

IUPAC Finance Committee Meeting

Monday, 11 February 2019, 09:00 – 17:00 Hours

Offices of Reber Rechtsanwälte, Utoquai 43

CH-8034 Zürich, Switzerland

Approved Minutes

Members Present: Prof. John Corish (Chair), Prof. Urs T. Ruegg, Dr. Nobuyuki Kawashima, Dr. Mark Cesa, Prof. Yiqin Gao, Mr. Colin Humphris (Treasurer), Dr. Lynn M. Soby (Executive Director)

Secretary: Dr. Lynn M. Soby

IUPAC President: Prof. Qi-Feng Zhou

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

JC

Prof. Corish welcomed the Finance Committee members as well as the President Professor Zhou and thanked them for serving on the committee. He was pleased with the full attendance at the meeting because it was taking place at a pivotal time in the finances of the Union.¹ He thanked Reber Rechtsanwälte for the excellent arrangements and facilities. He thanked Dr. Soby, Executive Director and Mr. Humphris, Treasurer for their diligent work in preparing the Detailed Agenda and Agenda Book for the meeting. All present joined in their appreciation of this work.

Given the successful negotiation of the new National Subscription model and the stability that it would bring to that part of our income it would be essential to now review and renew our financial management to reflect the new reality and secure a future that would be sustainable.

2. FINANCE COMMITTEE MEMBERSHIP

JC

The terms of service of the current members are as follows:

Prof. John Corish (Chair)	2016-2019 (End First Term, eligible for re-election)
Dr. Mark Cesa	2018-2021 (First Term)
Prof. Yiqin Gao	2018-2021 (First Term)
Prof. Urs T. Ruegg	2016-2019 (First Term, eligible for re-election)
Dr. Nobuyuki Kawashima	2016-2019 (End of Second Term)

The Treasurer and the Executive Director of IUPAC are *ex officio* members of the Finance Committee without voting power. The membership and terms of service were noted and discussed later at the end of the FC meeting with regard to the upcoming election timetable.

3. MINUTES OF 2018 FINANCE COMMITTEE MEETING

JC

3.1 APPROVAL OF MINUTES OF THE 2018 FINANCE COMMITTEE

The FC formally approved the minutes of the 2018 Finance Committee as presented in the agenda book. Prof. Corish and Dr. Soby will sign the minutes for the official record.

3.2 ITEMS FROM MEETINGS OF 157TH EXECUTIVE COMMITTEE AND 101ST BUREAU **CH**

IUPAC Finance Committee Meeting 2019

Approved Minutes

Mr. Humphris discussed the items from the 157th Executive and 101st Bureau meetings that were relevant to the Finance Committee. The meetings had focused on two priorities: completion of the project to revise the formula for National Subscriptions and preparations for the UN International Year of the Periodic Table (IYPT) and the IUPAC Centenary (IUPAC100).

The EC reviewed the successful outcome of voting on Council National Subscriptions whilst noting with concern those countries that voted against the new model: China, Switzerland, Thailand, Czech Rep., Hungary and Egypt. Their future intentions are unclear although 2018 subscriptions are paid. China considers its subscription too high to be sustainable. Brazil requested the waiving of subscriptions in 2018 and 2019 and reduction to the new calculated subscription thereafter. The EC declined. Subsequently they and Mozambique have indicated that they will leave IUPAC in 2019 citing the cost of membership during difficult financial times.

EC members were also very concerned about the implications of the EU Plan S that seeks to prevent researchers funded by governments and the EU from publishing in subscription bearing journals. Results would only be published on free platforms. This is potentially game changing for science publishing and might impact IUPAC directly and indirectly; our publishing income from De Gruyter and the ability of those chemistry societies who rely on publishing income to pay their NAO subscriptions.

[FC 3.2.1 Action] The Finance Committee supported the proposed approach to address the issues arising from PlanS implementation.

IUPAC members of the IYPT Management Committee and arrangements for the secretariat and banking for IYPT to be managed by the Royal Netherlands Chemistry Society KNCV were approved.

Preparations for IUPAC100 activities were agreed as these have involved additional operational costs and an additional website (subsite) as well as website improvements for activities such as the Periodic Table Challenge, Periodic Table of Younger Chemists, the Global Breakfast and the IUPAC Stories. There is ~\$50,000 within contracted services. These improvements will be of longer-term use for *Chemistry International* and the ongoing operation of the Periodic Table Challenge for educational purposes as well as the main iupac.org website capabilities.

A joint Sponsorship Brochure was approved for those who wish to support activities through IUPAC and principles agreed for sharing funds. IUPAC's secretariat manages an IYPT2019 USD account for sponsorship funds.

The EC agreed with the Evaluation Committee's recommendation to terminate CHEMRAWN at the end of the current biennium and to notify the CHEMRAWN officers of the intention to recommend this to Council in Paris.

IUPAC Finance Committee Meeting 2019
Approved Minutes

[FC 3.2.2 Action] The Finance Committee supported the EC decision to terminate CHEMRAWN and bring this to Bureau and Council for approval. The FC articulated that the funds in the CHEMRAWN Restricted account, which are incorporated into the IUPAC Endowments funds, belong to IUPAC to manage.

The formation of an inter-divisional subcommittee on the evaluation of critical data was approved. This will only meet at General Assemblies and is therefore not an additional cost.

An IUPAC privacy policy for data on IUPAC volunteers was developed and agreed by the EC to ensure compliance with the European General Data Protection Regulation (GDPR). This was implemented on the IUPAC.org website for all members and contacts of IUPAC, not only EU residents.

The recommendation of the Finance Committee to appoint McMillan, Pate and Company, LLP was approved and will go to Council in Paris for undertaking the audit of 2019/2020.

4. SPECIAL ITEMS AND UPDATES RELEVANT TO THE FINANCE COMMITTEE **CH**

4.1 CENTENARY OF IUPAC 2019

The Treasurer stated that a significant effort was being made to raise the main IUPAC100 projects with potential sponsors and to encourage wide engagement in the activities, the Periodic Table Challenge, the Global Women's Breakfast, IUPAC Stories, and the Periodic Table of Younger Chemists <https://iupac.org/100/>. To date, IUPAC received a donation from the American Chemistry Society, Chinese Chemical Society located in Taipei and from two private donations, so the overall response of \$18.3k has been disappointing. The WCLM in Paris will involve the CEO's from major chemical companies there is hope that this might provide a platform for longer term engagements.

