

Treasurer's Report

Robert R. Kaufman, Rutgers University

For the fiscal year ended June 30, 2002, the Association posted a surplus of \$173,813 from programmatic and general operating activities. APSA's audited financial statements, which include the figures for programs and operations as well as investments, endowed programs, and grant-funded programs, however, show a net loss of \$3.2 million for the fiscal year because of the unstable investment environment. Fortunately, the Association's overall financial position remains extremely strong, with assets of over \$21 million, a headquarters building which continues to appreciate in value, no debt, and a stable operating budget. (See Table 1 for Balance Sheet.)

APSA's investment advisor reports that the value of the Trust and Development Fund investments (which include the Centennial Campaign and Award funds) fell 9.8% for the fiscal year and the Congressional Fellowship Fund investments dropped 17.6%. By way of comparison, the S&P 500 was down 18.0% for the same period. The market value of APSA's investments still exceeds the cost, due to many years of significant earnings. However, the returns for both FY01 and FY02 have certainly taken a toll on prior year gains. APSA's investments are carefully monitored by the Trust and Development Committee with the help of the Association's investment advisor, Cedarpoint Capital Management, Inc. Although APSA's portfolios outperformed the S&P 500, the Committee commissioned a third party review in FY02 to ensure that the best possible returns were being achieved within the existing investment guidelines. The results of this review were largely positive, and the Committee is working with the investment advisor to reduce APSA's overall exposure to market volatility.

For FY02, investment losses accounted for \$2.9 million of the total \$3.2 million figure. (See Table 2 for more information on APSA's investment portfolio.) The remainder of the deficit was due to FY02 expenditures of grant funds which had been received in prior years. (Accounting standards require that a grant be recorded as income in the year it is received; expenditures of those funds in an ensuing fiscal year result in a loss on the books.)

**Table 1
APSA Balance Sheet**

	Total all funds June 30			
	FY 2002	2001	2000	1999
Assets:				
Current	20,741,134	24,102,839	27,817,241	23,922,745
Property & Equipment	513,622	438,392	455,858	514,710
Liabilities and Net Assets:				
Current Liabilities	1,556,759	1,618,715	1,460,889	1,370,733
Net Assets	19,697,997	22,922,516	26,812,210	23,066,722
Total	21,254,756	24,541,231	28,273,099	24,437,455

Overall, APSA ended FY02 with assets of \$21.2 million and liabilities of \$1.5 million, resulting in a net worth of \$19.7 million. Of this amount, \$9.2 million is restricted as to its use and \$10.5 million is unrestricted. The net assets can also be broken down by fund: \$9.9 million in the Congressional Fellowship Program endowment, \$3.3 million in

Trust and Development, \$3.4 million in Centennial Campaign funds, \$2.1 million in general operating funds, and just under \$850,000 in Endowed Award funds (all at market value as of June 30, 2002).

In terms of earned revenue and program expenses, the outcome was more positive. For the fiscal year ended June

**Table 2
Investment Portfolio Summary—APSA and Endowed Funds,
June 30, 2002**

By Fund	Cost Value	Market Value	
General Operating Fund	2,097,458	2,071,612	
Trust & Development Fund, Centennial Fund, and Award Funds	7,164,400	7,585,092	
Congressional Fellowship Fund	10,088,033	9,857,484	
TOTAL	19,349,891	19,514,188	
By Security Type		Market Value	Percent of Assets
Equities		5,914,309	30.31%
Cash & Cash Equivalents		2,921,582	14.97%
Mutual Funds		10,678,297	54.72%
TOTAL		19,514,188	100%
Activity by Fund, FY02	T&D, Awards, & Campaign	CFP	Working Capital
Starting balance 7/1/01 (at cost)	7,679,991	11,183,292	1,923,092
Purchases	5,159,670	8,323,577	90,881
Sales	-5,186,796	-8,767,694	0
Net Investment	-27,125	-444,117	90,881
Earnings reinvested (includes interest, dividends, gains/losses)	-488,465	-651,142	83,485
Cash Dividends (not reinvested)	40,242	65,062	0
Total earnings	-448,223	-586,081	83,485
Ending balance 6/30/02 (at cost)	7,164,400	10,088,033	2,097,458

