

INTERNATIONAL BIOMETRIC SOCIETY

FINANCE COMMITTEE MEETING: TUE 8TH JULY, 16.15, VILLA SALA 12, FLORENCE

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------|
| Chair: | M.J.C. (René) Eijkemans |
| Present: | James Carpenter, Dipankar Bandyopadhyay, Geert Molenberghs, |
| In attendance: | Jose Pinheiro (Executive Board), Hendriek Boshuizen (Executive Board) Randy Lindner (Bostrom President) |
| Apologies: | Kaja Ickstadt, Victor Leiva, Kerrie Mengersen, Martina Mittboeck |
| Absent, without apologies: | Jose Luis, González Andújar, Ken Koehler, Laura Pla Stergios Tzortzios |

AGENDA ITEM: 1. Minutes of last meeting

Updates No minutes were available from the last Finance committee meeting in Kobe

Comments

ACTIONS James to prepare minutes, which will be posted on the IBS website after approval.

AGENDA ITEM: 2. Matters arising

Updates

Comments Members expressed disappointment that five members of the committee were absent without apologies.

ACTIONS James to write to these members, and ask if they wish to continue.

AGENDA ITEM: 3. Presentation by Randy Lindner, president of Bostrom

Updates Randy Linder (Bostrom) gave a presentation about the relationship between IBS and Bostrom. Bostrom have been the IBS association management company since 1994. Slides 6 and 7 of his presentation, which reviewed whether IBS is receiving appropriate value for money, are attached to the end of the minutes.

Comments The figures suggest that IBS is paying a typical management charge, which compares favourably with the ASA, although the latter is a much more complicated organisation.

ACTIONS

None

AGENDA ITEM:

4. Review of 2013 accounts and comments

Updates:

IBS funds

The committee reviewed the financial summary for 2013 (presented in the conference programme and to appear in the Biometric Bulletin), together with the financial statements for 2013 and the income and expenditure to July 2014.

The financial summary for 2013 is attached. It shows a surplus of approximately US\$288,000 for the year, bringing the total reserves to approximately US\$2.2 million.

IBC Estimates

The committee reviewed the budget estimates for IBC Florence, which is expected to lose around Euro 25,000 (on a budget of c 425,000 Euro), *before* IBO office expenses are added in.

While Florence in July is relatively expensive for the IBS, it was noted that the financial arrangements for the conference were not ideal, as (i) IBS was responsible for any loss but had minimal control over the budget and (ii) IBS was presented with a *fait-accompli* in the choice of the management company.

Comments**IBS funds**

It was noted that if the reserves continue to rise, then the Society would become liable for tax under US law. It was thought this might happen when reserves were > 4x operating expenses.

It was noted that investments had had an exceptional year in 2013, and that a substantial part of the income was from the journals (especially Biometrics) that may generate a smaller surplus going forward.

The income and expenditure spreadsheets were reviewed by the committee. It was noted that sheet 2 (named 'detail-1') showed in box D188 US\$ 47,000 for regional activities. It was unclear what this referred to.

ACTIONS

- James to follow up with Dee Ann on expenditure recorded in box D118.
- Agreed to encourage the Executive Board to consider (i) the need for two bids from conference management companies to be received in future, and (ii) splitting the registration fees between the IBO and a local account in future, so that the money to be spent locally would be available locally and vice versa. The aim is to minimise money transfers, and especially to avoid the repeated difficulties we had encountered in transferring conference surpluses from the host region to the IBS accounts.

| | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGENDA ITEM: | 5. Review of investments and investment strategy |
| Updates | <p>The committee discussed the investment strategy. Merrill Lynch is retained by Bostrom to manage the Society's investments.</p> <p>Currently around a third of our investments are in low-risk securities, and the rest in various forms of unit funds. These funds may include a small proportion of investments in arms manufacture and/or tobacco companies.</p> |
| Comments | <p>Jose Pinheiro reported on his time as treasurer of ENAR, when they had moved from an ultra-conservative investment strategy to a strategy similar to the IBS one. The resulting increase in returns had been put to good use.</p> <p>The difficulties of agreeing an ethical investment policy were discussed. and it was agreed to ask the fund managers if we could omit arms and tobacco companies from our portfolio.</p> <p>After discussion it was not felt a major review of our investment policy was necessary, but it was agreed that we should keep an eye on how they are performing relative to the market average.</p> |
| ACTIONS | James to ask the fund managers if our portfolio could be re-balanced away from arms and tobacco manufacture. |

| | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGENDA ITEM: | 6. Review of income and expenditure streams, and assessments of financial risks to the Society |
| Updates | <p>A paper detailing the position with unpaid dues was circulated, together with one summarizing an institutional price increase for Biometrics. These are attached.</p> <p>Both papers had been previously considered by the Executive Board.</p> |
| Comments | <p>The Executive Board's approach to the unpaid dues, summarised in the paper, was endorsed.</p> <p>The institutional price increase for Biometrics was noted.</p> |
| ACTIONS | None |

| | |
|---------------------|--------------------------------------------------------------------------|
| AGENDA ITEM: | 7. Discussion of budgets for IBS committees, and overall budget for 2014 |
|---------------------|--------------------------------------------------------------------------|

Updates

Budget planning for 2015 will begin in September 2014, so we can get a budget in place before Jan 2015.
Planning will begin with consultation with the budget holding committees. A draft will then be brought to this committee for discussion with a view to making a recommendation to the Executive Board.

Comments

None

ACTIONS

James to work with Dee Ann on the budget process

AGENDA ITEM:

8. Further topics

Updates

Suggestions for new committee members are very welcome, at any time.

Comments

None

ACTIONS

Email any suggestions to James (James.Carpenter@lshtm.ac.uk)

Adjourned: 17:30

Attached papers:

A: presentation by Randy Linder

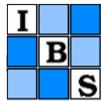
B: Summary of accounts 2013

C: Unpaid dues

D: Institutional price rise for Biometrics

International Biometric Society

Bostrom Relationship Review



The International
Biometric Society

July 6, 2014



This report is intended for the sole and exclusive use of IBS and is not to be copied or shared with other parties.

BCA

Bostrom Consulting Associates

Randy Lindner, MHSA, CAE

Bostrom President

IBS Senior Advisor

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Long term & positive relationship between IBS and Bostrom

- Relationship began in 1994
- Both are highly professional and dedicated to quality and service as well as being mission-oriented
- Jointly have positioned IBS as a global organization with a voice and representation from all member regions.
- Dee Ann Walker is recognized by her professional peers as an experienced leader in the field of association management.
- Dee Ann is supported by a team of association management experts in strategic planning, education development, finance, information technology, operations and administration.

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Four common association staffing models

- ***Volunteer-managed***
 - In this model all activity, governance and support, strategic and tactical, is provided by volunteers, members of the profession
 - It is common among start-up and relatively small organizations
 - These organizations may supplement volunteers with very minimal part-time clerical support
- ***Association Management Company***
 - The current IBS staffing model of an Executive Director who is an association professional employed by an AMC is the most common AMC model
 - In addition, all other association staff are also employees of the AMC
 - This approach is sometimes called "full service"

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Staffing models [Continued]

- **Hybrid management**
 - Increasingly common forms of management are for associations to combine some form of self-management and other staff are provided by another service provider
 - Some of these service providers might be AMCs, CPA or IT firms, etc.
 - An example could be where the CEO is the only employee of the board and all other employees are outsourced to an AMC
- **Self-Managed**
 - Where the staff are direct employees of the association and the association typically has its own offices
 - While this has long been considered the “traditional” model of association management, the AMC and hybrid models are experiencing rapid growth and increasingly recognized as cost efficient models that leverage a depth of expertise within the association world
- Which model to chose depends upon a variety of factors: strategic, cultural, and developmental - - - and which model will best advance an association’s mission

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Headquarters Expense:

Is IBS receiving appropriate value for the fees paid?

