

## **DRAFT MINUTES**

### **ICOM Finance and Resources Committee**

**Meeting of Wednesday February 28, 2007 at 9:00 a.m.**

At NGO House – Building VI Bis

Room S 1.03/1.04 (1<sup>st</sup> Basement)

UNESCO House

1, rue Miollis

75015 Paris

**Present:**

Robert Spickler, President  
Bernard Blache  
Dominique Ferriot  
David Fleming  
Kristin Kelly  
Albert A. J. Scheffers

**Ex officio:**

Nancy Hushion, ICOM Treasurer  
Marie-Christine Van Der Sman, Member of the Executive Council  
John Zvereff, ICOM Secretary General

**Guests:**

Mme Christine Boel, President ICOM Foundation  
M. Jacques Perot  
Sylvie Delice

**1. Approval of the Agenda**

In his opening remarks, Robert Spickler, the President, noted that the agenda for the meeting reflected the Finance and Resources committee mandate. He also reminded the committee of its importance in the context of ICOM's transitional period which requires new approaches in the management of ICOM resources. He also informed the members that ICOM is in the process of developing its next strategic plan for 2008-2011. He finally draw the attention of members on important issues needed to be dealt within this meeting:

1. Issues pertaining to ICOM's legal status
2. the capacity of improving the management of our funds
3. the role of ICOM foundation
4. ICOM capacity of fund raising to support its program and special projects

**2. Approval of the Minutes of May 27, 2006 Meeting**

The minutes were approved with corrections pertaining to the number of ICOM members being 20,000 paid and 2,000 that are not paid up-to-date.

Madame Ferriot requested to delete the words “national and...” under chapter 2.1, third paragraph, 11<sup>th</sup> line, in order to reflect that only “international committees don’t have any legal status” which is not the case for most of the National committees.

The minutes were approved as amended.

The President mentioned that most of the issues discussed at the previous meeting are being followed up at this meeting except for item 7.2 “3-Year Budget Projections” and item 11 “Use of Annual Operating Surplus”. With respect to item 7.2, while it was recommended that a 3-year budget projection be prepared by the Secretariat and revised by the Committee, such budget projections cannot be established until the approval of ICOM 2008-2011 Strategic Plan. Concerning item 11, the committee recommends that the Secretariat draft a policy establishing the rules for the use of any annual operating budget surplus.

### **3. Report to the Executive Council of May 28, 2006**

The President referred to the written report he tabled at the Executive Council on 28 May last. He noted that two recommendations which were not discussed at the meeting were added to his presentation. He clearly stated to the Executive Council that they had not been proposed by the committee. The two recommendations are:

**A.** Recommendation for the improvement of communication to ICOM membership on budget and programs allocation in order to improve the understanding of ICOM’s finance throughout the membership. It was felt that it is extremely important that the membership be well informed of ICOM’s financial situation in order to better understand how ICOM works.

**B.** Recommendation to include both the Legal Affairs and the Finance and Resources Standing Committee in ICOM official documentation.

Mr. Spickler noted that all of the Finance and Resources Committee recommendations were approved by the Executive Council. He, then invited the Treasurer to provide an update on ICOM strategic planning process.

#### Information on ICOM Strategic Plan

Nancy Hushion stated that there were two groups working on the strategic plan.

The first one is a review group for 2005-2007 plan: its focus is to look at how well at all ICOM has been able to obtain its results in the existing plan. She stated that there are five non executive council members while two executive members are attending as observers.

The second group, working on the development of the 2008-2011 plan, is composed completely of executive members plus representatives of the international and national committees. A meeting was held in the beginning of February.

She concluded that the Strategic Plan committee will present the complete draft plan to the Executive Council in April.

Following the Treasurer’s presentation, the President recommended:

1. that a 3-year action plan be integrated in the strategic plan;
2. that the treasurer and the secretary general prepare a three year budget projections reflecting the resources needed to carry on the plan;
3. that the three-year budget plan be updated annually;

4. that such updated budget projections be made available to the Finance and Resources Committee in order to facilitate decisions on the investment of the Reserve Fund and on the development of fundraising strategies.

