



THE TAU BETA PI ASSOCIATION

Financial Report

to the

2022 Convention Committee on Financial Affairs

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Tau Beta Pi Financial Primer

Tau Beta Pi accounts for its assets using the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. This is done in order to ensure observance of the limitations placed on the use of the resources of the Association. Using this principle, Tau Beta Pi has 63 funds:

Program Funds

- David L. Arm Laureate Fund
- BENT Life Subscription Fund
- Chapter Endowment Fund
- Convention Fund
- Richard A. Curtis Outstanding Advisor Fund
- District Program Fund
- District Program Endowment Fund
- Engineering Futures Fund
- Engineering Futures Endowment Fund
- Greater Interest in Government Fund
- Image Enhancement & Marketing Fund
- K-12 MindSET Fund
- John R. Luchini Engineering Futures Fund
- Marion & Capers W. McDonald Mentor Fund
- Judy & Ron Pasadyn Professional Development Fund
- Petitioner's Support Fund
- Program Development Fund
- Student Assistance Fund
- Student Loan Fund

Fellowship Funds

- Fellowship Fund
- Marshall & Mabel E. Anderson Fellowship Fund
- Raymond A. & Ina C. Best Fellowship Fund
- Larry D. Brandt Fellowship Fund
- Walter E. Deuchler Fellowship Fund
- Charles O. Forge Fellowship Fund
- Edward P. & Mary A. Hanley Fellowship Fund
- Lee A. Hennis Fellowship Fund
- Paul H. Scheffler Entrepreneurial Fellowship Fund
- Donald A. & Jane C. Stark Fellowship Fund
- Helen M. & Richard A. Swalin Fellowship
- Marlin U. Zimmerman Jr. Fellowship Fund

Scholarship Funds

- Scholarship Fund
- Gloria C. and Joseph L. Abriola Scholarship Fund
- Alabama Power Company Scholarship Fund
- Henry M. Alford Scholarship Fund
- Elizabeth P. and Ernest E. Althouse Scholarship Fund
- William & Zeda Beans Scholarship Fund
- Thomas R. Berthold Scholarship Fund
- Michael R. Bloomberg Scholarship Fund
- Marian K. and John H. Brems Scholarship Fund
- Ruth M. and Cleveland L. Campbell Scholarship Fund
- Don A. Dechman Scholarship Fund
- Charles R. Dodson Scholarship/Fellowship Fund
- Kenneth Elovitz Engineering Scholarship Fund
- Farmer Family Scholarship Fund
- Charles O. Forge Scholarship Fund
- Eddie Lee Lyons Scholarship Fund
- Thomas and Mary Anne Nelson Scholarship Fund
- Judith L. and Ronald C. Pasadyn Scholarship Fund
- Leroy E. Record Scholarship Fund
- Shawn R. Schwaller Scholarship Fund
- A. Clayton Scribner Scholarship Fund
- Kathleen and Robert Sickafoose Scholarship Fund
- Glenn A. Skaggs Scholarship Fund
- Archie D. Soden Scholarship Fund
- Spirit of Apollo Scholarship Fund
- Vincent A. Stabile Scholarship Fund

Operating, Reserve, & Annuity Funds

- Contingency Fund
- Equipment Fund
- General Fund
- HQ Operations Endowment Fund
- Paul H. Scheffler Capital Gift Annuity Fund
- John A. Swanson Capital Gift Annuity Fund I
- John A. Swanson Capital Gift Annuity Fund II

Each fund was created either through the authority of the Constitution and Bylaws or by Executive Council action. The General and Equipment Funds represent the operating capital of the Society. They are the operating cash, inventories, and the furniture and equipment of the Headquarters office. The remaining named funds are represented by the investment trust or restricted monies held by the Executive Director. The monies held in the investment trust are commingled and invested with a single investment strategy. A corporate trustee—Vanguard in Valley Forge, PA—manages the commingled funds comprising the investment trust as directed by the TBP Trust Advisory Committee (TAC). The



trustee invests and reports the trust funds as a single pool of investments. The balances of the funds are reported monthly, quarterly, and annually by the trustee and annually by the auditor in an annual report. The TAC also receives quarterly performance reports from its investment advisor, currently Vanguard Advisers, Inc., Valley Forge, PA.

The guidance and overall strategy for the investment trust are generated by the TAC—a team of three alumni serving six-year staggered terms and appointed by the Executive Council. The overall mission of the TAC is to ensure that the assets of the investment trust are managed prudently and in accordance with the long-term needs of the Association. See Constitution Article XVII..

