

INTERNATIONAL UNION OF PURE AND APPLIED CHEMISTRY

MINUTES OF FINANCE COMMITTEE MEETING

Neutra Treuhand, Zürich, Switzerland: 17th February 1997

Present: Dr. E. P. Przybylowicz (Chairman), Prof. E. J. Grzywa

Absent: Dr. M. M. G. Senden, Prof. J. M. Ward

In Attendance: Dr. A. Hartmann - in part, Mr. B. Röthlisberger (Neutra Treuhand) - in part, Dr. M. Williams (Executive Secretary)

1/97 INTRODUCTORY REMARKS AND FINALIZATION OF AGENDA

The Executive Secretary reported that Prof. Ward was recovering from bronchitis, and he was unable to travel to Zürich. Accordingly, Prof. Ward had suggested that Dr. Przybylowicz should chair the meeting. In addition, Dr. Senden was unable to attend due to urgent business obligations. Mrs. Linda Kofmehl (Merrill Lynch: ML) was also unable to be present.

The agenda circulated by the Executive Secretary (97.02.04) was approved. Some notes and comments from Prof. Ward on various items were tabled as a late paper.

2/97 MINUTES OF MEETING AT ZÜRICH (96.02.19)

2.1/97 Amendments and Approval of Minutes

The minutes of the previous meeting were approved.

2.2/97 Matters Arising

2.2.1/97 Audit Costs (Minute 2.2.2/96 - Mr. Röthlisberger in attendance)

The Executive Secretary reported that the 1995 audit carried out by Ernst & Young (Reading) had cost GBP 3 830 (excluding value added tax), which was similar to that for 1994 (GBP 3 719). Neutra Treuhand's costs for 1995 were detailed and totalled CHF 2 000, which was less than for 1994 (CHF 2 500). Mr. Röthlisberger indicated that any correspondence and discussions with the Zürich Cantonal Finance Department, arising from changes to the Statutes and Bylaws at the IUPAC Council meeting in 1997, should cost less than for 1995 (CHF 500: see Minute 2.2.2/97).

In principle, the accounting for 1997 should be completed in UK by Mrs. E. Sheppard at Oxford. If possible, the auditing should again be undertaken by Ernst & Young (Reading) to facilitate liaison with Mrs. Sheppard (and Dr. Williams), which would entail storing the necessary financial records in Oxford or Reading until March 1998 (the lease on the Secretariat offices in Oxford would cease at the end of 1997). Financial accounting should commence at the new Secretariat at Research Triangle Park in North Carolina from 98.01.01. As far as auditing was concerned, Mr. Röthlisberger noted that there was an Ernst & Young office at Raleigh, North Carolina near to RTP.

2.2.2/97 Relocation of Official Headquarters of IUPAC [Minute 4.4/96 - Mr. Röthlisberger in attendance]

The Committee noted that Finanzdirektion des Kantons Zürich had issued a new order (96.03.29), confirming the continuation of IUPAC's tax-free status, following the relocation since 91.03.01 of the Treasurer's office - official headquarters of the Union (Statute 4.3) - at the premises of Neutra Treuhand (previously at Union Bank of Switzerland). Mr. Röthlisberger confirmed the view of Dr. Hartmann, that there was still no reason for the Union to sign the commercial registry in Zürich.

3/97 MINUTES OF MEETINGS OF EXECUTIVE COMMITTEE (123rd) AND BUREAU (68th)

The Chairman assumed that everyone had read the precirculated extracts from these minutes. He drew attention to the following items:

- (i) The Executive Committee had accepted [Minute 4.4.1(i)/96] the recommendation that, if necessary, the Building Fund could be used to help finance the Secretariat move from Oxford to North Carolina.
- (ii) The Executive Committee had agreed to establish a Sinking Fund of USD 50 000 [Minute 4.4.1(ii)/96], which would enable the General Assembly to be held from time to time also in the Southern Hemisphere.
- (iii) With regard to the abolition of the sponsored Affiliate part of the Affiliate Membership Programme (AMP: Minute 3.2.7/96), he hoped that an Honorary Fellowship Scheme could be initiated at say an annual fee of USD 50. Such persons should receive CI, and might be questioned on various IUPAC matters. Prof. Grzywa felt that the main cost to individuals was for CI and its distribution to them.

