses

The majority of the Chapter’s expenses are related to fulfilling the Chapter’s mission and are outlined in the annual work plan. Expenses include student scholarships, education and outreach

grants to educators, supporting members’ professional development opportunities, recognizing fisheries professionals through professional awards, and hosting the Annual Meeting.

Budgeting

The annual budget, which is updated each FY, includes three parts: Operating Budget, Annual Meeting Budget, and the Designated/Restricted Funds Budget.

1. The Operating Budget includes all expenditures in pursuit of the core Chapter goals and operations. The net profit from past Annual Meetings will determine the Operating Budget for the upcoming FY. The annual Operating Budget should not exceed the average net profit from the previous three Annual Meetings. As outlined in the Administrative Handbook, the Operating Budget for the upcoming FY will be reviewed and approved by ExCom prior to the start of that FY (May 1).

Items in the Operating Budget should be accompanied by corresponding items in the Work Plan that outline and explain the expenditures. ExCom should also maintain a legacy document that explains how/why/when Operating Budget line items were created and include an expiration date if applicable.

2. The Annual Meeting Budget projects all expenditures and revenues associated with the Chapter’s annual meeting. The Annual Meeting Budget should be approved by ExCom in advance of the upcoming Annual Meeting and adhered to throughout the meeting planning process. Net profit should be projected for several expected attendance levels with the goal to meet or exceed the total expenditures in the current year Operating Budget.
3. The Designated/Restricted Funds Budget includes all expenditures for which there is a specific, designated, and guaranteed source of funding. These expenditures (and their funding sources) may be recurring or single-term and the funding may be realized or anticipated. Recent examples have included funds received and earmarked for the Diversity Scholarship and the Native Fish Committee’s workshop and awards.

5. Financial Sustainability Plan

The Financial Sustainability Plan includes three components: 1) One Year Operating Budget, 2) Second Year Operating Budget, and 3) ORAFS Investment Account.

One Year Operating Budget Reserve

Funds to support a One Year Operating Budget (OYOB) should be maintained in the Chapter’s checking account. As of 2020, a typical OYOB allocation is approximately \$60,000. The following guidance should be considered in managing the OYOB.

1. The current FY OYOB amount should be based on the recent three-year average operating expenditures and should be maintained in the ORAFS checking account.
2. Received and/or expected revenues from WDAFS or AFS meetings should not be considered while constructing the annual Operating Budget or the OYOB. These meetings occur

infrequently and while they have been a source of sizeable income in the past, their profitability is uncertain.

Second Year Operating Budget Reserve

The Second Year Operating Budget (SYOB) is equivalent to the OYOB amount and should be held in reserve in fixed income investments. The premise is that the SYOB funds could be easily transferred to the ORAFS checking account in the case of extreme events. The following guidance should be considered in managing the SYOB:

1. ORAFS should maintain the SYOB in a fixed income portion of the investment account. Examples of fixed income include a high interest savings account, short-term/rotating certificates of deposit (CDs), or a money market fund.
2. The fixed income funds should maintain minimum risk, maximize financial return, and maintain fluidity between the ORAFS investment account and checking account.
3. The fixed income funds should allow for easy and low-cost transfers to and from the ORAFS checking account.

ORAFS Investment Account

Chapter assets that exceed the First Year and Second Year Operating Budget Reserves should be transferred to the ORAFS investment account which is managed by the Financial Sustainability Committee (FSC). The following items provide guidance and some history on ORAFS investment account management.

1. An investment account was established with Charles Schwab in April 2016 to invest assets that had been maintained in an ORAFS savings account (\$100,000) and the profit that was generated from the 2015 AFS Annual Meeting in Portland (\$124,000). The \$100,000 in the ORAFS savings account was largely derived from the 2008 WDAFS Annual Meeting net profit and other funds previously invested in a mutual fund account maintained by ORAFS in the early to mid-2000s.
2. The investment account is managed by the ORAFS FSC. Management will be carried out according to the Investment Policy (below) in this document.
3. Assets exceeding the Operating Budget Reserves should be transferred from the ORAFS checking/savings/CD accounts into the investment account.
4. The investment account is not intended to provide financial relief to the Operating Budget Reserve. If the Operating Budget Reserve begins to trend downwards, ExCom should review Chapter costs and revenues and adjust operations accordingly.
5. ORAFS had previously invested in the WDAFS endowment fund. Those assets were transferred to the ORAFS investment account in 2019. This was done at the recommendation of the FSC and with the approval of ExCom to consolidate investment management.

Oregon Chapter of the American Fisheries Society

- Investment Policy -

1. Investment Policy Goals Statement

The goals of the ORAFS investment account are to maximize returns within acceptable risk parameters, safeguard principal, and generate capital. The ORAFS Financial Sustainability Committee (FSC) will facilitate quarterly evaluation and reporting to the ORAFS ExCom on investment account performance.

