

IEA 2019 TREASURER'S REPORT

January – December 2019

Jose Orlando Gomes

INTRODUCTION

This report summarizes the financial performance for the period of January 1st to December 31st of 2019 (hereafter referred to as “Y2019”, or as “the Period”). The basic accounting rules are essentially the same as those applied in previous years. However, the following are noted for clarification:

1. Banking and financial services:
 - 1.1. The IEA has consolidated its banking at UBS in Switzerland, where it now has:
 - 1.1.1. a basic US\$ denominated checking account opened in Oct/2017
 - 1.1.2. a basic CHF denominated checking account opened in Oct/2017
 - 1.1.3. a fiduciary account for investment purposes, opened with a US\$200,000. Monthly interest from this investment is credited to the US\$ checking account.
 - 1.2. All IEA banking at Scotiabank in Canada has been wound down:
 - 1.2.1. the basic US\$ denominated savings account was closed in October 2019
 - 1.2.2. two Guaranteed Investment Certificates (GICs), one in US\$ and one in CD\$ were liquidated in June 2019, and their proceeds transferred to UBS
2. Membership dues of previous years paid during Year 2019 were booked with Y2019 membership dues.
3. Membership dues for Y2020 and beyond paid during Year 2019 were booked as Liabilities.
4. An “Interest” line item was added to “Revenues” in the Profit & Loss Statement, and the 2019 yield of the GICs (6 months) was allocated there, along with the interest from the UBS fiduciary account.
5. Some expenses previously not referenced to IDC Funds were reevaluated, and any expenses that could justifiably and appropriately be allocated there were deducted from the corresponding balances.
6. The practice of allocating expenses preferably to the various IEA committees rather than the “Representation & Outreach” is now routine
7. The “Representation & Outreach” classification holds only (but not all) expenses specifically related to IEA Executive Committee activities:

- 7.1. Some of IEA officers’ travel for “Representation & Outreach” is being partially covered by the host society or by the officer’s local society.
- 7.2. Most host societies are already covering accommodation, food, and local transportation, and some of them have started to cover air travel as well.
- 7.3. As of this writing, only two officers have provided information on the portion of their travel expenses being borne by their societies.
8. Improvements in the IEA accounting system implemented previously to adjust to then new expenditures and to comply with Swiss NPO legislation worth reiterating:
- 8.1. Although the IEA Operating Procedures “OP-Funds Administered by the IEA” establish that “Once a fund is created, the assets thereof belong to the IEA”, since there are rules governing their allocation, Swiss rules require that they be booked as liabilities:
- 8.1.1. Funds' receipts and disbursements are part of IEA revenues and expenses and appear in the IEA's profit & loss statement.
- 8.1.2. Separate classifications for each fund were implemented.
- 8.1.3. Receipts and disbursements related to the Funds Administered by the IEA (earmarked funds) are also booked to each Fund’s account.
- 8.2. The following accounting titles are used in the P&L Statement.

Revenue items	Expenditure items
<ul style="list-style-type: none"> ● Membership dues (FS and AS combined) ● Sustaining member contributions ● Capitation fees ● Funds Contribution ● Interest ● Exchange Rate Gains ● Miscellaneous 	<ul style="list-style-type: none"> ● Meeting ● Representation & Outreach ● Office ● Awards Committee ● ID Committee ● PSE Committee ● STP Committee ● DP Committee ● CPR Committee ● Historian ● Grants ● Bank charges ● Exchange rate and clearing fees ● Website ● Miscellaneous

BALANCE SHEET (BS)

Table 1A presents the IEA's December 31st, 2018, Balance Sheet, as stated in the 2018 IEA Treasurer's Report.

Table 1A: Balance Sheet on December 31st, 2018 as stated in 2018 Treasurer's Report.

Balance Sheet – Dec 31st, 2018 - (US\$)			
Assets		Liabilities	
Savings Account	\$89,480	Dues Advanced Received	\$378
Term Deposit	\$192,623	Accounts Payable	\$9,032
Seed Money Receivable	\$30,000	Earmarked Funds	\$15,355
		Total Liabilities	\$24,765
		Equity	
		Total Equity	\$287,338
TOTAL	\$312,103	TOTAL	\$312,103

Consavo Legal, IEA's accounting and legal advisor in Switzerland, informed us that some adjustments related to our incomplete transition from cash-based to accrual-based accounting were required to our balance sheet prior to submitting it to the Swiss tax authorities in September 2019. The impact of these adjustments (and some minor corrections) is shown in table 1B.

