

## **IUPAC Finance Committee Meeting**

Monday, 6 February 2017, 09:00 – 17:00 Hours

Offices of Reber Rechtsanwälte, Utoquai 55

CH-8034 Zürich, Switzerland

### **Approved Minutes**

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

Remote members: Pat N. Confalone, Dr. Georg F.L. Wießmeier (participated by phone)

Secretary: Dr. Lynn M. Soby

IUPAC President: Prof. Natalia Tarasova

### **1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA**

**JC**

Prof. Corish welcomed those present at the meeting, and Dr. Pat Confalone who joined by phone at 11:00 am local time. He thanked Reber Rechtsanwälte for the excellent arrangements and facilities. He welcomed the Finance Committee and thanked them for serving on the committee. He thanked Dr. Soby, Executive Director and the Treasurer for their excellent work that they had done putting the Detailed Agenda and Agenda Book together for the meeting. All present joined in their appreciation of the work.

Prof. Corish made opening remarks for the committee that stressed the need for transparency for the FC and explained the role of the Treasurer and Executive Director in management of the operations. In his view, the Finance Committee's role was more as an Audit Committee and as advisors to the budget development. The formal executive function of the Finance Committee is for the management of the investment portfolio and he reminded members that although the portfolio management has now been delegated to BB&T/S&S, the Finance Committee remained responsible for it. He felt that the FC should also provide further advice on financial risks to the Union and play a more important role in risk management.

Prof. Corish noted that 2017 was a General Assembly year and that Council will be asked to approve the 2018-2019 Budgets. He stated that the Finance Committee minutes should be available for the Bureau and reflect the advice of the Finance Committee to Bureau committees in April and the Council meeting. Mr. Humphris will take note of Actions, Decisions and Recommendations given the difficulty of taking minutes and running the meeting and presentation of information. Attachment 1 is the short report given to Bureau and Council in 2017.

President Tarasova thanked the Finance Committee for their hard work and was looking forward to the committee's advice.

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**2. FINANCE COMMITTEE MEMBERSHIP**

**JC**

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

Prof. John Corish (Chair)	2016-2019 (First Term, eligible for re-election)
Dr. Georg F.L. Wießmeier	2016-2017 (First Term, eligible for re-election)
Prof. Urs T. Ruegg	2016-2019 (First Term, eligible for re-election)
Dr. Nobuyuki Kawashima	2016-2019 (Second Term)
Dr. Pat Confalone	2014-2017 (First Term, eligible for re-election)

The Treasurer and the Executive Director of IUPAC are ex officio members of the Finance Committee (FC) without voting power. Dr. Confalone's first term will be completed at the end of 2017 and is eligible for re-election. Dr. Georg F.L. Wießmeier first term will be completed at the end of 2017 and is eligible for re-election. Prof. Corish stated that the FC members are appointed by the President and that the FC may recommend suitable candidates for consideration.

**3. MINUTES OF 2016 FINANCE COMMITTEE MEETING**

**JC**

Prof. Corish noted that Dr. Soby needed to be recorded as Secretary of the minutes and there are some typos that needed to be corrected.

He had questions regarding the suggested changes in the Auditors. Auditors were in place in 1999 and needed to be changed. The recommendation is different than previous FC recommendations. Mr. Humphris pointed out that the change was a result of discussions with Dr. Soby regarding the new accounting procedures in place as well as the costs to change the auditors and consistency considerations. Dr. Soby discussed the fact that the 2015 Audit was half on the old accounting practice without a controller in place and half year with a new controller. As a result of the 2015 Audit, both IUPAC accounts and the auditor's accounts were modified and updated. The recommendation to extend the term of the current auditors was in order to provide a few years (2017 and 2018) to obtain consistent figures and allow comparison of years with a proper accrual accounting method. The recommendation to the committee is to continue with the current auditor for the 2016, 2017 and 2018 audit and make the change for the 2019 audit (Agenda item 4.2).

Mr. Humphris stated that the minutes are a free standing document with no attachments and therefore should be clear. Also based on an NAO feedback, the Detailed Agenda and minutes should contain a disclaimer regarding the non-audited financial information. Footnotes are now included and any estimates are clearly marked. Dr. Soby asked members to send edits and note any typos for incorporation into the minutes. The minutes could then be approved electronically following the meeting. Prof. Corish suggested that the minutes should be shorter and less detailed. Decisions should be pointed out clearly and gave the example of the auditors that did not reflect what was approved. The committee approved the proposal by Prof. Corish to sign the minutes post meeting once the corrections are made.