Table 3
APSA Operating Budget: A Multiyear Perspective

Year	Income	Expenditures	Surplus (Deficit)	Annual Expenditure Change %
1989-90	1,891,773	1,871,305	20,464	+8.1
1990-91	2,153,800	2,133,524	24,595	+14.0
1991-92	2,254,844	2,180,544	74,300	+2.2
1992-93	2,405,023	2,321,830	83,193	—*
1993-94	2,704,155	2,423,847	280,308	+4.4
1994-95	2,734,375	2,524,664	209,711	+4.2
1995-96	2,822,154	2,590,227	231,927	+2.6
1996-97	2,979,845	2,793,237	186,608	+7.2
1997-98	3,068,237	2,981,914	86,323	+6.7
1998-99	3,150,001	3,086,546	63,455	+3.5
1999-00	3,395,407	3,224,919	170,489	+4.5
2000-01	3,595,669	3,351,744	243,925	+3.9
2001-02	3,621,269	3,447,455	173,813	+2.8

*In FY 1992-93, APSA moved to a new budgeting system, making the figures in this year not comparable with previous years.

30, 2002, APSA earned approximately \$3.6 million in operating revenues. With operating expenses of \$3.4 million, the net surplus was \$173,813. Revenue increased 1% over the prior year and expenses increased by 2.8%. Both revenue and expenses came in lower than anticipated (at 92% and 88% of budget respectively), due to the mid-year journal publishing agreement with Cambridge University Press (C.U.P.).

This agreement reduced both revenue and expense for APSA by shifting the bulk of the publishing operation to C.U.P. The publisher has taken over the collection of institutional (library) dues, the sale of journal advertisements, the management of royalties and permissions, as well as the PROCEEDINGS project and other electronic services. APSA will receive a share of the revenue C.U.P. brings in from each

of these areas. In addition, C.U.P. is providing funding for all three of the editorial offices (*APSR*, *PS*, and the new *Perspectives on Politics*). On the expense side, C.U.P. now has responsibility for marketing, production, printing, and distribution for all three of the journals. Under this arrangement, APSA has been able to streamline its operations, reduce costs in several areas, and add a third journal without having members bear an additional expense.

Revenue from individual memberships increased from the previous year due to a modest increase in dues rates, an increase in the number of members (up 500 from July 2001 to July 2002), and the addition of a new dues category for members earning over \$100,000. For the major program areas (committees, employment, education, awards, sections, Annual Meeting, and departmental

programs) expenses increased 8% over the prior year but ended at 91% of budget. For journals, other publications, and sales, expenses decreased by 24% (again, due to the changes in publishing arrangements) and came in at 65% of budget. In spite of the overall loss the Association recorded for FY02, it was a successful year on the operational side. (See Tables 3, 4, and 5 for multiyear comparisons.)

For the current fiscal year, FY03, the operating budget projects revenues of \$3.85 million, expenses of \$3.78 million, and a net surplus of \$76,849. (See Table 6 for a detailed comparison of FY02 revenue and expenses vs. FY03 budgeted figures.) The Council has again approved a modest annual dues increase, which went into effect on July 1, 2002. This resulted in an increase of \$1.00 for students and increases ranging from \$2.00 to \$5.00 for professional members. Student dues are now \$35 per year; professional dues range from \$74 (for those earning less than \$40,000 per year) to \$179 (for those earning more than \$100,000).

The FY03 budget projects a revenue increase of 6.4% over FY02 and an increase in expenses of 9.5% (with the largest cost increase due to the addition of a third quarterly journal). The budget projects that 33% of revenue will come from individual memberships, 22% from Annual Meeting activities, and 20% from journals, sales, and advertising. The remaining 25% will come from administrative sources (rent, investment income, etc. at 14%), departmental programs (7%), and employment services (4%). Costs for the three journals and other publications are expected to account for 21% of all operating expenses in FY03, followed by the Annual Meeting at 14%, Committee programs at 9%, and general administration

