

APSA's Financial Operations 2012–2013

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The purpose of this report is to inform APSA's membership about the association's financial health for the 2012–2013 fiscal year. This report provides an overview of APSA's assets and current financial operations.

The association's financial condition has remained stable in the face of a slow but improving domestic economy and volatile economic conditions elsewhere. Since APSA's last annual report, and as seen in table 1, we have seen our assets increase in value from \$30.0 million on September 30, 2012 to \$33.5 million on September 30, 2013. During the same period, liabilities increased from \$5.8 million to \$6.1 million.

For the recently ended fiscal year (2012–2013), operating revenue was \$6.1 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$6.9 million. The association's primary revenue sources (memberships, the Annual Meeting, APSA journals and publications) are stable despite ongoing economic challenges.

The association has continued to implement the improved financial practices that we developed in previous years. With the implementation of these new practices the association has brought the association's accounting in line with best practices and has diversified its

investment strategies with an eye toward reducing risks associated with portfolio concentration.

In light of these challenges, APSA continues to operate in a desirable environment, with stable membership revenue (despite slight decline in membership numbers), substantial income and growth-producing programs, minimal long-term liabilities, professional accounting practices, and a diversified investment portfolio. All of these factors combine to produce an operating budget which hews closely to anticipated income and expenses, consistently year after year.

In the remainder of this report, we will discuss each of these topics in greater detail.

APSA INVESTMENTS AND NET ASSETS FOR FISCAL YEAR 2012–2013

The association's overall financial position is stable, with assets of over \$33.5 million, a headquarters building and adjacent property, and a carefully monitored operating budget (please refer to table 1 for the *APSA Balance Sheet*). Overall, APSA ended fiscal year 2013 (October 1, 2012–September 30, 2013) with a balance sheet that reflected assets of \$33.5 million and liabilities of \$6.1 million, resulting in a net worth of \$27.4 million. Of this net worth, \$5 million is permanently restricted, just under \$11.1

million is temporarily restricted as to its use, and more than \$13.3 million is either unrestricted or board-designated.

APSA's financial statements, which also include figures for operations, investments, endowed programs, and grant-funded activities, shows an increase in total net assets at September 30, 2013 of \$3.4 million for the fiscal year. The change in net assets for 2012–2013 was chiefly due to the increase in fair market value (FMV) of APSA investments in an investment climate marked by the recovering economy in spite of this year's debt ceiling and the constant threats of "default" in Congress. Another notable change in net assets was the recording of the 40 organized section fund balances totaling \$661.5 thousand not previously recorded on the association's books. As you can see on table 1, this performance compares to an increase of \$4.145 million in fiscal year 2012, a decrease of \$952 thousand in fiscal year 2011, an increase of \$1.515 million in fiscal year 2010, a decrease of \$4.824 million in fiscal year 2009; and a decrease of \$4.261 million in fiscal year 2008.

Our investments, as seen in table 2, were valued at \$28.2 million on September 30, 2013. These assets can be defined by the purposes to which they are devoted. In round terms, there was \$13.2 million in the Congressional Fellowship endowment;

Table 1

Balance Sheet

September 30, 2013 (With Comparable Totals for 2008–2012)

	2008	2009**	2010	2011	2012	2013
Assets:						
Current Assets	\$26,887,681	\$21,327,232	\$23,445,212	\$22,390,530	\$27,203,703	\$30,464,301
Property and Equipment	2,318,531	2,477,300	2,500,127	2,324,694	2,721,125	3,039,356
Total Assets	\$29,206,212	\$23,804,532	\$25,945,339	\$24,715,224	\$29,924,828	\$33,503,657
Liabilities and Net Assets:						
Liabilities	\$5,023,565	\$4,445,944	\$5,071,581	\$4,793,750	\$5,858,185	\$6,072,341
Net Assets	24,182,647	19,358,588	20,873,758	19,921,472	24,066,643	27,431,316
Total Liabilities and Net Assets	\$29,206,212	\$23,804,532	\$25,945,339	\$24,715,222	\$29,924,828	\$33,503,657

