

2006/FIN.01
(Original: English)

ICOM Finance & Resources Committee meeting

27 May 2006, 9:00-12:30 / 14:00-17:30
Room VI, UNESCO House, Fontenoy Building,
7 Place de Fontenoy, Paris, France
Meeting Notes

Present: Robert Spickler, President
Albert A. J. Scheffers
Bernard Blache
Dominique Ferriot
Kristin Kelly
Sylvie Delice
Nancy Hushion, ICOM Treasurer
John Zvereff, ICOM Secretary General
Cristina Menegazzi (observer)

Apologies : Llewellyn Gill, Marie Christine Van der Sman, David Fleming

1. Approval of the Agenda

Before approving the agenda, Robert Spickler reviewed the mandate of the committee which is reflected in the proposed agenda items for this meeting:

- To look at ICOM's resources as a whole and to look at the long-term use of these resources
- To look to the future with the idea of development resources, broadly defined
- To examine the role of the ICOM Foundation and its potential
- To explore ways of investing resources [to act as an investment committee]

In the first meeting of this group in 2005 and in this meeting, the committee is looking at first steps and what we can do to ensure long-term development of ICOM's resources. The next steps will be to formulate and recommend an investment strategy for ICOM's financial resources, then to look at both baseline and ambitious plans for ICOM in the next few years.

There followed a discussion of the current issues facing the national committees of ICOM. This topic was referred to other business at the end of the meeting.

The agenda was approved with the addition of the following issues to Item 11: Other business

- Ø National committee finances,

Ø Policy for ICOM accumulated surplus.

It was also decided to discuss item 7.1 ICOM 10 year financial history with item 3 Presentation of 2005 Financial Statements (actuals).

2. Approval of the June 4, 2005 meeting of the F&R committee

The minutes were approved as submitted.

2.1 ICOM 10 year financial history

The ICOM Treasurer introduces her financial report by indicating the importance of the Finance and Resources Committee role as this is a transitional period in the history of ICOM, during which the sound management of resources is key.

She passed out a document detailing ICOM actual financial performance for the ten-year period from 1996 to 2005. She noted that as an organization, ICOM has changed a great deal over the past 10 years.

A few key statistics were noted, perhaps most importantly that while ICOM total expenditures have increased 24% in that ten-year period, total spending on programs has decreased by 67%. On the income side, it was noted that while revenue from membership dues increased by 113% in 10 years, due to an increase in the number of members, (at present, there are 18 000 members, a number of whom are subsidized.), subventions and programs income have decreased; the former by 63%, the latter by 67%. A discussion ensued about what services are expected by the membership from ICOM, and of how to increase revenues for programs since they are the core business of ICOM and benefit the international museum community. The Secretary General indicated that more services to the membership will most likely involve additional staffing to include a publication expert and a webmaster. In addition, because the national and international committees don't have any legal status, and funding and grants given to them are funneled through the ICOM Paris office, there may be the need to centralize accounting functions in Paris, requiring more staff.

The committee stressed that it was important to identify and prioritize the projects and programs that have been approved in the ICOM strategic plan in order to determine the appropriate funding required and potential sources of income. It was also noted that it was easier to find funding for specific projects than for overhead or on-going expenses. In conclusion, it was stressed that with funding sources being less available, fundraising will be an important issue to address in order to enable ICOM to appropriately fulfill its core mission and achieve the programmatic initiatives.

3. Presentation of 2005 Financial Statements

The Treasurer tabled and presented the ICOM 2005 Financial Statement and the Balance Sheet. It was noted that there was an operating surplus of €191 400 at the end of the 2005 fiscal year to which a positive result in currency exchange rate added to the bank interest income brings the actual surplus to €262 200. The Secretary General

indicated that this operating surplus was a result of delayed billing from vendors, of cost cutting and unfilled staff positions.

4. Presentation of ICOM 2006 Budget and First Quarter Report

The Treasurer presented the projected 2006 Budget which is forecast as a balanced budget. The 2006 First Quarter report indicates no important variations.

5. Policy on Use of ICOM Reserve Funds

The Treasurer tabled a document entitled “Policy on the designation and use of the ICOM Reserve Fund”. The purpose of the policy is to “ensure stable investment of funds to be held in reserve for its longer term future”.

Thus, ICOM has established two different funds:

- Ø A reserve fund whereby funds are invested for longer terms and access to the capital can only be considered under specific guidelines and approved by the Executive Council;
- Ø A working capital fund whereby funds invested can be used for ICOM annual operations and for ongoing cash flow requirements.

The principle of a reserve fund has been approved by the Executive Council at its December 2005 meeting. Members of the Finance and Resources Committee reviewed the principles and guidelines of the Policy and agree to recommend their approval by the Executive Council.