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**Decision:** *The revised minutes are to be sent to the committee for approval before Prof. Corish signs them.*

3.1 ITEMS FROM MEETINGS OF EXECUTIVE COMMITTEE AND BUREAU

**CH**

The minutes and action items of the most recent Meeting of the 155<sup>th</sup> Executive Committee (Beijing 8-9 November 2016 draft) were discussed. Mr. Humphris highlighted the key items that the EC discussed that were relevant to the Finance Committee that were outlined in the detailed agenda. He highlighted a number of important administrative activities, initiatives, and scientific and organizational relationships. Mr. Humphris noted that the budget does not contain any funds for potential International years and he felt as Treasurer that any such proposals should be cash neutral.

Prof. Tarasova reviewed the status of the International Year of the Periodic Table of Elements and her meeting at UNESCO noting that UNESCO was very positive. The idea was that this International Year be led by the organizations involved in the discovery of new elements. (i.e. Russia, Japan, USA). The Russian Academy of Sciences and delegation would lead the effort. She expected the laboratories would support the effort and that no financial support from IUPAC would be required. She stated the IUPAC Centenary and date should be on the UNESCO Anniversary calendar. The National Adhering delegations of UNESCO should lead this effort as it is proposed by IUPAC. The letter is drafted for the delegations to request they contact UNESCO supporting the Anniversary date of IUPAC's Centenary.

Dr. Soby suggested that these details be discussed outside of the Finance Committee and that communication needs to be specific and clear when we communicate with our NAOs to assist in contacting their delegation to UNESCO. Prof. Corish confirmed with Prof. Tarasova that there would be no financial commitments required from IUPAC for the International Year of the Periodic Table. Prof. Corish noted that the cost of IYC2011 Opening Ceremony was about \$250k, with a total cost for the Year of \$1.4m and that the net cost to IUPAC was approximately \$140k.

***Request from Prof. Tarasova:*** *National delegations to UNESCO write a letter to them supporting IYPT.*

**4. AUDITED FINANCIAL STATEMENT FOR 2015**

**CH**

The Finance Committee supported the 2015 Audit. There were no material issues raised regarding the 2016 Audit process and expectations of reduction of costs and timing. Dr. Confalone accepted a clarification regarding the details of the amortization amounts in 2015 vs. 2016 in the Financial Statement.

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4.1. 2016 AUDIT STATUS

The 2016 audit is scheduled for delivery prior to Bureau meeting in April.

4.2. AUDITOR REVIEW FOR 2017 AND 2018

Given the improvements in Audit compliance, IUPAC's internal capabilities, and the recruitment of a financial controller, a recommendation was made to maintain the current auditors for the next two years in order to obtain 3 years of consistent audits with the current financial practices. The Finance Committee was asked to support a recommendation to change auditors for the year 2019.

***Decision:** The Finance Committee supported the recommendation to change auditors for the 2019 audit.*

***Recommendation:** Review proposals for auditors at the 2018 FC meeting.*

**5. FINANCIAL OPERATIONS FOR 2016 REVIEW**

**CH**

5.1 THE PROFIT AND LOSS STATEMENT FOR 2016

The detailed profit and loss statements for 2016 (non-audited) and 2015 were reviewed and showed the power of the new accrual accounting system and the ability IUPAC now has to track all financial transactions. The IUPAC estimated net income was approximately \$41,000 relative to budget expectation of a deficit (\$87,000). The Treasurer reviewed the noteworthy items in both principal income and expenses. It was noted that the increase in income mostly arose from the AMP, Royalties and the investment portfolio.

5.2 BALANCE SHEET FOR 2016

The Treasurer and Executive Director reviewed the Balance Sheet statements of Financial Position for 2015 and 2016. Overall, the 2016 cash equivalent position had increased from \$93,061 in January to \$101,668 on 31 December 2016. The committee discussed the key items reported on the Balance Sheet. The principal uses of funds were discussed in detail.

