

IUPAC FINANCE COMMITTEE MEETING

Monday, 09 March 2020, 09:00 – 13:00 Hours

Virtual Meeting

APPROVED MINUTES

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

IUPAC President: Prof. Christopher Brett

Secretary: Dr. Lynn M. Soby

Apologies: Dr. Mark Cesa

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA JC

Prof. John Corish welcomed the members of the Finance Committee and emphasized the decisions required throughout the meeting. There were no additional items identified for addition to the Agenda.

2. FINANCE COMMITTEE MEMBERSHIP JC

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

Prof. John Corish (Chair)	2020 - 2023
Dr. Mark Cesa	2018 - 2021
Prof. Yiqin Gao	2018 - 2021
Prof. Urs T. Ruegg	2020 - 2023
Prof. Neil Burford	2020 - 2023

The Treasurer and the Executive Director of IUPAC are *ex officio* members of the Finance Committee without voting power. Prof. Corish noted that the terms listed on the Agenda have been adjusted from the original document.

3. MINUTES OF 2019 FINANCE COMMITTEE MEETING JC

3.1 APPROVED MINUTES OF THE 2019 FINANCE COMMITTEE

- The 2019 Minutes were approved and signed by the Finance Committee in time for the 2019 Council Agenda. They were in the Agenda book for reference.

3.2 OUTCOMES FROM COUNCIL RELEVANT TO FINANCE COMMITTEE CH

- Council approved the establishment of the organizational review group and asked that the group be formed by end of 2019. The review group is chaired

*All 2019 financial figures reported in this Agenda and supporting documents
are pre-audit and are subject to change.*

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by Dr. Mark Cesa. Terms of reference are included in the Agenda book.
(approved by EC)

- Council approved the Proposed Budget for 2020-2021.
- Relative to the IUPAC budget 2020-2021, Council approved a motion to reduce the reimbursement of delegates to Council to only countries having a National Subscription of less than \$2,000 annually.
- Relevant to the IUPAC Income from NAOs, Council approved 3 applications for NAO status: Singapore (\$12,465) Jordan (\$1,000) and Costa Rica (\$1,000).
- Council approved the future appointment of the Centenary Endowment Fund Board of Directors including external Directors by the Executive Committee. Council also approved the Executive Committee to progress in the formation of the fund and its guiding documents.
- Council approved McMillan, Pate and Company, LLP as auditors for IUPAC for the financial year 2019 onwards.

3.3 ITEMS FROM MEETINGS OF 158TH EXECUTIVE COMMITTEE AND 102ND BUREAU **CH**

- The Executive Committee approved the Review Group Chair and Members. The review group membership is as follows:
 - Mark Cesa, Chair (USA)
 - Javier García-Martínez (Spain, Vice President IUPAC)
 - Ito Chao (China/Taipei)
 - Michael Droescher (Germany)
 - Lori Ferrins (IYCN) (Australia)
 - Zhi-Gang Shuai (China/Beijing)

Prof. Corish remarked that one of the objectives in having the Review Group should be to preserve funds.

4. IUPAC CENTENARY ENDOWMENT STATUS UPDATE

CH/LS

A final draft resolution document, with incorporation of all edits/suggestions and questions was included in the Agenda book for referencing during the discussion and FC approval. Having an Endowment Board in place is crucial for fundraising. Essentially, there are three steps to the process which include the following:

- Securing funds from outside sources.
- Investing the funds.
- Ensuring the primary programs that attracted the interest, the Endowment Fund, are properly supported through that funding.

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In discussion, the Finance Committee reaffirmed its support for the proposed Endowment Fund and the verbal presentation of roles and responsibilities. The Committee, however felt that the proposed documentation was less clear. It was recommended that, prior to presentation to the Bureau, the documentation should be amended as follows:

- To include a clear financial objective.
- To ensure the Fund and its administration, once established, is self-funding and does not create an additional cost burden of the Union.
- To ensure that the respective Roles and Responsibilities with regard to the Fund were clarified for the Executive Committee, the proposed Endowment Board and the Finance Committee.
- To ensure that all terminology is defined clearly and consistently throughout the documents given remaining ambiguities identified by members.