2. Unrestricted and Restricted Long-Term Reserve Funds

The investment account is composed of Unrestricted Long-Term Reserve funds and Restricted Long-Term Reserve funds. The purpose of the Unrestricted Long-Term Reserve is to provide a reserve to: (1) protect the ability of ORAFS to carry out its functions in times of financial hardship or uncertainty, (2) to enable ORAFS to take advantage of special opportunities for increased service to its members, (3) to enhance the purchasing power of funds held for future expenditure, and (4) to maintain the long-term financial stability of ORAFS.

Restricted Long-Term Reserves may be established, for example for a scholarship fund. When such programs are established, the circumstances of their formation are to be formalized in the ORAFS records and archives. The reason for the program's origin, the originators, any financial contribution in the name of the program, and the program's term are to be defined.

3. Disbursements from the Investment Account

Funds may be disbursed from the investment account to support ORAFS annual scholarships and other programs beneficial to ORAFS members. The FSC will maintain a minimum principal of \$400,000 (unless precluded by market conditions) in the investment account and consider an annual disbursement of up to 50 percent of the annual gains. All undisbursed gains will be reinvested or maintained in current investments. To facilitate planning, the disbursement will be made once per year with the disbursement amount to be determined at the close of Quarter 3 (September 30). A grace period of 15 days ending on October 15th will be considered to account for short-term market trends.

ExCom shall submit a written spending plan to accompany the disbursement of revenues from the investment account. The written spending plan should contain the goal(s) and objective(s) of the spending plan and level of funding needed for implementation. Disbursements should be used to fulfill the Chapter's mission and enhance services to the membership. Examples may include new initiatives, scholarships, grants, or programs. As stated in the Financial Sustainability Plan, the investment account and associated disbursements are not intended for supporting the annual Operating Budget or the OYOB reserves.

4. Investment Account Management

Management of the investment account should seek to maximize returns without exposure to undue risk, as defined herein. The investment strategy assumes up to a 10-year holding period with annual

disbursements if the investment funds disbursement guidelines are met. The FSC understands that fluctuating rates of return are characteristic of the securities markets. The primary concern should be long-term appreciation of assets and consistency of total return from the portfolio. Recognizing that short-term market fluctuations may cause variations in the account performance, the portfolio is expected to achieve the following objectives over a five-year moving period:

1. The account's total return from the equity portion of the portfolio will be compared with that of the Standard & Poor's (S&P) 500 Total Return Index. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time and about half the time the returns are expected to be below the target. The equity portion of the account may consist of stocks, mutual funds, exchange traded funds, and other investments that seek to achieve total return.
2. The account's total return from the fixed income portion of the portfolio will be compared to the total return in the Barclay Capital Aggregate Bond Index. On a quarter-to-quarter basis, the actual returns will fluctuate and can be expected to exceed the target about half the time and about half the time the returns are expected to be below the target. The fixed income portion of the portfolio may be comprised of bonds, bond funds, high yield stocks and stock funds, and other high yield instruments.
3. The portfolio may include assets with short-term (up to 18 months) expectations for income with limited risk, as well as assets with long-term appreciation (ten years or more) in which a higher degree of risk and volatility can be expected, accompanied by a higher expectation of return. If ExCom anticipates extraordinary expenditures, funds to meet those expenditures will be redeemed from longer term investments and maintained until needed in investment options with ultra-short income or guarantees of principal, for example in the savings account or CDs.

5. Detailed Investment Guidelines

For the Unrestricted and Restricted Long-Term Reserves, the investment policies and restrictions presented in this statement serve as a framework to achieve the investment objectives at the level of risk deemed acceptable using a “moderate” investment model for income and growth. These policies and restrictions are designed to minimize interference with the efforts to attain the overall objectives, and to minimize the probability of excluding appropriate investment opportunities.

Prohibited Activities:

The following investments and investment activities are prohibited:

1. Private placements;
2. Restricted stock;
3. Derivatives. However, to the extent that mutual funds are used, the mutual funds may buy or sell derivatives for the purpose of managing portfolio risk;
4. Commodities or commodity contracts, except insofar as they are part of a highly diversified mutual fund;

5. Short sales;
6. Margin transactions; and
7. Any highly speculative investment activities.

Types of Investments

The FSC does not exclude any specific companies or sectors of the market other than those noted above. It is expected that mutual funds will be used to take advantage of professional money management and a broad diversity of holdings at low cost. However, unmanaged, index-based Exchange Traded Funds (ETFs) may be considered as appropriate for some of the core holdings and to reduce costs, and individual stock or bond holdings are not excluded. In aligning the investment policy with the Chapter mission, the FSC will strive for socially responsible investments. To this end, purchases of individual stocks in the fossil fuels industry will be avoided.

