

**BUDGET & FINANCE COMMITTEE
REPORT TO ACS COUNCIL
SEPTEMBER 11, 2013**

SLIDE 1 – COVER SLIDE

SLIDE 2 - 2013 PROBABLE YEAR-END PROJECTION

Madam President and members of Council, the Society Committee on Budget and Finance met on Saturday. The Committee reviewed the Society's 2013 probable year-end financial projection which calls for a Net Contribution from Operations of \$14.5 million, or \$1.3 million higher than the Approved Budget. Total revenues are projected at \$491.8 million. This is \$7.6 million or 1.5% unfavorable to the Approved Budget. The projected shortfall is primarily driven by lower-than-budgeted Electronic Services and Advertising revenues. Total expenses are projected at \$477.2 million, which is \$8.9 million or 1.8% favorable to the Approved. This variance is the result of lower-than-budgeted expenses across multiple categories primarily in the Society's information services divisions (CAS and Publications).

In addition, the Society is expected to end the year in compliance with four of the five Board-established financial guidelines.

SLIDE 3 – FINANCIAL GUIDELINES

This slide summarizes how the Society is projected to end the year relative to each of the guidelines. B&F has adopted a simple color-coded system for the Probable 1 Projection.

As you can see the one guideline where compliance is not anticipated is the highlighted Fund Balance Ratio, which is a measure of the adequacy of Unrestricted Net Assets (or reserves), defined as Unrestricted Net Assets divided by annual operating expenses. ACS has been out of compliance with this guideline since the financial crisis unfolded in 2008 and a return to full compliance will require continued strong operating performance; a modest increase in interest rates; and sustained improvement in the capital markets.

SLIDE 4 – UNRESTRICTED NET ASSETS

To provide some context, ACS ended 2012 with Unrestricted Net Assets of \$101 million and a Fund Balance Ratio of 21%. The blue call out box shows the components of the change as of July 31. Including the projected Net from Operations, year-to-date investment gains, and a decline in unfunded postretirement benefit obligations, Unrestricted Net Assets have increased to \$186 million. This equates to a Fund Balance

Ratio of 38%. To reach the 50% Minimum, Unrestricted Net Assets will need to rise to \$245 million.

SLIDE 5 – PROGRAM FUNDING REQUESTS

The Committee considered four new program funding and reauthorization requests. These were the *ACS Entrepreneurial Initiative*, the *National Association of Chemistry Teachers*, the *ACS International Center*, and *SciMind*.

SLIDE 6 – PROGRAM FUNDING REQUESTS NET EXPENSES

As Dr. Carroll noted, the Board subsequently took action and approved funding as shown on this slide which summarizes the net expenses, before indirect assessments. The 2014 Proposed Budget will include \$731,000 of net expenses, which is an additional \$276,000 when compared to the 2013 Approved Budget.

Madam President and Members of Council, this concludes my report.

Dr. Pat Confalone, Chair
Society Committee on B&F