4/97 FINANCIAL REVIEW

4.1/97 Statement of Accounts for 1996 and Financial Summary
[Mr. Röthlisberger in attendance for item 4.1(i)/97]

- (i) The Chairman pointed out that, if the unexpected windfall from Baring Brothers Bank of nearly USD 344k (shown as Other Income under General Income and Expenditure) was removed, the accounts showed an "actual" surplus of nearly USD 291k, about USD 130k better than the budget forecast (as at 95.08.11: see Minute 4.2/97 for a reconciliation of the accounts with budget). The surplus was needed to balance any deficit for 1997 (see Minute 7/97).

The Committee noted that the final version of the Balance Sheet should show the USD 50k of the Sinking Fund (likewise it should be removed from the Financial Summary). Another USD 50k should be added to it from the 1996 surplus. Mrs. Lynn Brett and Prof. Ward had recommended that this Fund should be treated as a simple one, with interest and dividends not added to it. Prof. Ward had

suggested that consideration should also be given to adding another USD 100k to the Building Fund for the usual reasons. It should be kept in mind that, just as the current President and Executive Committee favoured moving the location of the Secretariat from time to time, future ones might favour the Union having its own building (cf. Prof. C. N. R. Rao, President during 1985-7).

The 1996 accounts were recommended for immediate audit by Neutra Treuhand [see Appendix A for the amended accounts (as at 97.03.03) presented for audit].

With regard to his concern about some provisions and subaccounts in the Balance Sheet (liabilities - Note 3, third paragraph of Minute 4.1/96, Finance Committee), the Executive Secretary reported that (a) in the case of Lewis Publishers the residual money from 1995 had been partly spent during 1996, and further expenditure was anticipated during 1997; (b) although none of the money for Organic Synthesis was spent during 1996, it would shortly be used entirely to support a meeting of the Subcommittee on Organic Synthesis (Hannover, 97.03.10). However, the efforts of Dr. Williams to contact the Commission on Microchemical Techniques and Trace Analysis re the Kratos Grant had drawn a blank. The Finance Committee agreed that the residue of USD 136 should be added to the remaining biennial funds for allocation by the President of the Analytical Chemistry Division during 1997.

- (ii) The 1996 Financial Summary (as at 97.01.29) was noted by the Committee. It should be amended by removing the Sinking Fund (USD 50) from the market value of the securities [see Minute 4.1(i)/97]. The amended Summary (as at 97.03.03) is shown in Appendix B.

Prof. Ward had suggested that the supplementary assets in 1996 might be used to meet the unbudgeted expenditure arising from moving the Secretariat to North Carolina and the costs of extra meetings to discuss the future scientific policy of the Union (London, 97.02.24 and Frankfurt, 97.03.24). The biennial account for 1996-7 should, therefore, finish near balance.

4.2/97 Comparison of Accounts/Budget for 1996

A reconciliation of the accounts with budget for 1996, drawn up by Prof. Ward, had been precirculated. In addition to the unexpected windfall from Baring Brothers Bank [see Minute 4.1(i)/97], the principal contributors to the improved surplus of nearly USD 130k over budget were an improved Publications surplus of about USD 61k and an underspend of nearly USD 30k on the AMP (both mainly due to reductions in staff and staff costs for part of the year).

There was an underspend of USD 81k by the Standing Committees and Divisions, which had been taken as a provision in 1997. If this money was included, the surplus over budget would have been USD 211k (16% of income). On the recommendation of the Executive Secretary, the Finance Committee would ask the Treasurer (or Secretary General) to write personally to each Division President and Standing Committee Chairman, seeking to stimulate better use of their biennial funding in providing financial support for small meetings of persons to expedite progress of key projects.

5/97 REVIEW OF INVESTMENTS

5.1/97 Performance Reports

5.2/97 Investment Policy and Strategy for 1997

A paper from Prof. Ward on the investment pattern and results for 1996 had been precirculated. In addition, Mrs. Kofmehl had precirculated a summary of IUPAC investments for the year ending 96.12.31 and an investment outlook for 1997. Prof. Ward had pointed out that the ML office summary table (97.01.17) contained a number of errors in the Year-to-Date (YTD) performance column for mutual funds. He advocated leaving the ratio between bonds and equities as at present (about 45:55%). Before investing all the money from maturing Certificates of Deposit (CDs), some might be left in the Cash Management Account (CMA) until the major part of the cost of the 1997 General Assembly had been met, or until it was clear that it could be met.