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

Table 2

Investment Portfolio Summary for Trust Pool and Endowed Funds Fiscal Year Ended September 30, 2013

BY PORTFOLIO	MARKET VALUE		
General Operating Fund	\$2,902,230		
Trust Pool of Funds, Centennial Fund and Award Funds	12,094,348		
Congressional Fellowship Program Fund	13,204,729		
Total by Portfolio	\$28,201,307		
BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS	
Domestic Equity	\$17,195,328	61.0%	
International Equity	\$3,802,303	13.5%	
Global Equity	\$58,540	0.2%	
Emerging Equity	\$1,099,526	3.9%	
Cash and Cash Equivalents	\$576,988	2.0%	
Domestic Fixed Income	\$4,967,958	17.6%	
Bonds	\$500,664	1.89%	
Total by Security Type	\$28,201,307	100.0%	
PORTFOLIO ACTIVITY	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2012	\$10,742,568	\$11,650,346	\$2,800,847
Transactions:			
Purchases	—		18,995
Sales	(316,000)	(292,010)	(750,000)
Net Investment Transactions	(316,000)	(292,010)	(731,005)
Earnings:			
Earnings Reinvested (includes realized gains/losses)	—	—	—
Cash Dividends (reinvested)	285,928	294,220	31,462
Total Earnings	285,928	294,220	31,462
Change in Market Value at September 30, 2013	1,381,852	1,552,172	(15,965)
Ending Balance at September 30, 2013	\$12,094,348	\$13,204,729	\$2,085,340

\$5.06 million in the Trust fund; \$5.3 million in the Second Century and related Centennial funds; \$2.9 million in general operating funds, and \$1.7 million in endowed award funds, Board-Designated funds, and other miscellaneous funds (all at market value as of September 30, 2013).

APSA's portfolios have historically outperformed the S&P 500. Calendar year 2013 continues to provide strong domestic equity returns, with the S&P 500 up 5.4% for the third quarter and up more than 19% for the previous one year. The political news this year of course was the debt ceiling and the constant threats of "default." From an economic standpoint our investment advisor expects the long-term effect on the markets to be minimal.

THE OPERATING BUDGET FOR 2012–2013

The budget for the most recent fiscal year appears in table 6—Operating Budget. Our largest anticipated income sources

for the year were membership dues and fees (\$1.9 million), conferences and meetings revenue (\$1.65 million), and journals and publications (\$1.2 million). Our largest anticipated expenditure areas were the Congressional Fellowship Program (\$1.3 million), journals (\$1.06 million), and the APSA Annual Meeting (\$821 thousand).

The budget anticipated that roughly 26% of total revenue would be derived from individual memberships; 22% from the Annual Meeting, and 17% from journals, sales, and advertising revenue streams. On the expense side of the ledger, Annual Meeting costs accounted for 12% of all operating expenses in 2012–2013, Congressional Fellowship Program and other grant expenses were expected to account for 19%, while our three journals were expected to account for 15% of all operating expenses, followed by general administration and governance and external relations at 8%. Business office expenses stood at 7%, while building

and equipment (including depreciation costs) accounted for 6%. Four percent or less of total expenses were costs related to publications, committee programs, member services, organized sections, the Teaching and Learning Conference, departmental programs and conferences, education and professional development, employment services, the Centennial Center, and endowed awards.

Compared to the prior year, total revenue realized from individual membership dues during 2012–13 remained steady, in spite of management proposing that the association not raise dues at its normal overall 3% rate. This decision was made in part as a statement to the membership that the association was aware of continuing economic challenges faced by individuals. For the past decade the association

has implemented a 3% increase with standing authorization from the APSA Council. Without this increase, and with a projection of only modest membership growth, we anticipate a decline in overall membership revenue. The cost to deliver services in all major programs increased from 2011 to 2012, with the exception of journals and Teaching and Learning Conference which decreased. Fiscal year 2013 ended slightly over the operating budget, due to unexpected late 2012 Annual Meeting audiovisual cost not recorded in prior year financials, amounting to \$100 thousand and unexpected 2013 Annual Meeting audiovisual labor cost, amounting to \$190 thousand. (Please see tables 3, 4, and 5 for multi-year comparisons.)