The balance sheet showed net increases in Cash and Cash equivalents, net investment in important fixed infrastructure (website, databases), the good performance of the investment portfolio and a reduction in subscriptions receivable. The Accounts receivable was significantly improved in 2016 due to focused attention, multiple reminder emails and outreach. The Accounts Payable showed a lower liability YOY.

5.3 CASH FLOW REPORTS FOR 2016

A review of inflows, outflows, net cumulative cash flow and major expenses was presented by Dr. Soby and Mr. Humphris and shown in the detailed agenda. The critical situation regarding cash flow and operation of the union was discussed. Cash flow remains a difficulty

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in the management of the union, given the uncertainty of payments, payment timing and unpredictable claims for expenses.

#### 5.3.1 CUMULATIVE NET CASH FLOW

The Treasurer discussed the 2016 cash flow with respect to the expected outflows from the Division and Standing Committee meetings and also the inflow of National Subscription payments. The Finance Committee recognized the necessity to obtain a line of credit instrument in order to manage the cash flow during 2016 (\$100k).

#### CASH FLOW ISSUE: NAO PAYMENTS

The receipt of the NAO subscription payment timing continued to create erratic and unpredictable cash flow in 2016. This is IUPAC's main income stream and is particularly difficult to manage. In 2016, there was a significant shortage of cash in May-August and we thus utilized our line of credit in July and August (\$50,000 each month).

The Executive Director reviewed the status of National Adhering Organizations Subscriptions for 2015-2016 and the financial impact of those NAOs approaching 24 months in arrears, namely Argentina, Kazakhstan and Pakistan and their change in status as non-NAO. The financial cost of the three NAOs was \$24,298. The 2016 National Subscriptions have been paid except for Egypt and Jordan.

The Executive Director discussed the status of the 2017 NS payments, stating that IUPAC had only received \$31,358 so far from 9 NAOs. This minimal receivable was creating a serious cash flow issue in January and February and that the LoC was fully utilized. The Finance Committee was invited to consider option to address this recurring problem.

The impact of NAO subscription payments to operating cash flow was discussed in detail and the 2017 receivables compared to 2016 in the comparable time period. The 2017 receivables from September (invoice) to 15 January were 50% lower (\$62K vs. \$122K).

#### 5.4 PUBLICATIONS AND SUBSCRIPTIONS

##### 5.4.1 *PURE AND APPLIED CHEMISTRY AND CHEMISTRY INTERNATIONAL.*

A review of the financial results for *Pure and Applied Chemistry* (PAC) and *Chemistry International* (CI) was presented as shown in the detailed agenda. The PAC financial statements were reviewed along with the 2017 forecast of net revenue. The Treasurer reviewed the history of the publication agreement and the financial impact on IUPAC. A review of the CI Net Cost to IUPAC indicates a significant reduction from the cost when IUPAC published CI.

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The 2016 estimated PAC Net Revenue and CI Nest Cost indicated an estimated Net Income of approximately \$178,000. PAC production was short 2 issues out of 12 and subscription holders are eligible for refunds thus leading to revised estimate of revenue of \$200,200 vs. \$235,700 for 2016.

It was noted that the PAC net revenue for 2000-2016 (plan) showed the steady decrease of revenue between 2002 to 2010, with a rapid drop (~50% loss) seen in 2011, but appears to be stabilizing after the turnover to De Gruyter.

#### 5.4.2 OTHER SUBSCRIPTION INCOME

**COMPANY ASSOCIATES:** The Company Associate program was outlined for the Finance Committee by Mr. Humphris. The CA program invoice schedule for 2017, the progress of an active review of the program and the relative impact on income were discussed. He noted that the objective for the CA program was to ensure that it is more relevant to both, companies and IUPAC, to significantly add to income and to remove unnecessary complexity and administrative burden. He also pointed out a significant increase in expected income in the 2018 and 2019 proposed budgets.

**AFFILIATE MEMBERSHIP PROGRAM:** The AMP membership subscriptions and benefits were currently also being reviewed to increase value to members and therefore income to IUPAC, and to reduce/eliminate costs. A new model of AMP subscription was developed for the 2018-2019 budgets and Mr. Humphris pointed to an increase in expected income in the 2018 and 2019 proposed budget.

