

# Treasurer's Report: New Initiatives (and a Balanced Budget) Mark Successful 2005

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As we approach the fourth quarter of fiscal 2006, the American Political Science Association is financially sound, able to support a wide range of professional programs and projects to serve the membership. This strong condition arises from a solidly positive balance of assets against liabilities, and an operating budget well-matched to APSA's current scope and activities.

## A Healthy Financial Base

As of February 28, 2006, APSA's financial base comprised \$27.0 million in assets. These include stock, bond, money market, and mutual fund holdings (\$24.6 million); and our two headquarters properties (\$2.4 million). Because the Association's outstanding mortgage is minimal (\$1.7 million), our financial assets are largely unencumbered by debt, and thus free to generate annual income which supports the Association's operations. Our 40-year investment in APSA headquarters on New Hampshire Avenue has also paid off well, allowing us to house the Association's activities in an attractive Dupont Circle building at modest cost, when compared to rents for any comparable location. Looking to the future, the Association's 2004 purchase of an adjoining building on 18<sup>th</sup> Street provides both rental income and contiguous space "on the block," should we need this for future expansion.

## Balancing Our Budget, Year after Year

Our recently completed auditor's report for the year ended June 30, 2005, shows that APSA's accounts were bal-

anced last year. So you can see where our money comes from, and where it's going, the budget we're currently using, as approved by the Council in 2005, appears in Table 6—Operating Budget—below. Our mid-year analysis shows we are on track to again balance our books on this budget, for the year ending June 30, 2006. This year's budget estimates total revenue at \$4.406 million, and total expenditures at \$4.395 million. Our largest income sources are membership dues and fees (\$1.485 million), Annual Meeting revenue (\$999,000), and publications (\$945,000). Our largest expenditure areas are publications (\$1.03 million), membership services and programs (\$1.02 million), and the Annual Meeting (\$606,000).

## Safeguarding Your Money

Members can be pleased with the picture this overview provides. Our balance sheet is extremely favorable, which bodes well for APSA's stability, resilience, and future growth. Last year's budget was balanced, and this year's looks to be the same. Fiscal management and accounting were given high marks by our outside auditors. As you'll see from the detailed discussion (*below*), our staff and Council are doing a very good job safeguarding the Association's assets, and spending your money wisely.

## Detailed Discussion

In the remainder of this report (jointly authored with APSA Director of Finance and Administration Robin Smith), we provide more detailed discussion and statements regarding the Association's activities and financial condition. We report that despite a broadening of our mission, even while budgets are tightening, APSA has continued to operate efficiently and responsibly. Fiscal year 2005 ended within the operating budget, with growth in the value of our holdings.

## APSA Investments

For the fiscal year ending June 30, 2005, APSA's audited financial statements, which also include the figures for operations, investments, endowed programs, and grant-funded activities,

show an increase in total net assets of \$372,411 for the fiscal year. This performance compares to an increase of \$3.2 million in fiscal year 2004, and declines in total net assets of \$763,433 and \$3.2 million for fiscal years 2003 and 2002.

The gain in net assets in the current fiscal period was due chiefly to a favorable investment climate. The Association's overall financial position continues to be strong, with assets of over \$26 million, a headquarters building and adjacent property that continue to appreciate in value, and a stable operating budget (please refer to Table 1 for the APSA Balance Sheet).

APSA's investment advisor, Cedarpoint Capital Management, Inc., reported that the value of the Trust and Development Fund investments (which include the Centennial Campaign and Award funds) earned 5.4% for the fiscal year, and the Congressional Fellowship Fund investments earned 8.0%. By way of comparison, the S&P 500 earned 6.3% for the same period. This strong investment performance for 2005 allowed APSA to continue our recovery from losses sustained in recent fiscal years. APSA's portfolios have historically outperformed the S&P 500 (please refer to Table 2 for more information on APSA's investment portfolio).

Overall, APSA ended fiscal year 2005 with assets of \$26.1 million and liabilities of \$3.6 million, resulting in a net worth of \$22.5 million. Of this amount, \$9.1 million is restricted as to its use and \$13.4 million is unrestricted.

