

IUPAC Finance Committee Meeting

Tuesday March 23, 2021, 09:00 – 13:00 Hours

Held as Virtual Meeting

APPROVED MINUTES

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

IUPAC President: Prof. Christopher Brett (*ex officio*)

Secretary: Dr. Lynn M. Soby

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

JC

Prof. Corish welcomed the members of the Finance Committee and thanked IUPAC President Brett for attending the meeting. He thanked Mr. Humphris and Dr. Soby for putting the papers and all the data together. He mentioned that in addition to the oversight of the current endowment portfolio, the FC may have a quasi advisory role with respect to an appointment of auditors. A discussion ensued recalling that Council approved the current Auditors for 2019 and beyond. Colin suggested that at some point the Finance Committee may want to advise the Executive Committee when the current auditors have been in place for a certain length of time. Prof. Corish emphasized the decisions required throughout the meeting and asked if there were any additional items identified for addition to the Agenda. No additions were suggested.

2. FINANCE COMMITTEE MEMBERSHIP

JC

[For Discussion on Succession Planning]

Prof. Corish noted that two members of the Finance Committee, Dr. Mark Cesa and Prof. Yiqin Gao were coming to the end of their terms but were eligible to be reappointed. The Chair of the Finance Committee will seek input from the two coming to end of first term regarding their willingness/interest to serve a second term. The membership will be provided to the President in conjunction with the Executive Committee for approval.

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.

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3. MINUTES OF 2020 FINANCE COMMITTEE MEETING **JC**

3.1 DRAFT MINUTES OF THE 2020 FINANCE COMMITTEE

The 2020 Minutes were approved and signed by the Finance Committee in time for the 2021 Council Agenda.

3.2 OUTCOMES FROM BUREAU RELEVANT TO FINANCE COMMITTEE **CH**

- The Finance Committee supported the Bureau's decision to support the International Year of Basic Sciences for Sustainable Development in the amount of 10,000€ over two years-2022 & 2023.
- Bureau supported the Finance Committee's recommendations and papers for the Centenary Endowment Fund.

3.3 ITEMS FROM MEETINGS OF 159TH EXECUTIVE COMMITTEE **CH**

The following items were discussed as relevant to the Finance Committee:

- Changes to Statues in order to allow for virtual Council meetings were in process. The virtual Council meeting in 2021 would most likely be a significant decrease in funds used for the GA meetings.
- *Chemistry International, CI*, was approved to move to purely digital in 2023.
- The publishing agreements with DeGruyter were extended to end of 2023 in order to investigate the new DG website capabilities for *CI*. Beginning in 2022, *CI* would be freely available and or with open access.
- The Executive Committee endorsed the Review Group Recommendations for an Executive Board and Science Board, which will be smaller than the existing Bureau and Executive Committee.

4. IUPAC CENTENARY ENDOWMENT STATUS UPDATE **CH/LS**

[For Endorsement of Revised Papers]

Mr. Humphris discussed the revised paperwork related to the Centenary Endowment Board (CEB) and potential membership requirements. Clearly defined role of the CEB relative to the Finance Committee was discussed. Council will be asked to approve the CEB, the objectives of raising funding as well as the specific structure. The Finance Committee retains the responsibility of ensuring the monies in the portfolio are properly invested. Where there may be overlap of the FC and CEB, it may be the determination of the relative risk profile of the portfolio(s). Mr. Humphris emphasized that the income (from interest and dividends) of the CEB would be put into the project expenditure for use on specified project objectives.

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The discussion then turned to the specific issue of changes in Statutes proposed for the CEB. The Bureau will review the changes prior to Council meeting. Prof. Brett discussed that CEB would be proposed as an advisory Standing Committee, similar to the Finance Committee and therefore will need Standing Orders and Terms of Reference. He expressed his appreciation of the Bureau's support in this effort. The Finance Committee was asked to provide Mr. Humphris any further comments and suggestions prior to the Bureau meeting. Suggestions for membership, and particularly a Chairperson, were welcome to send to Mr. Humphris and Dr. Soby. The importance of having diversity in gender and geography were also discussed.

