

APSA's Financial Operations 2015–2016

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The purpose of this report is to inform APSA's membership about the association's financial health for the 2015–2016 fiscal year. This report provides an overview and assessment of APSA's assets and current financial operations. (More detailed financial information is also contained in the APSA audit report, which is available upon request from the APSA office.)

The association's financial condition remains healthy, providing a resource base sufficient to continue current operations, while expanding the association's activities in new directions as needed. Since APSA's last annual report, and as seen in table 1, our assets increased in value from \$35.2 million on September 30, 2015 to \$37.6 million on September 30, 2016. During the same period, liabilities decreased from \$4.9 million to \$4.6 million.

For the recently ended fiscal year (October 1, 2015–September 30, 2016), operating revenue was \$6.7 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$7.3 million. The association's primary revenue sources (memberships, the Annual Meeting, and APSA journals and publications) are continuing to show growth with the exception of membership, which decreased about 4% in total revenue from the prior year.

The association has continued to implement the improved, more efficient financial practices. Thus, the association's accounting

is in line with best practices and APSA has diversified its investment strategies with an eye toward reducing risks associated with portfolio concentration.

In short, APSA continues to operate in a desirable financial environment, with steady income and growth-producing programs, minimal long-term liabilities, professional accounting practices, and a diversified investment portfolio. These steady growths were offset by the continued incremental decline in individual membership across the board with the exception of life members and associate members. Nonetheless, APSA is in a position to have an operating budget that meets anticipated income and expenses.

The remainder of this report will present more detailed analysis and information on each of these topics.

APSA INVESTMENTS AND NET ASSETS FOR FISCAL YEAR 2015–2016

The association's overall financial position is stable, with assets of more than \$37.6 million as well as a headquarters building, an adjacent property, and a carefully monitored operating budget (please refer to table 1 for the APSA Balance Sheet). Overall, APSA ended fiscal year 2016 with a balance sheet that reflected assets of \$37.6 million and liabilities of \$4.6 million, resulting in a net worth of \$33 million. Of this net worth, \$5 million is permanently restricted, just under \$13.7 million is temporarily restricted, and more than \$14.3 million is either unrestricted or board-designated.

APSA's financial statements, which also include figures for operations, investments, endowed programs, and grant-funded activities, show an increase in total net assets at September 30, 2016 of \$2.7 million for the fiscal year. The change in net assets for 2015–2016 was chiefly due to the increase of \$2.7 million in fair market value (FMV) of APSA investments as well as an increase in total revenues of \$257 thousand. As indicated in table 1, this performance compares to a decrease of \$938 thousand in year 2015 and \$3.8 million in year 2014, and a \$3.4 million in year 2013.

Our investments, as seen in table 2, were valued at \$33.1 million on September 30, 2016. These assets are defined by their fund: \$15.2 million in the Congressional Fellowship endowment; \$14.63 million in Centennial and Awards funds; and \$2.8 million in general operating funds (all at market value as of September 30, 2016).

APSA's portfolios have historically outperformed the S&P 500. During the third quarter of 2016, asset class returns were broadly positive for the third quarter as global markets continued to rebound from the late June shock caused by the UK's decision to leave the European Union. Investment returns benefitted from continued accommodative global central bank policies as well as a general improvement in economic data released during the quarter. Equities continued to outperform bonds as investors embraced risk-based assets as a result of historically low interest rates around the globe.

Table 1

Balance Sheet: September 30, 2016 (With Comparable Totals for 2012–2016)

	2012	2013	2014	2015	2016
ASSETS					
Current Assets	\$27,203,703	\$30,504,222	\$33,357,745	\$32,150,308	\$34,585,348
Property and Equipment	2,721,125	3,039,356	2,978,222	3,015,076	3,011,304
Total Assets	\$29,924,828	\$33,543,578	\$36,335,967	\$35,165,384	\$37,596,652
LIABILITIES AND NET ASSETS					
Liabilities	\$5,858,185	\$6,112,266	\$5,140,919	\$4,908,380	\$4,614,500
Net Assets	24,066,643	27,431,316	31,195,048	30,257,004	32,982,152
Total Liabilities and Net Assets	\$29,924,828	\$33,543,582	\$36,335,967	\$35,165,384	\$37,596,652

Business

This resulted in the following returns:

- The CFP account had a return of 4.3% for the third quarter and a trailing 1 year return of 12.8%.
- The T&D account posted a return of 4.2% for the third quarter and also had a trailing 1 year return of 12.8%.
- The Working Capital account posted a gain of 0.26% for the quarter with a trailing 1 year return of 1.63%.

