

APSA's Financial Operations 2014–2015

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The purpose of this report is to inform APSA's membership about the association's financial health for the 2014–2015 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 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, and as seen in table 1, our assets decreased in value from \$36.3 million on September 30, 2014 to \$35.2 million on September 30, 2015. During the same period, liabilities decreased from \$5.1 million to \$4.9 million.

For the recently ended fiscal year (October 1, 2014–September 30, 2015), operating revenue was \$6.5 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$6.6 million. The association's primary revenue sources (memberships, the Annual Meeting, APSA journals and publications) are continuing to show growth with the exception of membership which still decreases about 6% 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 professional and student members. Nonetheless, APSA is in a position to have an operating budget which 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 2014–2015

The association's overall financial position is stable, with assets of over \$35.2 million as well as 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 2015 with a balance sheet that reflected assets of \$35.2 million and liabilities of \$4.9 million, resulting in a net worth of \$30.3 million. Of this net worth, \$5 million is permanently restricted, just under \$12.1 million is temporarily restricted, 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, show a decrease in total net assets at September 30, 2015 of \$900 thousand for the fiscal year. The change in net assets for 2014–2015 was chiefly due to the decrease of \$1.7 million in fair market value (FMV) of APSA investments as well as a decrease in total revenues of \$631 thousand. As indicated in table 1, this performance compares to an increase of \$3.8 million in year 2014 and \$3.4 million in year 2013, and a \$4.145 million in year 2012.

Our investments, as seen in table 2, were valued at \$30.6 million on September 30, 2015. These assets are defined by their fund: \$13.9 million in the Congressional Fellowship endowment; \$12.97 million in Centennial and Awards funds, and; \$3.8 million in general operating funds (all at market value as of September 30, 2015).

APSA's portfolios have historically outperformed the S&P 500. During the third quarter of 2015, broad equity markets posted their weakest returns since the third quarter of 2011 as macroeconomic and geopolitical news drove the volatility of global equity markets. Improving domestic economic data was overshadowed by the Federal Open Market Committee's decision to leave short-term interest rates unchanged, citing low inflation expectations and a weakening global economy as reasons to maintain an accommodative monetary policy.

The S&P 500 experienced its first correction since 2011, falling 12.0% from its intra-quarter high. This resulted in the following returns:

Table 1

Balance Sheet September 30, 2015 (With Comparable Totals for 2011–2015)

	2011	2012	2013	2014	2015
Assets					
Current Assets	\$22,390,530	\$27,203,703	\$30,504,222	\$33,357,745	\$32,150,308
Property and Equipment	2,324,694	2,721,125	3,039,356	2,978,222	3,015,076
Total Assets	\$24,715,224	\$29,924,828	\$33,543,578	\$36,335,967	\$35,165,384
Liabilities and Net Assets					
Liabilities	\$4,793,750	\$5,858,185	\$6,112,266	\$5,140,919	\$4,856,508
Net Assets	19,921,472	24,066,643	27,431,316	31,195,048	30,308,876
Total Liabilities and Net Assets	\$24,715,222	\$29,924,828	\$33,543,582	\$36,335,967	\$35,165,384

- The CFP account had a negative return of 7.32% for the third quarter bringing the trailing one year return to negative 2.89%.

- The T&D account posted a total return of negative 7.34% for the third quarter with a trailing 1 year return of negative 2.75%.

- The Working Capital account posted a gain of 0.13% for the quarter with a trailing one year return of 1.06%.

THE OPERATING BUDGET 2014–2015

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 (\$2 million), conferences and meetings revenue (\$1.7 million), and journals and publications (\$1.3 million). Our largest anticipated expenditure areas were the Congressional Fellowship Program (\$1.2 million), journals (\$912 thousand), and the annual meeting (\$827 thousand).

