

APSA's Financial Operations 2016–17

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OVERVIEW

The purpose of this report is to inform APSA's membership about the association's financial health for the 2016–17 fiscal year, ending September 30, 2017. 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 990 federal tax form which is available on the APSA website at <http://apsanet.org/ABOUT/Tax-Forms>. The audit report for FY17 is also available on 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, our assets increased in value from \$37.6 million on September 30, 2016 to \$41.5 million on September 30, 2017. During the same period, liabilities decreased from \$4.6 million to \$3.9 million.

As seen in table 1, for the recently ended fiscal year (October 1, 2016–September 30, 2017), operating revenue was \$6.7 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$6.8 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 the annual meeting, which decreased about 6% in total revenue from the prior year.

The association has continued to implement 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, family, and retired 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 2016–17

The association's overall financial position is stable, with assets of more than \$41.5 million as well as a headquarters building

and adjacent property, and a carefully monitored operating budget (see table 2). Overall, APSA ended FY17 with a balance sheet that reflected assets of \$41.5 million and liabilities of \$3.9 million, resulting in a net worth of \$38.0 million. Of this net worth, \$5 million is permanently restricted, \$16.0 million is temporarily restricted, and more than \$17.0 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, 2017 of \$4.5 million for the fiscal year. The change in net assets for 2016–2017 was due chiefly to the 4.5 million increase in fair market value (FMV) of APSA investments as well as an increase in total revenues of \$1,100 thousand. As indicated in table 3, this performance compares to an increase of \$2.7 million in year 2016, a decrease of \$938 thousand in year 2015 and \$3.8 million in year 2014.

Our investments, seen in table 3, were valued at \$36.04 million on September 30, 2017. These assets are defined by their fund: \$16.8 million in the Congressional Fellowship endowment; \$16.96 million in Centennial and Awards funds; and \$2.4 million in general operating funds (all at market value as of September 30, 2017).

Table 1

Operating Revenue Trends, 2012–2017

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016	2016–2017
Individual Memberships	\$1,567,023	\$1,582,500	\$1,545,997	\$1,496,971	\$1,433,288	\$1,478,160
Administrative	41,271	40,595	28,592	35,130	27,846	28,363**
Annual Meeting Registration/Other	1,079,560	1,306,125*	1,434,308	1,337,945	1,574,405	1,516,135
Annual Meeting Advertising and Exhibits	83,875	294,212	335,821	316,520	329,750	321,440
Teaching and Learning Conference	83,144	91,888	101,003	73,671	94,630	87,175
Journals, Sales and Publications	1,420,058	1,286,521	1,439,191	1,361,452	1,405,782	1,537,342
Departmental Services and eJobs	473,487	498,370	516,823	480,010	508,124	510,262
Centennial Center	11,635	7,702	9,383	3,285	280	844
Congressional Fellowship & Other Grants	567,351	462,073	969,491	674,942	644,899	502,191
Other (section dues, rental income, etc.)	408,056	536,653	714,435	683,564	701,775	739,947
TOTAL REVENUE	\$5,735,459	\$6,106,639	\$7,095,043	\$6,463,489	\$6,720,779	\$6,721,859

*Includes \$26K 2012 Meeting Insurance Proceeds

**Includes \$6,700 2017 Bldg1527 Insurance Proceeds

Table 2

Balance Sheet: September 30, 2017 (with Comparable Totals for 2012–2017)

	2012	2013	2014	2015	2016	2017
ASSETS						
Current Assets	\$27,203,703	\$30,504,222	\$33,357,745	\$32,150,308	\$34,594,273	\$38,405,474
Property and Equipment	2,721,125	3,039,356	2,978,222	3,015,076	3,011,304	3,072,969
Total Assets	\$29,924,828	\$33,543,578	\$36,335,967	\$35,165,384	\$37,605,577	\$41,478,443
LIABILITIES & NET ASSETS						
Liabilities	\$5,858,185	\$6,112,266	\$5,140,919	\$4,908,380	\$4,620,926	\$3,948,116
Net Assets	24,066,643	27,431,316	31,195,048	30,257,004	32,984,652	37,530,327
Total Liabilities and Net Assets	\$29,924,828	\$33,543,582	\$36,335,967	\$35,165,384	\$37,605,578	\$41,478,443