Table 4
Revenue Trends, 1997-2002

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Individual Memberships	910,001	858,384	912,704	990,106	942,969	1,113,525
Institutional Memberships	495,671	541,787	540,371	549,761	567,915	307,679
Administrative	41,761	34,904	28,841	91,215	101,962	77,472
Annual Meeting Registration	286,921	364,672	387,113	338,427	459,839	510,151
Advertising and Exhibits	349,769	357,121	376,771	406,622	431,974	371,935
Dividends/Interest	111,590	111,534	129,862	184,966	147,637	200,742
Journals, Sales, Publications	224,895	203,991	219,343	210,144	196,024	318,418
Departmental Services	212,380	224,275	206,445	221,848	250,247	267,833
Other (employment, sections, etc.)	346,947	371,569	348,551	402,319	497,102	453,514
TOTAL	2,979,845	3,068,237	3,150,001	3,395,407	3,595,669	3,621,269

Table 5
Expenditure Trends, 1997–2002

	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02
Journals and Publications	567,472	593,934	677,586	687,097	761,265	572,842
Annual Meeting	361,358	391,897	418,514	403,538	484,097	464,089
Special Programs	770,386	950,724	934,854	1,036,871	1,022,414	1,139,253
Governance	152,280	164,957	170,504	191,495	196,923	274,242
Membership, Business Office, Sales	380,851	349,864	378,771	408,693	416,181	415,624
General Operating and Building	560,889	530,538	506,317	497,225	470,864	581,405
TOTAL	2,793,237	2,981,914	3,086,546	3,224,919	3,351,744	3,447,455

Table 6
Operating Budget

Summary of Actual Revenue Line Items for Fiscal Year 2001–2002 and Projected Revenues for Fiscal Year 2002–2003

CATEGORY	2001–2002 Actual Revenue	2002–2003 Projected Revenue	Percentage of Projected Revenue
Membership			
Individual	1,289,213	1,279,500	33%
Institutional	307,679	0	0%
Annual Meeting	825,456	852,000	22%
Sales, Advertising, Journals	375,048	788,250	20%
Departmental Programs	267,833	279,500	7%
Interest & Dividends	200,742	315,600	8%
Employment Services	138,933	138,000	4%
Rent	137,152	133,000	3%
Administrative	77,472	68,500	2%
Miscellaneous	1,741	500	0%
TOTAL REVENUE	3,621,269	3,854,850	100%

Summary of Actual Expense Line Items for Fiscal Year 2001–2002 and Proposed Expenses for Fiscal Year 2002–2003

CATEGORY	2001–2002 Actual Expenses	2002–2003 Projected Expenses	Percentage of Projected Expenses
Journals	464,650	583,101	15%
Annual Meeting	464,089	544,600	14%
Committee Programs	347,132	356,000	9%
General Administration	294,986	250,000	7%
Departmental Programs	268,794	245,000	6%
Governance	274,242	239,000	6%
Building and Equipment	197,996	223,000	6%
Business Office	193,261	221,500	6%
Pubs, Internet, Sales	143,810	215,500	6%
Member Services	186,746	213,500	6%
Organized Sections	127,672	151,000	4%
APSA Representation	133,974	150,150	4%
Education & Prof. Development	138,466	132,900	4%
Employment Services	99,513	119,000	3%
Depreciation	88,422	105,000	3%
Endowed Awards	23,702	28,750	1%
TOTAL EXPENSES	3,447,455	3,778,001	100%

at 7%. Each of the following programs will constitute 6% of operating costs: departmental programs, building and equipment, governance, business office, and member services. At 4% or less are: organized sections, representation, education and professional development, employment services, and endowed awards.

Despite the losses in the stock market, APSA had numerous accomplishments in FY02, including the appointment of Michael Brintnall as new Executive Director and the publishing arrangement with C.U.P. The 2001 Annual Meeting in San Francisco and the 2002 Annual Meeting in Boston were both hugely successful. FY03 also promises many important achievements, including the launching of APSA's newest journal, *Perspectives on Politics*, in March 2003.

Looking forward, the Council has enthusiastically endorsed a wide range of new programs to serve APSA's members. These include initiatives on public presence, mentoring, and graduate education, among others. Finally, the Association is gearing up for its 100th anniversary celebration at the 2003 meeting in Philadelphia and the much-anticipated opening of the Centennial Center for Political Science. APSA's leadership and staff are taking advantage of ever-increasing opportunities to serve its members and the profession. It is our ongoing challenge to find cost-effective ways to maintain and expand the Association's programs while at the same time protecting APSA's assets and ensuring its sound financial future.

This report has been prepared by Laura Tyson. As Treasurer, I am especially grateful for her competent and reliable management of our Association's finances.