The Treasurer noted that it was essential for IUPAC to both provide clarity about the governance of the Fund and to promote the value of IUPAC to the future of chemistry in seeking potential Endowment Fund contributors.

- *The Finance Committee, in principle, approved the proposal of creating an Endowment Fund Board and recommended its presentation to Bureau and thence to Council based on documentation amended as discussed.*

5. IUPAC INVESTMENTS

CH

5.1. PORTFOLIO PERFORMANCE 2019 AND HISTORICAL PERFORMANCE

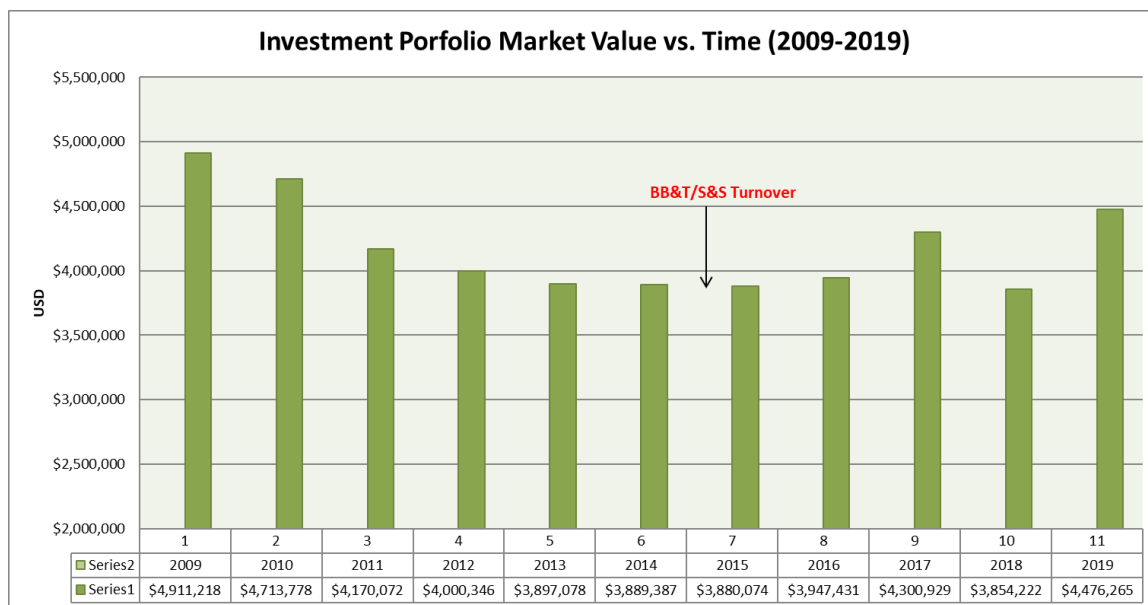
The 31 December 2019 Investment summary report was reviewed by the Finance Committee that noted the recommendation at the end of 2018 to change some of the portfolio to a total return viewpoint (increased equity portion) was very beneficial during 2019.

Portfolio Snapshot			
	QTD	YTD	ITD (11/24/2014)
Beginning Market Value	\$4,350,821	\$3,854,910	\$1,285,440
Contributions/Withdrawals	-\$97,176	-\$161,219	\$1,949,807
Income	\$30,763	\$99,592	\$651,904
Capital Appreciation	\$191,857	\$682,984	\$589,115
Ending Market Value	\$4,476,266	\$4,476,266	\$4,476,266

The ten year investment viewpoint (2011-2019) was included in the agenda book for historical reference:

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5.2. IUPAC INVESTMENT POLICY ANNUAL REVIEW

The IUPAC Investment policy was included in the Agenda book for review by the Finance Committee. The quarterly review with the investors will give a more detailed overview of any risk associated with investments. No change was requested from the investment managers.

