FINANCE AND BUDGET COMMITTEE

MEMBERS

Neil H. Stollman, MD, FACG, Chair
Carol A. Burke, MD, MACG
Sunanda V. Kane, MD, MSPH, MACG
Costas H. Kefalas, MD, MMM, MS-PopH, MACG
Paul Y. Kwo, MD, MACG
Irving M. Pike, MD, MACG
Mark B. Pochapin, MD, MACG

Neil H. Stollman, MD, FACG

RESPONSIBILITIES AS STATED IN THE ACG BYLAWS

In cooperation with the Treasurer, this Committee will develop an annual operating budget and submit it to the Board of Trustees for approval. It will be the responsibility of this Committee to review the financial conditions of the College on a continuing basis and make recommendations to the Board of Trustees regarding dues, investments, contributions and all other financial aspects of the College.

OBJECTIVES

1. Conduct annual financial audit, 990 tax filing, and budget review.
2. Work with the Executive Director to prepare a new budget for presentation to the Board of Trustees at the Annual Meeting.
3. Review the performance of the College's investments and reserves.
4. Continue to refine this Committee's oversight functions in the College's activities.

COMMITTEE REPORT

The Finance and Budget Committee reviews the overall financial status of the ACG and the ACG Institute. When appropriate, the committee makes recommendations on how to finance the College's activities and maintain adequate financial reserves, including recommending a budget for the coming year. The 2027 budget draft will be reviewed and approved by the Committee and sent to the Board of Trustees for review and approval at the Annual Meeting in October. The committee will also review drafts of the audited 2025 Financial Statements for the College and the ACG Institute, as well as a draft of the 990 tax form, and recommend approval by the full Board of Trustees.

In recent years, the College has implemented an endowment spend model that provided additional revenue to support—if needed—the College's annual operating budget based on an agreed upon percentage of investment reserves put forth by the Committee (currently 3.5%). The goal is to protect the investment principal while allowing the maximum amount of funds possible to support programs and services for the College membership. This model is in place for both the College and the ACG Institute for Clinical Research and Education where it was successfully implemented several years ago and has provided both security and flexibility that has enabled effective short and long-term planning. As we continue to operate during these times of uncertainty for GI practices in all settings, the College has benefited enormously from the financial security that the careful financial stewardship over many years has provided to the College for the benefit of the membership.

This Committee continues to oversee transfers of funds to the ACG and the ACG Institute's investment reserves to provide for the ACG and the ACG Institute's long-term financial security and resource growth for the College in accordance with ACG policy, regardless of the ups and downs in the investment markets. The Committee is also responsible for overseeing and, when necessary, altering the College's Investment Policy. The past three years have seen a rebound in the market after a very rough 2022 in the stock and bond markets, and this year has been off to another strong start allowing the College to continue to fulfill our investment goals and objectives. We are watching market changes and rely on recommendations from the investment managers regarding short- and long-term market movements.

The College's (and Institute's) investments are currently split between two investment firms, each relying on independent money managers following the same overall investment policy which gives flexibility in what specific investments or investment classes are employed. This model allows the Committee to compare one firm's performance against the other and against key broader market benchmarks. This permits the Committee to consider restructuring our distribution or asset allocation, and changing one of the managers if needed, depending on return-on-investment analysis. Performance evaluation is reviewed monthly by our Executive Director and Vice President, Finance and quarterly by the Committee. An analysis of asset allocation overlap between the two brokers revealed that less than 10% of total assets held in both portfolios overlap. The Committee has also chosen to continue holding an in-person meeting with one of the investment firms during the Annual Meeting to review overall performance and analyze current financial trends or market highlights.

Since 2008, when the two current brokerage firms were selected, the cost to manage the investment funds has been treated as a budgeted expense item rather than a deduction from the investment gain/loss accounts. The Board of Trustees agreed with the Committee that this would not only increase transparency of the cost of investment management but also increase the investment yield over the long term. The ACG Investment Guidelines are reviewed at least annually and received some minor updates in 2021 to adjust some of the limits on various classes of investment holdings at the request of the investment managers in response to the pandemic impacts on the markets. A newly revised Cash Reserve & Liquidity policy requires that between 25% to 100% (target 50%) of the annual operating budget to be available in either cash or other liquid assets.

We continue to consider and review different investment vehicles for the College's financial reserves, including a property investment which includes the College's new office building which staff moved into at the beginning of 2023, and other small investment opportunities that align with the mission and investment policy of ACG.