THE OPERATING BUDGET FOR 2015–2016

The operating budget for the most recent fiscal year appears in table 6. Our largest anticipated income sources for the year were

membership dues and fees (\$2.1 million), conferences and meetings revenue (\$1.8 million), and journals and publications (\$1.3 million). Our largest anticipated

expenditure areas were the Congressional Fellowship Program (\$1.2 million), journals (\$1.08 million), and the Annual Meeting (\$1.06 million).

Table

	T&D	CFP	TARGET
US Equities	67.0%	65.5%	65.00%
Non US Equities – Developed & Emerging	13.5%	13.9%	15.00%
Non US Equities – Emerging	4.3%	5.5%	5.00%
Total Equities	84.8%	86.2%	85.00%
US Fixed Income	15.2%	13.8%	15.00%
Total Assets	100.0%	100.0%	100.0%

Table 2

Investment Portfolio Summary for Trust Pool and Endowed Funds Fiscal Year Ended September 30, 2016

BY PORTFOLIO	MARKET VALUE
General Operating Fund	\$3,360,184
Trust Pool of Funds, Centennial Fund and Award Funds	14,629,777
Congressional Fellowship Program Fund	15,159,620
Total by Portfolio	\$33,149,581

BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS
Domestic Equity	\$19,743,544	59.6%
International Equity	\$4,275,128	12.9%
Global Equity	\$64,866	0.2%
Emerging Equity	\$1,462,470	4.4%
Cash and Cash Equivalents	\$1,381,645	4.2%
Domestic Fixed Income	\$4,735,586	14.3%
Bonds	\$1,437,585	4.3%
Certificate of Deposits	48,758	0.1%
Total by Security Type	\$33,149,581	100.0%

PORTFOLIO ACTIVITY	GRANTS	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2015	\$645,787	\$12,972,836	\$13,852,283	\$3,149,458
TRANSACTIONS				
Purchases	74,871	-	761,792	-
Sales	(232,963)	-	(1,188,481)	(330,051)
Net Investment Transactions	(158,092)	-	(426,689)	(330,051)
EARNINGS				
Earnings Reinvested (includes realized gains/losses)	-	-	182,849	-
Cash Dividends (reinvested)	1,611	277,567	289,105	26,016
Total Earnings	1,611	277,567	471,954	26,016
Change in Market Value at September 30, 2016	0	1,379,375	1,262,072	25,455
ENDING BALANCE AT SEPTEMBER 30, 2016	\$489,306	\$ 14,629,777	\$15,159,620	\$2,822,120

The budget anticipated that roughly 26% of total revenue would be derived from individual memberships; 22% from the Annual Meeting; and 16% from journals, sales, and advertising revenue streams. On the expense side of the ledger, Annual Meeting costs accounted for 13% of all operating expenses in 2015–2016, Congressional Fellowship Program and other grant expenses were expected to account for 15%, while our three journals were expected to account for 14% of all operating expenses, followed by business office at 12% and governance and external relations at 9%. Building and equipment (including depreciation costs) stood at 8%, while general administration, education and professional development, and organized sections each accounted for just over 6%. Also, 4% or less of total expenses were costs related to committee programs, member services, the Teaching and Learning Conference, departmental programs and

conferences, publications, employment services, the Centennial Center, and endowed awards.

Compared to the prior year, total revenue realized from individual membership dues during 2015–2016 declined slightly (4.25%). This is due to the new AMS system and the ability to automatically recognize membership dues based on a daily basis versus manually on a monthly basis. Total individual membership dues and numbers are 3% greater than at this time last year. APSA membership trends inform us that membership renewals and new member joins tend to increase leading up to and during the Annual Meeting and decrease after the Annual Meeting. As such, 2015 membership trends showed us that there was a larger span of individuals renewing or joining at a greater rate in the months of June through August, which may be attributed to the 2015 Annual Meeting deadlines. In 2016 the biggest renewal

and join period was January and June, which may be attributed to differing Annual Meeting deadlines and then a significant increase due to the new professional member category (under \$30,000 income) in September and October.

The cost to deliver services in all major programs increased from 2015–2016, with the exception of the Teaching and Learning Conference, journals, and general operating and building at rates of 8.8%, 1.5%, and 17.7% respectively. (Please see tables 3a–c, 4, and 5 for multiyear comparisons.)

