

APSA's Financial Operations, 2013–2014

Kathleen Thelen, *APSA Treasurer, Massachusetts Institute of Technology*
with Regina Chavis, *APSA Director of Finance and Administration*

The purpose of this report is to inform APSA's membership about the association's financial health for the 2013–2014 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 increased in value from \$33.5 million on September 30, 2013, to \$36.3 million on September 30, 2014. During the same period, liabilities decreased from \$6.1 million to \$5.1 million.

For the recently ended fiscal year (1 October 2013–30 September 2014), operating revenue was \$6.9 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$6.5 million. The association's primary revenue sources (memberships, the APSA Annual Meeting, and APSA journals and publications) are continuing to show growth with the exception of membership, which is slightly decreased about 2% 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 substantial income and growth-producing programs, minimal long-term liabilities, professional accounting practices, and a diversified investment portfolio. These increases are offset by the continued incremental decline in individual professional and student members. Nonetheless, APSA is in a position to have an operating budget which exceeds 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 2013–2014

The association's overall financial position is stable, with assets of over \$36.3 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 2014 with a balance sheet that reflected assets of \$36.3 million and liabilities of \$5.1 million, resulting in a net

worth of \$31.2 million. Of this net worth, \$5 million is permanently restricted, just under \$12.6 million is temporarily restricted, and more than \$13.6 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, 2014, of \$3.8 million for the fiscal year. The change in net assets for 2013–2014 was chiefly due to the continuing growth and increase in fair market value (FMV) of APSA investments. As indicated in Table 1, this performance compares to an increase of \$3.4 million in year 2013, \$4.145 million in year 2012, and a decrease of \$952 thousand in fiscal year 2011.

Our investments, as seen in Table 2, were valued at \$31.6 million on September 30, 2014. These assets are defined by their fund: \$14.4 million in the Congressional Fellowship endowment; \$5.8 million in the Trust fund; \$5.6 million in the Second Century and related Centennial funds; \$3.5 million in general operating funds; and \$2.0 million in endowed award funds, board-designated funds, and other miscellaneous funds (all at market value as of September 30, 2014).

APSA's portfolios have historically outperformed the S&P 500. Calendar year 2014 continues to provide strong broad equity market returns, with the S&P 500 up 1.1% for

Table 1
Balance Sheet

September 30, 2014 (With Comparable Totals for 2010–2014)

	2010	2011	2012	2013
Assets:				
Current Assets	\$23,445,212	\$22,390,530	\$27,203,703	\$30,464,301
Property and Equipment	2,500,127	2,324,694	2,721,125	3,039,356
Total Assets	\$25,945,339	\$24,715,224	\$29,924,828	\$33,503,657
Liabilities and Net Assets:				
Liabilities	\$5,071,581	\$4,793,750	\$5,858,185	\$6,072,341
Net Assets	20,873,758	19,921,472	24,066,643	27,431,316
Total Liabilities and Net Assets	\$25,945,339	\$24,715,222	\$29,924,828	\$33,503,657

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

Table 2

Investment Portfolio Summary for Trust Pool and Endowed Funds

Fiscal Year Ended September 30, 2014

BY PORTFOLIO	MARKET VALUE		
General Operating Fund	\$3,855,006		
Trust Pool of Funds, Centennial Fund, and Award Funds	13,358,747		
Congressional Fellowship Program Fund	14,376,191		
Total by Portfolio	\$31,589,944		
BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS	
Domestic Equity	\$18,536,409	58.7%	
International Equity	\$3,851,230	12.2%	
Global Equity	\$63,164	0.2%	
Emerging Equity	\$1,305,028	4.1%	
Cash and Cash Equivalents	\$1,487,623	4.7%	
Domestic Fixed Income	\$5,840,604	18.5%	
Bonds	\$505,887	1.6%	
Total by Security Type	\$31,589,944	100.0%	
PORTFOLIO ACTIVITY	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2013	\$12,092,845	\$13,204,729	\$2,085,340
Transactions:			
Purchases	-	-	762,762
Sales	(314,032)	(510,943)	-
Net Investment Transactions	(314,032)	(510,943)	762,762
Earnings:			
Earnings Reinvested (includes realized gains/losses)	-	-	-
Cash Dividends (reinvested)	271,785	346,154	25,823
Total Earnings	271,785	346,154	25,823
Change in Market Value at September 30, 2014	1,306,584	1,336,252	13,077
Ending Balance at September 30, 2014	\$13,357,181	\$14,376,191	\$2,887,002

the third quarter, while small and mid-cap stocks were negative. The Aggregate Bond market was a positive .2%, while TIPS lost 2%. Foreign equity markets, developed and emerging, were negative for the quarter. As a result, the Congressional Fellowship Program (CFP) account lost .83% (a bit better than our policy) bringing the YTD returns to 5.72%. For the T&D, the loss was equal to the policy at (.93%), with a YTD return of 5.54%.