The budget anticipated that roughly 25% of total revenue would be derived from individual memberships; 21% 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 11% of all operating expenses in 2014–15, Congressional Fellowship Program and other grant expenses were expected to account for 17%, while our three journals were expected to account for 12% of all operating expenses, followed by business office at 10% and governance and external relations at 11%. Building and equipment (including depreciation costs) stood at 9%, while general administration, education, and professional development, and organized sections each accounted for just over 5%. 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 year, total revenue realized from individual membership dues during 2014–2015 declined slightly (3%), reflecting in part a management decision to forgo its normal overall 3% annual rate increase for another year. This decision was also recognition of the financial constraints faced by many of our members. For the past decade, the association had implemented a three percent annual increase with standing authorization from the Council. 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, 2014 membership trends showed us that there was a larger span of individuals renewing or joining at a greater rate in the months of January through May, which may be attributed to the 2014 Annual Meeting deadlines. Yet, 2015 showed that the biggest renewal and join period was June through August which was a significantly

Table 2

Investment Portfolio Summary for Trust Pool and Endowed Funds Fiscal Year Ended September 30, 2015

BY PORTFOLIO	MARKET VALUE		
General Operating Fund	\$3,795,245		
Trust Pool of Funds, Centennial Fund and Award Funds	12,972,836		
Congressional Fellowship Program Fund	13,852,283		
Total by Portfolio	\$30,620,364		
BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS	
Domestic Equity	\$17,671,934	57.7%	
International Equity	\$3,673,470	12.0%	
Global Equity	\$60,547	0.2%	
Emerging Equity	\$1,163,564	3.8%	
Cash and Cash Equivalents	\$1,913,436	6.2%	
Domestic Fixed Income	\$6,137,414	20.0%	
Bonds	–	0.0%	
Total by Security Type	\$30,620,364	100.0%	
PORTFOLIO ACTIVITY	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2014	\$13,358,747	\$14,376,191	\$2,887,002
Transactions			
Purchases	475,484	335,604	–
Sales	(496,300)	(456,147)	191,128
Net Investment Transactions	(20,815)	(120,543)	191,128
Earnings			
Earnings Reinvested (includes realized gains/losses)	205,370	145,468	–
Cash Dividends (reinvested)	280,373	289,174	26,118
Total Earnings	485,744	434,642	26,118
Change in Market Value at September 30, 2015	(850,839)	(838,007)	(3,295)
Ending Balance at September 30, 2015	\$12,972,836	\$13,852,283	\$3,100,953

Table 3
Operating Budget 1992–2015: 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	6,600,260	(136,771)	-8.90	-0.59

* 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.

shorter period compared to 2014; this too may be attributed to differing Annual Meeting deadlines.

The cost to deliver services in all major programs increased from 2014–2015, with the exception of the Teaching and Learning Conference, programs, and general operating and building at rates of 14%, 18%, and 11% respectively. (Please see tables 3, 4, and 5 for multi-year comparisons.)

OPERATIONS IN REVIEW: 2014–2015

The recently concluded fiscal year was an active one. Most importantly, after the success of the 2014 Annual Meeting in Washington, DC, this year's 2015 Annual Meeting in San Francisco was able to surpass expectations. Compared to 2014, the number of paid registrants was very strong. Other Initiatives in 2014–2015 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 12th Teaching and Learning Conference in Washington, DC in January 2015. The conference theme was "Innovations and Expectations for Teaching in a Digital Era." The conference attracted a diverse group of political scientists from a wide variety of institutions and sub-fields. For 2016, the Annual Meeting will be held in Philadelphia, Pennsylvania, and the Teaching and Learning Conference was held in Portland, Oregon, in February 2016.

In fall 2013, the APSA headquarters staff decided to convert our association management systems (AMS) in tandem with a new

content management systems (CMS) to better support our future endeavors to provide greater value and more services to our members. After issues with the initially chosen vendor, JL Systems, Inc. was chosen. This new system enables members and nonmembers alike to have a more seamless and user-friendly experience when renewing or joining. Site navigation is also easier. Particular attention was devoted to the costs we were incurring, ways of cutting costs while improving our systems and website, and ways to get more return on any future investments.