Table 1B: December 31st, 2018 Balance Sheet adjustments made for tax filing in Switzerland in September 2019

Adjustments to the Dec 31st, 2018 Balance Sheet (us\$)			
Assets		Liabilities	
Cash and Cash Equivalents	\$142	Dues Advanced Received	\$0
Term Deposit	\$0	Accounts Payable	\$21,717
Seed Money Receivable	\$0	Earmarked Funds	\$42
Advancements	\$919	Total Liabilities	\$21,759
		Equity	
		Total Equity	-\$20,698
TOTAL	\$1,061	TOTAL	\$1,061

The major adjustments resulted from two types of events (previously unbilled items, and incomplete transition from cash-based to accrual-based accounting) and were the following:

- Inclusion of Accounts Payable:
 - Previously unbilled:
 - Consavo Legal 2017 and 2018 accounting services: USD 8,308 (@ CHF 4,000/yr)
 - Consavo Legal fees, etc. for IEA incorporation in Switzerland: USD 3,409
 - LM Award payment deferred at awardee’s request: USD 10,000
- Inclusion of Advancements (considered as such while transactions not unwound):
 - Remaining difference after refund of Elsevier-IEA mishap while paying the first IEA/Elsevier John Wilson Award: USD 100
 - Remaining difference due to bank cost after refund of expenses reimbursed twice: USD 80
 - Remaining difference after cancellation of IDC projected team travel to Bangladesh due to unsafe travel conditions (ISIS): USD 739
- Inclusion of minor adjustments to Cash and Cash Equivalents and Earmarked Funds (USD 142 and 42, respectively) to correct differences due to exchange variations, discrepancies between nominal and actual values, and/or clerical mistakes.

Table 1C is a summary of the balance sheet information filed in Switzerland in 2019 relative to 2018 activities.

Table 1C: Summary of IEA 2018 Balance Sheet in Swiss Tax filing 2019

2019 Tax Filing – Balance Sheet – Dec 31st, 2018 – (us\$)			
Assets		Liabilities	
Cash and Cash Equivalents	\$89,622	Dues Advanced Received	\$378
Term Deposit	\$192,623	Accounts Payable	\$30,749
Seed Money Receivable	\$30,000	Earmarked Funds	\$15,397
Advancements	\$919	Total Liabilities	\$46,524
		Equity	
		Total Equity	\$266,640
TOTAL	\$313,164	TOTAL	\$313,164

There were minor differences between the amounts reported to the Swiss authorities and the Dec 31st, 2018 balances of the Cash Account, the UBS CHF Account, and the JES Fund. These differences were minus USD 15.14, plus USD 312.60, and minus USD 41.95, respectively, and were due to clerical errors and the application of different exchange rates. These differences were corrected by including corresponding adjustment transactions alongside the IEA's actual operational transactions.

Additionally, USD 919 of uncollectable assets booked as Advancements have been written off. These were the result of booking unrecovered amounts when unwinding two duplicated remittances (one due to bank operations, one due to Elsevier-IEA miscoordination) and the ticket purchases of the cancelled delegation to Bangladesh, due to safety concerns.

Table 2 is a summary of the December 31st, 2019, Balance Sheet.

Table 2: Balance Sheet on December 31st, 2019.

Balance Sheet – Dec 31st, 2019 – (us\$)			
Assets		Liabilities	
Cash and Cash Equivalents	\$124,066	Dues Advanced Received	\$484
Term Deposit	\$200,000	Accounts Payable	\$12,229
Seed Money Receivable	\$15,000	Earmarked Funds	\$15,355
Advancements		Total Liabilities	\$28,068
		Equity	
		Total Equity	\$310,998
TOTAL	\$339,066	TOTAL	\$339,066

IEA's equity increased by US\$44,358 during 2019, from US\$266,640 on Dec 31st, 2018, to US\$310,998 on December 31st, 2019, thanks primarily to capitation fees received from the IEA's Triennial Congress in Florence. As expected, and stated in the Treasurer's 2019 Interim Financial Report, the year-end bank balances and equity dropped relative to their mid-year levels due to expenses associated with the increased activities of IEA committees in the second half of 2019 and the part of 2019 prizes already disbursed.