Table 3

Investment Portfolio Summary for Trust Pool and Endowed Funds FY17

BY PORTFOLIO	MARKET VALUE			
General Operating Fund	\$2,623,003			
Trust Pool of Funds, Centennial Fund and Award Funds	16,961,797			
Congressional Fellowship Program Fund	16,819,323			
Total by Portfolio	\$36,404,123			
BY SECURITY TYPE	MARKET VALUE		% OF ASSETS	
Domestic Equity	\$22,651,847		62.2%	
International Equity	\$4,887,612		13.4%	
Global Equity	\$71,886		0.2%	
Emerging Equity	\$1,574,292		4.3%	
Cash and Cash Equivalents	\$623,329		1.7%	
Domestic Fixed Income	\$6,546,339		18.0%	
Bonds	–		0.0%	
Certificate of Deposits	48,817		0.1%	
Total by Security Type	\$36,404,123		100.0%	
PORTFOLIO ACTIVITY	GRANTS	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2016	\$489,306	\$14,629,777	\$15,159,620	\$3,040,668
TRANSACTIONS				
Purchases	0	–	420,215	–
Sales	(305,305)	–	(1,126,069)	(456,765)
Net Investment Transactions	(305,305)	–	(705,854)	(456,765)
EARNINGS				
Earnings Reinvested (includes realized gains/losses)	–	–	348,993	(2,940)
Cash Dividends (reinvested)	1,266	366,612	364,842	26,502
Total Earnings	1,266	366,612	713,835	23,563
Change in Market Value at September 30, 2017	(0)	1,965,409	1,651,722	(169,732)
BALANCE ON SEPTEMBER 30, 2017	\$185,268	\$16,961,797	\$16,819,323	\$2,437,735

Table 3a

Asset Allocation

	T&D	CFP	TARGET
US Equities	68.7%	65.4%	65.0%
Non US Equities – Developed & Emerging	13.9%	15.0%	20%
Non US Equities – Emerging	4.4%	4.9%	5.0%
Total Equities	87.0%	85.3%	85.0%
US Fixed Income	13.0%	14.7%	15.0%
Total Assets	100.0%	100.0%	100.0%

Table 4

Operating Budget–Revenue

ACTUAL REVENUE FOR FISCAL YEAR 2015–2016
& PROJECTED REVENUE FOR FISCAL YEAR 2016–2017

CATEGORY	ACTUAL		PROJECTED
	2015–2016	2016–2017	% OF TOTAL
Membership - Individual (including sections & postage)	\$1,825,477	\$1,912,432	24%
Annual Meeting	1,904,155	1,854,055	23%
Journals and Publications	1,405,782	1,530,622	19%
Interest, Dividends, and Draws	594,045	1,280,134	16%
Departmental Services	372,246	438,881	5%
Administrative and Miscellaneous	27,846	23,585	0%
Employment Services	135,878	100,150	1%
Rent	309,586	360,376	4%
Teaching and Learning Conference	94,630	116,035	1%
CFP & Other Grants	643,288	418,233	5%
Centennial Center	280	3,000	0%
Total Revenue	\$7,313,213	\$8,037,502	100%

APSA's portfolios have in recent years outperformed the S&P 500 (refer to table 3a). During the third quarter of 2017, 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.

This resulted in the following returns:

- The CFP account had a return of 4.5% for the third quarter and a trailing one-year return of 16.0%.

- The T&D account posted a return of 4.4% for the third quarter and also had a trailing one year return of 15.9%. The Working Capital account posted a gain of 0.32% for the quarter with a trailing one-year return of 0.74%.

OPERATING BUDGET FOR 2016–17

The budget for the most recent fiscal year appears in tables 4 and 5. Our largest anticipated income sources for the year were membership dues and fees (\$1.9 million) conferences and meetings revenue (\$1.85 million), and journals and publications (\$1.5 million). Our largest anticipated expenditure areas were for "Business Office & Web/IT" (\$1.3 million), journals (\$1.11 million), and the annual meeting (\$1.11 million).

The budget anticipated that roughly 24% of total revenue would be derived from

individual memberships; 23% from the annual meeting; and 19% from journals, sales, and advertising revenue streams. On the expense side of the ledger, annual meeting costs accounted for 14% of all operating expenses in 2016–17, Congressional Fellowship Program and other grant expenses were expected to account for 11%, while our three journals were expected to account for 14% of all operating expenses, followed by business office at 16% and governance and external relations at 8%. 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, 3% 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 fiscal year, total revenue realized from individual membership dues during 2016–2017 increased slightly (3.1%). Total individual membership dues and numbers are 3% greater than at this time last year. This increase was due to a large span of individuals renewing or joining at a greater rate in the first six months of the fiscal year (October 2016 through March 2017). Historically, APSA membership trends have informed us that membership renewals and new member joins tend to increase leading up to and during the annual meeting. However, in 2017 membership renewals and joins were an anomaly to the trend, showing increased membership numbers leading up to and during the annual meeting.

The cost to deliver services in all major programs increased from 2016–17, with the exception of the Annual Meeting, Programs and Projects, and Membership, Business Office and Sales categories at rates of 11%, 21.1% and 12% respectively (see table 6 for multiyear comparisons).