6. Review and analysis of ICOM’s investments: investment instruments, returns, assessment of performance

The President distributed a handwritten document which analyzed ICOM’s investments. He indicates that at the end of 2006 First Quarter, ICOM funds invested have barely kept pace with inflation thus slowly depleting in value. It was pointed out that while ICOM exists to generate programs, and not profit, funding and sound investment strategies are clearly critical for the generation of programming. It was also noted that French law seems to limit ICOM means of investment. Per the Secretary General, there are two issues to consider when looking at the investment of ICOM funds: the stringent requirements of French law, and the strongly held conviction that there should be no risk to the capital funds, which belong to the membership. The committee agreed that while the capital fund must be protected, higher yield—and potentially higher risk—investment should be considered for part of the reserve fund, if permitted by law. After discussion, the Finance and Resources Committee recommends that an investment subcommittee of the Finance & Resources Committee be formed. This investment subcommittee would consist of both a small group from the Finance & Resources Committee and professional investment managers, to be determined.

7. ICOM Financial Planning

7.2 ICOM Strategic Plan for 2005-2007

An executive summary of ICOM strategic plan for 2005-2007 was tabled. Members noted that given the Finance and Resources Committee mandate, the document, while informative, is not useful. In order to examine "ICOM's future in terms of resources development" as stated in its mandate, the committee needs to benefit from a well developed action plan as well as at least a 3-year budget projections related to the plan. Members agreed that such information should be part of ICOM's budget cycle documents.

7.3 ICOM 2007 and 2008 Budget Projections (2 scenarios: realistic and ambitious)

As requested at the 2005 May meeting, the Secretary General tabled and presented ICOM's 2007 and 2008 budget projections based on two scenarios: realistic and ambitious.

He noted that the realistic scenarios are based on conservative projections. The ambitious scenarios include increasing the Secretariat staff complement as well as additional resources for special projects.

A discussion ensued on the danger of projecting increased revenues by drawing from the reserve funds to cover some recurrent costs.

It was also felt that apart from membership dues, ICOM does not benefit from ongoing stable sources of funding. Rather, resources can potentially be found mainly on an ad hoc basis from sponsorship to offset the costs of specific projects.

8. ICOM Fundraising Plans for 2007-2008

The committee appreciated that the development activity was outlined with reference to ICOM's strategic objectives. There were questions, from the committee, about the role of the General Conference in Vienna in 2007 in setting priorities for ICOM in the future. The Secretary General indicated that this fundraising plan 2007-2008 aims at generating resources for priorities already identified in ICOM's approved strategic objectives

9. Discussion on the Necessity of Creating a Foundation

There has been significant discussion about ICOM setting up a foundation in France to support its activities, and ICOM has sought legal advice on the topic. There are stringent requirements as mentioned earlier by the Secretary General by French law which limits the investment options for a French Foundation.

An ICOM Foundation does exist, based in Switzerland, and the Treasurer, Secretary General, and President of the Finance & Resources Committee are planning to meet

with the Director of the ICOM Foundation on the Wednesday following the committee meeting to explore how the ICOM Foundation, and ICOM might work together better in the future. What can the Foundation do to help ICOM? The current bylaws, which may have been amended, indicate that the Executive Council of ICOM appoints members to the board of the ICOM Foundation, but this has not been done historically. In the best case scenario, the ICOM Foundation would act as a “friends of museums” organization and spearhead the ICOM fundraising effort.

There is also the possibility of a separate ICOM Foundation in France that might be allied to the Fondation du France. A meeting has been set with ICOM legal advisor on the Monday following the committee meeting to explore all possible means of operating a foundation in France.

10. Additional Topics of Interest to the Committee

None noted.

11. Other business

National Committee Finances

Many national committees, particularly those in Europe, and specifically France, are experiencing financial problems. At this time, membership fees for each category (individual & institutional) as fixed by the Executive are to be remitted in full to the Secretariat. To cover their administrative expenses and services, national committees may add a reasonable surcharge on the fixed dues. It is noted that national committees are having a hard time surviving. Alternative models of division of national committee dues were discussed. It was pointed out that while this issue was understood by the committee, it was really not in its jurisdiction, and that it should be brought up in the Executive Council meeting.

Policy for ICOM Accumulated Surplus

Members noted that a discussion on the use of any future annual operating surplus and on its allocation is premature but that it should be considered and discussed at a subsequent meeting.

12. Next meetings

There being no other business to transact, the meeting was ended at 5:00 p.m.

It was noted that it may be beneficial for this committee to meet twice a year rather than once a year, but no date for a next meeting was set.