REVENUES AND EXPENDITURES (P&L)

Table 3, shows the Revenues and Expenditures performed from Jan 1st to December 31st, 2019 as is conventional in the Treasurer's Report.

Table 3: 2019 Revenues and Expenditures to December 31st, 2019

2019 P&L Statement to December 31st			
Revenues		Expenditures	
Membership dues	\$44,412	Meeting	\$23,993
Sustaining member contributions	\$54,136	Representation & Outreach	\$13,066
Capitation fees	\$28,009	Office	\$20,504
Funds Contribution	\$0	Awards Committee	\$12,600
Interest	\$3,509	ID Committee	\$3,577
Exchange Rate Gains	\$23	PSE Committee	\$2,894
Miscellaneous	\$27,472	STP Committee	\$661
		DP Committee	\$1,915
		CPR Committee	\$10,456
		Historian	\$6,232
		Grants	\$0
		Bank charges	\$1,826
		Exchange rate losses	\$715
		Website	\$9,000
		Miscellaneous	\$5,764
Total Revenues	\$157,561	Total Expenditures	\$113,203
Summary of operations			\$44,358

There was no result to share (other than the capitation fees) from the IEA2019 Triennial Congress in Florence. Significant financial events in 2019 included paying out US\$10,000 of awards owed from 2018 and an additional US\$12,600 of 2019 awards, recognizing US\$8,078 owed to Michelle Robertson and not previously booked, and ILO contributions of US\$27,095 to support two ILO-IEA seminars in the UK and the US, booked as Miscellaneous Revenues.

CASH FLOW

The capitation fees from the IEA2019 Triennial Congress in Florence (US\$28,009) account for practically all of the cash flow balance in 2019. Seed money refund and disbursement (Italy, Canada) and ILO activity account for the higher than usual cash receipts and disbursements.

Table 5: 2019 Cash Flow

Cash Flow (US\$)	
Summary of operations, Year 2019	
Forwarded from 2018 @ 2019 Exchange rate* (* includes adjustment after tax filing)	89,920*
Cash Revenues (+) (includes dues advanced this year, but does not include dues advanced in previous years)	157,367
Cash Expenses (-) (does not include depreciation)	-131,723
Seed moneys sent (-) and received (+)	14,944
Investment Variations	-7,377
Exchange rate and cost effects from account balances, transfers between currencies, refunds, etc.	635
Revenues (advanced)	300
2019 Cash Flow	34,146
Forwarded to 2020 @ 2019 Exchange rate	124,066

EXPLANATORY NOTE ABOUT EXCHANGE RATE VARIATION

Most of the IEA's financial assets are now held in US\$ denominated accounts. The IEA has a CHF denominated account due to local banking requirements and to support credit card operations, but the amounts maintained there are too small to warrant exchange rate tracking in this report (although the exchange rate and its variations are still taken into account in the IEA's books).

REMARKS AND RECOMMENDATIONS

- New sustaining members have been signed on, along with associated prize expenses, generating a sustained revenue increase, important to offset increased expenses due to increased association activities.
- It is necessary to continue to explore new and/or existing funding sources, in new ways, to guarantee sustainability.
- Scotia Bank US\$ account was closed October 2019.
- GIC investments at Scotia Bank have been cashed out and a new US\$ denominated investment account is in place at UBS, yielding about (1.69%) net per annum, requiring a 48h notice for withdrawal.
- The IEA accounting system has suffered necessary adjustments for compliance with Swiss NPO legislation.
- Banana Accounting software has been purchased as recommended by our Swiss accounting service to simplify future operation.
- The IEA accounting system has undergone incremental changes for better reporting but there are still opportunities for improvement, both procedural and structural, to facilitate operation and reduce workload.
- In 2019 member invoices were sent in the 1st quarter and produced the desired effect.
- 100% of corporate sustaining member contributions and approximately **98% of payments** of expected 2019 membership dues were collected.
- Nine members have justified or negotiated delayed payments, totaling US\$900.
- We have received a request to disclose detailed fee payment information (amount, and status paid or not paid) on all of our member societies.
- The Swiss NPO law is said to support such a request, but is also said to be argumental.
- We therefore think that it is appropriate ask for your permission before we disclose the detailed data.
- **Societies more responsive** to requests we have repeatedly made to all societies (**around 60%, up from 40% the previous year**).
- Please provide us with your dues calculation sheet as we always request you to submit them.

- Please inform us when you have made a payment, as it is often difficult to identify the senders just from the bank account statements.