OPERATIONS IN REVIEW: FISCAL YEAR 2016–17

The recently concluded fiscal year was an active one. Most importantly, after the success of the 2016 Annual Meeting in Philadelphia, the 2017 Annual Meeting in San Francisco was able to surpass expectations. Compared to 2016, the number of paid registrants was very strong; indeed, we set an attendance record for a west coast city at the San Francisco meeting. Our total attendance

Table 5

Operating Budget–Expenditures

ACTUAL EXPENSE FOR FISCAL YEAR 2015–2016
& PROJECTED EXPENSE FOR FISCAL YEAR 2016–2017

CATEGORY	ACTUAL		PROJECTED
	2015–2016	2016–2017	% OF TOTAL
Annual Meeting	\$1,124,375	\$1,111,082	14%
Journals	855,280	1,110,704	14%
Committee Programs	70,975	129,773	2%
Building and Equipment	557,257	667,080	8%
Publications	70,914	55,481	1%
Business Office & Web & IT	1,023,167	1,298,540	16%
Governance & External Relations	650,122	661,014	8%
General Administration	581,748	446,436	6%
Member Services	230,238	169,282	2%
Organized Sections	299,667	333,711	4%
Teaching and Learning Conference	117,256	143,108	2%
Departmental Services	62,465	115,699	1%
Employment Services	13,178	56,248	1%
Education and Professional Development	483,988	679,752	8%
CFP & Other Grants	1,004,123	918,521	11%
Centennial Center	22,535	77,148	1%
Endowed Awards	35,449	47,378	1%
Other	35,464	12,000	0%
Total Expenses	\$7,238,201	\$8,032,957	100%
CHANGE IN NET ASSETS	\$75,012	\$4,545	

was 6,366—a 3.2% increase over our 2015 San Francisco meeting attendance. APSA also held its 14th annual Teaching and Learning Conference in February 2017 in Long Beach, CA. The conference theme was: “The 21st Century Classroom: Creating an Engaging Environment for All Student.” The 2017 Annual Meeting was held in San Francisco centered on the theme “The Quest for Legitimacy: Actors, Audiences, and Aspirations.” Other initiatives in 2016–2017 included sustained efforts in the areas of public engagement, expanded department and international membership, the Teaching and Learning Conference, annual workshops in the Middle East and North Africa, mentoring, and graduate education.

In 2016, APSA provided support for the APSA Ralph Bunche Summer Institute (RBSI) at Duke University, at a level of 15 students 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.

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

Table 6

Operating Budget 2001–2017: A Multi-Year Perspective

Year	Revenue	Expenditures	Change in Net Assets	% Change from Prior Year	
				Revenue	Expenditures
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	7,312,111	(591,332)	+4.0	+9.92
2016–2017	6,721,859	6,827,317	(105,459)	+0.2	-6.63

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

Table 7

Operating Expenditure Trends 2012–2017

	2011–2012	2012–2013	2013–2014	2014–2015	2015–2016	2016–2017
Journals	\$1,380,427	\$1,322,063	\$765,725	\$842,678 ³	\$855,280	\$948,821
Annual Meeting	454,333 ¹	1,117,352 ²	760,000	858,390	1,124,375	1,001,656
Teaching and Learning Conference	124,503	118,564	149,508	128,630	117,256	126,182
Programs and Projects	1,641,485	1,718,802	1,941,976	1,598,766	1,969,656	1,552,645
Governance	461,746	621,985	511,346	603,141	650,122	702,354
Membership, Business Office, and Sales	1,097,315	1,052,437	1,251,055	1,444,141 ³	1,669,982	1,472,968
General Operating and Building	760,554	1,022,801	1,259,614	1,124,514	925,440	1,022,692
Total Expense	\$5,920,363	\$6,974,004	\$6,639,223	\$6,600,260	\$7,312,111	\$6,827,317

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

options. A development strategy outlining a three-year, \$750,000 fundraising goal for the Ralph Bunche Fund was submitted to APSA Council 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 7 demonstrates, APSA earned approximately \$6.7 million in operating revenues and incurred operating expenses of \$6.8 million, excluding budgeted draws/fund transfers.

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, as seen in table 8, 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 demonstrated in table 9.

APSA and Cambridge University Press began a new 10-year agreement, effective January 1, 2017 through December 2026, for

Table 8

Budgeted Draws/Fund Transfers: 2016–2017

Congressional Fellowship Program	\$300,000
T&D Draw for Operations	338,595
Centennial Center Draw-Oper.	58,631
Centennial Center Draw-Grant	84,419
Endowed Awards Draw	26,263
Board Designated TLC Draw	14,325
Total	\$822,234

Table 9

YTD Operating Net Profit

PER STATEMENT	YTD ACTUAL 2017
Operating Net Profit (Loss)	(\$105,459)
BUDGETED DRAWS	
CFP	300,000
T&D Draw for Operations	338,595
Centennial Center Draw-Oper.	58,631
Centennial Center Draw-Grant	84,419
Endowed Awards Draw	26,263
Board Designated TLC Draw	14,325
SUBTOTAL CHANGE IN NET ASSETS	\$716,775
Non-Operating Interest/Dividends Income	757,956
Change in Net Assets	\$1,474,731

the publication of the *American Political Science Review (APSR)*, *PS: Political Science & Politics* and *Perspectives on Politics*. Overall, the contract is worth approximately \$17 million to APSA over the ten-year term.

SUMMARY

Overall, APSA is in a very strong financial

position and is planning a number of new initiatives for the benefit of our membership including a special projects fund for worthy research initiatives benefiting the discipline. Members with questions about our finances should contact Steven Rathgeb Smith, executive director at smithsr@apsanet.org. ■