OPERATIONS IN REVIEW: FISCAL YEAR 2015–2016

The recently concluded fiscal year was an active one. Most importantly, after the success of the 2015 Annual Meeting in San Francisco, California, this year's 2016 Annual Meeting in Philadelphia, Pennsylvania, was able to surpass expectations. Compared to 2015, the number of paid registrants was

Table 3a

Operating Budget 1992–2016: A Multi-Year Perspective

Year	Revenue	Expenditures	Change in Net Assets	% Change from Prior Year	
				Revenue	Expenditures
1992–1993	\$2,405,023	\$2,321,830	\$83,193	- (*)	- (*)
1993–1994	2,704,155	2,423,847	280,308	+12.4	+4.4
1994–1995	2,734,375	2,524,664	209,711	+1.1	+4.2
1995–1996	2,822,154	2,590,227	231,927	+3.2	+2.6
1996–1997	2,979,845	2,793,237	186,608	+5.6	+7.2
1997–1998	3,068,237	2,981,914	86,323	+3.0	+6.7
1998–1999	3,150,001	3,086,546	63,455	+2.7	+3.5
1999–2000	3,395,407	3,224,919	170,489	+7.8	+4.5
2000–2001	3,595,669	3,351,744	243,925	+5.9	+3.9
2001–2002	3,621,269	3,447,455	173,813	+0.7	+2.8
2002–2003	3,707,125	3,660,820	46,305	+2.4	+6.2
2003–2004	4,026,806	4,028,780	(1,974)	+8.6	+10.0
2004–2005	4,235,397	4,228,507	6,890	+5.2	+4.9
2005–2006	4,516,090	4,333,740	182,350	+6.6	+2.5
2006–2007	4,645,585	4,549,021	96,564	+2.9	+4.9
2007–2008	4,760,164	4,826,910	(66,746)	+2.5	+6.1
2008–2009	7,781,631	8,516,389	(734,758)	- (**)	- (**)
2009–2010	5,678,572	5,713,383	(34,810)	- (**)	- (**)
2010–2011	5,663,119	6,214,593	(551,474)	(.27)	+8.8
2011–2012	5,735,459	5,920,363	(118,904)	+1.3	-4.7
2012–2013	6,106,639	6,974,004	(867,365)	+6.5	+17.8
2013–2014	7,095,043	6,639,223	455,820	+16.19	-4.80
2014–2015	6,463,489	6,652,132	(188,643)	-8.90	-0.59
2015–2016	6,720,779	7,287,111	(566,332)	+3.98	+9.55

(*) In FY 1992–1993, APSA moved to a new budgeting system, making the figures in that year not comparable with those of prior years.

(**) In FY 2008–2009, APSA changed Year end from June 30th to September 30th, therefore budget is for 15 months.

Table 3b

Budgeted Draws/Fund Transfers: 2015–2016

Congressional Fellowship Program	\$612,292
T&D Draw for Operations	318,461
Centennial Center Draw-Oper.	61,397
Centennial Center Draw-Grant	92,791
Endowed Awards Draw	25,055
Board Designated TLC Draw	16,530
Total	\$1,126,526

Table 3c

YTD Operating Net Profit

PER STATEMENT	YTD ACTUAL 2016
Operating Net Profit (Loss)	(\$566,332)
BUDGETED DRAWS	
CFP	612,292
T&D Draw for Operations	318,461
Centennial Center Draw-Oper.	61,397
Centennial Center Draw-Grant	92,791
Endowed Awards Draw	25,055
Board Designated TLC Draw	16,530
SUBTOTAL CHANGE IN NET ASSETS	\$560,194
Non-Operating Interest/Dividends Income	592,434
Change in Net Assets	\$1,152,628

very strong. Other initiatives in 2015–2016 included sustained efforts in the areas of public engagement, expanded department and international membership, the Teaching and Learning Conference, annual workshops in Africa and the Middle East, mentoring, and graduate education.

The association has 28 employees at its headquarters in Washington, DC, who support the association to serve the membership's programming goals and to respond flexibly to new responsibilities and Council-directed projects.

APSA also held its thirteenth Teaching and Learning Conference in Portland, Oregon, in February 2016. This conference theme was "Rethinking the Way We Teach: High-Impact Methods in the Classroom." The conference attracted a diverse group of political scientists from a wide variety of institutions and subfields. For 2017, the Annual Meeting will be held in San Francisco, California, and the Teaching and Learning Conference was held in Long Beach, California, in February 2017.