4.2 INTERNATIONAL YEAR OF THE PERIODIC TABLE OF CHEMICAL ELEMENTS
[IYPT2019]

The year is underway managed through a secretariat in KNCV. IYPT2019 has received direct sponsorship from the co-organizing Unions and corporations. IUPAC does not control these funds and they are not included in our main accounting statements. A sub-account for IYPT2019 was established for potential sponsorship and currently has \$9.7k from ACS and an unpaid invoice from EuCheMS. IUPAC funding to IYPT is \$37,000 supplied through a project shared between the Divisions and Committees.

IUPAC Finance Committee Meeting 2019

Approved Minutes

[FC4.1 & 2] THE FINANCE COMMITTEE ACKNOWLEDGED AND APPROVED THE EFFORT OF THE TREASURER AND EXECUTIVE DIRECTOR IN THE MANAGEMENT OF IUPAC100 AND IYPT2019 FINANCIAL ITEMS.

5. AUDITED FINANCIAL STATEMENT FOR 2017

CH

5.1. 2017 AUDIT

The 2017 Audit report, which was included in the agenda book for reference, gave IUPAC a clean bill of health. The audit was completed in February 2018.

[FC5.1] The Finance Committee endorsed the 2017 Audit.

5.2 2018 AUDIT STATUS

The Executive Director provided an update on the 2018 audit process. The 2018 audit started in December 2018 with a 3 day on-site visit to begin work and initial testing of the financial and operations processes. Given the improvement in the accounting processes a significant amount of information was provided for testing and early review (January through November 2018). The enhanced audit processes continue to enable a final audit report by end of March 2019 to be available for Bureau meeting on 6 April 2019. Auditors will be on-site for testing and finalization of accounts the week of 25 February 2018. Schedules and information required for February are being prepared by Tammy Bridges, who began working as the IUPAC financial controller in mid-October 2018.

6. FINANCIAL OPERATIONS FOR 2018 REVIEW

CH

6.1 THE PROFIT AND LOSS STATEMENT FOR 2018

The P&L, which was included in the Agenda book, showed a loss (\$339,951) versus a projected budget surplus of \$144,227 largely due to two factors; an adverse but unrealized swing in the value of the investment portfolio that occurred substantially during Q4 2018 of (\$304,024) and the decision to withdraw funds (\$63,677) to settle pressing volunteer expense claims in December 2018. *[Total \$367,701]* At an operating level 2018 would have shown a small surplus, est. \$120k.

Other income variations from budget of note were:

- National subscriptions down \$33k due to pending payment of Puerto Rico (negotiated to the 2019 NS level of \$5,015 as of 31 January 2019), non-payment of Jordan (2 years in arrears ~\$2,000), Bangladesh (\$1,984.50), Mozambique (\$1,102.50). Jordan is currently 24 months in arrears (second time). Bangladesh and Mozambique are currently 12 months in arrears and are not subject to automatic removal.
- Company Associate subscriptions were well up versus 2017 but are below an ambitious plan.

IUPAC Finance Committee Meeting 2019

Approved Minutes

- Affiliate member subscriptions are slightly down from 2017 and below the ambitious budget as we transitioned USA-ACS members to IUPAC.
- No income was realized from publishing databases, otherwise publishing on plan.

Expenses:

- Secretariat costs were below plan by \$94.8k predominately due to total staff costs. The full budgeted salary increase was not undertaken and Jay Lucido's resignation meant a period with one less staff. FC members noted however that Jay continued to support IUPAC in his spare time and helped to bring our new controller, Tammy Bridges, up to speed. His commitment and contributions have been recognized.
- Total travel and meetings are on plan.

The summary of the P&L shown below was reviewed by the FC:

**IUPAC Finance Committee Meeting 2019
Approved Minutes**

IUPAC Income Statement - Summary						
	2017 Actual	2018 Actual	2018 Annual Budget	2018 Actual vs Budget Variance	Actual 2017 vs 2018 Variance	
Income						
Program Income	\$ 1,206,634	\$ 1,178,859	\$ 1,291,319	(112,460)	(27,775)	
Direct Public Support	15,541	20,000	36,000	(16,000)	4,459	
Investments	445,541	(210,110)	141,000	(351,110)	(655,651)	
Sponsorship Revenue	0	27,821	0	27,821	27,821	
Merchandise Revenue - Pins	0	1,210	0	1,210	1,210	
Total Income	1,667,716	1,017,780	1,468,319	(450,539)	(649,937)	
Gross Profit	\$ 1,667,716	\$ 1,017,780	\$ 1,468,319	(450,539)	(649,937)	
Expense						
Awards, Grants & Contribution	28,749	40,551	0	(40,551)	(11,802)	
Fixed Costs - Salaries & Benefits	540,447	517,257	607,952	90,695	23,189	
Lease, Insurance & Bank Fees	95,838	96,305	83,832	(12,473)	(467)	
General & Administrative Expenses	90,049	71,504	60,795	(10,709)	18,545	
Contracted Services	83,199	137,607	63,750	(73,857)	(54,408)	
Depreciation Expense	38,684	41,584	46,104	4,520	(2,900)	
Other Expenses	27,392	28,496	28,100	(396)	(1,104)	
Travel & Meetings	656,338	433,292	423,559	(9,733)	223,046	
Miscellaneous Expense	(35,536)	0	0	0	(35,536)	
Total Expenses	\$ 1,525,160	\$ 1,366,597	\$ 1,314,092	(52,505)	158,563	
Net Ordinary Income / (Loss)	\$ 142,556	\$ (348,817)	\$ 154,227	(503,044)	(491,373)	
Other Income & Expenses						
Other (Income)	(587)	(355)	0	355	(232)	
Other Expense	(9,550)	(8,511)	10,000	18,511	(1,039)	
Net Other Income / Expense	\$ (10,137)	\$ (8,866)	\$ 10,000	18,866	(1,271)	
Nominal Income / (Loss) for the period	\$ 152,693	\$ (339,951)	\$ 144,227	(484,178)	(492,644)	

6.2 BALANCE SHEET FOR 2018

The balance sheet that was included in the Agenda book showed a healthier position in comparison with December 2017. Cash available exceeded liabilities although FC members noted the line of credit (LoC) still remaining at \$308k. It had been hoped to clear this ahead of the expenses that will follow during 2019.

IUPAC Finance Committee Meeting 2019
Approved Minutes

Accounts payable are \$79k, also a significant improvement on 2017.

The main infrastructure project, the new database system of \$55k, is shown as Work in Progress but is complete and in operation. Upon advice from our auditors, the database will begin depreciating in January 2019. User authentication and a partial amount of the “*CI Digital First*” effort is currently in the depreciation schedule.