- We approached this question from two directions
 - We utilized a well-regarded industry source for non-profit operating ratios from the American Society of Association Executives (ASAE) as well as IRS Form 990s the a stand alone organization within your field
 - It should be noted that the accuracy of comparability is subject to the self-reporting of each of the organizations in these reports
- Benchmark Organization
 - We examined *IRS Form 990* tax returns for fiscal years (FY) 2011 and 2012 for the American Statistical Association (ASA) as it is similar in profession or structure to IBS
 - The following table International Biometric Society: *Headquarters Expense Analysis - Data from FY11 and FY12 990 Returns* displays comparative information for IBS and the ASA as well as ASAE operating ratios
 - The expense items included in the analysis are shown in the table entitled *Headquarters Expense*

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| International Biometric Society HEADQUARTERS EXPENSE ANALYSIS Data from FY 11&12 990 Returns | | | | | | |
|----------------------------------------------------------------------------------------------------|--------------------------------------------|-----------|-----------|-----------|-----------|------------|
| | IBS 2011 | IBS 2012 | IBS 11&12 | ASA 2011 | ASA 2012 | ASA 11&12 |
| Total Revenue | 591,371 | 1,069,051 | 1,660,422 | 8,500,001 | 9,644,803 | 18,144,804 |
| Headquarters Expense | | | | | | |
| Payroll & Personnel | | | | | | |
| Compensation - Key Employees & Officers / Directors | 0 | 0 | 0 | 540,336 | 560,959 | 1,101,295 |
| Other Salaries and Wages | 0 | 0 | 0 | 2,480,675 | 2,289,139 | 4,769,814 |
| Pension Plan Contributions | 0 | 0 | 0 | 217,983 | 207,978 | 425,961 |
| Other Employee Benefits | 0 | 0 | 0 | 385,683 | 367,252 | 752,935 |
| Payroll Taxes | 0 | 0 | 0 | 202,908 | 195,808 | 398,716 |
| General and Administrative Expenses | | | | | | |
| Information Technology | 22,500 | 27,000 | 49,500 | 95,091 | 118,396 | 213,487 |
| Occupancy | 13,500 | 13,400 | 26,900 | 708,125 | 777,600 | 1,485,725 |
| Depreciation, Depletion, and Amortization | | | 1,511 | 338,883 | 314,089 | 652,972 |
| Other Expenses | | | | | | |
| Equipment Rental and Maintenance | 0 | 0 | 0 | 472,691 | 485,735 | 958,426 |
| Contract Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Employment Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| General Overhead | 12,500 | 12,500 | 25,000 | 0 | 0 | 0 |
| Independent Contractors | | | | | | |
| Association Management Company | 266,058 | 281,015 | 547,073 | 0 | 0 | 0 |
| Editorial Office | 62,236 | 66,672 | 130,908 | 0 | 0 | 0 |
| Meeting Management | 0 | 91,400 | 91,400 | | | |
| Total Headquarters Expense | 376,794 | 493,987 | 853,179 | 5,442,375 | 5,316,956 | 10,759,331 |
| Total Headquarters Expense as a Percentage of Total Revenue | 66.69% | 46.22% | 51.33% | 64.04% | 55.13% | 59.30% |
| ASAE 2012 Operating Ratio Report - 14th Edition | 49.20% | 49.20% | 49.20% | 49.20% | 49.20% | 49.20% |
| IBS | International Biometric Society | | | | | |
| ASA | American Statistical Association | | | | | |
| ASAE | American Society of Association Executives | | | | | |

Headquarters Expense

- Leadership / General Administration
- Meeting Planning / Meeting Services
- Membership / Membership Services
- Membership Database Maintenance
- Financial Services
- Committee and Task Force Support
- Publications / Communications / Marketing
- Payroll / Personnel
- Human Resources
- IT Functions
- Occupancy expense

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Headquarters Expense [Continued]

- **ASAE 2012 Operating Ratio Report – 14th Edition**
 - ASAE reports nationwide data on associations
- In the column labeled “IBS 11&12,” where **Total Revenue** equals \$1,660,422 and **Total Headquarters Expense** equals \$853,179, the **Total Headquarters Expense as a Percentage of Total Revenue** [a common industry indicator] was **51.33%**, while the amount reported for all associations in the **ASAE Operating Report** is **49.20%**.
- This means that IBS is within 2.13% of the average ASAE association operating expense ratio.