In the opinion of Dr. Hartmann, equity funds based on Asia and Japan (and also on Latin America) were only a good prospect in the longer term, due to the high risks involved. Sale of the Union's Permal Asia Holdings and ML Pacific Equity should produce about USD 400k, of which USD 250k should be reinvested in CDs and USD 150k into ML Basic Value equity [to help maintain the equities proportion of the portfolio at about 55% (cf. Prof. Ward)]. The two CDs maturing in March 1997 should be reinvested in CDs (for three or six months according to the Union's cashflow needs). (No consideration was given by the FC to the CD Cole Taylor Bank, which had matured on 96.12.27.)

6/97 NATIONAL SUBSCRIPTIONS AND BAD DEBTS

6.1/97 National Subscriptions

(i) 1995 Subscriptions

It was noted that, with the exception of Egypt, all outstanding subscriptions for 1995 had been cleared. Because no payments had been received by the IUPAC banker by 97.01.31 in respect of Egypt's subscriptions for 1995 and 1996, Egypt had then automatically ceased to be a Member of the Union (Statute 9.2).

(ii) 1996 Subscriptions

a. Prof. Ward had emphasized that, unfortunately, the delay in paying the annual subscriptions had increased: as at 96.12.31 just over 20% of the total for 1996 was still outstanding.

b. Of the listed outstanding subscriptions for 1996 (Note 11 to 1996 Statement of Accounts: Appendix A), Greece and Slovakia had paid since 96.12.31.

c. Brazil and France were in process of transferring their outstanding subscriptions to ML, having recently requested details of IUPAC's bank account in USA. Accordingly, the Treasurer had delayed implementation of sanctions (Statute 9.2). The FC agreed that, if payment was not received at ML by 97.02.28, sanctions should be applied.

- d. There being no response from Belgium, Israel, Russia, Turkey, and USA, sanctions had been imposed by the Treasurer from 97.02.03. Dr. Przybylowicz understood that the money was available in the case of USA, but payment had been delayed because of an administrative error.

(iii) 1997 Subscriptions

The basis on which these subscriptions had been invoiced by the Treasurer (96.10.18) was noted.

(iv) 1998 Subscriptions

- a. In conformity with past practice [Minute 5.1(vii)/95, Finance Committee - Zürich], the FC recommended that the 1993-4 biennial average CT should be used as the basis for calculating the 1998-9 subscriptions. To obtain the latest available CT values, the 1997 *International Yearbook of Industrial Statistics* (issued by UNIDO and containing data up to and including 1994) should be used.
- b. In addition, the FC recommended that exchange rates should be used from the *International Financial Statistics Yearbook* for 1994 of the International Monetary Fund. Alternatively, the relevant *Financial Times Guide to World Currencies* might be utilized.

(v) Chemical Turnover Matter

The Treasurer had agreed (96.05.22) that, in view of its difficult circumstances, Slovenia could pay the IUPAC minimum subscription of USD 1 000 for 1996 (it had been allowed to pay USD 500 during 1993-5). At the request of Slovenia (97.02.14), the FC agreed that the subscription for Slovenia should be set at USD 1 500 in 1997. However, from 1998 onwards Slovenia must pay a subscription based on its official CT figures for 1993-4, otherwise it should move to Observer Country status.

6.2/97 Bad Debts

- (i) Because Egypt was no longer a Member country of the Union, the FC agreed to write off in 1997 from the provision for bad debts USD 10 700 (USD 5 800 for 1995 and USD 4 900 for 1996).
- (ii) The outstanding subscriptions for 1996 were reviewed in terms of the bad debt provision of USD 20 712 in the 1996 Balance Sheet (Note 3). No adjustment was deemed necessary at this time in the provision.

7/97 REVIEW OF APPROVED BUDGET FOR 1997 AND CAPITAL BUDGET FOR 1997

The General Purposes Budget for 1997 approved by Council at Guildford (95.08.11) was reviewed.

Interest and dividends earned should be decreased to USD 110k (USD 115.8 in 1996 accounts), but the transfer from the publications subaccount should be

increased to USD 150k (USD 155.7 in 1995; USD 200.8k in 1996, due in part to Secretariat staff changes).

Regarding the relocation of the Secretariat to North Carolina, it was noted that the President of the Union had set a total of USD 500k for running expenditure (based on data in the 1995 accounts: USD 290.9 for general office expenses, USD 180.0 for publications expenses, and USD 28.9 for AMP expenses).