The balance sheet shown below for reference was reviewed by the FC:

**IUPAC Finance Committee Meeting 2019
Approved Minutes**

IUPAC Balance Sheet As of 31 December 2018					
		Dec-16	Dec-17	Dec-18	2017 / 2018 Variance
ASSETS					
Current Assets					
Checking/Savings					
Total Checking/Savings		179,726	303,987	384,524	80,537
Accounts Receivable					
Total Accounts Receivable		91,984	305,638	48,346	(257,291)
Other Current Assets					
Undeposited Funds		0	0	606	606
Inventory		0	0	0	0
Sales Tax Receivable		1,336	907	627	(280)
Total Prepaid Expenses		2,382	4,822	7,132	2,310
Total Other Current Assets		3,718	5,729	8,365	2,636
Total Current Assets		275,428	615,353	441,235	(174,118)
Fixed Assets					
Total Fixed Assets		187,992	192,078	179,137	(12,941)
Security Deposits		3,565	3,565	3,565	0
Total Marketable Securities		3,889,081	4,097,527	3,729,826	(367,701)
Total Other Assets		3,892,646	4,101,092	3,733,391	(367,701)
TOTAL ASSETS		\$ 4,356,066	\$ 4,908,523	\$ 4,353,764	\$ (554,760)
LIABILITIES & EQUITY					
Liabilities					
Current Liabilities					
Accounts Payable					
Total Accounts Payable		81,125	198,792	79,285	(119,507)
Total Credit Cards		172	1,053	4,798	3,746
Other Current Liabilities					
Total Payroll Liabilities		44,701	49,035	46,601	(2,435)
Total Unearned Membership Income		21,823	50,702	150	(50,552)
Unearned Publication Inc		0	125	0	(125)
Deferred Rent		21,506	19,351	15,640	(3,711)
Total Short-term Notes Payable		100,000	350,000	307,776	(42,224)
Total Other Current Liabilities		188,030	469,213	370,166	(99,047)
Total Current Liabilities		269,327	669,058	454,250	(214,808)
Total Liabilities		269,327	669,058	454,250	(214,808)
Equity					
Net Asset w/ Donor Restriction		204,357	204,357	204,357	0
Net Asset w/o Donor Restriction		100,110	111,809	108,761	(3,048)
Unrestricted Net Assets		3,749,795	3,770,606	3,926,347	155,741
Nominal income / (loss) for the period		32,477	152,693	(339,951)	(492,644)
Total Equity		4,086,739	4,239,465	3,899,514	(339,951)
TOTAL LIABILITIES & EQUITY		\$ 4,356,066	\$ 4,908,523	\$ 4,353,764	\$ (554,760)

[FC6.1a, b, c; 6.2] The FC endorsed the management of the 2018P&L and Balance Sheet, the Secretariat P&L and management and handling of 2018-2019 exceptional cases of IUPAC100 and IYPT2019.

IUPAC Finance Committee Meeting 2019
Approved Minutes

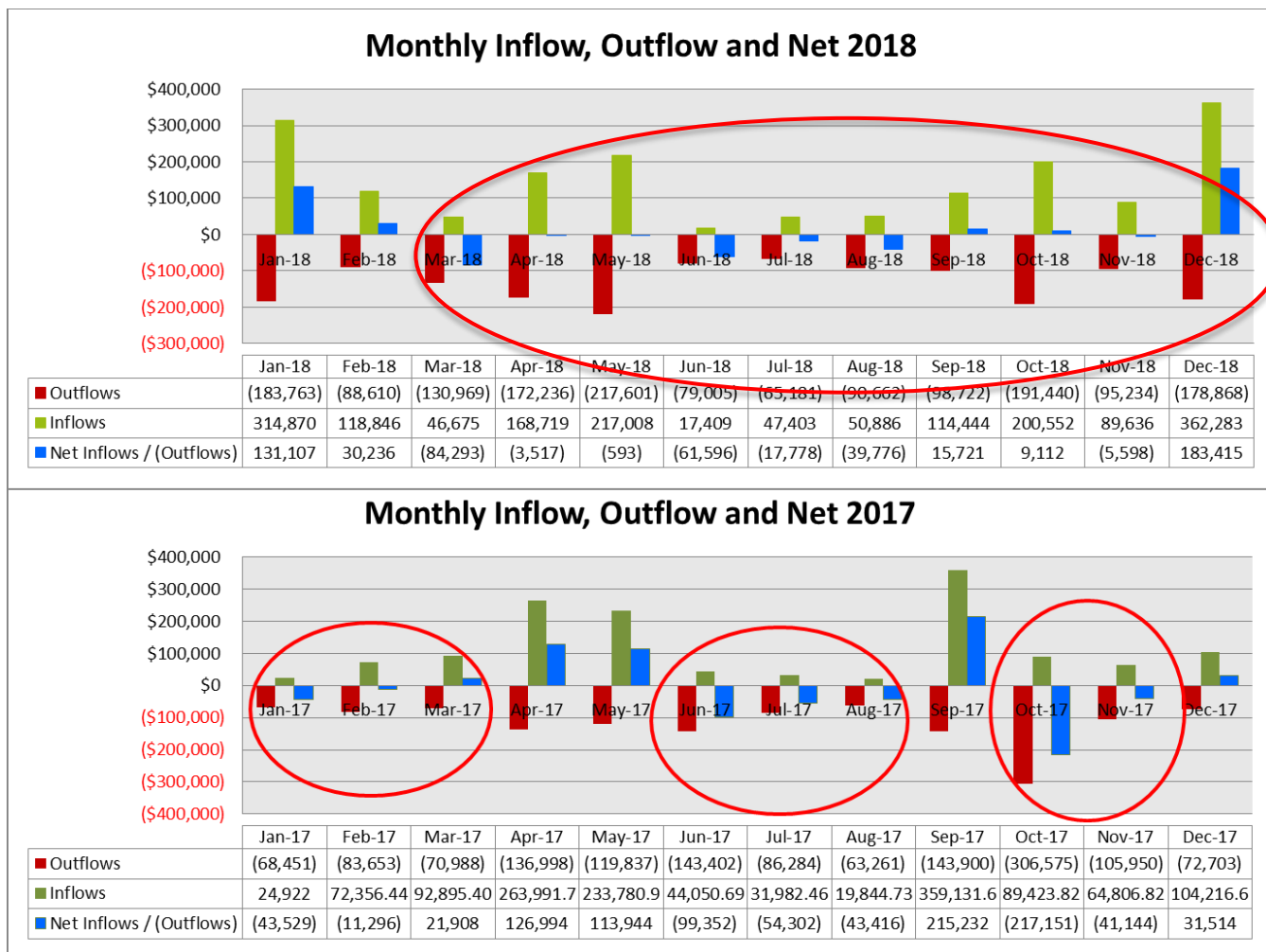
6.3 CASH FLOW REPORT FOR 2018

The 2018 cash flow summary is shown below and is a familiar picture. The pressure on cash throughout and at the end of the year is clear. The chart includes the cash realized from investments. The full Year End Cash Flow report was in the agenda book and was also reviewed by the FC.