In 2015, APSA provided substantial support for the APSA Ralph Bunche Summer Institute (RBSI) at Duke University, again at a reduced level of 12 students as compared to 2012 enrollment of 20 students. This funding support came from the 2nd Century Fund and direct APSA operating funds.

In conjunction with the RBSI Working Group report, the APSA Council created a new board-designated RBSI Support Fund

Table 4

Operating Revenue Trends 2010–2015

	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Individual Memberships	\$1,564,968	\$1,561,788	\$1,567,023	\$1,582,500	\$1,545,997	\$1,496,971
Administrative	71,317	46,171	41,271	40,595	28,592	35,130
Annual Meeting Registration/Other ¹	1,074,448	1,080,415	1,079,560 ²	1,306,125	1,434,308	1,337,945
Annual Meeting Advertising and Exhibits ¹	328,444	272,318	83,875	294,212	335,821	316,520
Teaching and Learning Conference	66,591	69,217	83,144	91,888	101,003	73,671
Journals, Sales and Publications	1,085,387	1,153,334	1,420,058	1,286,521	1,439,191	1,361,452
Departmental Services and eJobs	463,006	462,048	473,487	498,370	516,823	480,010
Centennial Center	13,984	15,660	11,635	7,702	9,383	3,285
Congressional Fellowship & Other Grants	591,294	599,267	567,351	462,073	969,491	674,942
Other (section dues, rental income, etc.)	419,134	402,901	408,056	536,653	714,435	683,564
Total Revenue	\$5,678,572	\$5,663,119	\$5,735,459	\$6,106,639	\$7,095,043	\$6,463,489

1. Includes \$960K 2012 Annual Meeting Insurance Proceeds

2. Includes \$26K 2012 Meeting Insurance Proceeds

Table 5

Operating Expenditure Trends 2010–2015

	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
Journals	\$1,026,001	\$1,238,598	\$1,380,427	\$1,322,063	\$765,725	\$842,678 ³
Annual Meeting	709,375	919,739	454,333 ¹	1,117,352 ²	760,000	858,390
Teaching and Learning Conference	117,359	120,945	124,503	118,564	149,508	128,630
Programs and Projects	1,526,763	1,528,668	1,641,485	1,718,802	1,941,976	1,598,766
Governance	415,765	442,804	461,746	621,985	511,346	603,141
Membership, Business Office and Sales	1,043,452	1,102,733	1,097,315	1,052,437	1,251,055	1,444,141 ³
General Operating and Building	874,667	861,106	760,554	1,022,801	1,259,614	1,124,514
Total Expense	\$5,713,383	\$6,214,593	\$5,920,363	\$6,974,004	\$6,639,223	\$6,600,260

1. Includes net effect of 2012 Annual Meeting Cancellation

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

3. As of 2014-15 Web Services has been moved to Gen Operating

to provide funding for the 2016–2018 RBSI at Duke University. A development strategy outlining a three-year, \$750,000 fundraising goal for the Ralph Bunche Fund was submitted to the 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.

In terms of earned operating revenue and program expenses, the outcome for the year for both was lower than budget expectations. As table 3 demonstrates, APSA earned approximately \$6.5 million in operating revenues and incurred operating expenses of \$6.6 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, 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 reflected in table 3.

In 2015, APSA completed its 14th year of publishing agreement with Cambridge University Press. The Cambridge agreement, now in its fourth year of a five-year contract, continues to benefit APSA by increasing revenues. We are also working with Cambridge on many emergent publishing issues including

an open access journal and a related new business model for the open access journal that, pending hiring the necessary editorial team to undertake this new endeavor, has been approval by the APSA Council.

Because of the shifts in editorial teams in 2016 (*APSR*) and 2017 (*Perspectives on Politics*), and 2018 (*PS: Political Science & Politics*), APSA has initiated negotiations of a renewed contract, a year in advance of the date prescribed by the current contract. We moved ahead with this to have a clearer idea of our financial standings and what APSA can provide in support to its upcoming editorial teams. The contract proposal, now under review at APSA, is expected to be shared with APSA Council at its meeting in April 2016.