5.3. IUPAC FUND POLICY STATEMENT

Dr. Soby referred Committee members to the current Fund Policy statement, updated in 2018. The Investment Managers suggested this be reviewed on a regular basis. The Finance Committee did not recommend changes to the Fund Policy.

5.4. USE OF FUNDS FROM THE EXISTING ENDOWMENT FUNDS

The distribution recommendation for 2020 was 1.46% to be applied to the Restricted Funds balance based upon the return of the portfolio, net of fees.

The current percentage of the 3 Permanently Restricted funds (CHEMRAWN, Franzosini, and Hanwha-Total (Samsung)) is ~5.3% of IUPAC's total Portfolio (at 31Dec MV \$4.47M).

- The Finance Committee unanimously approved this distribution recommendation.

5.5. INVESTMENT PORTFOLIO MANAGEMENT

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Prof. Corish referred members of the Finance Committee to the confidential document in the Agenda book, which describes the situation and discussions with both Doug Bray and Austin Harris as well as the new Scott&Stringfellow managers, Charles Scull and Jack Taylor. The Finance Committee was asked for a decision on the best approach for the IUPAC Portfolio, based on the recommendation to consolidate all investments under management of Bray-Harris Group/Raymond James Financial Services.

- *The Finance Committee decided that the IUPAC portfolio management should remain under the management The Bray-Harris Group and that steps be taken to transit the portfolio from current BB&T /Scott&Stringfellow management.*

6. IUPAC TRAVEL AND EXPENSE POLICY

CH

Following the review of Claim Forms submitted during the 2019 year, adjustments, and clarification regarding expense claims, both valid and invalid, was needed. Adjustments were made to the instructions each year since the requirement for receipts implemented in 2014 in order to ensure that funds were properly being used for IUPAC work. There were noted differences during the review of the General Assembly claims that indicated that a Travel and Expense policy was needed for the organization. The Treasurer and Executive Director drafted an IUPAC Travel and Expense Policy 2020. The Finance Committee was asked to review the document in the Agenda book and take a decision regarding this policy. The policy reiterates the reimbursement details as well as clarified items on the Claim form that were not clear. This travel and expense policy will assist the Secretariat in management of the reimbursements and ensure that funds are spent wisely.

- *The Finance Committee unanimously approved the recommended action on the Drafted Travel and Expense Policy.*

7. AUDITED FINANCIAL STATEMENT AND AUDITORS

CH

7.1. 2018 AUDIT

The 2018 Audit report was included in the Agenda book for reference and gave IUPAC a clean bill of health. The audit was completed in March 2019.

7.2. 2019 AUDIT STATUS

The 2019 Audit by McMillan Pate & Company began in December 2019 with the initial site visit and a second visit February 10 – 12, 2020. The final audit will

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follow in March. One important observation of the previous financial reports by the new auditors was that all Secretariat administrative costs were captured in Management and General and none were associated with IUPAC programs. Given the new FASB rules put in place in 2019, the auditors suggested to prepare an allocation file to be used in the 2019 Audit. The reallocation of administrative costs directly related to specific activities was estimated for each staff member against their duties. The detailed file was included in the Agenda book. The allocations of the functional expenses will be used in the 2019 Audit which will be a change from previous years.

8. FINANCIAL PERFORMANCE FOR 2018-2019 BIENNIUM AND 2019 REVIEW CH

8.1. THE PROFIT AND LOSS STATEMENT FOR 2019 WITH VARIANCE FROM BUDGET

The complete profit and loss statement for 2019 was in the Agenda book. The data made comparison with 2019 Actual with the original 2019 budget together with commentary to aid understanding. Looking at 2019, a higher expected cost in a General Assembly year and 2018 (off year) actuals gave the FC a complete

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biennium picture. The summary P&L was provided in the detailed Agendaf