The net assets may also be viewed as keyed to the funds: \$11.4 million in the Congressional Fellowship Program endowment; \$4.1 million in Trust and Development; \$4.6 million in Centennial Campaign; \$2.1 million in general operating funds; and \$1.1 million in Endowed Award funds (all at market value as of June 30, 2005).

## Operations and Budget in Review: Fiscal Year 2004–2005

Several senior staff developments helped the Association meet programming goals last year. Michael Brintnall served his third full year as executive director. Under his guidance, three directors—Polly Karpowicz (Publications),

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**Table 1**  
**APSA Balance Sheet 2001–2005**

	2001	2002	2003	2004	2005
<b>Assets:</b>					
Current Assets	\$24,102,839	\$20,741,134	\$20,039,231	\$22,928,254	\$23,682,366
Property and Equipment	438,392	513,622	525,411	848,011	2,424,299
Total Assets	\$24,541,231	\$21,254,756	\$20,564,642	\$23,776,265	\$26,106,665
<b>Liabilities and Net Assets:</b>					
Liabilities	\$ 1,618,715	\$ 1,556,759	\$ 1,630,078	\$ 1,613,658	\$ 3,571,647
Net Assets	22,922,516	19,697,997	18,934,564	22,162,607	22,535,018
Total Liabilities and Net Assets	\$24,541,231	\$21,254,756	\$20,564,642	\$23,776,265	\$26,106,665

**Table 2**  
**Investment Portfolio Summary for APSA and Endowed Funds**  
**June 30, 2005**

By Fund	Value	
	Cost	Market
General Operating Fund	\$ 2,013,390	\$ 2,111,718
Trust & Development Fund, Centennial Fund, and Award Funds	8,205,757	9,907,931
Congressional Fellowship Fund	9,696,287	11,372,869
Total by Fund	\$19,915,434	\$23,392,518

  

By Security Type	Market Value	Percent of Assets
Equities	\$10,955,719	46.8%
Cash and Cash Equivalents	1,805,915	7.7%
Mutual Funds	10,630,884	45.4%
Total by Security Type	\$23,392,518	100.0%

  

Activity by Fund for Fiscal Year 2005	T&D, Awards, & Campaign	CFP	Working Capital
Starting Balance at July 1, 2004 (at cost)	\$ 7,407,145	\$ 9,497,361	\$1,939,186
Purchases	5,118,328	7,633,067	—
Sales	(5,026,052)	(8,085,938)	—
Net Investments	92,276	(452,871)	—
Earnings Reinvested (includes interest, dividends, gains/losses)	706,336	651,797	74,203
Cash Dividends (not reinvested)	93,342	122,204	—
Total Earnings	799,678	774,001	74,203
Ending Balance at June 30, 2005 (at cost)	\$ 8,205,757	\$ 9,696,287	\$2,013,389

Christina Marmor (Conventions), and Sean Twombly (Membership)—each performed well in their first full year at senior leadership positions. The overall staff, at every level, responded well to new responsibilities, as the Association pursued Council-directed projects to enhance APSA's public presence and international outreach.

In fact, this was a year of successful initiatives in several areas: APSA kicked off its fiscal year in July 2004 with the purchase of a townhouse office building adjacent to the Association headquarters. The 2004 Annual Meeting in Chicago was a hugely successful event. In February

2005, the APSA held its second Teaching and Learning Conference, with an expanded program and nearly 300 attendees.

The new APSA web site content management system was implemented to simplify staff updates to web content, extend content management to our external audiences, and support collaborative workspaces for committees and members. APSA's online resources—Annual Meeting programming, myAPSA, PROceedings, and departmental services—afforded APSA members expansive opportunities to enjoy direct access to and control of Association services and membership renewal.

In terms of earned revenue and program expenses, the outcome for the year was within budget expectations. APSA earned approximately \$4.235 million in operating revenues and incurred operating expenses of \$4.228 million. Actual operating revenue increased during this fiscal year by slightly more than \$208,000 over the prior year, and expenses increased by less than \$200,000. Realized operating revenue was just over budget by roughly \$15,000, while total operating expense came in just under budget by \$11,000.