While the overall situation is familiar, the comparison of 2017 vs. 2018 indicates that

- 2018 had 3 months of net cash positive
- Almost the full year of 2018 required close monitoring of income vs. expense and required use of cash from the LoC and two “holds” on payouts
- NS from China/Beijing for 2017 was received in January 2018 and the 2018 NS received in late December 2018.

IUPAC Finance Committee Meeting 2019
Approved Minutes



6.4 PUBLICATIONS AND SUBSCRIPTIONS

Publications and Royalties income was down \$43k on plan but this was accounted for by the lack of any income from databases. The De Gruyter database was not a stand-alone success. It is now bundled with *Pure and Applied Chemistry* (PAC) and *Chemistry International* (CI) as an offer to libraries. What is shown as the Springer database relates to the Solubility Data Series. An agreement is now being finalized with the American Institute of Physics regarding ownership and rights to publish to enable some future earnings from a potential SDS database with joint ownership and royalty potential.

The FC noted that the net income for PAC & CI has plateaued at approximately \$200k.

6.5 AFFILIATE MEMBERS PROGRAM 2018

The implementation of the revised AMP program for 2018 had been discussed at the 2018 FC meeting. The revision includes a price increase for base membership to \$50

IUPAC Finance Committee Meeting 2019

Approved Minutes

p.a. The AMP benefit of receiving a print copy of CI as a default was changed to receiving authenticated digital access at De Gruyter's site. Those that want a print copy of CI pay an additional \$25.00 to offset the costs. AMPs can join through their NAO Coordinator earning the NAO \$20.00 of the \$50.00. An improvement has also been implemented for receiving IUPAC "direct" payments for AMPs to provide easy application and credit card payment of the AMP fee online.

The FC noted that 2019 Affiliate Membership program historically coordinated by ACS is now managed directly by IUPAC and the full subscription amount is credited to IUPAC. This has increased workload, but the process improvements in database to website linkage, electronic access to documents, official membership card and payments via STRIPE gave us an ability to transition the ACS members.

Despite the subscription increase overall income fell from \$30k in 2017 (which included a December 16 ACS payment) to \$25k in 2018, corresponding to the implementation of the ACS turnover and Brazil's and Poland's non-participation (~\$1,140 less from Brazil and loss of 38 AMs from Poland. Spain sent information on their 2018 AMP members (76) in October after closing the 2018 deadline. While the income is slightly lower, the estimated cost saving for the 2018 transition to digital access of CI of our members/volunteers and basic AMP (Sponsored and Paid) is \$25.4k (elimination of Print copies). There was also an expectation that some of the IUPAC volunteers may want a print copy of CI and be willing to pay for it-however, none did so.

The budget expectations for 2020/2021 have been revised down as a result but the FC recommended that gaining AMP members should remain a major focus.

6.6 COMPANY ASSOCIATE PROGRAM 2018

The Company Associate pricing structure implemented for 2018 included an increase over time for the current heritage (2017) CAs to the target amount of \$2,500 per CA. New CAs are being charged \$2,500 starting in 2018.

In the development of the 2018-2019 budget for the CA program, a model of income was prepared. The Finance Committee noted that maintaining the existing CAs as well as adding new CAs would have a material effect on IUPAC's income. This was the case in 2018 with earnings rising to \$16k, although short of the ambitious budget (\$30k) as the FC had feared. Budget expectations from the next biennium have been adjusted to a lower figure.

The FC noted that there were currently 25 heritage members, 2 new members and 16 members lost through the implementation of the change, non-participation and non-payment. It is clearly necessary to encourage the IUPAC leadership organizations to focus on the CA program and encourage companies to become involved in the all the work across IUPAC. The CA offer now includes more than membership of COCI.

6.7 INVESTMENT PORTFOLIO INTEREST AND DIVIDEND

IUPAC Finance Committee Meeting 2019
Approved Minutes

Investment and dividend earnings before fees were \$138.6k compared to budget plan of \$141k. (3.60%). Earnings net of fees are \$94.6 k, which is a 2.46% return.

6.8 BIENNIUM BUDGET PROJECTION/FORECAST 2018-2019

The biennium budget for 2018/19 showed a forecast of a loss of \$155k. The actual outcome will be highly dependent on the performance of the financial portfolio as in 2018. It will also be necessary to factor in the loss of Brazil and Jordan (Mozambique at end of 2019) as NAOs and to grow CA and AMP membership. The FC noted that the EC is playing close attention to travel costs for IYPT and IUPAC100 events/activities and that cash will undoubtedly remain an issue through 2019.

6.9 SPECIAL ITEMS OF EXPENSES (INVESTMENTS) INCURRED IN 2018

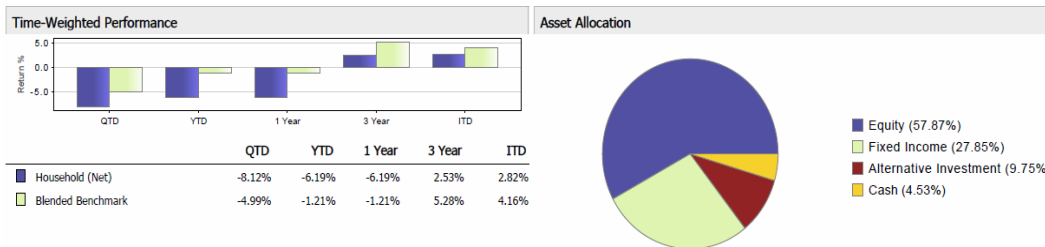
There were no new items of special expenditure during 2018 although as mentioned about some \$50k was spent in support of IUPAC 100 activities.

