

TREASURER'S REPORT

21 JANUARY 2023

Overview

The Profit and Loss accounts for 2022 are on the IAM website together with the proposed budget for 2023. Carol, with my blessing, has altered the format to make the accounts clearer and more in keeping with how they would usually be presented.

You will see that we made a small surplus last year (\$7,436), compared with a surplus of about \$29,000 in 2021. This is mainly explained by three items, a receipt in 2021 in relation to the HK conference of about \$18,000 and one off costs last year of the upgrade to the website (additional \$7,000) and fees for advice on strategic planning (\$9,600).

The totals generally were much higher in 2022 compared to 2021, mainly explained by the fact we had an in person conference in Montreal.

The budget for 2023 roughly follows the pattern for 2022 and, if achieved will result in a surplus of about \$4,300 at the end of the year. A big uncertainty is the cost of the Zurich Conference. We have planned for it to be self funding, but this, of course, depends upon members attending in person. If we do not get the numbers we are hoping for, we will probably have to use some of our reserves to cover any shortfall.

We continue to have a strong Balance Sheet and as at 31st December we had about \$414,250 in hand. Because dues tend to be paid for 2023 before the year end, a significant part of those funds represents what we need for our costs over the coming year, about \$110,000. So our reserves, properly understood amount to about \$300,000 and in addition we have funds for anticipated expenses for 2023.

I also suggest we simplify the Balance Sheet by merging the Legacy Fund (which has \$3,250 in it) into the Sustaining Membership Fund.

Comments

The first thing to note is that we are no longer running a significant surplus and therefore our reserves will not be increasing. In view of the plans to spend some of the reserves in accordance with the recommendations of the Resource Allocation Committee (RAC) we need to bear in mind that this could be a "one-off" event.

Secondly our budget for 2023 would not enable us to employ a CEO/Chief Executive, as our income is currently not sufficient. We could use some of our reserves as a short term measure but I would counsel strongly against any plan to use capital for an income expense in the long run.

Thirdly, we are receiving an increasing number of applications from members to pay reduced dues as they qualify for Emeritus status. This means that dues from those members are reduced by 75%. (\$118.75 vs \$475) We need to remember that not only must

the member satisfy the “rule of 80”, i.e that the combination of the members age and time as a Distinguished Fellow adds up to 80, but also that the member must evidence “a substantial reduction in their mediation practice” (By-law Article VII Section 3.1).

Future Steps

We need to consider if we should increase the Dues for 2024. I would be in favour of such a step and I think that there are a number of reasons for doing so.

- 1 The decision to reduce the annual fees taken a couple of years ago was based on the fact that we could not meet in person due to Covid restrictions, there was to be no in-person conference and we had accumulated significant reserves and had no plans to spend those monies. The decision was right at the time and the figures for the last 2 years show that we got our sums right.
- 2 However, we are now meeting in person once again, we are running in person events and life is returning to normal. We are providing tangible benefits to our members and we ought not to be shy of returning dues to their pre Covid levels.
- 3 If we do not raise dues, we will not be able to fund a CEO or take any other significant steps that the Board now or in the future thinks would be in the best interests of members or the organisation.
- 4 The initiatives that the RAC has suggested could only be implemented on a relatively short-term basis as the fund would diminish. I think that is inconsistent with some of our longer term aims. The need to support new members, mentees and the development of mediation internationally will continue. Similarly, it would be good to be able to innovate and improve our conferences. There will also be other initiatives that members/the Board will want to pursue, and I personally think we should keep a sensible amount available for such purposes.
- 5 Inflation over the past year or so has been running at anything up to 10%pa and our costs are increasing.
- 6 For most, but not all, of our members, the level of our dues does not represent a significant amount of their annual income and is probably set against tax in any event.

My recommendation is that we revert to the level pre Covid. This still represents a benefit to members as we have not increased the amounts to take account of inflation.

Reserves and RAC Recommendations

The Board needs to separate the funds for the Allocation Fund from general reserves. The general reserve needs to be sufficient to fund the annual expenses of the organisation as calculated (averaged) over the past 3 years and to take account of any likely future expenditure. I recommend that we work on the basis of expenditure as incurred pre Covid and also allow for a possible CEO appointment.

Initially therefore, I suggest that we agree to put \$125,000 in the Allocation Fund and keep about \$175,000 in the general reserve. This is in addition to the \$100,000 plus that we have

got for our anticipated expenditure in 2023. \$125,000 is a significant sum and we can review next year how much more (if any) we wish to allocate to the Fund.

It is, of course, ultimately a decision for the Board as to how much and what is spent from the Allocation Fund, so the Board at all times retains control of these monies.

Jonathan Lloyd-Jones
Treasurer
21 January 2023