Staff redundancy costs at Oxford were estimated at USD 130k, with an additional USD 150k needed for overlapping staff costs, while the two Secretariats continued to exist in 1997. It was estimated that USD 25k would be needed to restore the Oxford offices to their original condition prior to termination of the lease, and USD 100k were needed to furnish and equip the North Carolina Secretariat (USD 100k in the Capital Budget). These four items totalled USD 380k of additional expense for 1997, which was approximately covered by the windfall from Barings of USD 343.8k. It was noted that, because the facilities at North Carolina were rent-free for ten years, there would be a annual saving of GBP 17 500 over Oxford in that respect.

The unbudgeted meetings for discussion of the future scientific strategy of the Union were estimated at USD 30k (USD 10k for London, 97.02.24; USD 20k for Frankfurt, 97.03.24). On the other hand, Prof. Ward had pointed out that fifty-six Titular Members had not so far replied to the Geneva Assembly circular (as at 97.02.07), so that there might be some saving on the Assembly budget.

Regarding the suggestion of Prof. Ward to add to the Building Fund [Minute 4.1(i)/97], the FC concluded that it should remain at its present level (capital protection), otherwise the wrong message would be conveyed.

For the amended 1997 General Purposes Budget, see Appendix C.

8/97 BUDGET PREPARATIONS FOR 1998-1999

First draft General Purposes Budgets (as at 97.02.12) were tabled on behalf of Prof. Ward:

- (i) The 1996 figure for Secretariat costs was artificially low, because of staff changes, so that he had taken the 1996 budget figure as a basis and increased it by 3% for each year.
- (ii) The allocation for Standing Committees had been increased by 3%, but that for Divisions by 10% to accommodate the implementation of the various changes being discussed.
- (iii) The depreciation figure was based on a guess at the final cost of new equipment at North Carolina (USD 100k).
- (iv) The contingency figures were 50% above previous values to allow for the unexpected.
- (v) A figure for an AMP subsidy had been included. The Committee on Affiliate Membership maintained that it could achieve a breakeven, but we had yet to see exactly how. Of course, Council might

decide to discontinue the Programme, but equally that it should go on in some form.

- (vi) Even though the Union's reserves were high, Prof. Ward did not think we should fall into the error made in the past of not allowing for inflation. The surplus reserves should be used for the high priority, limited duration projects, which should result from present plans and discussions.

The amended first draft General Purposes Budgets agreed by the FC are shown in Appendix D.

9/97 COMMITTEE MEMBERSHIP

It was noted that Dr. Przybylowicz was available to serve a second term (1998-2001). Prof. Grzywa would complete his maximum eight years of service at the end of 1997. After completing his service as Treasurer at the end of 1997, Prof. Ward was eligible to serve as a Member for two-four years.

The FC recommended that Dr. Przybylowicz should be reappointed for four years and Prof. Ward for at least two years. As far as the Chairmanship of the FC was concerned, there were three possibilities: the newly elected Treasurer (1998-2001) might exceptionally act, as had Prof. Ward during 1991-1997; Prof. Ward might be reappointed for two-four years as Chairman and Member; Dr. Przybylowicz might be appointed for four years.

10/97 DATE AND PLACE OF NEXT MEETING (Mr. Röthlisberger in attendance)

In the opinion of Dr. Hartmann and Mr. Röthlisberger, it was important for the FC to meet in Zürich in 1998. Accordingly, the next meeting was agreed for 16th February 1998 in the offices of Neutra Treuhand in Zürich.

IUPAC GENERAL PURPOSES BUDGET 1997

(as at 97.02.17: in 1 000 USD)

<u>EXPENDITURE</u>	<u>1995 Budget</u>	<u>1997 Budget</u>	<u>1995 Budget</u>	<u>1997 Budget</u>	<u>INCOME</u>	<u>1995 Budget</u>	<u>1997 Budget</u>
<u>Office Expenses</u>					<u>National Subscriptions</u>	609.0	646.0*
Officers	5.2			5.0			
Secretariat	305.0			290.0	<u>Company Associates, Associated Organizations & Observer Countries</u>		
Accounting, Audit & Bank Fees	<u>37.0</u>	347.2		<u>37.0</u>	<u>Service Charges</u>	11.5	13.0
				332.0			
<u>Expenses IUPAC Bodies</u>							
Standing Committees	40.0			40.0	<u>Interest & Dividends Earned</u>	135.0	110.0
Divisions & Section	90.0			99.0			
Chem. Intl. for Members	22.0			23.0			
General Assembly	490.0			500.0	<u>Transfer from Publications Subaccount</u>	140.0	150.0
Representatives on Other Organizations	<u>12.5</u>	654.5		<u>10.5</u>		895.5	919.0
				672.5			
<u>Handbook 1996-7</u>		16.0		18.0			
<u>Contributions to ICSU & ICSU Committees</u>		20.0		21.5			
<u>Information Services/ Developing Countries</u>		10.8		15.0			
<u>Depreciation</u>		13.0		21.0			
<u>Contingencies</u>		<u>14.5</u>		<u>15.0</u>	<u>Excess of Expenditure over Income</u>	<u>180.5</u>	<u>176.0</u>
		<u>1 076.0</u>		<u>1 095.0</u>		<u>1 076.0</u>	<u>1 095.0</u>