7. INVESTMENT PORTFOLIO

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7.1 PORTFOLIO PERFORMANCE 2018 AND HISTORICAL PERFORMANCE

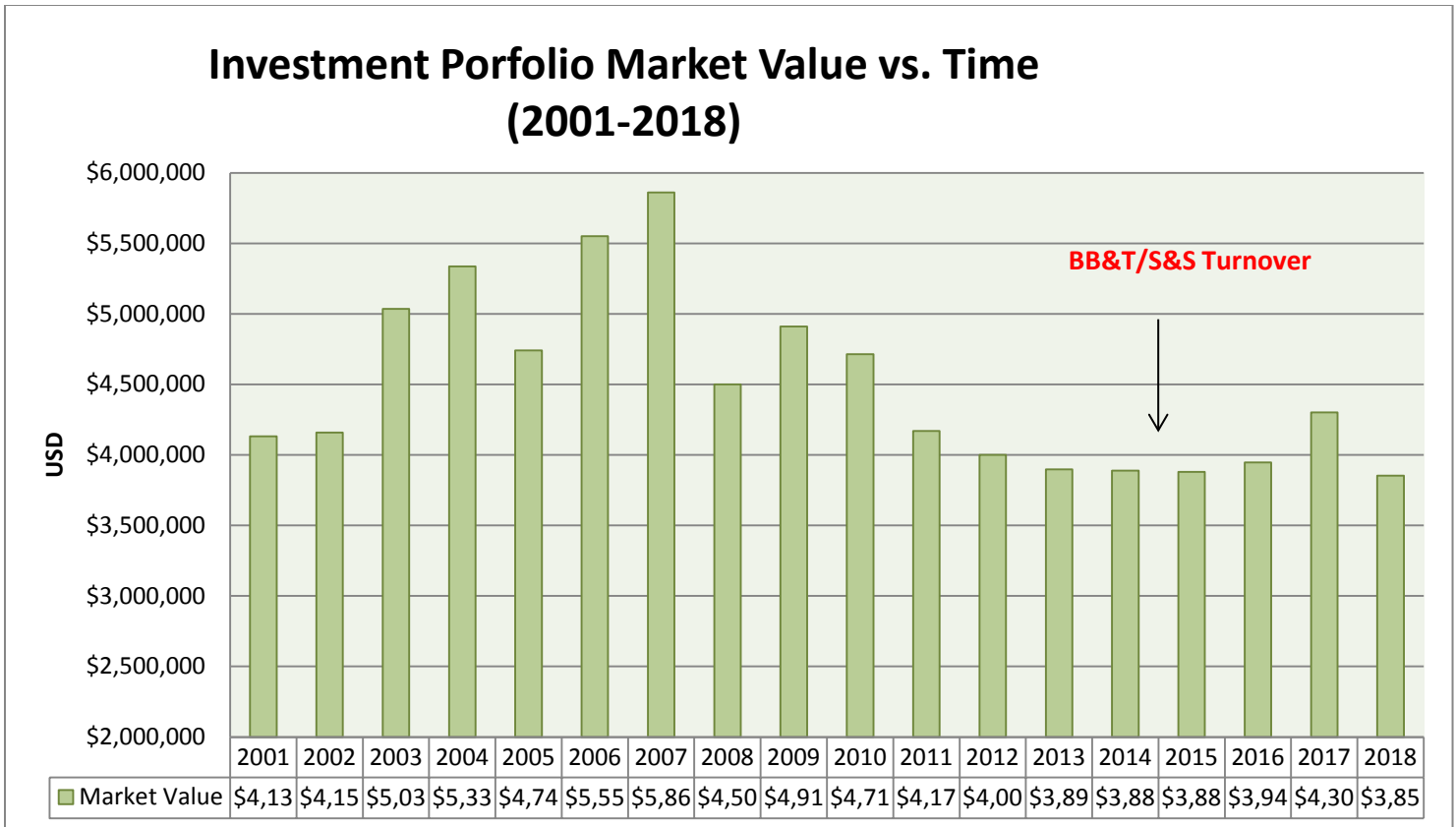
The 31 December Investment summary report is in the agenda book. In summary, the last month of 2018 was an extremely volatile time in the market. ** The FC noted that the year-end investment of \$3,854,222 has regained ~\$211,204 (balance = \$4,066,114 as of the date of its meeting).*



	QTD	YTD	ITD (11/24/2014)
Beginning Market Value	\$4,325,039	\$4,304,182	\$1,285,440
Contributions/Withdrawals	-\$125,036	-\$192,634	\$2,111,026
Income	\$30,746	\$128,230	\$551,625
Capital Appreciation	-\$376,528	-\$385,556	-\$93,869
Ending Market Value	\$3,854,222	\$3,854,222	\$3,854,222

Historical IUPAC Investment Portfolio viewpoint

IUPAC Finance Committee Meeting 2019
Approved Minutes



7.2 IUPAC INVESTMENT POLICY ANNUAL REVIEW

The IUPAC investment policy was in the Agenda Book for review by the Finance Committee. This annual review is requested by BB&T/Scott & Stringfellow as a best practice to assure alignment of the portfolio management with IUPAC policy. The core issue is the fit between the approved risk profile, the current portfolio and the scope for changes.

[FC7.2] The FC reviewed the investment policy and decided to review it again prior to the first quarter Investment Portfolio review in April 2019.

7.3 IUPAC FUND POLICY STATEMENT (UPDATED)

The Finance Committee agreed to update the Fund Policy Statement at its 2018 meeting. The statement places a requirement to hold a certain amount of funds to operate for a biennium, which is estimated \$2.7m [18-19]. The FC agreed the removal of the General Assembly Special Fund of \$250,000, which was understood as a contingency fund over any budgeted GA amount and is no longer relevant with the current approach to organizing General Assemblies. An updated IUPAC Fund Policy Statement was reviewed by the FC.

IUPAC Finance Committee Meeting 2019
Approved Minutes

[FC7.3] The updated Fund Policy Statement was approved.

7.4 USE OF FUNDS FROM THE IUPAC ENDOWMENT

IUPAC has a policy of appropriating for distribution each year the interest income allocated to each of its endowment funds, with such allocation approximating a 2.16% in 2017 and 2.50% in 2018, respectively. In establishing this policy, management of IUPAC considered the long-term expected return on its endowment. This is consistent with IUPAC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The recommendation for 2019 is 2.46% to be applied to the Restricted Funds balance based upon the return of the portfolio, net of fees.

The three permanently restricted funds (CHEMRAWN, Fransozini, and Hanwha (Samsung)) comprise ~5.3% of our total portfolio (at 31Dec MV \$3.85M)

[FC7.4] Use of funds from the IUPAC Endowment was approved at 2.46% for 2019, to be applied in December 2019 to funds balance.

7.5 REPORTING AND QUARTERLY REVIEW OF PORTFOLIO

Quarterly meetings of the Finance Committee with the investment managers were held in 2018. The FC decided to continue the regular schedule of quarterly reviews with our portfolio managers.