Madame Ferriot asked the Treasurer as to whether the next strategic plan would take into account the revival of the Documentation Centre which is an essential service needed by all ICOM members.

Mr. Scheffers echoed Mrs Ferriot's concern and added that the Strategic Plan must also take into account the necessity to providing additional resources to National Committees in order to enable them to fulfill their mandate. The Secretary General informed Madame Ferriot that there were already some actions underway to insure the revival of the Documentation Centre. Nancy Hushion noted Mrs Ferriot and Mr. Scheffers remarks.

## **4. Financial Resources**

### 4.1. 2006 Preliminary Financial Statement:

In her introductory remarks, the treasurer distributed a spreadsheet with a summary of the 2006 Preliminary Financial Statement compared to the 2005 Actual, 2006 Budget and the 2007 Budget. The summary indicated that there have been some significant variances between budgets and actuals. A further change has been the move to three sections in the Budget: Administration, Programs and Projects instead of the former two: Administration and Projects. This change arose out of discussions at the Advisory and is intended to enable members to see more clearly what ICOM's on-going program commitments are, as well as projects. However, it should be noted that the end, the figures do not change.

The treasurer further explained that following considerable discussion at the Advisory surrounding the unanticipated surplus at the end of 2005, the Executive Council determined to direct some 220 000 euros towards three programs of one-time-only grants, in celebration of ICOM's 60th anniversary. They were:

1. An increase of 60,000 euros to the special project budget for that year.
2. A new program called Mentoring young ICOM members.
3. A fund that is waiting to assist the national and international committees to adapt the new ICOM data base to their existing data bases.

The treasurer asked that the Committee look at the resources that ICOM will need on the larger scale and for a longer term, for example, some three years. To this end, ICOM must advance its budget projections so that the Committee will have a better sense of what ICOM's needs will be in the longer term; operational, program and project.

The treasurer also reported that she had asked to postpone the development of the triennial budget until the April meeting of the Executive Council, so that its framework could be tied to the strategic plan 2008 - 2011.

On the overview of the 2007 Budget that was distributed, the Treasurer pointed out an anomaly: while membership revenues are projected at 1.5 million euros, in reality they will be closer to 1.7 million, because it would not be prudent to anticipate the payment of back dues. She pointed out that 2007 expenditures are expected to increase 15% over the 2006 preliminary financial statement, and by 46% over the 2005 Actual. This translates as a significant expectation that the 2007 Revenue will go up by 13% over 2006 or by 28% over 2005.

The Secretary General John Zvereff, pointed out that they had an expectation of 34,000 euro surplus for the fiscal year 2006.

A discussion ensued regarding the itemizing of different expenses such as traveling/missions. A suggestion was made that more detail should be available if requested for such things as travel by staff and members of Council, in particular as some members might be able to obtain a tax receipt.

### 4.2. 2007 Budget

The Secretary General stated that the 2007 budget is a balanced budget. He reviewed costs and expenditures in general and stated that it reflected a 2% increase.

#### 4.3. 2007 Cash Flow Projections

The Secretary General pointed out that cash flow projections were based on the income from the membership fees based on the previous years. He stated that part of the cash flow revenue projections are based on pledges for projects that he was sure would come in at the time the specific projects were due to begin.

He mentioned that the cash flow projection that was done for 2006 was fairly accurate and allowed the Secretariat to better manage its operating budget. This resulted in the transfer of 300 000 Euros from the working capital to the reserve fund. He noted that the reserve fund is now up to one million euros.

A discussion ensued regarding the exchange rate from dollars to euros or vice versa.

It was noted the importance of producing a cash flow on an annual basis and the Secretariat was commended for having put together a very comprehensive and well documented cash flow sheet.

### **5. Investment Reports**

#### 5.1. Report on Working Capital and Reserve Funds + 5.2 ...

The Secretary General presented a report on the actual value and returns of both working capital and reserve funds.