The specific activities of the TAC are largely strategic and include the following: formulating long-term (5-10 year) investment policies and objectives, establishing intermediate-term (3-5 year) asset mix guidelines, and determining appropriate investment restrictions. The TAC is also responsible for determining specific asset mix policy, selecting individual securities or funds, and directing the trustee as to specific investments and timing.

Trust Advisory Committee Investment Guidelines

The current guidelines (adjusted May 2019) provided to the trustee are as follows: The trust will be invested in Vanguard Money Market securities and in 7 of the mutual funds operated by Vanguard Mutual Fund. The trust shall be invested according to an asset allocation currently set at the following percentages:

		Target %
Domestic Equity		
Vanguard PRIMECAP Core Fund		25.0
Vanguard Equity Income Fund Admiral Shares	10.0	
Vanguard U.S. Growth Fund Admiral Shares	10.0	
<u>Vanguard Explorer Fund Admiral Shares</u>	<u>5.0</u>	
Total Domestic Equities		50.0
International Equity		
Vanguard 500 Index Fund Investor Shares	20.0	
<u>Vanguard International Value Fund</u>	<u>20.0</u>	
Total equities		
	40.0	
Total equities		90.0
Bond Funds		
Vanguard Core Bond Fund Admiral Shares	10.0	
<u>Vanguard Federal Money Market Fund</u>	<u>minimal</u>	
Total fixed income		
	10.0	

The balance of the Contingency Fund (set at \$300,000) should be invested in mutual funds, the Tau Beta Pi Trust Fund, and/or securities of the United States Government. The investments should be relatively marketable, but need not be restricted to money market investments. This Constitutional requirement was met in 1993 by the investment restrictions of the Harbor Bond Fund as listed in



the March 1, 1991, prospectus. Calculations indicated that at least \$300,000 of the amount invested in this fund met the investment restrictions.

The long-term investment objective is to outperform a customized benchmark composed of proportional Russell (various), S&P 500, MSCI EAFE (various), Barclays Capital Aggregate (U.S.) Bond, and Merrill Lynch indices. The overall objectives of the trust fund are twofold:

- Provide a hedge against inflation, and
- Provide a growing level of income.

Cash Flow

Cash flow is critical to TBP operations in order to pay the bills. Revenue comes from three principal sources: operational cash revenues (contributions from alumni, initiation fees/Convention assessments at \$55—each provides only \$16.00 after actual allocated costs to pay for Society operations, and *The Bent* recruitment advertising), trust earnings (with paid capital gains), and growth in the market value of the trust. TBP expenses always exceed operational cash revenues. The additional cash required is obtained from the trust.

Trust-investment earnings and market gains are defined as non-operational (or non-cash) revenue. The Constitution states that trust income is to be used for scholarships, fellowships, life-subscriber copies, Convention delegates, GIG grants, Engineering Futures, and District programs. Trust income is transferred to the checking account in two forms:

- 1) Trust-investment earnings (which, until 2001-02, covered the difference between the expenses and the operational cash revenues), and, when necessary,
- 2) The sale of shares from the trust investments (which normally are offset by growth in the market value of the trust investments).

Ideally, operational cash revenue and trust investment earnings, together, would provide the necessary cash flow (increased alumni giving would be useful in accomplishing this). The chart below presents recent cash-flow history.

Cash Flow (*thousands of dollars*):

<i>Year</i>	<i>Total Cash Received</i>	<i>Total Cash Spent</i>	<i>Transfers from Trust & Bequests spent</i>	<i>Interest Div. & Dist. CG</i>	<i>Trust Market Gains (Losses)</i>
2007-08	1,832	2,837	862	2,567	(-3,163)
2008-09	1,721	3,073	1,045	427	(-4,034)
2009-10	1,746	2,624	1,311	265	1,948
2010-11	1,920	2,848	761	454	2,920
2011-12	1,958	2,965	1,173	406	(-1,279)
2012-13	2,027	3,226	779	615	3,195
2013-14	1,975	3,409	1,315	955	2,124
2014-15		3,653	1,631	1,066	(-334)
2,580					
2015-16	2,847	3,320	1,499	1,105	(-1,415)
2016-17	3,127	3,502	1,095	633	3,567
2017-18	2,828	3,606	1,202	1,398	1,461
2018-19	2,895	3,617	1,412	2,790	(-2,897)
2019-20	3,554	3,250	997	1,379	670
2020-21	3,138	2,869	1,060	1,654	8,626



This Primer is intended to help Convention committee members understand their responsibilities. Suggestions to improve this document would be welcome.