#### 5.5 INVESTMENT PORTFOLIO INTEREST AND DIVIDENDS

The Executive Director reported that during 2016, there was no withdrawal of any principal in the investment portfolio whilst the interest and dividends were used to assist with cash flow issues as they arose. The line of credit (LoC) debt from 2015 was repaid in first quarter 2016 and the interest and dividends were swept into the operating account to cover cash flow problems. The interest on the LoC was \$2,350 in 2016. An estimated interest and dividend income for 2017 was expected to be ~\$130k.

Mr. Humphris asked the committee to carefully consider the issue of continuing spending at the current rate (deficit). Professor Corish remarked on the efficient use of funds and how to continue identifying potential cost savings.

#### 5.6 BIENNIUM BUDGET PROJECTION/FORECAST 2016-2017

Given our current balance sheet and viewpoint on the 2016 P&L, the Treasurer believes the 2016/17 biennium will be close to or less than budget as given close monitoring of expenditures and special project requests. The Secretariat will be within budget, despite some of special expenditures referred to in Section 6. The General Assembly in São

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Paulo, Brazil will be the single largest expense and subject to considerable oversight on spending. The actual 2015 Busan expenses were \$272,332 and the current estimate of expenses for São Paulo based on this is \$350,000 inclusive of partial support of the WCLM and increases of 10% for airfare and subsistence. The 2017 approved budget was \$400,000 and should therefore be within budget.

#### 6. SPECIAL EXPENDITURES 2016

CH

The Treasurer reported that throughout 2016 IUPAC had undertaken a substantial restructuring of its Secretariat, its functions and the necessary IT infrastructure to underpin this. Despite this, most of these expenses had been accommodated within the approved budget or approved as extra budgetary items approved by the officers and by the Executive Committee. He highlighted the investment in IT infrastructure as a result of a risk assessment and security audit, the consulting support for the National Subscription Task force and the remaining expenses on the IUPAC website to be incurred during 2017.

The unbudgeted and approved spending mentioned above is tracked within the Secretariat P&L.

*Recommendation: All special requests be documented and approved by IUPAC Officers.*

#### 7. INVESTMENT PORTFOLIO

CH/LS

##### 7.1. PORTFOLIO PERFORMANCE

The 2016 Investment portfolio was reviewed by the committee. The historical investment market value of IUPAC's portfolio showed that the portfolio has steadily gained value and managed risk since inception with BB&T.

The 2016 year end market value was \$3.977k, and a return of 4.18% net of fees. The Finance Committee was pleased with the portfolio manager's performance.

##### 7.2. IUPAC INVESTMENT POLICY ANNUAL REVIEW

The IUPAC Investment policy was reviewed by the Finance Committee and no changes were recommended.

##### 7.3. IUPAC FUND POLICY STATEMENT

The current IUPAC Fund Policy Statement was reviewed by the Finance Committee. The statement currently places a requirement to hold a certain amount of funds to operate for a biennium, which is estimated at \$2,821k. No changes were recommended at this time.

##### 7.4. USE OF FUNDS FROM THE IUPAC ENDOWMENT FUND

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Based upon the 2016 interest and dividend return of the IUPAC Investment Portfolio, the Finance Committee decided that a rate of 2.1% be applied to the 2016 special funds. No other changes were recommended at this time.

7.5. REPORTING AND QUARTERLY REVIEW OF PORTFOLIO

The Executive Director discussed a proposed schedule of quarterly meetings of the Finance Committee members with the BB&T Investment team. In order to improve consistent oversight of the portfolio, these meetings will be held with a majority of committee members present. The Executive Director also discussed distribution of the monthly reports during 2017.

**8. REVIEW OF DRAFT BUDGET FOR NEXT BIENNIUM (2018-2019)**

**CH**

The proposed 2018-2019 budget was presented by the Treasurer for input and support. A detailed P&L for 2018 and 2019 was discussed relative to the 2016 and 2017 figures. Mr. Humphris noted that the forecast for 2018/19 had a smaller deficit versus the budget for 2016/17. A key topic of discussion was cost control of the 2015 Busan General Assembly and an anticipated result for São Paulo 2017 and Paris 2019.