Because of the financial implications of such a contract, APSA staff is working with a publishing consultant and legal counsel.

Cambridge has responsibility for collecting institutional (library), bundles, and consortia subscriptions, selling journal advertisements, and managing royalties and permissions. Cambridge continues to provide APSA with a royalty or share of the revenue that Cambridge receives in each of these areas. Cambridge also covers the cost of production, mailing, and distribution of both print and online materials, as well as a host of other behind-the-scenes activities (permissions, DOIs, manuscript tracking service, copyright transfer agreements, digital page flip versions, and notices—called eTOC alerts—to all members, who are eligible to receive the specific journal, when a journal goes online with a link to access the journal online).

In addition, Cambridge provides funding for all three of the editorial offices (*APSR*, *PS*, and *Perspectives on Politics*). With the launch of *PoliticalScienceNow.com* (APSA's public facing website), APSA and Cambridge have been working together to complement our promotion of new content as each journal issue is available.

Also, in 2015, with the approval of, and at the request of the Ad Hoc Committee on the Future of *PS* and the Publications Committee (August 2014), the journal staff worked with a designated editor to compile a “virtual issue” of *PS*, as tribute to retiring Robert J.-P. Hauck, past editor of *PS*, and as a prototype of future virtual issues. A virtual issue consists of previous published content, assembled on a specific theme or topic, framed with new introductory material, and promoted to new audiences. Benefits to authors are new readers, additional citations, and additional recognition. Costs are only for typesetting the introduction. Cambridge does not charge for pulling together the content. The first virtual issue is “Navigating the Profession: Sage Advice from the Pages of *PS*” that contains articles relating to how to be a peer reviewer, writing, fieldwork, and more. The virtual issue became available February 2016. Other virtual issues within specific journals or across all Cambridge are planned in 2016 and beyond.

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. ■

Table 6

Operating Budget

ACTUAL REVENUE FOR FISCAL YEAR 2013–2014 AND PROJECTED REVENUE FOR FISCAL YEAR 2014–2015

Category	Actual	Projected	% of Total
	2013–2014	2014–2015	
Membership (incl. sections and postage)	\$1,921,467	\$1,979,482	25%
Annual Meeting	1,770,128	1,674,955	21%
Journals and Publications	1,428,095	1,275,347	16%
Interest, Dividends and Draws	651,053	1,198,906	15%
Departmental Services	392,557	419,661	5%
Administrative and Miscellaneous	39,695	35,249	0%
Employment Services	124,266	100,200	1%
Rent	338,959	310,777	4%
Teaching and Learning Conference	101,003	107,350	1%
CFP & Other Grants	962,312	802,103	10%
Centennial Center	9,383	5,300	0%
Total Revenue	\$7,738,918	\$7,909,330	100%

ACTUAL EXPENSE FOR FISCAL YEAR 2013–2014 AND PROJECTED EXPENSE FOR FISCAL YEAR 2014–2015

Category	Actual	Projected	% of Total
	2013–2014	2014–2015	
Annual Meeting	\$759,577	\$827,092	11%
Journals	765,725	912,440	12%
Committee Programs	158,500	172,017	2%
Building and Equipment	634,047	671,675	9%
Publications	38,405	19,844	0%
Business Office & Web & IT	708,736	755,990	10%
Governance & External Relations	511,346	793,591	11%
General Administration	458,981	490,254	7%
Member Services	172,438	224,867	3%
Organized Sections	301,689	379,837	5%
Teaching and Learning Conference	149,508	112,454	2%
Departmental Services	96,116	147,492	2%
Employment Services	19,901	14,829	0%
Education and Professional Development	218,209	428,870	6%
CFP & Other Grants	1,340,808	1,225,657	17%
Centennial Center	87,515	134,898	2%
Endowed Awards	51,137	32,016	0%
Other	166,585	46,327	1%
Total Expenses	\$6,639,223	\$7,390,150	100%
Change in Net Assets	\$1,099,694	\$519,179	