In 2004–2005, APSA realized the benefit of the third full year of its journal publishing agreement with Cambridge

**Table 3**  
**APSA Operating Budget 1989-2005: A Multi-Year 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
2002-03	3,707,125	3,660,820	46,305	+6.2
2003-04	4,026,806	4,028,780	(1,974)	+10.0
2004-05	4,235,397	4,228,507	6,890	+4.9

(\*) In FY 1992-93, APSA moved to a new budgeting system, making the figures in that year not comparable with those of prior years.

University Press and the second full publication year of *Perspectives on Politics*. The Cambridge agreement effectively increased both revenue and expense for APSA by shifting the bulk of the publishing operation to the publisher.

Cambridge has direct responsibility for collection of institutional (library) dues, the sale of journal advertisements, and the management of royalties and permissions, as well as the PROceedings project and other electronic services. APSA receives a royalty, or share of the revenue that Cambridge brings in, from each of these areas. In addition, Cambridge provides funding for all three of the editorial offices (*APSR*, *PS*, and *Perspectives on Politics*). On the expense side, Cambridge is responsible for marketing, pro-

ducing, printing, and distributing all three journals.

Under this arrangement, APSA was able to streamline its operations, reduce costs in several areas, and enhance capacity to establish a third journal, *Perspectives on Politics*, without having members bear additional expense.

Compared to the prior year, total revenue realized from individual membership dues during 2004-2005 decreased by less than 1%, due largely to a change in accounting that resulted in increased reported revenue in the prior year. In contrast to the small drop in dues revenue, APSA's individual membership actually increased slightly, up 26 members from July 2004 to June 2005, to a total of 14,723 members.

The cost to deliver key services in major program areas—journals, committees, departments, representation, Annual Meeting, Teaching and Learning Conference, Centennial Center, publications, organized sections, education and professional development, employment, and awards—increased by \$187,933, or 6.4%, over the prior year. Supporting these major program areas, the costs for core operations (membership services, general administration, building and equipment, business office, and depreciation) increased by only \$11,792, or 1% in 2004-2005 (please see Tables 3, 4, and 5 for multi-year comparisons).

### *APSA Operations in 2005-2006*

The current fiscal year also promises many important achievements. The Council has enthusiastically endorsed a wide range of significant programs to serve APSA's members. These include initiatives on public presence, international membership, the Teaching and Learning Conference, and graduate education, among others.

For the current fiscal year, ending June 30, 2006, the operating budget anticipates revenues of \$4.406 million and expenses of \$4.395 million. The Council approved a modest dues increase that went into effect on July 1, 2005, for individual membership. This resulted in an increase of one dollar for students and increases ranging from two to six dollars for professional members. Student dues are now \$38 per year; professional dues range from \$80 (for those earning less than \$40,000 per year) to \$196 (for those earning more than \$100,000). Please see Table 6 for a detailed comparison of fiscal year 2004-2005 revenue and expenses compared to the 2005-2006 budget.

**Table 4**  
**Revenue Trends for Fiscal Years 2000-2005**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Individual Memberships	\$ 990,106	\$ 942,969	\$1,113,525	\$1,148,084	\$1,291,044	\$1,278,155
Institutional Memberships	549,761	567,915	307,679	—	—	—
Administrative	91,215	101,962	77,472	68,493	51,213	59,434
Annual Meeting Registration	338,427	459,839	510,151	546,369	543,995	564,353
Annual Meeting Advertising and Exhibits	406,622	431,974	371,935	348,774	418,082	369,113
Teaching and Learning Conference	—	—	—	—	2,300	36,910
Dividends, Interest and Draws	184,966	147,637	200,742	88,723	105,676	236,021
Journals, Sales and Publications	210,144	196,024	318,418	806,273	813,712	849,367
Departmental Services	221,848	250,247	267,833	272,464	298,777	313,088
Centennial Center	—	—	—	—	180,735	171,790
Other (employment, sections, etc.)	402,319	497,102	453,514	427,945	221,272	357,164
Total Revenue	\$3,395,407	\$3,595,669	\$3,621,269	\$3,707,125	\$3,926,806	\$4,235,395

