



## Treasurer's Report Grant Allen

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### 2019 Fiscal Year (Jan-Dec)

Highlights include:

- Budget was net \$0 with an operating budget of \$1.35M \*
  - \* A balanced budget was prepared since CIC is a 'service centre' to the CSC, CSChE and CSCT and as such does not possess significant ability to generate income for the CIC. The CSC, CSChE and CSCT behave as 'profit centers' because they have revenue from membership, conferences, Accreditation (CSC), The Can. J. Chem. Eng. (CSChE), etc.
- Net revenue (expenditure) of \$(202,963) including a gain of ~\$4,400 from investments and an one-time \$215,000 restructuring cost. This compares to a net revenue (expenditure) for 2018 of \$(19,736) including a loss of ~\$13,000 from investments and no one-time significant charges.
  - revenue features:
    - Managements Fees for services received for the Canadian Society for Chemistry (CSC), Canadian Society for Chemical Engineering (CSChE) and Canadian Society for Chemical Technology (CSCT) including a modest fee from the Chemical Education Fund (CEF) and administration fees for services from *The Can. J. Chem. Eng.* accounted for >90% of the 1.35M operating budget.
    - Revenue from advertising and sales in CIC News was significantly below budget by \$30,000.
    - Marketing allowance from our affinity programs (TD Meloche and Manulife) was on budget
    - Investment income was positive in 2019.
  - expenditure features:
    - Legal fees higher than budgeted due to increased access to legal counsel for the activities of the CIC in 2019, e.g., governance, general and human resources
    - Office rent higher than budget as the budget was constructed in the fall of 2018 when we were confident in our plans to be able to move from our expensive office unit at Queen and Bank in downtown Ottawa to a suburb location of ~30% of the square footage early; due to circumstance beyond our control our primary and a second plan fell through; this represents a budget overrun of ~\$47,000.
    - Savings realized in Board meeting expenses, IT support, and newsletter expense.
    - Restructuring charge of \$215,000 from difficult decisions focused on organizational effectiveness and financial sustainability resulting in changes in office staff. In 2019, the full-time equivalent (FTE) staff compliment went from about 13.5 FTE over 14 people to 10.5 FTE will 11 people.

- Net Assets of \$(108,388) made up of approximately \$54,000 in capital assets (computers, equipment and furniture (in home offices and in subleased office)) and \$(162,853) in unrestricted net assets.

The CIC has several commitments forward including:

1. Office and storage space lease to August 2025	\$387,373
2. Various leases for office equipment	\$ 12,161
3. Agreements on behalf of the CSChE with hotels, conference facilities	\$194,706
4. Agreements on behalf of the CSC with hotels, conference facilities	\$328,498

### Upcoming 2020 Fiscal Year and Beyond

The auditors gave the CIC a passing qualified audit opinion. Basis for Qualified Opinion is that the *The Chemical Institute of Canada has several divisions that operate independently but have investments and bank accounts held under The Chemical Institute of Canada's name. These accounts, as well as their own divisional activities, are beyond the scope of our audit procedures and are not subject to audit verification. Additionally, the activities of these divisions have not been consolidated in the financial activities of the CIC.*

This situation has been present for several years and in 2020 we are much closer to completion on this matter. We are confident that in 2020 we will be able to resolve this qualification while meeting the needs of all parties involved.

The year 2020 will be a challenging year for the CIC and for the 'CIC Collective'. The COVID-19 pandemic has made sure of that. COVID-19 has had, and is expected to continue to have, a significant impact on our financial condition and operations resulting in reduction in cash from operations. Memberships and associated membership revenue as well as conference profitability are presently and could for the remainder of this year to be meaningfully lower than the prior year across the societies of the CIC if new and innovative approaches are not considered and action not taken.

To assist in cash flow, the CIC has submitted applications for emergency COVID financial assistance from the Government of Canada. To date, we appear to be successful with our loan and wage subsidy submissions. Furthermore, if the CIC is not able to leverage sufficient funding from the societies that it supports or from other sources, its current debts will raise substantial doubt about the Corporation's future ability to continue as a going concern. The CIC may not have sufficient liquidity to meet its future obligations over the next 12-24 months.

The conference and event industry has been thrown into disarray by the COVID-19 pandemic in Canada and globally. The CSC has cancelled CCCE 2020 planned for this week in Winnipeg. WATOC 2020, a conference the CIC was providing conference services for to be held in Vancouver, has been postponed to July 2021 from August 2020. The CSChE is closely monitoring the impact of COVID-19 on the ability to gather in large numbers or people at events in the later part of 2020 with respect to their planned CCCE 2020 October 25-28 in Ottawa. So, accordingly, the committee is preparing for a virtual event over October-December in concert with an in-person event October 25-28, if conditions permit. Any events going forward will be "significantly different". Virtual events are clearly going to play a significant role going forward for the CIC. The CSC, as a founding society of Pacifichem, is a key stakeholder in the Pacifichem2020 conference to be held in December in Hawaii. The CSC is participating in those discussions as the organization monitors and assesses the impact of COVID-19 on that conference. In planning for the IUPAC / CCCE 2021 conference in Montreal, August 2021, the committee is positioning itself for a hybrid virtual and in person event.

The CIC has not suspended operations due to the COVID-19 pandemic. Instead, it has taken swift and definitive action to pivot its operations – office and events – from a physical presence to virtual and to the development and implementation of a portfolio of new virtual products accelerated by the pandemic. “CIC ViRTUAL” will premiere May 27, 2020 with the virtual CIC AGM event. New skills and capabilities have been developed and will continue to be built and acquired to remain relevant to members in our new reality. The COVID-19 pandemic has provided the opportunity to shift. The pandemic, in a very real way, as horrific as it is at many, many levels, has given us an opportunity to stop and think about how the CIC needs to operate, be and provide value to our members in the future.

Last year, we were discussing the need to address structural debt in the CIC and the Societies. Over this past year, the CIC realized a significant reduction in its fixed cost base to address this. Now, the fixed cost base with a reduced staff compliment and reduced office commitment is over \$250K lower than last year at this time. A 19% reduction on a \$1.35M operating budget. This reduction was completed pre-COVID. Our new cost base has provided us with a much better position to withstand the chaos the COVID-19 pandemic has bestowed upon us and our industry and to position ourselves for change and growth. We have not furloughed any staff during the COVID-19 pandemic to date as we retool and build capacity for the future.

The CIC finds itself in an unusual and uncertain position in holding a net asset (liability) balance of \$(108,388), including \$54,000 of capital assets representing a \$(162,853) in unrestricted net assets. A debt in a ‘service centre’? How does the CIC service that debt? As noted earlier, the CIC strongly depends on revenue from the three constituent societies (CSC, CSChE and CSCT) as it delivers on its primary mission to implement the priorities of the societies. A situation for the CIC Finance Committee and the CIC and Society boards to sort out with management support.

Going forward in 2020 and into 2021 presents the CIC and the Societies with a challenging opportunity to revisit how the Institute and the Societies are structured and operate and hence resource to fulfill strategic goals and continue operations. The CIC is striking a Governance Task Force with a scope of work that could include recommendations around organizational and functional change which could improve operational efficiencies, reduce decision making times, streamline costs, clarify accountability, and bring a renewed and refreshed operating model to the organizations. This is a grand undertaking and a priority for the CIC representing an opportunity for positive change for our future.

May 27, 2020