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Headquarters Expense [Continued]

- **IRS Form 990s**
 - In addition to the industry aggregated data, we compared IRS Form 990s from the American Statistical Association (ASA) as an organization in a similar field with an international membership structure which is self managed.
 - As can be seen from the table, their combined FY 11&12 Total Revenues were \$18,144,804.
 - Regarding the indicator of interest, **Total Headquarters Expense as a Percentage of Total Revenue**, to put IBS’s **51.33%** into perspective, the ASA FY 11&12 ratio was **59.30%**. Normally as association budgets increase, their expense ratios decrease due to volume of scale.
 - Thus the IBS is spending a smaller percentage of its total revenue on headquarters expense than the benchmark organization.
- We believe that the headquarters expense fees are fair and reasonable for the current scope of services

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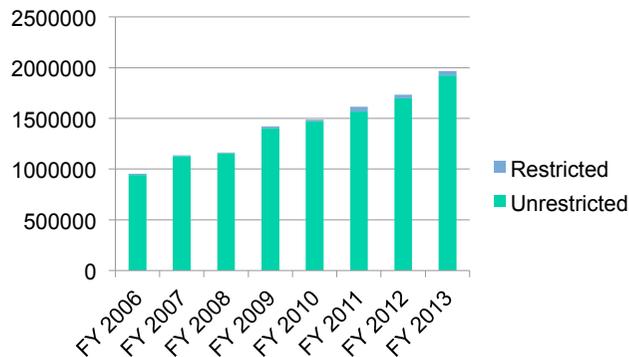
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IBS Fiscal Health Trends

ASAE Operating Ratio Reserve Targets - 58%

IBS Reserves FY 2013 - 237% (based on 2 year average operating budget)

- **IBS Growth in Net Assets – FY 2006 through FY 2013 (206%)**



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Questions?

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IBS
Statement of Financial Position
December 31, 2013

ASSETS

CURRENT ASSETS

CASH - CHECKING

American Chartered Checking Account \$220,606.79

220,606.79

MONEY MARKET

Merrill Lynch 270,162.46

American Chartered Money Market Account(Travel Awards) 37,451.34

307,613.80

CERTIFICATES OF DEPOSIT

Merrill Lynch (Goldman Sachs) MTY 12/22/14 119,999.76

Merrill Lynch (Goldman Sachs) MTY 06/15/15 120,171.48

Merrill Lynch (GE Capital) MTY 12/28/16 117,392.16

357,563.40

MUTUAL FUNDS

Merrill Lynch 1,122,714.39

1,122,714.39

ACCOUNTS RECEIVABLE

General 26,615.61

Wiley Blackwell Biometrics 202,312.00

228,927.61

INTEREST RECEIVABLE

Merrill Lynch Accrued Interest 111.12

111.12

INVENTORY

Biometrics Journal Inventory 1,111.62

1,111.62

PREPAID EXPENSE

Prepaid Insurance 1,200.00

International Biometric Conference 9,418.50

10,618.50

TOTAL CURRENT ASSETS

2,249,267.23

TOTAL ASSETS

2,249,267.23

IBS
Statement of Financial Position
December 31, 2013

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | |
|---------|-------------|
| General | \$20,626.54 |
| Bostrom | 13,377.85 |

34,004.39

DEFERRED INCOME

| | |
|------------------|----------|
| Springer Royalty | 5,000.00 |
|------------------|----------|

5,000.00

DEFERRED INCOME - DUES

| | |
|-----------|-----------|
| 2014 Dues | 14,137.00 |
|-----------|-----------|