[FC7.5] The FC endorsed the 2019 investment portfolio reviews be held third week of the month following closing of each quarter. April, July (* Will have to be postponed due to GA and vacation scheduled. Suggest last week 29-31 July, October, January 2020)

The FC requested changes to be implemented with the Investment Managers so that a number of choices – rather than a single recommendation - be presented for any changes proposed in the allocation of investments.

8. NATIONAL SUBSCRIPTION TASK FORCE

CH/LS

8.1 FINAL REPORT OF THE TASK FORCE

IUPAC Finance Committee Meeting 2019

Approved Minutes

The recommendations of the National Subscription Task Force had been adopted by Council through a webinar process conducted in September 2018. The formal notification letter stating the results to the NAOs is in the agenda book.

Results of Council Votes-National Subscription Model, Results and Implementation

Total Votes Possible: 169 Majority: 86

1. Council is asked to approve the new National Subscription Model
For = 102 **Motion approved**
Against = 21
Abstain = 0 (no vote)
Dismissed = 1
Total Votes Cast: 123

2. Council is asked to approve the implementation plan of $\pm 3\%$ p.a. of the National Subscriptions from 2019 to 2023
For = 106 **Motion approved**
Against = 21
Abstain = 0 (no vote)
Dismissed = 1
Total Votes Cast: 127

3. Council is asked to approve the Bureau/NSTF recommendation for treating “Minimum Paying” Countries
For = 108 **Motion approved**
Against = 9
Abstain = 1 (no vote)
Dismissed = 1
Total Votes Cast: 117

4. Council is asked to approve the recommendation for Puerto Rico’s *immediate* reduction to the NS Target for 2019 due to unique circumstances.
For = 115 **Motion approved**
Against = 2
Abstain = 1 (no vote)
Dismissed = 1
Total Votes Cast: 117

5. Council is asked to approve the National Subscriptions for 2019-2023.
Yes= 105 **Motion approved**
No = 18
Abstain = 0
Dismissed = 1
Total Votes Cast: 123

Total Number of Participating NAOs: 33/55 (60%)

IUPAC Finance Committee Meeting 2019
Approved Minutes

The model adopted was based on statistical advice from SAMSI (Statistical and Applied Mathematical Sciences Institute, RTP) in what was essentially a regression analysis of data over the past four years based on three national factors; the number of chemistry publications, the relative size of the chemical industry and GDP. Internationally comparable data is available for all three factors. It will be implemented for the next two biennia to 2023 when the data will be updated. The status update letter to the NAOs is in the agenda book for reference.

[FC8.1] Final report of the National Subscription task force was reviewed as were its implications for the future finances of the Union. The FC Chair noted appreciation of the multiple years of effort to accomplish the work and obtaining the approval by Council of the new model of National Subscription.

The number of those NAOs who did not vote was requested. The number of NAOs who did vote were 33 of 55 (60%) via email or Go To Webinar. A detailed report will be shared with the FC prior to the 1st Quarter Investment review meeting in early April 2019.

8.2 EFFECT ON FUTURE ANNUAL SUBSCRIPTION INCOME

The equation for calculation of national subscriptions was modelled over a number of years to ensure the subscription income remained stable at ~ \$900k. Holding the total at this level for the current group of members was a commitment to Council in Sao Paulo. An adjusted Annual Subscription table was included in the agenda book, reflecting the withdrawal of Brazil, beginning in 2019.

The FC noted that, importantly, the formula gives an absolute way of calculating the subscription of new members which directly adds to the income of IUPAC.

[FC8.2] The FC noted the effect of the new NS model on the total National Subscriptions for 2019-2022 that anticipates lower National Subscription income and the importance of gaining new NAOs.

9. REVIEW OF DRAFT BUDGET PROPOSALS FOR NEXT BIENNIUM (2020-2021) CH

In preparing the budget for 2020/21 the Treasurer and Executive Director discussed three models for the FC review, input and consideration:

- Model 1 simply extrapolates the current operation structures of IUPAC taking account of known changes for the NAOs and including less ambitious targets for CA and AMP. This shows a biennium deficit of (\$472k) in the P&L Statement.

**IUPAC Finance Committee Meeting 2019
Approved Minutes**

Budget Model 1: BASELINE BUDGET	2018		2019	2020	2021
	Budget	Actual	Budget	Budget	Budget
Ordinary Income/Expense					
Income					
Total Program Income	1,291,319	1,178,859	1,336,769	1,137,691	1,148,613
Total Direct Public Grants	30,000	20,000	30,000	30,000	30,000
Total Direct Public Support	5,000	-	10,000	5,000	10,000
Total Government Grants	1,000	-	1,000	1,000	1,000
Total Investments	141,000	(210,110)	142,000	141,000	142,000
Merchandise					
Merchandise – Pins	-	1,210	-	-	-
Total Merchandise	-	1,210	-	-	-
Sponsorship					
Sponsorship – IUPAC 100	-	18,106	-	-	-
Sponsorship – IYPT 2019	-	9,715	-	-	-
Total Sponsorship	-	27,821	-	-	-
Miscellaneous Income	-	-	-	-	-
Total Income	1,468,319	1,017,780	1,519,769	1,314,691	1,331,613
Cost of Goods Sold					
Cost of Goods Sold	-	-	-	-	-
Gross Profit	1,468,319	1,017,780	1,519,769	1,314,691	1,331,613
Expense					
Total Awards, Grants & Contributions	-	40,551	10,000	-	10,000
Total Salaries & Earned Vacation	475,497	415,159	489,765	504,455	519,589
Total Employee Benefits	137,809	106,484	149,859	80,389	84,255
Total Insurance & Workers Comp	2,600	2,007	2,700	2,800	2,900
Total Lease & Rent Expense	57,227	62,890	57,052	69,363	69,794
Total Interest, Payroll & Bank Fees	20,750	27,024	20,800	21,537	23,537
General & Administrative Exp					
Office Supplies	3,300	3,356	3,400	3,600	4,000
Total IT Support & Maintenance	24,300	31,847	25,300	35,180	36,300
Total Communication Expense	6,515	5,125	5,567	5,535	5,785
Total Cost of CI Production (DG)	19,380	22,715	25,858	32,000	33,000
Total Postage, Prntg & Ref Materials	7,300	8,461	8,700	7,300	8,700
Total General & Administrative Exp	60,795	71,504	68,825	83,615	87,785
Total Contracted Services	63,750	137,607	63,750	98,950	91,800
Total Facilities and Equipment	46,104	41,584	46,104	52,120	52,120
Total Other Expenses	28,100	28,496	28,100	29,815	30,382
Total Travel & Meetings	423,560	433,292	872,340	434,060	749,340
Miscellaneous Expenses	-	-	-	-	-
Total Expense	1,316,192	1,366,597	1,809,295	1,377,104	1,721,501
Net Ordinary Income	152,127	(348,817)	(289,526)	(62,413)	(389,888)
Net Other Income (Expense)	(10,000)	8,866	(10,000)	(10,000)	(10,000)
	142,127	(339,951)	(299,526)	(72,413)	(399,888)
Biennium Loss			(157,399)		(472,301)