5. IUPAC INVESTMENTS

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5.1. PORTFOLIO PERFORMANCE 2020 AND HISTORICAL PERFORMANCE

[For Information]

The investment portfolio performance of 2020 was presented for review. The key takeaways were the major market correction in Q1 and noting that portfolio showed steady growth throughout 2020. The Finance Committee discussed the performance and the market valuation being over 5.0 M, which should trigger a reduction in fee structure. The investment managers should discuss this during the 1st Quarter Investment meeting with the Finance Committee. The outstanding balance of \$167,000 on the Margin Account was noted and that it was planned to be paid off in the next few months.

The discussion then focused on the longer-term view of historical performance from 2002 through 2020 relative to the management of the portfolio (primarily bond income and PAC income) prior to engagement of professional financial management in 2014. The loss of income from *PAC* as well as the 2011 International Year of Chemistry was discussed as the primary issue of the declining investment value.

5.2. IUPAC INVESTMENT POLICY ANNUAL REVIEW

[For Review]

The Investment Policy was distributed to the Finance Committee for the annual review. The discussion regarding the investment policy revolved around the current policy relative to what may be required by the Centenary Endowment Board to achieve their goals versus the overall current investment policy. Colin stated that he would look at the current vs. CEB objectives and propose an approach for the Finance Committee. No changes were proposed to the current policy at this time.

5.3. IUPAC FUND POLICY STATEMENT

[For Review]

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The Fund Policy Statement was distributed to the Finance Committee for the annual review. No changes were proposed.

5.4. INVESTMENT PORTFOLIO INTEREST AND DIVIDEND 2020

[For Information]

The 2020 Investment portfolio interest and dividends for 2020 was presented and a discussion ensued regarding the proposed used of funds (below)

5.5. USE OF FUNDS FROM THE EXISTING ENDOWMENT FUNDS

[For Decision]

Based upon the rate of return less fees, a 1.78% was recommended to be applied to the existing endowment funds with donor restrictions (Franzosini Fund, CHEMRAWN VII Fund and Hanwha Total Petrochemical Fund). The discussion turned to whether the use of funds applied should be net of fees (0.72%) rather than the Total Return 1.78%. Lynn stated that she would review and revisit the calculations to insure they were accurate. [NOTE: Following a review of the calculation and the 0.72% vs. 1.78%, the Finance Committee approved the 1.78% for 2020 be applied as an exceptional circumstance, given the changeover of the portfolio assets during 2020 (higher fees).

6. AUDITED FINANCIAL STATEMENT AND AUDITORS

CH

[For Information]

6.1. 2020 AUDIT STATUS

The status of the 2020 Audit was reviewed with the Finance Committee. Of note was the adjustment to the 2019 Audit upon a detailed review of the accrual of the DeGruyter year-end payments for *PAC*. Going forward, the estimated year end payment will be accounted for in the specific year. Arrangements were made with DeGruyter to receive a year-end payment amount for the IUPAC Audit. Discussions regarding the 2019 Audit report resulted in an action item to send the Audit to the Finance Committee members.

6.2. POLICY DEVELOPMENT STATUS

The recommendation for the Auditors regarding policies that IUPAC should have in place was discussed. Draft policies for Accounting Records Retention, Privacy Policy, Conflict of Interest policy and Harassment policy were included in the Finance Committee papers. The policies will go to Bureau and then to Council for final approval. The Document Retention and Destruction policy has evolved into a subcommittee on Records and Archives for IUPAC's work, under Committee on Publications and Cheminformatics and Digital Standards (CPCDS).

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7. FINANCIAL PERFORMANCE FOR 2020

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[For Information]

Mr. Humphris stated that, clearly, 2020 by any standards had been an extraordinary year for everyone and everyone internationally. The key highlights of 2021 were the following:

- The Pandemic has meant that IUPAC has had to adjust to functioning virtually.
- The FC proposal to reduce operating budgets this biennium to encourage virtual administrative activity was timely. The organisation has had to learn to operate this way.
- Travel and subsistence expenditure was very low (just \$7,761 v Budget \$292,029).
- The lack of face-to-face contact was not without its own issues however (new project activity also very low and a concern).
- Allowing for the gains booked for the investment portfolio, the operating profit was positive \$199,694 (v budget -\$9003).
- For Secretariat it was an exceptionally difficult year for office operations/home working.
- Secretariat overall on budget. Cash flow benefited from a USA Payroll Protection Loan (\$95,500) which converted to a grant early in 2021 as staff were retained.