Members noted that the working capital is invested in stable and conservative bank deposit or short term investment instruments due to the necessity of drawing funds on a regular basis to meet operating requirements.

As for the Reserve Funds members reiterated their concern that the value of the funds are depleting due to conservative investment whereby returns are either at par or lower than the inflation rate. Mr. Spickler indicated that the Committee will be asked to discuss ICOM investment strategies for the Reserve Fund following the legal opinion received pertaining to ICOM status and its investment capacities. These issues are addressed under item 6 of the agenda.

#### 5.3. Investment Report Presentation Format

It was noted that there is a need to tailor the report format according to the information needed to better analyze ICOM investment performance. The present format only shows the global bank instrument performance rather than ICOM's own investment performance.

#### 5.4. Follow up on Reserve Fund Policy: draw-down from the Reserve Fund

The President noted that while the policy for the use of the Reserve Funds was discussed by the committee and approved by the Executive Council, however based on the response from Delsol et Associés, there is a need to adjust the policy to reflect these new terms.

The Treasurer was asked to examine this issue with the Secretary General and table a recommendation for the next meeting of the committee

### **6. Follow-up on Committee Decisions**

#### 6.1. Legal Issues on ICOM Investment Options

The President stated that the core mandate of the Finance and Resources Committee requires a clear understanding of ICOM legal status with respect to the French legislations in order to advise ICOM on the management of its resources, on the capacity of investing its funds; on the means of reporting into the financial statements the revenues of interest and investment return; on ICOM flexibility of drawing resources from its Reserve funds.

The committee went into a lengthy discussion on these issues at its previous meeting and decided at the time to seek a legal opinion in order to clarify all of the committee's concerns. Such opinion was requested to a legal advisor on a pro bono basis. (Exchange of correspondence between the President and Me Canat are included in the material of the meeting.) The considerable length of time elapsed before receiving the legal opinion and the minimal information received led the President to request a more comprehensive and detailed opinion. This delay also led to the cancellation of the Committee meeting initially scheduled for December 2006.

A second opinion requested to Delsol Associates resulted in an extremely clear, concise and comprehensive information on all of the committee's required clarifications.

Further to receiving this new legal opinion, Me Becquart from Delsol Associates met earlier this week with the Treasurer, the Secretary General and the President. Mr. Spickler expresses his satisfaction with Me Becquart's legal opinion. In short, ICOM status enables it to invest its funds as it see fit; has all latitude to diversify its investment instrument to increase the value of its funds; is not compelled to spending annually a specific quantum of the return on investment; can integrate all returns into its operating budget if needed.

The President concluded by stating that ICOM now holds a highly comprehensive set of information which is fundamental to better inform the members of the Finance and Resources Committee.

He concluded by formulating the following recommendations:

- That a Policy Book be established including the most recent legal opinion on ICOM legal status, all existing policies pertaining to the management of ICOM resources and assets; policies related to the management and the use of the Working Capital and the Reserve Funds.

The Policy Book should also include the relevant legislation (Loi des associations 1901 and subsequent amendments as well as the Loi du Mécénat 2003). Such Policy Book should be provided to all new members of the Finance & Resources Committee with a view of establishing an efficient succession plan and maintaining an effective committee.

A discussion ensued on the necessity of developing an investment policy for ICOM Reserve Funds; on the parameters for investing part of the Funds in to high risk investment instruments; on the necessity of following up on the recommendation made by the committee at its last meeting whereby an investment sub committee of the Finance & Resources Committee be appointed.

On this last issue, David Fleming suggested that the Finance and Resources Committee could act as the Investment Committee and that there were no need to create a sub committee.

The committee unanimously welcomed the suggestion. Robert Spickler added that there was a need to find investment advisors who, on a pro bono basis, could advise the committee on various investment instruments. One of the two advisors should be from France and the second from another country.

The President offered to draft an investment policy document and to explore with the Treasurer and the Secretary General potential investment advisors.

## **7. ICOM Fundraising Objectives**

The President referred the members to the Finance and Resources mandate which includes providing advice to ICOM on fundraising strategies.