IUPAC Income Statement - Summary						
		2018 Annual Budget		December 2019 Actual	2019 Annual Budget	2019 Actual vs Budget Variance
Income						
Program Income	\$ \$	1,291,319	\$ \$	977,734	\$ 1,298,769	(321,035)
Direct Public Support		36,000		48,019	31,000	17,019
Investments		141,000		829,310	106,500	722,810
Sponsorship Revenue		0		57,356	0	57,356
Merchandise Revenue - Pins		0		249	0	249
Total Income		1,468,319		1,912,667	1,436,269	476,398
Gross Profit	\$ \$	1,468,319	\$ \$	1,912,667	1,436,269	476,398
Expense						
Awards, Grants & Contribution		0		46,816	10,000	(36,816)
Fixed Costs - Salaries & Benefits		607,952		559,076	477,255	(81,822)
Lease, Insurance & Bank Fees		83,832		98,324	71,028	(27,297)
General & Administrative Expenses		60,795		135,802	58,137	(77,665)
Contracted Services		63,750		89,854	52,500	(37,354)
Depreciation Expense		46,104		53,010	34,578	(18,432)
Other Expenses		28,100		29,501	27,825	(1,676)
Travel & Meetings		423,559		572,171	872,340	300,169
Miscellaneous Expense		0		5,830	0	(5,830)
Total Expenses	\$ \$	1,314,092	\$ \$	1,590,385	1,603,663	13,278
Net Ordinary Income / (Loss)	\$ \$	154,227	\$ \$	322,283	(167,394)	489,676
Other Income & Expenses						
Other (Income)		0		(9,986)	0	9,986
Other Expense		10,000		21,661	7,500	(14,161)
Net Other Income / Expense	\$ \$	10,000	\$ \$	11,675	7,500	(4,175)
Nominal Income / (Loss) for the period	\$ \$	144,227	\$ \$	310,608	(174,894)	485,501

8.2. 2019 INCOME AND EXPENSE HIGHLIGHTS

The principal income variances noted were:

- National subscriptions down.
- Company Associate subscriptions were below the aggressive budget but increased to \$21k-over the \$15k in 2018.
- Affiliate Membership Program was below the aggressive budget and below primarily in the Chemical Societies AMP numbers.

The principal expense variances noted were:

- Total travel and meeting expenses were below budget by \$300k, while total G&A was over budget by \$77K due mainly to the support of IUPAC100 activities in IT and Printing and Postage expenses.
- Significant expenses for bank fees and interest expenses.

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- The Secretariat was under budget by \$54k primarily due to insurance participation v. budget and earned vacation expense.

8.3. BIENNIUM P&L STATEMENTS

The 2018-2019 Biennium P&L were included in the Agenda book. The overall biennium resulted in a loss of \$58k but noted this was net of an unrealized gain of the value of IUPAC investments of \$297k. At an operating level, the loss of \$355k was largely accounted for by the fact that at the end of the biennium IUPAC had borrowings of \$337k. (noted in the balance sheet). The Finance Committee requested that the Line of Credit (Margin Account in Raymond James) be paid off as soon as possible. The Finance Committee also requested that IUPAC operate with a balanced budget rather than a deficit budget.

8.4. BIENNIUM BALANCE SHEET FOR 2018 AND 2019

The balance sheet included below showed a \$225k decrease in accounts receivables and an overall increase in Net Assets of \$317k. The balance sheets for 2016/2017 and 2018/2019 were also included in the Agenda book for FC's comparison.