- Model 2 builds on this but allows a shift in project funding to reflect the current strategy with its focus on cross divisional/committee activities and new work on sustainable development and digital standards. (\$517k)

**IUPAC Finance Committee Meeting 2019
Approved Minutes**

Budget Model 2: Modified Baseline	2018		2019	2020	2021
	Budget	Actual	Budget	Budget	Budget
Ordinary Income/Expense					
Income					
Total Program Income	1,291,319	1,178,859	1,336,769	1,137,691	1,148,613
Total Direct Public Grants	30,000	-	30,000	30,000	30,000
Total Direct Public Support	5,000	20,000	10,000	5,000	10,000
Total Government Grants	1,000	-	1,000	1,000	1,000
Total Investments	141,000	(210,110)	142,000	141,000	142,000
Merchandise					
Merchandise – Pins	-	1,210	-	-	-
Total Merchandise	-	1,210	-	-	-
Sponsorship					
Sponsorship – IUPAC 100	-	18,106	-	-	-
Sponsorship – IYPT 2019	-	9,715	-	-	-
Total Sponsorship	-	27,821	-	-	-
Miscellaneous Income	-	-	-	-	-
Total Income	1,468,319	1,017,780	1,519,769	1,314,691	1,331,613
Cost of Goods Sold					
Cost of Goods Sold	-	-	-	-	-
Gross Profit	1,468,319	1,017,780	1,519,769	1,314,691	1,331,613
Expense					
Total Awards, Grants & Contributions	-	40,551	10,000	-	10,000
Total Salaries & Earned Vacation	475,497	415,159	489,765	504,455	519,589
Total Employee Benefits	137,809	106,484	149,859	109,010	112,875
Total Insurance & Workers Comp	2,600	2,007	2,700	2,800	2,900
Total Lease & Rent Expense	57,227	62,890	57,052	69,363	69,794
Total Interest, Payroll & Bank Fees	20,750	27,024	20,800	21,537	23,537
General & Administrative Exp					
Office Supplies	3,300	3,356	3,400	3,600	4,000
Total IT Support & Maintenance	24,300	31,847	25,300	35,180	36,300
Total Communication Expense	6,515	5,125	5,567	5,535	5,785
Total Cost of CI Production (DG)	19,380	22,715	25,858	32,000	33,000
Total Postage, Prntg & Ref Materials	7,300	8,461	8,700	7,300	8,700
Total General & Administrative Exp	60,795	71,504	68,825	83,615	87,785
Total Contracted Services	63,750	137,607	63,750	98,950	91,800
Total Facilities and Equipment	46,104	41,584	46,104	52,120	52,120
Total Other Expenses	28,100	28,496	28,100	29,815	30,382
Total Travel & Meetings	423,560	433,292	872,340	432,971	738,265
Miscellaneous Expenses	-	-	-	-	-
Total Expense	1,316,192	1,366,597	1,809,295	1,404,636	1,739,047
Net Ordinary Income	152,127	(348,817)	(289,526)	(89,945)	(407,434)
Net Other Income (Expense)	(10,000)	8,866	(10,000)	(10,000)	(10,000)
	142,127	(339,951)	(299,526)	(99,945)	(417,434)
Biennium Loss			(157,399)		(517,378)

- Model 3 might be referred to as an austerity budget in which we have eliminated the costs of many of the major administrative meetings (EC, Bureau, FC), assumed CHEMRAWN is closed and takes a more conservative view of discretionary payments where possible (\$383k).

**IUPAC Finance Committee Meeting 2019
Approved Minutes**

Budget Model 3: Strategic	2018		2019	2020	2021
	Budget	Actual	Budget	Budget	Budget
Ordinary Income/Expense					
Income					
Total Program Income	1,291,319	1,178,859	1,336,769	1,137,691	1,148,613
Total Direct Public Grants	30,000	-	30,000	30,000	30,000
Total Direct Public Support	5,000	20,000	10,000	5,000	10,000
Total Government Grants	1,000	-	1,000	1,000	1,000
Total Investments	141,000	(210,110)	142,000	91,000	192,000
Merchandise					
Merchandise - Pins	-	1,210	-	-	-
Total Merchandise	-	1,210	-	-	-
Sponsorship					
Sponsorship - IUPAC 100	-	18,106	-	-	-
Sponsorship - IYPT 2019	-	9,715	-	-	-
Total Sponsorship	-	27,821	-	-	-
Miscellaneous Income	-	-	-	-	-
Total Income	1,468,319	1,017,780	1,519,769	1,264,691	1,381,613
Cost of Goods Sold					
Cost of Goods Sold	-	-	-	-	-
Gross Profit	1,468,319	1,017,780	1,519,769	1,264,691	1,381,613
Expense					
Total Awards, Grants & Contributions	-	40,551	10,000	-	10,000
Total Salaries & Earned Vacation	475,497	415,159	489,765	504,455	519,589
Total Employee Benefits	137,809	106,484	149,859	109,010	112,875
Total Insurance & Workers Comp	2,600	2,007	2,700	2,800	2,900
Total Lease & Rent Expense	57,227	62,890	57,052	69,363	69,794
Total Interest, Payroll & Bank Fees	20,750	27,024	20,800	21,537	23,537
General & Administrative Exp					
Office Supplies	3,300	3,356	3,400	3,600	4,000
Total IT Support & Maintenance	24,300	31,847	25,300	35,180	36,300
Total Communication Expense	6,515	5,125	5,567	5,535	5,785
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Total Postage, Prntg & Ref Materials	7,300	8,461	8,700	7,300	8,700
Total General & Administrative Exp	60,795	71,504	68,825	83,615	87,785
Total Contracted Services	63,750	137,607	63,750	98,950	91,800
Total Facilities and Equipment	46,104	41,584	46,104	52,120	52,120
Total Other Expenses	28,100	28,496	28,100	29,815	30,382
Total Travel & Meetings	423,560	433,292	872,340	328,971	708,765
Miscellaneous Expenses	-	-	-	-	-
Total Expense	1,316,192	1,366,597	1,809,295	1,300,636	1,709,547
Net Ordinary Income	152,127	(348,817)	(289,526)	(35,945)	(327,934)
Net Other Income (Expense)	(10,000)	8,866	(10,000)	(10,000)	(10,000)
	142,127	(339,951)	(299,526)	(45,945)	(337,934)
Biennium Loss			(157,399)		(383,878)

The summary of these budgets and key assumptions was included in the agenda book as “Budget Model Summary Document”. FC members reviewed these as a basis for providing a recommendation on the way forward on this spectrum of outcomes.