7.1. THE PROFIT AND LOSS STATEMENT FOR 2020 WITH VARIANCE FROM BUDGET

The key highlights of the P&L were discussed and are summarized below:

- NAO income is below plan following the loss of Brazil and Pakistan offsetting the gain of Singapore and now is ~\$800,000 of income.
- Growth in income from CA's ahead of budget by \$6500 at \$31,500 – a significant turnaround.
- AMP income from Chemical Societies (Coordinated) is under budget by \$10k and over budget by \$3,300 for direct IUPAC AMP.
- Net Interest and Dividends from investments were low and we may need to reconsider the income generation from the portfolio as an important income stream.

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- Our Secretariat and Administrative costs are in budget overall. General and Admin includes:
 - IT investment for virtual working
 - Project expenditure \$15.5k
 - Marketing and design \$32k in support of 2019 legacy projects
- Virtually no Travel and Subsistence expenditure. Of note: The proposed 2022-2023 Budget assumes all project expenditures feed into travel and subsistence.

7.2. 2019-2020 INCOME STATEMENT HIGHLIGHTS AND YEAR OVER YEAR VARIANCE
[For Information]

The 2019-2020 highlights were discussed given the net of the portfolio gains and losses over the two years resulted in a loss of (\$212,996). Mr. Humphris noted that the International Year of the Periodic Table and IUPAC100 as well as the WCC/GA in Paris contributed to the large expenses incurred.

7.3. BALANCE SHEET FOR 2020
[For Information]

Mr. Humphris summarized the key items of note in the balance sheet were:

- Healthy year end cash position of \$285,000
- Low receivables compared to previous years
- Buoyant Investment Portfolio
- Current balance of the Margin Account of \$193,000 (from \$350,000)
- Payroll Protection Loan from US now considered a grant of \$95,000

7.4. PUBLICATIONS AND SUBSCRIPTION

7.4.1. PURE AND APPLIED CHEMISTRY AND CHEMISTRY INTERNATIONAL

Mr. Humphris reviewed the current status of Pure and Applied Chemistry as well as the historical Net Revenue, *PAC* less *CI*. He noted that there is currently pressure on the *PAC* publishing income given that conferences are being held virtually, if at all and gathering content is somewhat a challenge. Regarding *CI* and the future digital-only version, he noted there will still be costs associated with development of a .PDF version to publish on-line. Some of the *CI* costs have been lower due to the platform improvement at DeGruyter.

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7.4.2. OTHER SUBSCRIPTION INCOME

7.4.2.1. AFFILIATE MEMBERSHIP PROGRAM

Dr. Soby reviewed the status of the Affiliate Membership Program and noted that 2020 was difficult for the Chemistry Societies promotion of the program, due to the key benefit of the conference discount (10% off registration at an IUPAC-endorsed conference. As most of the IUPAC-Endorsed Conferences were either moved into 2022 or cancelled completely, the discount appeared to not be an incentive. The 2020 AMP direct from IUPAC was on budget of \$7,500. Chemical Societies were well under budget of \$25,000 with actual of \$7,809.

7.4.2.2. COMPANY ASSOCIATE PROGRAM

The Company Associate program total income of \$32,000 was over budget and IUPAC gained one new direct CA -Exponent (UK) following assistance from IUPAC for a new compound name and structure representation.

7.4.2.3 ASSOCIATED ORGANIZATION PROGRAM

8. CASH FLOW REVIEW 2020

CH/LS

8.1. CASH FLOW REPORTS FOR 2020

Mr. Humphris reviewed the cash flow report for 2020 and the comparison with 2019 figures. He indicated that the cash flow situation appeared to be fairly stable but witness the changes early in the year due to COVID-19 impacts. He also noted the additional cash from the \$95,000 PPP Loan. As minimal travel was done in 2020, outflows were fairly low and stable throughout the year.