OPERATIONS IN REVIEW: FISCAL YEAR 2012–2013

The recently concluded fiscal year was an active one. Most importantly,

Table 3
Operating Budget 1992–2013: A Multi-Year Perspective

YEAR	REVENUE	EXPENDITURES	SURPLUS (DEFICIT)	% CHANGE FROM PRIOR YEAR	
				Revenue	Expenditures
1992–93	2,405,023	2,321,830	83,193	– (*)	– (*)
1993–94	2,704,155	2,423,847	280,308	+12.4	+4.4
1994–95	2,734,375	2,524,664	209,711	+1.1	+4.2
1995–96	2,822,154	2,590,227	231,927	+3.2	+2.6
1996–97	2,979,845	2,793,237	186,608	+5.6	+7.2
1997–98	3,068,237	2,981,914	86,323	+3.0	+6.7
1998–99	3,150,001	3,086,546	63,455	+2.7	+3.5
1999–00	3,395,407	3,224,919	170,489	+7.8	+4.5
2000–01	3,595,669	3,351,744	243,925	+5.9	+3.9
2001–02	3,621,269	3,447,455	173,813	+0.7	+2.8
2002–03	3,707,125	3,660,820	46,305	+2.4	+6.2
2003–04	4,026,806	4,028,780	(1,974)	+8.6	+10.0
2004–05	4,235,397	4,228,507	6,890	+5.2	+4.9
2005–06	4,516,090	4,333,740	182,350	+6.6	+2.5
2006–07	4,645,585	4,549,021	96,564	+2.9	+4.9
2007–08	4,760,164	4,826,910	(66,746)	+2.5	+6.1
2008–09	7,781,631	8,516,389	(734,758)	– (**)	– (**)
2009–10	5,678,572	5,713,383	(34,810)	– (**)	– (**)
2010–11	5,663,119	6,214,593	(551,474)	(.27)	+8.8
2011–12	5,735,459	5,920,363	(118,904)	+1.3	–4.7
2012–13	\$6,106,639	6,974,004	(867,365)	+6.5	+17.8

* In FY 1992–93, 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.

after the cancellation of the 2012 APSA Annual Meeting in New Orleans because of Hurricane Isaac, this year's 2013 Annual Meeting in Chicago was a total success.

Compared to 2011, the number of paid registrants rose slightly. In addition, exhibit sales, sponsorships, and advertising revenues for the meeting increased. Initiatives

in 2012–2013 included sustained efforts in the areas of public presence, expanded department and international membership, changes in our meeting siting and engagement policies, the Teaching and Learning Conference, continued annual workshops in Africa, mentoring, and graduate education.

The association has 27 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 10th Teaching and Learning Conference in Long Beach, California; this year's theme was "Teaching Political Science: Preparing Students for Success." The meeting participants were a diverse group of faculty and scholars.

In 2014, the Annual Meeting will be held in Washington, DC, and the Teaching and Learning Conference will be held in Philadelphia, Pennsylvania.

APSA is currently in the process of vetting association management systems (AMS) in tandem with a new content management system (CMS) to better support our future endeavors to provide greater value and more services to our members. As such, the member services and marketing-communications departments are ready to initiate a website review, followed by an audit in preparation for the website to convert to a new CMS. This change will provide members

Table 4
Operating Revenue Trends 2007–2013

	2007–2008	2008–2009**	2009–2010	2010–2011	2011–2012	2012–2013
Individual Memberships	\$1,417,293	\$1,902,711	\$1,564,968	\$1,561,788	\$1,567,023	\$1,582,500
Institutional Memberships	—	—	—	—	—	—
Administrative	73,974	69,731	71,317	46,171	41,271	40,595
Annual Meeting Registration/Other	803,053	1,788,132 ¹	1,074,448	1,080,415	1,079,560 ²	1,306,125 ³
Annual Meeting Advertising and Exhibits	361,578	640,440 ¹	328,444	272,318	83,875	294,212
Teaching and Learning Conference	79,275	56,040	66,591	69,217	83,144	91,888
Dividends, Interest and Draws	140,528	82,512				
Journals, Sales and Publications	1,046,199	1,264,719	1,085,387	1,153,334	1,420,058	1,286,521
Departmental Services and eJobs	470,802	577,490	463,006	462,048	473,487	498,370
Centennial Center	35,780	31,359	13,984	15,660	11,635	7,702
Congressional Fellowship & Other Grants		850,852	591,294	599,267	567,351	462,073
Other (section dues, rental income, etc.)	323,333	517,646	419,134	402,901	408,056	536,653
Total Revenue	\$4,760,164	\$7,781,631	\$5,678,572	\$5,663,119	\$5,735,459	\$6,106,639