Approved Minutes

The FC appreciated that there was upside potential as discussions with potential new NAOs were in progress and scope still existed to market the AMP and CA programs more effectively. It is also obvious that some factors beyond the Union's control e.g., the yield from our investments could effect changes to the estimated income. There was some discussion of the proportion of expenses made for travel with the suggestion that in relooking at the budget account be taken of the travel costs of the Divisions and Standing Committees. Clearly the position presented in the three options is not sustainable, making the work of Future Options Working Group (reported below) more relevant and emphasizing the importance of the pursuit of new endowment income.

[FC9.0] The FC recommended that a return to non-deficit balanced budgeting should be made as soon as was feasible. To this end it recommended that further reductions be made to Model 3 to indicate more severe expenditure cuts and that appropriate items proposed by the FC Working Group should be incorporated, especially with regards operating budgets. Revisions should be reviewed with the EC (March) and then Bureau (April).

10. WORKING GROUP OF THE FINANCE COMMITTEE (FUTURE OPTIONS)

CH

The Working Group report had been circulated to FC members. It reviews the concerns raised by the FC at its 2018 meeting as they related to the sustainability of our income streams. The working group reviewed the options for responding to material shortfalls of income. The objective was to challenge current thinking and initiate discussion and action before a crisis hit. This is something to be considered in parallel with activities designed to attract new funding.

The recommendations are:

In the Short term

- Continue to work with our financial advisors to help manage our cash flow.
- Consider policy changes to encourage the reduction of the need for travel and subsistence by judicious use of virtual meetings.
- Take the opportunity to review the future skills and competence needs of the Secretariat. Plan for succession of staff and reassess the office location by the end of 2019, well ahead of the lease renegotiation.

In the Budget outlook

- Avoid major discretionary face to face governance meetings of Bureau and EC.
- Rebalance Division and Standing Committee budgets to maximize focus on projects and create the opportunity to fund the new cross organizational strategic programs.

Medium to longer term

IUPAC Finance Committee Meeting 2019

Approved Minutes

- Rethink the way we run the Council meetings and the structure of the Bureau and EC.
- Assess the opportunities to simplify and focus the science organization (and retire less productive activities).
- Reassess the administrative task of the Secretariat in light of these two points.
- Think through new options for the structure and funding of our work involving our stakeholders in cross cutting program activities.
- Consider radically different approaches to national subscription funding designed to allow far greater national membership and engagement with IUPAC globally.

[FC10] The Report of the Working Group of the Finance Committee was discussed in detail regarding implications to governance and operating procedures. The FC recommended the working group report be discussed during the EC meeting in March.

The FC stressed that there is a real need for action to produce smaller deficits and endorsed and supported the work of the FC working group. The FC supports further work on this important effort with regards to the overall health of the Union and its future.

The FC recommended that a Council Task Force be initiated at the 2019 Meeting to carry out a thorough review of every aspect of the operations of the Union and of its finances to ensure that a sustainable future can be secured.

11. FUNDRAISING STRATEGIES AND NEW SOURCES OF INCOME

CH/LS

11.1 IUPAC "CENTENARY" ENDOWMENT FUND UPDATE

The FC received an update on the legal advice for the set-up of the fund.

The recommendation is that IUPAC should have guiding documents in place which clearly set forth how the endowment will be funded and under what circumstances it may be accessed. Endowment funds are restricted funds, meaning the corpus remains intact, and a non-profit organisation can draw upon the annual investment fund specified by the endowment governing documents. In terms of documenting the creation of the endowment and its applicable investment considerations, this requires a resolution by Council on recommendation of EC/Bureau, which will set out the way in which the funds may be spent and accessed. Sample endowment fund guidance documents are being sought to help the process. There will be a cost for the legal support.

IUPAC Finance Committee Meeting 2019

Approved Minutes

In addition to the guiding documents regarding the expenditure of endowment funds, IUPAC should consider having an investment policy to govern how the endowment funds will be invested. This may include identifying what portion of fundraising efforts will be directed towards establishing the endowment, how much money IUPAC needs to make from the endowment on an annual basis, etc.

The recommendation is that IUPAC creates a management board for the fund including external directors who could assist in fund raising. On an ongoing basis, we should look to our financial advisors to support this Board in establishing an investment policy for the fund, recommending investment vehicles on an ongoing basis, and providing administrative support for the investment funds.

North Carolina adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which modernized the then-existing standards for non-profits with regard to the management and investment of their funds. UPMIFA requires that the governing board invest and manage the fund in good faith and with the care an ordinary person in a like position would exercise under the same circumstances. The “prudence” standard under UPMIFA enables non-profit governing bodies to take actions that they regard to be prudent, including certain expenditures that would raid the corpus of an endowment fund.

More information is in hand from the lawyers and will be forwarded as soon as it is available. It maybe that some work on the policies for the operation of the Centenary Endowment will be required by email.

[FC11] The FC approved pursuing the recommendation to engage legal assistance to establish and formalize a new IUPAC Endowment fund and accepted that there may be legal costs associated.

12. MEMBERSHIP OF FINANCE COMMITTEE 2020-2021

JC

The FC should advise the Chair on the way forward. How can a future Finance Committee add more value to IUPAC? How should we seek nominations?

The FC discussed the requirements for nominees and the process implemented for IUPAC nominations for Divisions and Committees and hosting Bureau and EC meetings through solicitation of current NAOs.

[FC12] The Treasurer, with consultation of the FC Chairman, will propose a short brief of skills and requirements for nominations to the FC. Nominations will then be sought and presented to the President. The President, in consultation with the Executive Committee, shall appoint the Chair and Titular members of the Finance Committee.

13. REVIEW OF ACTION ITEMS

ALL

14. DATE AND LOCATION OF NEXT MEETING

CH

IUPAC Finance Committee Meeting 2019
Approved Minutes

A date and time for the 2020 Finance Committee meeting was not confirmed at this time. The FC decided that the Quarterly Investment Review virtual meetings, be restructured to include short FC meetings (4) throughout the year in 2019.

¹ Prof. Corish also noted that Prof. Ruegg's constant companion at the FC activities, his dog Tanok, be recognized as an *ex officio* member of the committee.