In 2016, APSA provided support for the APSA Ralph Bunche Summer Institute

(RBSI) at Duke University, at an increased level of 15 students as compared to 2015 enrollment of 12 students. This was due to the receipt of a new National Science Foundation (NSF) grant to Duke University for the RBSI. APSA contributed direct cost support for teaching assistants through a draw from the RBSI Support—Board Designated Funds.

In conjunction with the RBSI Working Group report, in 2015 the APSA Council created this board-designated RBSI Support Fund to provide funding for the 2016–2018 RBSI at Duke University, along with an RBSI Advisory Committee charged with overseeing the development of long-term programming options. A development strategy outlining a three-year, \$750,000 fundraising goal for the Ralph Bunche Fund was submitted to APSA Council with the intention of a fund draw to begin in 2019 to support future efforts, and efforts to support the RBSI programs through institutional and individual philanthropy are continuing. With NSF funding in place for 2016–2018, updated recommendations for the RBSI Support Fund for the short term will be submitted by the RBSI Advisory Committee.

In terms of earned operating revenue and program expenses, the outcome for the year for both was higher than budget expectations. As table 3a demonstrates, APSA earned approximately \$6.7 million in operating revenues and incurred operating expenses of \$7.3 million, excluding budgeted draws/fund transfers (see table 3b).

Please note that in accordance with Generally Accepted Accounting Principles (GAAP), board approved draws/fund transfers on the following programs are not included in the reporting of actual revenue activities within the financials. These amounts are only included in the budget column for budgeting and council reporting.

When draws/fund transfers are taken, they are reflected as a reduction of the Congressional Fellowship Fund and Trust and Development Funds and an increase of APSA General Operating Fund on the balance sheet. Therefore, when budgeted draws/fund transfers are taken into consideration for operating activities and projects, Operating Net Profit (Loss) is reflected in table 3c.

As noted at in last year's report, in anticipation of the current publishing agreement that expired in December 2016, APSA and Cambridge University Press began reviewing a new publishing agreement in October 2015. The final contract negotiation, with legal counsel review and publishing consultant guidance, was completed in August 2016 and shared with APSA Council. A new 10-year agreement, effective January 1, 2017 through December 2026, was signed September 2, 2016. Overall, the contract is worth about \$17 million to APSA over the ten years.

In 2016, a new editorial team (based at the University of Mannheim and London School of Economics) took over the editorship of the *American Political Science Review*. It is the team's intent to move from a strict issue-based journal to one that features "FirstView" articles published online, in advance of publication of an issue. The benefits to this include a shorter time from acceptance to publication, more materials available to researchers and members online, and less reliance on print copies. In addition, the team plans a new feature, "Letters," that will encourage shorter articles. This contract was signed and enabled APSA to reduce overall cost by 5%.

For *PS: Political Science & Politics*, editors Paul Gronke, Reed College, and Phillip Ardoyn, Appalachian State University, requested an extension of their term (2014–2016) as editors to August 2018. This was approved and their agreements for the extension were signed in August 2016. This contract was signed with

Table 4
Operating Revenue Trends, 2012–2016

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016
Individual Memberships	\$1,567,023	\$1,582,500	\$1,545,997	\$1,496,971	\$1,433,288
Administrative	41,271	40,595	28,592	35,130	27,846
Annual Meeting Registration/Other	1,079,560	1,306,125 ¹	1,434,308	1,337,945	1,574,405
Annual Meeting Advertising and Exhibits	83,875	294,212	335,821	316,520	329,750
Teaching and Learning Conference	83,144	91,888	101,003	73,671	94,630
Journals, Sales and Publications	1,420,058	1,286,521	1,439,191	1,361,452	1,405,782
Departmental Services and eJobs	473,487	498,370	516,823	480,010	508,124
Centennial Center	11,635	7,702	9,383	3,285	280
Congressional Fellowship & Other Grants	567,351	462,073	969,491	674,942	644,899
Other (section dues, rental income, etc.)	408,056	536,653	714,435	683,564	701,775
TOTAL REVENUE	\$5,735,459	\$6,106,639	\$7,095,043	\$6,463,489	\$6,720,779

