

Judith L. Benham, Chair, ACS Board of Directors
Madeleine Jacobs, Executive Director & CEO



An Open Letter to ACS Members

April 28, 2009

Dear Colleagues,

About a month has passed since ACS concluded its national meeting in Salt Lake City, Utah. In Salt Lake City, the ACS Board of Directors and Council learned that ACS ended the year with positive operating results due to a combination of strong performance from its two largest divisions (CAS and ACS Publications) and prudent expense management across all operating units. Overall, the Society ended 2008 with a \$9.7 million net from operations, more than \$560,000 favorable to budget. As reported in the ACS Comment in the March 9, 2009, issue of C&EN, 2008 represented the fifth consecutive year of positive operating results. In addition, the Society's independent auditors, PricewaterhouseCoopers, gave ACS a "clean audit" on its consolidated financial statements www.acs.org/auditedfinancialstatements. These are accomplishments to celebrate.

However, 2008 also brought many challenges for ACS. Like many organizations, ACS experienced a significant decline in its unrestricted net assets, or reserves, due to investment losses and non-operating charges related to its defined benefit pension plan. Overall, the Society's reserves fell from \$212 million at December 31, 2007 to \$60 million by year end 2008. This decline was directly related to the historic drop in the capital markets. While the Society's investment performance was disappointing, we know from independent benchmarking that the Society's returns compared favorably with most college and university endowments. Fortunately, through effective planning and strong operating performance over several years, ACS ended the year financially sound with significant cash balances and minimal debt.

Over the years, the ACS Board has adopted several financial guidelines that measure the Society's overall financial condition. The guidelines provide a dashboard of gauges that signal when corrective actions may be necessary. Not surprisingly, the sharp decline in reserves in 2008 caused ACS to end the year significantly below its target for reserve adequacy. Maintaining adequate unrestricted net assets provides the Society with a reserve to absorb operating deficits and investment losses during difficult economic times, as well as a source of protection for uninsured losses. Obviously, the Society's year end reserve position poses an extraordinary challenge for the ACS Board and management in 2009 and beyond – how to rebuild unrestricted net assets in the midst of a global economic downturn.

Looking to 2009, our core revenue-generating operations – CAS, Publications, and Membership & Scientific Advancement – are holding up reasonably well under difficult economic circumstances. Unfortunately, the global economic situation has not improved during the first quarter. Our own internal forecasts as well as consensus forecasts by outside economists suggest that the economic weakness is likely to persist into 2010.

Only by remaining a financially sustainable organization, can ACS carry out its vision, mission, and strategic plan, and fulfill its Congressional charter. As a 501(c)(3) organization and a public charity, ACS has obligations under its charter to serve the scientific enterprise and the general public. Within the *ACS Strategic Plan for 2009 and Beyond*, one of the primary goals focuses on financial sustainability. As a practical matter, the Society's ability to fulfill its other strategic goals – to effectively serve its members, chemistry, and related sciences – is highly dependent on achieving the financial sustainability goal.

To achieve financial sustainability, especially in light of the continuing economic downturn, the following actions were discussed at length with and agreed upon by the ACS Board of Directors in Salt Lake City. Collectively, these actions are aimed at significantly improving the Society's ability to better respond to the major changes we are seeing in the economic environment as well as the capital markets. The key elements include the following:

1. A strategic reduction-in-force representing 3% of the total 2,000-person ACS workforce.
2. Strategic expense reductions such as eliminating or reducing funds for certain programmatic and administrative activities
3. Imposition of a cap on the amount that ACS contributes toward the overall cost of health insurance coverage for retirees. (For purposes of financial reporting, this action will restore approximately \$23 million to the reserves in 2009.)

These actions were not taken lightly. We had sincerely hoped to avoid a reduction-in-force, but current and projected economic conditions necessitated the measures. They represent our best thinking given the information we have today. We continue to monitor the economic situation and will adjust our path forward if circumstances warrant it. Our overarching goal remains the same: strengthen the Society's financial position in order to sustain the delivery of high quality products, programs and services that ACS members have come to depend on.

The American Chemical Society is the steward of a 133-year tradition of service to the chemical enterprise. Our first responsibility is to the long-term health of this institution so that we may continue to serve the scientific enterprise and our members. While our operating results in 2009 are expected to remain positive, the actions we have taken are intended to position the Society for both short-term and long-term financial sustainability.

Sincerely,
Judith L. Benham
Chair, ACS Board of Directors

Madeleine Jacobs
Executive Director and CEO

Background - ACS Comments from C&EN issues: [February 9, 2009](#); [March 9, 2009](#); [March 30, 2009](#)