

REPORT TO AAAP BOARD OF DIRECTORS
Ad Hoc Management Planning Committee
November 15, 1968

The AAAP has been managed to date with the objective of developing and enlarging a reserve fund. A net gain in cash reserves has been recorded each year since inception of the organization in 1957. Surplus funds have been placed in Bank Savings Accounts following instructions from the Board of Directors to maintain the funds under maximum security. The cash reserve has been considered desirable for providing a cushion against possible periods of reduced income from advertising and other sources.

Cash assets of the association reached a total of approximately \$50,000 at the end of the last fiscal year. Assets have accrued as follows during the past six years:

<u>Year</u>	<u>Net Gain</u>	<u>Interest</u> (included in Net Gain)
1963	4,440.73	228.28
1964	901.90	571.25
1965	2,720.95	746.52
1966	9,377.54	1,117.94
1967	12,913.66	1,030.32
1968	4,826.65	1,724.26

At the present time, it appears that a sum of \$35,000 could be made available to establish a permanent reserve fund. Long term financial plans should be developed commensurate with current needs and anticipated future needs as they relate to the objectives and activities of the Association. Such plans should also provide for protection against anticipated inflation.

The financial record of the Association has been most satisfactory. There has not been a deficit year. One of the important reasons for this record is the large amount of time donated by various people, particularly the editor and business manager of AVIAN DISEASES.

Future

We should look forward to developing the capability of providing salaries rather than honorariums to members who devote a substantial amount of time to the organization over prolonged periods of time (years).

Advertising income, including that from Contributing Supporters, cannot be expected to remain stable. Reserve funds will continue to be necessary to provide stability in the event of periods of sharply reduced income.

Future financial needs are necessarily related to future Association activities. We will not attempt to forecast future needs except in relation to past experience. As is characteristic of dynamic organizations, we have had markedly expanded activities and expenses in past years. We should expect future growth and provide financial support for such growth.

Objective

With the foregoing in mind, we recommend the development of a reserve fund of \$100,000 within the next ten years to provide an annual income of at least \$5,000.

Procedure

Invest a sum of approximately \$35,000 in one or more mutual funds. An annual increment of 10-15% may be expected on the basis of performance of mutual funds

during the past 10 years. All fund income should be invested in the same fund(s) during the developmental period. When the goal of \$10,000 is reached, an investment re-appraisal should be made to determine if other investment of the reserve fund for investment income would be appropriate.

It should be recognized that removal of a substantial sum from current savings accounts will reduce usable income (\$35,000 - approx \$1,750 annually). Annual expenditures should be determined on the basis of avoiding fluctuations in honorariums if possible, but might well substantially equal annual operating income. Any annual surplus should be used for further investment, presumably in mutual funds.

Expenditures for developing the next edition of Diseases of Poultry should be considered an investment rather than an expenditure.

Recommendations

The committee recommends that a sum of approximately \$35,000 be invested as of January 1, 1969 in Mutual Funds selected by this committee on the advice of a reliable broker with the aim of securing maximum capital growth consistent with reasonable safety. All income from such investment should be reinvested in the same account. Such investments should be reviewed with the broker once each year prior to the annual meeting of the AAAP and more frequently if market conditions warrant.

It is further recommended that a permanent Management Planning Committee be established and empowered to make such changes in investments as conditions indicate, and to make additional investments in accordance with the preceding guidelines of future surplus funds which may be authorized by the Board of Directors.

K.L. Bullis - Chairman
G.J. Christie
G.H. Snoeyenbos