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IUPAC Balance Sheet					
As of 31 December 2019					
	Dec-16	Dec-17	Dec-18	Dec-19	2018 / 2019 Variance
ASSETS					
Current Assets					
Checking/Savings					
Total Checking/Savings	179,726	303,987	380,224	314,912	(65,312)
Accounts Receivable					
Total Accounts Receivable	91,984	305,638	175,693	(50,256)	(225,948)
Other Current Assets					
Undeposited Funds	0	0	606	313	(293)
Sales Tax Receivable	1,336	907	627	2,588	1,961
Other Current Receivables	0	0	0	1	1
Total Prepaid Expenses	2,382	4,821	27,132	5,677	(21,454)
Total Other Current Assets	3,718	5,728	28,365	8,580	(19,785)
Total Current Assets	275,428	615,353	584,281	273,236	(311,045)
Fixed Assets					
Total Fixed Assets	187,992	192,078	175,536	129,102	(46,434)
Security Deposits	3,565	3,565	3,565	3,565	0
Total Marketable Securities	3,889,081	4,097,526	3,729,826	4,238,761	508,935
Total Other Assets	3,892,646	4,101,091	3,733,391	4,242,327	508,935
TOTAL ASSETS	\$ 4,356,066	\$ 4,908,523	\$ 4,493,209	\$ 4,644,665	\$ 151,456
LIABILITIES & EQUITY					
Liabilities					
Current Liabilities					
Accounts Payable					
Total Accounts Payable	81,125	198,791	89,732	46,885	(42,847)
Total Credit Cards	172	1,053	4,798	6,906	2,108
Other Current Liabilities					
Total Payroll Liabilities	44,701	49,035	41,746	47,818	6,072
Total Unearned Membership Income	21,823	50,702	158,978	5,620	(153,358)
Unearned Publication Inc	0	125	0	525	525
Deferred Rent	21,506	19,351	15,640	11,667	(3,973)
Total Short-term Notes Payable	100,000	350,000	311,094	336,784	25,690
Total Other Current Liabilities	188,030	469,214	527,458	402,414	(125,044)
Total Current Liabilities	269,327	669,058	621,988	456,205	(165,783)
Total Liabilities	269,327	669,058	621,988	456,205	(165,783)
Equity					
Net Asset w/ Donor Restriction	204,357	204,357	204,357	204,357	0
Net Asset w/o Donor Restriction	100,110	111,809	108,761	115,392	6,631
Unrestricted Net Assets	3,749,795	3,770,606	3,926,347	3,558,103	(368,244)
Nominal income / (loss) for the period	32,477	152,693	(368,245)	310,608	678,853
Total Equity	4,086,739	4,239,465	3,871,220	4,188,460	317,239
TOTAL LIABILITIES & EQUITY	\$ 4,356,066	\$ 4,908,523	\$ 4,493,208	\$ 4,644,665	\$ 151,456

8.5. PUBLICATIONS AND SUBSCRIPTION

8.5.1. PURE AND APPLIED CHEMISTRY AND CHEMISTRY INTERNATIONAL

The 2019 PAC and CI financials were not finalized by De Gruyter until after the March Finance Committee meeting. A review of the November 2019

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YTD PAC showed a ~14k € increase over the November 2018 YTD total. The total revenue was slightly lower than in 2018, which was 180,091 €.

8.5.2. OTHER SUBSCRIPTION INCOME

8.5.2.1. AFFILIATE MEMBERSHIP PROGRAM (AMP)

The 2019 income of \$20,820 from the AMP program is not fully reflected in the P&L statement, as AMPs were reported in the 2018 P&L and did not get moved to the 2019 report prior to the FC Meeting.

8.5.2.2. COMPANY ASSOCIATE PROGRAM (CA)

The Company Associate program has been managed through the Secretariat since 2018. The Company Associate program income was noted to be lower than targeted in the aggressive 2019 budget, ie by \$ 25,000vs. budget of \$55,000.