8.2. CUMULATIVE NET CASH FLOW 2020

9. BUDGET 2022-2023

CH/LS

[For Discussion and Approval]

Mr. Humphris presented the budget assumptions for two budget models and the rationale for the Finance Committee review and approval. Some of the assumptions are given here, anticipating a return to normal operations:

- Anticipating that we will emerge from 2021 in a very strong cash position because there'll be a material underspend in 2021. (Virtual Congress and lack of travel expenses)
- Assumption that we will build upon the learnings of 2020 with travel returning in 2022-2023.
- Assumption that the organization for 2022-2023 is same as previous biennia.

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- Adjustments to the budgets of the Standing Committees, including CHEMRAWN.
- Possible meeting of the Centenary Endowment Board

A second alternative (plan 4B) was proposed that essentially did not add funds to the 2022 but rather carried unspent funds forward for use (did not sweep the unused funds).

- Added funds into 2023 as a return to normal with the Congress and GA being in the Netherlands.
- Added funds for a possible EC and Bureau meeting face-to-face
- Allocated funds for the Centenary Endowment Board to meet
- Allocated funds for the Executive Director turnover in 2022

A robust discussion of the two budget proposals ensued and essentially viewed the option of plan 4B as an unsustainable budget if travel returns to pre-COVID levels. The upside to the preferred 4B model was to allow the allocated and unspent funds in 2020-2021 be used in 2022 rather than start over. Also, the first budget option was a deficit of ~\$600,000. Mr. Humphris stated that the Organizational Review needs to address the structural deficit 2024 onwards.

10. ORGANIZATIONAL REVIEW GROUP UPDATE

CH

[For Information]

Mr. Humphris prepared an update on the Organizational Review Group work and noted the following:

- The proposed structure offered no immediate savings but suggested possible savings due to virtual meetings might be possible.
- He articulated the role of the Science Board and their purpose with particular emphasis on development of a budget process that would reflect the scientific and structural changes
- This change would be a big cultural change for an international organization like IUPAC.

11. SPECIAL ITEMS AND UPDATES RELEVANT TO THE FINANCE COMMITTEE

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[For Information]

11.1. INTERNATIONAL YEAR OF BASIC SCIENCE FOR SUSTAINABILITY (IYBSSD) 2022

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Prof. Brett gave an update on the status of IYBSSD delays. He essentially mention, if the UN approved it, that it would run July 2022 through end of June 2021. The UN was delayed due to COVID-19. He discussed that the plan for IUPAC was to re-package the activities of the Global Women's Breakfast and the Periodic Table Challenge to suit the international year. This would be the most cost effective way to support IYBSSD and IUPAP.

11.2. 2021 WORLD CHEMISTRY CONGRESS AND GENERAL ASSEMBLY

Prof. Burford gave an update on the upcoming WCC and GA to be held 100% virtual for the first time. Colin also discussed the World Chemistry Leadership Meeting and the topic/concept around Artificial Intelligence and the Chemistry Endeavor.

12. UPDATE ON IRS STATUS FOR FUNDRAISING (USA)

LS

[For Information and Input]

Dr. Soby briefed the Finance Committee on the current status of IUPAC's Tax Deductable status with the Internal Revenue Service (IRS). As of the meeting, there was no change or update in the deductible status. Preparations were underway to develop IUPAC's Guidestar Profile, which is essential to many methods of fundraising. She mentioned that the IRS was also severely impacted by COVID-19 and long delays were the norm.

13. REVIEW OF ACTION ITEMS

ALL

Prof Humphris reviewed the action items of the meeting and asked for any other items and possible dates for the next meeting as well as the investment portfolio 1st quarterly review. The date of the review was set for the 22nd of April to be held virtually with the investment managers.

14. DATE AND LOCATION OF 2022 MEETING

CH

The 2022 Finance Committee meeting will be held in February 2022.
Specific date to be determined.

15. ADJOURN

Professor Corish thanked Mr. Humphris and Dr. Soby for putting the Detailed Agenda together and the Presentation material for the meeting. He also thanked everyone for their attendance.

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Dr. Lynn M. Soby, Executive Director



Prof. John Corish, Chair