He indicated that, prior to even discuss such strategies, ICOM will need to complete its strategic plan: to identify in the plan the priorities for special projects and programs that will require additional financial support; write a case statement for fundraising purposes; identify outstanding personalities from the museum world or from any sphere of activities who are museum supporter and friends to become the spokespersons for fundraising purposes. This issue will require further discussion from the committee. This item will be on the agenda for the next meeting.

### **i. International Heritage House Project**

The Secretary General informed the members that a project was being discussed between ICOM and ICOMOS with a view of sharing spaces in a venue that could become an International Heritage House. The venue could also house the Documentation Centre and, perhaps, the ICOM France National Committee. Such project is under discussion with the city of Paris.

A discussion ensued on the merit of investing ICOM's funds into real estate which might be a profitable investment; on the option of maintaining a diversified investment portfolio between real estate and cash; in the means of investing ICOM funds cautiously.

In conclusion, the Finance and Resources committee recommended to the Executive Council that:  
Considering that real estate investment brings sustained value;  
Considering that such investment bears less risk;  
Considering that owning a building serves ICOM's mission and purposes and facilitates access to its archives and documentation.

That ICOM considers as a priority, the investment of its Reserve Funds into real estate.

That a business plan be prepared for such acquisition of a building including but not limited to:  
The cost of acquisition, of renovation as well as the recurring cost of maintaining such a building  
That the business plan be presented to the Finance and Resources committee for further analysis.

The committee agreed that meanwhile the Reserve Funds will need a sound investment plan in order to increase its value.

### **ii. Additional Assistance to National Committees and Members in developing countries**

The Secretary General stated that as reflected in the strategic plan there were countries that might be considered as developed countries but where the museum profession is very poor paid and that also need assistance.

The most recent country is Argentina, which does not qualify in the World Banks indicator for ICOM's subsidy. He requested suggestions from the committee on any other indicator that might be used.

He referred to another indicator called the Human development indicator which takes into account many other issues like education, culture and per capita income.

There are approximately 150 countries that qualify for such subsidies.

The committee appreciated the difficulty of setting guidelines for assistance to members in developing countries but was not able at this time to offer any other options than relying on the existing world indicators.

#### 8.1. Report for the General Assembly

The chairman asked if the committee had any issues they felt needed to be underlined in preparing the committee report to the General Assembly which will take place in August of 2007. He will be writing the report in the weeks to come and will welcome the members' input before sending the report to the Secretariat.

#### 8.2. Social Audit: Update Report

The treasurer informed the members that there has been a need to look at the job classification of the ICOM staff. She mentioned that the Secretary General had hired an external consultant in order to do a salary classification. She stated that a report was being prepared for the meeting of the Executive committee in April.

The Secretary General added that if the result of the social audit entails a salary readjustment that could not be absorbed by the budget for 2007, a request will then be made to the Executive Council for an exceptional drawdown from the Reserve Fund for 2007 to cover for the difference. In the future years, salary adjustments would be integrated into the annual operating budget.

#### 8.3. ICOM Foundation: Impact on Swiss Legislation

Robert Spickler welcomed Madame Christine Boel, President of ICOM Foundation and Jacques Perot, former President of ICOM and member of the Foundation. He invited Madame Boel to inform the committee on the present legal status of ICOM Foundation in Switzerland. The committee was briefed concerning the recent amendments in the Swiss law. A discussion ensued on the various interactions that could be developed between ICOM and its Foundation notably on the issue of developing fundraising strategies and expanding and cultivating the group of International Friends of ICOM.

#### 8.4. Date of the next meeting: August 16, 2007, Vienna

The next meeting of the committee will be on 16 August 2007 in Vienna on the eve of the opening of the General Assembly.

The committee discussed the option of holding a joint meeting with the other two standing committees but felt that this was not necessary.

The Secretary General will provide more details on the location and time of the meeting.

There being no other business to transact, the President thanked the members for their participation.

The meeting was adjourned at 4:15 p.m.