* A 3% increase over 1996.

IUPAC GENERAL PURPOSES BUDGET 1998 (First Draft)

(as at 97.02.17: in 1 000 USD)

<u>EXPENDITURE</u>	<u>1996</u> <u>Actual</u>	<u>1998</u> <u>Budget</u>	<u>1996</u> <u>Actual</u>	<u>1998</u> <u>Budget</u>	<u>INCOME</u>	<u>1996</u> <u>Actual</u>	<u>1998</u> <u>Budget</u>
<u>Office Expenses</u>					<u>National Subscriptions</u>	646.0	665.0*
Officers	2.9	8.0					
Secretariat	248.6	278.0			<u>Company Associates,</u>		
Accounting, Audit & Bank Fees	13.6	265.1	15.0	301.0	<u>Associated Organizations & Observer Countries Service Charges</u>	9.6	12.0
<u>Expenses IUPAC Bodies</u>							
Standing Committees	94.0 [#]	98.0			<u>Interest & Dividends Earned</u>	115.8	110.0
Divisions	232.0 [#]	256.0					
Chem. Intl. for Members	21.7	23.0			<u>Transfer from Publications Subaccount</u>	200.8	155.0
General Assembly	8.0	10.0					
Representatives on Other Organizations	8.9	364.6	10.0	397.0			
<u>Contributions to ICSU & ICSU Committees</u>		20.7		22.0			
<u>AMP Subsidy</u>		0		10.0			
<u>Depreciation</u>		9.8		30.0			
<u>Foreign Exchange Diff.</u>		(4.3)					
<u>Contingencies</u>		28.5		30.0			
		684.4		790.0			
<u>Excess of Income over Expenditure</u>		287.8 [@]		152.0			
		972.2		942.0		972.2	942.0

* A 3% increase over 1997

[@] Figure in accounts (290.7) includes non-budget items[#] Including Provision

IUPAC GENERAL PURPOSES BUDGET 1999 (First Draft)

(as at 97.02.17: in 1 000 USD)

<u>EXPENDITURE</u>	<u>1997</u> <u>Budget</u>		<u>1999</u> <u>Budget</u>		<u>INCOME</u>	<u>1997</u> <u>Budget</u>	<u>1999</u> <u>Budget</u>
<u>Office Expenses</u>					<u>National Subscriptions</u>	646.0	685.0*
Officers	5.0		8.0				
Secretariat	290.0		286.0				
Accounting, Audit & Bank Fees	<u>37.0</u>	332.0	<u>15.0</u>	309.0	<u>Company Associates, Associated Organizations & Observer Countries Service Charges</u>	13.0	13.0
<u>Expenses IUPAC Bodies</u>							
Standing Committees	40.0		42.0		<u>Interest & Dividends Earned</u>	110.0	110.0
Divisions	99.0		109.0				
Chem. Intl. for Members	23.0		23.0				
General Assembly	500.0		525.0		<u>Transfer from Publications Subaccount</u>	<u>150.0</u>	<u>155.0</u>
Representatives on Other Organizations	<u>10.5</u>	672.5	<u>11.0</u>	710.0		919.0	963.0
<u>Handbook 1998-9</u>		18.0		17.0			
<u>Contributions to ICSU & ICSU Committees</u>		21.5		23.0			
<u>AMP Subsidy</u>		15.0		10.0			
<u>Depreciation</u>		21.0		20.0			
<u>Contingencies</u>		<u>15.0</u>		<u>30.0</u>	<u>Excess of Expenditure over Income</u>	<u>176.0</u>	<u>156.0</u>
		<u>1 095.0</u>		<u>1 119.0</u>		<u>1 095.0</u>	<u>1 119.0</u>

* A 3% increase over 1998