8.5.2.3. ASSOCIATED ORGANIZATION PROGRAM

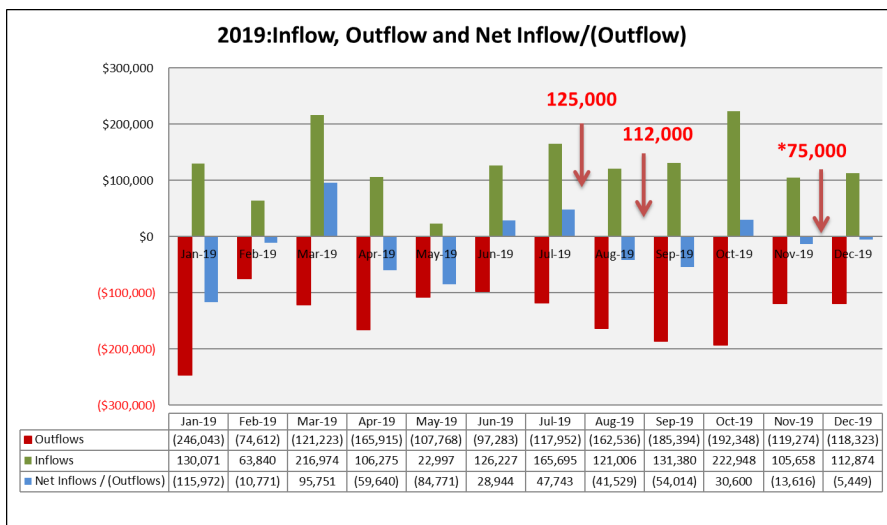
The Associated Organization program income on the P&L statement reflected two adjustments for incorrect accounts: the 2017 adjustment of \$2,769.85 and the 2018 adjustment of \$2,654.03 were included in the negative number.

9. CASH FLOW REPORT AND REVIEW 2018 – 2019

CH

The 2019 and biennium comparative cash flow report was available in the Agenda book for review.

- 2019 had 4 months of net cash positive.
- Almost the full year of 2019 required close monitoring of income vs. expense and required use of cash from the LoC and two “holds” on payouts.



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

10.1 CENTENARY OF IUPAC 2019

Dr. Soby gave a brief review of the P&L of the Centenary activities (IUPAC100) which was available in the Agenda book. It showed \$31,337 in Sponsorship and Sales received. The expenses totaled \$97,387 with a net income of (\$66,049). Periodic Table Challenge project budget was \$15,000 and fully spent. The IUPAC100 project budget was \$18,000 and has \$10,932 remaining.

10.2 INTERNATIONAL YEAR OF THE PERIODIC TABLE OF CHEMICAL ELEMENTS (IYPT2019)

The IUPAC project for IYPT2019 (\$37,000 budget) had a small amount remaining which will be used for KNCV staff until April as well as preparation of a final report and transferring the website to the IUPAC website for archival purposes. Work should be completed by April 2020. A detailed P&L for IYPT2019 was in the Agenda book.

10.3 INTERNATIONAL YEAR OF BASIC SCIENCES FOR SUSTAINABLE DEVELOPMENT (IYBSD) **CB**

Prof. Christopher Brett (IUPAC President) as the IUPAC representative to IYBSD provided an update to the Finance Committee. IUPAC and IUPAP (lead organization) are working on an MOU and will include IUPAC funds at the same level (\$10,000 over two years) that IUPAP provided to IYPT2019.

11. UPDATE ON IRS STATUS FOR FUNDRAISING **LS**

Dr. Soby discussed the current status of the US IRS issues. The letter to the IRS requesting changes to IUPAC records was sent 21 October 2019 and is in the Agenda book for reference. As of February 1, 2020, there were no changes made by the IRS. IUPAC plans to ask MPC for assistance, as connections with the IRS sometimes benefits through a third-party expert. The IRS affects the tax status of a donation (tax deduction in the USA) and potential company matches and the ability to list IUPAC on AmazonSmile for Amazon donations. The Finance Committee continued supporting this initiative.

12. REVIEW OF ACTION ITEMS **ALL**

The Finance Committee reviewed the action items from the meeting.

13. SCHEDULE OF AUDITOR PRESENTATION OF 2019 FINANCIALS (MPC) **LS**

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The 2019 Auditors recommended that it would benefit the FC to present the Audit results and financial status (virtually). It was agreed that this should be scheduled in early April once the Audit and Financial Statements are completed.

14. DATE AND LOCATION OF 2021 MEETING

CH

It was agreed that the next FC meeting will be determined at a later time, due to uncertainty of Covid-19 related travel bans. The meeting was adjourned by the Chair.

Respectfully Submitted:



Lynn M. Soby, Secretary and Executive Director

Minutes Approved:



Prof. John Corish, Chair of the Finance Committee