1. Includes \$26K 2012 Meeting Insurance Proceeds

Table 5
Operating Expenditure Trends 2012–2016

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016
Journals	\$1,380,427	\$1,322,063	\$765,725	\$842,678 ³	\$830,280
Annual Meeting	454,333 ¹	1,117,352 ²	760,000	858,390	1,124,375
Teaching and Learning Conference	124,503	118,564	149,508	128,630	117,256
Programs and Projects	1,641,485	1,718,802	1,941,976	1,598,766	1,969,656
Governance	461,746	621,985	511,346	603,141	650,122
Membership, Business Office, and Sales	1,097,315	1,052,437	1,251,055	1,444,141 ³	1,669,982
General Operating and Building	760,554	1,022,801	1,259,614	1,124,514	925,440
Total Expense	\$5,920,363	\$6,974,004	\$6,639,223	\$6,600,260	\$7,287,111

1. Includes net effect of 2012 Annual Meeting Cancellation

2. Includes additional cost related to 2012 Annual Meeting Cancellation of \$100K

3. As of 2014–2015 Web Services has been moved to General Operating

no change in cost for APSA.

In May 2017, the editorship of Jeffrey C. Isaac for *Perspectives on Politics* ends after his more than 10 years as an editor (first as book review editor, then as editor in chief). A search committee, formed in 2015, placed a call for editors, interviewed applicants, and prepared a report for APSA Council in August 2016. Contract negotiations began in October 2016, with an announcement anticipated in early 2017.

Similarly, for the proposed open access journal, for which the council approved forming

a search committee for an editor/ editorial team in August 2015, a search committee finalized and launched a call for proposal in December 2015 and promoted this through the spring, with an extension to June 15, 2016. A recommendation to the APSA Council is expected in early 2017.

The Organized Section on Political Science Education proposed to its members to transfer the sponsorship (editorship) of the *Journal of Political Science Education*, published and owned by Taylor & Francis, from the organized section to APSA and to offer

a subscription to all members of APSA. The organized section approved this transfer in October 2015. In addition to searching for a new editorial team, APSA began negotiation with Taylor & Francis. The four-year contract will offer all APSA members an online subscription to the journal, including back issues. A limited number of print subscriptions will be available. The publishing agreement with Taylor & Francis was finalized in October 2016. The new editorial team, led by Victor Asal, University at Albany, began its four-year term in August 2016. ■

Table 6 on next page. ►

Table 6

Operating Budget

ACTUAL REVENUE FOR FISCAL YEAR 2014–2015 AND PROJECTED REVENUE FOR FISCAL YEAR 2015–2016

CATEGORY	ACTUAL		PROJECTED
	2014–2015	2015–2016	% OF TOTAL
Membership Individual (incl. sections and postage)	\$1,817,128	\$2,144,297	26%
Annual Meeting	1,654,465	1,802,502	22%
Journals and Publications	1,361,452	1,327,853	16%
Interest, Dividends, and Draws	596,955	1,556,526	19%
Departmental Services	390,369	429,996	5%
Administrative and Miscellaneous	35,130	36,460	0%
Employment Services	89,641	127,591	2%
Rent	363,407	339,412	4%
Teaching and Learning Conference	73,671	89,425	1%
CFP & Other Grants	673,652	528,144	6%
Centennial Center	3,285	500	0%
Total Revenue	\$7,059,154	\$8,382,706	100%

ACTUAL EXPENSE FOR FISCAL YEAR 2014–2015 AND PROJECTED EXPENSE FOR FISCAL YEAR 2015–2016

CATEGORY	ACTUAL		PROJECTED
	2014–2015	2015–2016	% OF TOTAL
Annual Meeting	\$910,854	\$1,057,904	13%
Journals	842,678	1,081,341	14%
Committee Programs	97,376	142,335	2%
Building and Equipment	692,388	631,574	8%
Publications	46,090	67,876	1%
Business Office & Web & IT	837,378	974,764	12%
Governance & External Relations	603,141	698,764	9%
General Administration	467,195	447,207	6%
Member Services	216,049	248,507	3%
Organized Sections	314,115	335,540	4%
Teaching and Learning Conference	128,630	139,025	2%
Departmental Services	87,970	170,397	2%
Employment Services	12,799	26,098	0%
Education and Professional Development	330,106	519,875	7%
CFP & Other Grants	894,767	1,187,867	15%
Centennial Center	95,708	82,609	1%
Endowed Awards	27,576	42,483	1%
Other	47,311	15,000	0%
Total Expenses	\$6,652,132	\$7,869,167	100%
Change in Net Assets	\$407,022	\$513,539	