Target Asset Mix

The portfolio shall consist of the asset classes listed in the table below. The target weight is the desired weight for each asset class. The minimum and maximum weights are to allow for normal market fluctuations and periodic changes in market conditions or organizational needs.

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Equity	40%	70%	75%
Fixed Income	15%	30%	60%

The FSC shall review the balance of the portfolio according to the target weights no less often than semi-annually (after the end of the FY and 6 months later). At such time, the rebalancing or substitution of funds shall be authorized, as recommended, to meet the investment objectives and guidelines, as well as potential spending needs. The FSC will report to ExCom on changes to the investment portfolio following portfolio changes.

Equity Asset Class

Large, midsized, and small company stocks and international holdings may be represented, depending on market conditions. At least 40% of the Equity Asset Class will be in large company stocks of both the U.S. and other developed countries, no more than 20% in small company, and no more than 15% in international emerging markets stocks.

The equity mutual fund selections will be made to include both value-oriented managers and growth-oriented managers in a proportion that reflects market conditions. Equity mutual funds/ETFs will be selected with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a five-year moving period, net of fees.

Fixed Income Asset Class

A diversity of fixed income securities should be represented from short to long term, depending on market conditions, as well as no more than 25% international bond funds within the Fixed Income Asset Class, and no more than 15% high yield, lower than investment grade, bonds. These investments will be reviewed on an as-needed basis, but no less often than twice a year, for consideration of rebalancing and bond mutual fund changes to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Selection Criteria for Mutual Funds and ETFs

The criteria for selecting mutual funds will be a record of both higher net average annual returns and lower risk, as measured by Standard Deviation, than an accepted industry index for the given category and asset class, for at least two of the rolling 3, 5 and 10 year periods in which records are available. It is acknowledged that past performance is no guarantee or prediction of future performance. Stability of fund management and the degree to which a fund adheres to its declared investment style category will also be taken into consideration. Changes in fund selections will also be considered when there is a fund management change.

Investment Timing

The FSC should invest available funds periodically, and when possible, purchase equities when market sentiment and market value is low. Dollar cost averaging or purchasing equities that are unreasonably out of favor provide opportunities to spread risk over time.

Equity and Fixed Income Asset Representation

No individual equity holding or fixed income asset should account for more than 10% of the total account value. If individual holdings or assets exceed 10% of the account value, the account should be rebalanced by selling down the holding or asset so that the holding or asset accounts for less than 10% of the account value.

6. Periodic Review of Portfolio Performance

The Unrestricted and Restricted Reserve Fund portfolios will be evaluated at least semi-annually, at the end of the FY and 6 months thereafter, on a total return basis, net of fees. Returns and risk levels will be compared to the Standard and Poor's 500 Total Return Index, the Barclay Capital Aggregate Bond Index, and other indices comparable to portfolio allocations. Comparisons will show semi-annual FY, year-to-date, and multi-period results, using available financial software, such as that provided by Morningstar Associates.

A written report will be prepared by the FSC for presentation annually at an ExCom meeting. The report will summarize the evaluation of Total Returns above and provide a breakdown of realized and unrealized gains. The FSC is also expected to advise of any extraordinary circumstances in the securities markets and recommended changes, and to respond to reasonable market and portfolio queries at least quarterly outside of the scheduled evaluation schedule.

7. Investment Advisor’s Role

The FSC may choose to retain an Investment Advisor to provide periodic review of the portfolio holdings, performance, and to offer suggestions on rebalancing the portfolio. It will be at the discretion of the FSC to research and select an Investment Advisor. The FSC may select an investment advisor based on Investment Advisor credentials in investment strategies, years in the business, experience with similar organizations, types of portfolios used, and fee levels. Equally important is the Investment Advisor’s ability to evaluate and rebalance the portfolio. The advisor should be able to explain the need for rebalancing, market conditions and forecasts, and to relate well to the FSC and ExCom.

Investment portfolio management will be the purview of the FSC. An Investment Advisor should be compensated based on a fee for service structure as the investment portfolio will not require frequent trades and intensive Investment Advisor participation in the day-to-day portfolio management is not expected. Because fees reduce returns on investments, Investment Advisor selection should take into consideration not only the assistance expected, but also the costs.

8. Financial Sustainability Committee Membership

Participation on the FSC is open to registered ORAFS members. The ORAFS Past-President and Treasurer (or their designees) shall participate on the Committee; this participation is essential for ensuring continuity and communication between ExCom and the FSC. A majority of the committee members should have experience in investments and/or finance investment experience. Long-term (3-5 years) engagement of Committee members is desirable to ensure continuity and transmission of institutional knowledge.