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

¹Includes (2) Annual Meetings 2008 & 2009

²Includes \$960K 2012 Annual Meeting Insurance Proceeds

³Includes \$26K 2012 Meeting Insurance Proceeds

Table 5
Operating Expenditure Trends 2007–2013

	2007–2008	2008–2009**	2009–2010	2010–2011	2011–2012	2012–2013
Journals, Publications and Web	\$1,155,131	\$1,464,177	\$1,026,001	\$1,238,598	\$1,380,427	\$1,322,063
Annual Meeting	721,440	1,577,206 ¹	709,375	919,739	454,333 ³	1,120,332 ⁴
Teaching and Learning Conference	168,189	165,009	117,359	120,945	124,503	118,564
Programs and Projects	1,208,658	2,887,393 ²	1,526,763	1,528,668	1,641,485	1,643,774
Governance	348,452	432,467	415,765	442,804	461,746	625,485
Membership, Business Office and Sales	558,233	988,322	1,043,452	1,102,733	1,097,315	1,126,381
General Operating and Building	666,807	1,001,817	874,667	861,106	760,554	1,022,811
Total Expense	\$4,826,910	\$8,516,389	\$5,713,383	\$6,214,593	\$5,920,363	\$6,979,410

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

¹Includes (2) Annual Meetings 2008 & 2009.

²Includes CFP & other Grants.

³Includes net effect of 2012 Annual Meeting Cancellation.

⁴Includes additional cost related to 2012 Annual Meeting Cancellation of \$100K.

and nonmembers alike with a more seamless and user-friendly experience when not only joining or renewing membership, but also when navigating the site and easily transitioning from our site to APSAConnect (our online private community for engagement). Particular attention is devoted to the costs we currently incur, cutting costs while improving our systems and website, and getting more return on any investments we make going forward.

In April 2013, the APSA Council was briefed on the cancelled funding for the 2013 Ralph Bunche Summer Institute (RBSI) program through the National Science Foundation’s political science program due to the Coburn amendment. In July 2013, the APSA Council approved the establishment of the APSA Ralph Bunche Programs endowment, which will be the foundation for long-term stable funding. The \$3 million endowment is intended, at the outset, to support the RBSI program now in place, (approximately \$135 thousand) but will be written to allow APSA flexibility to adapt to funding new or alternative programming consistent with the underlying goals for “introducing students from underrepresented racial/ethnic groups to political science careers and graduate study, and to encourage application to PhD programs.” During the August 2013 Council meeting, a motion was approved for APSA to guarantee RBSI funding in the short term until the endowment is in place. APSA is working to ensure funding for the 2014 APSA RBSI at Duke University. Part of the support will come from the Centennial Center

grants, funding from other grants and contributions, as well as direct APSA operating funds. A development consultant has been engaged to identify grant funding options and other sources of funding to cover this and has sent out a letter of funding inquiry to a foundation. Additional funding inquires and applications will be completed during the fall of 2013.

In terms of earned operating revenue and program expenses, the outcome for the year was within budget expectations. As table 3 shows, APSA earned approximately \$6.1 million in operating revenues and incurred operating expenses of \$6.9 million, excluding budgeted draws/fund transfers.

Please note that in accordance with Generally Accepted Accounting Principles, 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.