**Table 5**  
**Expenditure Trends for Fiscal Years 2000–2005**

	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05
Journals, Publications and Web	\$ 687,097	\$ 761,265	\$ 572,842	\$ 721,648	\$ 958,059	\$1,008,004
Annual Meeting	403,538	484,097	464,089	593,044	621,988	539,795
Teaching and Learning Conference	—	—	—	—	8,160	121,640
Special Programs	1,036,871	1,022,414	1,139,253	1,103,918	1,089,078	1,164,335
Governance	191,495	196,923	274,242	167,101	234,471	265,915
Membership, Business Office and Sales	408,693	416,181	415,624	496,413	509,199	477,037
General Operating and Building	497,225	470,864	581,405	578,696	607,827	651,781
<b>Total Expense</b>	<b>\$3,224,919</b>	<b>\$3,351,744</b>	<b>\$3,447,455</b>	<b>\$3,660,820</b>	<b>\$4,028,782</b>	<b>\$4,228,507</b>

**Table 6**  
**Operating Budget**

Summary of Actual Revenue Line Items for Fiscal Year 2004–05 and Projected Revenues for Fiscal Year 2005–06

Category	Actual 2004–05	Projected	
		2005–06	% of Total
Membership			
Individual (incl. sections and postage)	\$1,474,751	\$1,485,200	34%
Annual Meeting	933,466	999,000	23%
Sales, Advertising, Journals	861,451	895,200	20%
Departmental Programs	313,088	337,000	8%
Interest, Dividends and Draws	236,021	276,800	6%
Centennial Center	113,550	136,240	3%
Rent	131,272	77,600	2%
Employment Services	71,972	70,800	2%
Administrative and Miscellaneous	62,916	69,500	2%
Teaching and Learning Conference	36,910	59,000	1%
<b>Total Revenue</b>	<b>\$4,235,397</b>	<b>\$4,406,340</b>	<b>100%</b>

Summary of Actual Expense Line Items for Fiscal Year 2004–05 and Projected Expenses for Fiscal Year 2005–06

Category	Actual 2004–05	Projected	
		2005–06	% of Total
Journals	\$ 755,871	\$ 745,000	17%
Annual Meeting	539,795	605,300	14%
Committee Programs	504,695	530,200	12%
Building and Equipment	398,823	416,000	9%
Publications, Web and Sales	252,132	283,000	6%
Business Office	267,859	277,000	6%
General Administration	209,340	248,500	6%
Member Services	209,177	243,800	6%
Governance	265,915	258,000	6%
APSA Representation	167,435	170,750	4%
Organized Sections	156,822	152,500	3%
Education and Professional Development	113,919	134,500	3%
Teaching and Learning Conference	121,640	116,100	3%
Centennial Center	88,299	44,500	1%
Departmental Programs	42,923	62,500	1%
Employment Services	56,779	61,000	1%
Endowed Awards	27,759	26,750	1%
Other	49,324	20,000	0%
<b>Total Expenses</b>	<b>\$4,228,507</b>	<b>\$4,395,400</b>	<b>100%</b>

The fiscal year 2005–2006 budget projects a revenue increase of 4.0% over the prior year and an increase in expenses of 3.9%. This stable budget forecasts that 34% of total revenue will come from individual memberships, 23% from the Annual Meeting, and 20% from journals, sales, and advertising revenue streams. The remaining 23% will derive from investments and administrative sources.

On the expense side of the ledger, costs for the three journals are expected to account for 17% of all operating expenses in fiscal year 2005–2006, followed by the Annual Meeting and Teaching and Learning Conference at 14%, committee programs at 12%, and building and equipment (including depreciation costs) at 9%. Each of the following programs will constitute 6% of operating costs: publications, web and sales, governance, business office, general administration, and member services. At 4% or less are costs related to departmental programs, organized sections, representation, education and professional development, employment services, the Centennial Center, program review, and endowed awards.

## Looking to the Future

In early March, the Association's Trust and Development Board of Trustees (T & D) met to review our manager's mid-year report on APSA's investment portfolios, approve updated investment policies, and discuss the FY 2005 audit. In coming months T & D will also begin a review of the portfolio manager's contract, discuss improvements to APSA's two buildings, and respond in depth to Council inquiries about Association policies for socially responsible investing. As does the entire APSA staff, we welcome your inquiries and suggestions, and look forward to your continued support as APSA moves forward into another year of initiatives, improvements, and growth.