14,137.00

TOTAL LIABILITIES

53,141.39

NET ASSETS

| | |
|----------------------|--------------|
| BEGINNING NET ASSETS | 1,888,383.80 |
|----------------------|--------------|

| | |
|------------------------------------|-------------|
| INTERNATIONAL BIOMETRIC CONFERENCE | (25,415.64) |
|------------------------------------|-------------|

| | |
|---------------------------------|-----------|
| RESTRICTED FUND - TRAVEL AWARDS | 40,152.74 |
|---------------------------------|-----------|

| | |
|--------------------------------------------|----------|
| RESTRICTED FUND - EDUCATION COMMITTEE FUND | 4,725.00 |
|--------------------------------------------|----------|

| | |
|--------------------------|------------|
| CURRENT EXCESS/(DEFICIT) | 288,279.94 |
|--------------------------|------------|

| | |
|------------------|--------------|
| TOTAL NET ASSETS | 2,196,125.84 |
|------------------|--------------|

**LIABILITIES &
NET ASSETS**

2,249,267.23

**Paper A: current position on unpaid dues for 2013.
James Carpenter, July 2014**

At our last EB meeting in April, we agreed to:

- **Write off unpaid 2013 dues for China and Kenya**
- **Continue to attempt to make contact with the other regions**

The current status is:

1. The Cameroonian Region's membership coordinator has an invalid email; as far as I (ie James) am aware we have been unable to make contact with anyone in the region, and from memory we have had no dues for 2012 or 2013. I will double check these details, and also make a last attempt to reach out to members of the region. If there is no response, I would like the Board's permission to disband the region.
2. The Ethiopian Region emailed an explanation for missing 2013 dues and is collecting 2014 dues now. No dues have been received so far.
3. The Ghanaian Region has paid for 2013 and 2014.
4. The Nigerian Region has made an effort to pay for 2014 dues. We recently received a wire transfer for 50% of 2014 dues. We have yet to receive an update for 2013 dues.
5. The Romanian Region's membership coordinator has not responded.
6. The Zimbabwean Region has agreed to pay for 2013 and 2014, but has not done so
7. Singapore: no dues were received in 2013, and following some correspondence initiated by Alan, it seems that the region is mainly made up of relatively career young members with many working abroad, and effectively defunct. Alan and I (ie James) engaged in some further correspondence with Weng Kee, and this is reproduced below. It would be good to consider how to proceed.

[End of extract for IBS finance committee]

PAPER J : Biometrics Price Increase

Wiley proposed the following price increases for Biometrics:

1. For the 10% of institutions not under license, for the online only version of *Biometrics*, a price rise of 6%.

The Officers and Executive Editor **agreed a 5% increase**, mindful that the ASA agreed 5%.

2. Wiley proposed a 120% increase for institutions not under license, receiving the print and only version of *Biometrics*.

In line with our policy of encouraging the move to online only production of *Biometrics*, the **Officers and Executive Editor agreed this increase.**

Background notes:

Institutions from developing countries are able to access Biometrics through Research4Life, which includes Agora and Hinari. Within this program there are 2 groups. Group A is the biggest group, and it involves free access, so obviously they wouldn't be affected by a price increase. Group B involves low-cost access, so countries in group B pay very little for access to Biometrics. So they'll be affected by a price increase but its such a small amount that the impact will be barely noticeable.

The list of which countries fall in which group is here:

<http://www.research4life.org/institutions/>

For 2014 subscriptions, 90% of our customers in China have access to Biometrics through a license (this includes online access via consortia such as CALIS), and will not be affected by a price increase. The price increase will only affect those institutions not under license (the remaining 10%).

The number of Chinese customers under license in 2014 grew by 16% compared to 2013, so the number of customers without a license is small, and getting smaller.

The online+print increase only applies to institutions. Wiley does not collect money from IBS members, and this does not relate to how much they are charged for receiving printed copies of *Biometrics*

For 2015: a 5% price increase would result in 2.51% revenue growth; a 6% price increase would result in 2.77% revenue growth and an 8% price increase would result in 3.02% revenue growth1.

END