	2012–2013
Budgeted Draws/Fund Transfers:	
Congressional Fellowship Program	\$333,960
T&D Draw for Operations	199,600
Centennial Center Draw-Space	79,784
Centennial Center Draw-Oper.	17,561
Endowed Awards Draw	21,918
Board Designated TLC Draw	10,350
	<u>\$663,173</u>

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 as follows:

	YTD Actual 2013
Per Statement:	
Operating Net Profit (Loss)	(\$867,365)
Budgeted Draws:	
CFP	333,960
T&D Draw for Operations	199,600
Centennial Center Draw-Space	79,784
Centennial Center Draw-Oper.	17,561
Endowed Awards Draw	21,918
Board Designated TLC Draw	10,350
Subtotal Change in Net Assets	(204,192)
Non-Operating Interest/Dividends Income	611,611
Change in Net Assets	<u>\$407,419</u>

In 2013, APSA completed its 12th year of publishing agreements with Cambridge University Press. The Cambridge agreement, recently renewed in 2012 for a five-year term, benefits APSA by increasing revenues and by partnering on publishing operations. Cambridge has responsibility for collecting institutional (library) dues, selling journal advertisements, and managing royalties and permissions. APSA receives a royalty, or share of the revenue that Cambridge brings in from each of these areas. In 2013, Cambridge, working with APSA journal teams, significantly

Table 6
Operating Budget

ACTUAL REVENUE FOR FISCAL YEAR 2011-12 AND PROJECTED REVENUE FOR FISCAL YEAR 2012-13

CATEGORY	ACTUAL	PROJECTED	
	2011-12	2012-13	% of Total
Membership			
Individual (incl. sections and postage)	\$1,834,392	\$1,901,454	26%
Annual Meeting	1,163,435	1,563,325	22%
Journals and Publications	1,420,058	1,198,772	17%
Interest, Dividends and Draws	552,079	993,173	14%
Departmental Services	371,799	388,300	5%
Administrative and Miscellaneous	41,271	41,700	1%
Employment Services	101,689	100,300	1%
Rent (1527 New Hampshire Avenue)	140,687	146,370	2%
Teaching and Learning Conference	83,144	88,175	1%
CFP & Other Grants	567,351	819,716	11%
Centennial Center	11,635	21,300	0%
Total Revenue	\$6,287,538	\$7,262,585	100%

ACTUAL EXPENSE FOR FISCAL YEAR 2011-12 AND PROJECTED EXPENSE FOR FISCAL YEAR 2012-13

CATEGORY	ACTUAL	PROJECTED	
	2011-12	2012-13	% of Total
Annual Meeting	\$454,333	\$820,980	12%
Journals	1,176,277	1,065,155	15%
Committee Programs	173,014	180,737	3%
Building and Equipment	392,170	446,246	6%
Publications, Web and Sales	256,693	285,025	4%
Business Office	486,809	483,658	7%
Governance & External Relations	461,746	526,522	8%
General Administration	428,687	581,906	8%
Member Services	241,493	263,649	4%
Organized Sections	250,219	257,444	4%
Teaching and Learning Conference	124,503	155,269	2%
Departmental Programs and Conference	164,821	244,434	4%
Employment Services	61,407	37,975	1%
Education and Professional Development	141,865	148,035	2%
CFP & Other Grants	1,049,611	1,332,313	19%
Centennial Center	23,638	21,560	0%
Endowed Awards	27,128	40,242	1%
Other	5,947	15,000	0%
Total Expenses	\$5,920,363	\$6,906,583	100%
Change in Net Assets	\$367,174	\$356,002	

increased the amount of e-mail promotion going out to APSA members and Cambridge Journals Online (CJO) registrants across all three journals. More consistent e-mail correspondence translated into overall growth of annual APSA journal downloads, and helped to drive more traffic to APSA's CJO pages. In addition, Cambridge provides funding for all three of the editorial offices (*American Political Science Review*, *PS: Political Science and Politics*, and *Perspectives on Politics*). On the expense side, Cambridge is responsible for marketing, production, printing, and distributing all three journals.

We speak for the entire APSA staff to say we welcome your inquiries and suggestions, and look forward to your continued support, as APSA embraces a new year of initiatives, improvements, and growth.

Please note that further information is available in the audit report, available from the APSA office. ■