The budget for the new Interdivisional Committee on Green Chemistry for Sustainable Development was accommodated through a 5% reduction in Divisional and Standing Committee budgets. Prof. Tarasova suggested that funds be available for the new committee given the importance of Green Chemistry for Sustainable development. She suggested increased funding for the International Chemistry Olympiad of \$10k and would not support it being cut. She also stated that funding for volunteers should not be decreased. Dr. Kawashima stated that IUPAC should focus money and effort on projects that IUPAC is uniquely qualified to do and expressed a concern that it appeared IUPAC had overlapping efforts that could be consolidated. Prof. Ruegg expressed his concerns over the proposed budget and advised that IUPAC identify items that should be stopped and reduce the project funds, given the previous discussions on our financial constraints.

Overall, the Finance Committee expressed the view that the proposed deficit budget remained pessimistic but noted that the new initiatives, such as Big Data and Green Chemistry were important to industry and potentially of value to the Company Associates program.

***Recommended:*** *Determine a compelling value proposition for the Company Associates and signal the change in the program.*

**9. NATIONAL SUBSCRIPTION TASK FORCE**

**CH/LS**

Dr. Soby and Mr. Humphris reviewed the status of the National Subscription Task Force work with the committee along with the 2017 planned activities to develop a new model for calculating the National Subscriptions. A review of the benchmarking with other Unions and the surveys of National Adhering Organizations was discussed. All the feedback was built into the current proposals. The subscription models and approaches of other Unions as well as data



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requirements for the development of a new National Subscription model for IUPAC were key items of discussion.

Prof. Corish stated the NSTF should not continue to pay for data and insure that the data sources are sustainable for future calculations. The Finance Committee supported a recommendation that all National Subscription be invoiced in USD only, which Council would have to approve in Brazil.

#### **10. FUNDRAISING STRATEGIES AND NEW SOURCES OF REVENUE**

**ALL**

The Finance Committee was asked for input on fundraising strategies and revenue generation. The Treasurer presented work that was underway in revitalizing the Affiliate Member Program and the Company Associate program. Specific discussion regarding new strategic priorities and industry engagement in the future was discussed.

The FC members were asked to consider the idea of establishing an Endowment Fund. The creation of an IUPAC Endowment Fund would provide opportunities to companies, individuals to participate in supporting IUPAC's work. The FC members were all supportive of pursuing the idea further.

#### **11. DATE AND LOCATION OF NEXT MEETING**

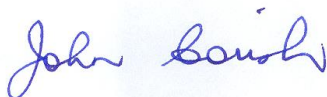
**JC**

The date of the Finance Committee meeting is historically in early February of each year. In 2019, the Finance Committee will be asked to review and approve the 2020-2021 budget and National Subscriptions. In the even years of the biennium, the committee may consider a later date to review the biennium results after the Audit is completed, which is planned for end of March 2018.

The date of the next meeting was however set as 5 February 2018 at the offices of Reber Rechtsanwälte in Zürich, Switzerland.

**The meeting was adjourned by Professor Corish, Chairman.**

**L. Soby**  
**Minutes**



**J. Corish**  
**Chairman**

**Dated: 14<sup>th</sup> Feb 2018**

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Attachment 1.

Report to Bureau 8<sup>th</sup> April 2107 and to Council, Sao Paulo 12<sup>th</sup>/13<sup>th</sup> July 2017

The Finance Committee met in Zurich on 8<sup>th</sup> February 2017. A number of recommendations were noted and decisions made:

- All advice and recommendations from the Finance Committee should be available to Bureau at its following April meeting
- It was noted that Pat Confalone and Georg Wießmeier finish their terms in 2017 but are available for reelection and will be nominated to the President.
- The Finance Committee recommended a change in Auditors for the financial year 2019. A recommendation to change will be required by **2017** Council.
- The Investment Policy statement was reviewed and reconfirmed without change.
- The proposed budget 2018/19 was supported. The need for new income was recognized and the bold step with Company Associates supported. The Finance Committee noted however that the Secretariat costs were showing inflationary pressure whilst the science funding was unchanged. They felt this was a poor signal. There was a need to ensure that IUPAC focus only it can uniquely undertake and that the scope of science activities and the necessary administrative support/cost is kept under review. It was recommended that extra-budgetary expenditure be kept to a minimum by building all costs that can be anticipated into the budget.
- The proposed approach to National Subscriptions was supported and the majority of members recommend the use of USD \$ as the subscription currency.
- The proposed endowment scheme was strongly supported and IUPAC encouraged to progress this as a priority for areas in which IUPAC has unique competence. Advice should be sought from our financial advisors BB&T.