	Index	T&D	CFP	TARGET
Vanguard Total Stock Market		65.9%	63.4%	63%

Vanguard All World x US	13.9%	13.9%	15%
Vanguard Tips	9.3%	10.0%	10%
Vanguard Emerging Markets	4.7%	4.8%	5%
Vanguard Total Bond Market	4.7%	5.1%	5%
Berkshire A	1.6%	2.9%	2%

THE OPERATING BUDGET FOR 2013-2014.

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 (\$1.7 million), and journals and publications (\$1.3 million). Our largest anticipated expenditure areas were the Congressional Fellowship Program (\$1.3 million), journals (\$1 million), and the annual meeting (\$902k).

The budget anticipated that roughly 24% of total revenue would be derived from individual memberships; 23% 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 12% of all operating expenses in 2013-14, Congressional Fellowship Program and other grant expenses were expected to account for 18%, while our three

Table 3
Operating Budget 1992–2014: A Multi-Year Perspective

YEAR	REVENUE	EXPENDITURES	CHANGE IN NET ASSETS	% 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
2013–14	\$6,942,448	6,468,330	474,118	+13.7	-7.3

(*) 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 30 to September 30; therefore, budget is for 15 months.

Table 4
Operating Revenue Trends 2010–2014

	2009–10	2010–11	2011–12	2012–13	2013–14
Individual Memberships	\$1,564,968	\$1,561,788	\$1,567,023	\$1,582,500	\$1,545,997
Administrative	71,317	46,171	41,271	40,595	28,592
Annual Meeting Registration/Other	1,074,448	1,080,415	1,079,560 ¹	1,306,125 ²	1,434,308
Annual Meeting Advertising and Exhibits	328,444	272,318	83,875	294,212	335,821
Teaching and Learning Conference	66,591	69,217	83,144	91,888	101,003
Journals, Sales and Publications	1,085,387	1,153,334	1,420,058	1,286,521	1,439,191
Departmental Services and eJobs	463,006	462,048	473,487	498,370	516,823
Centennial Center	13,984	15,660	11,635	7,702	9,383
Congressional Fellowship & Other Grants	591,294	599,267	567,351	462,073	969,491
Other (section dues, rental income, etc.)	419,134	402,901	408,056	536,653	561,840
Total Revenue	\$5,678,572	\$5,663,119	\$5,735,459	\$6,106,639	\$6,942,448

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

2 - Includes \$26K 2012 Meeting Insurance Proceeds

Table 5
Operating Expenditure Trends 2010–2014

	2009–10	2010–11	2011–12	2012–13	2013–14
Journals, Publications and Web	\$1,026,001	\$1,238,598	\$1,380,427	\$1,322,063	\$974,528
Annual Meeting	709,375	919,739	454,333 ¹	1,117,352 ²	760,000
Teaching and Learning Conference	117,359	120,945	124,503	118,564	149,508
Programs and Projects	1,526,763	1,528,668	1,641,485	1,718,802	1,940,190
Governance	415,765	442,804	461,746	621,985	511,346
Membership, Business Office and Sales	1,043,452	1,102,733	1,097,315	1,052,437	1,045,991
General Operating and Building	874,667	861,106	760,554	1,022,801	1,086,768
Total Expense	\$5,713,383	\$6,214,593	\$5,920,363	\$6,974,004	\$6,468,330

1- Includes net effect of 2012 Annual Meeting Cancellation

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

journals were expected to account for 14% of all operating expenses, followed by business office and governance and external relations at 8%. Building and equipment (including depreciation costs) stood at 7%, while committee programs, publications, and member services accounted for 5%. Also, 4% or less of total expenses were costs related to general administration, organized sections, the APSA 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 2013–2014 declined slightly (2%), reflecting in part a management decision to forgo its normal overall 3% annual rate increase for a second year. This decision was also recognition of the financial constraints faced by many of our members. For the past decade, the association has implemented a 3% annual increase with standing authorization from the 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 decreased from 2012–2013, with the exception of the Teaching and Learning Conference and general operations and building which increased at a rate of 26% and 6% respectively. It should be noted that programs and projects show an increase in expenditures comparable to the prior year, due to the unexpected need to operate two years of the Middle East and North Africa Workshop program in fiscal year 2014. This was offset by two years' worth of grants. Fiscal year 2014 ended with a surplus over the operating budget by \$404k, with major contributions from meetings and con-

ferences surplus of \$178k, a royalties surplus from Cambridge University Press of \$176k, the second year of inclusion of the organized sections finances on the association's books, as well as a modest reduction in operating expenditures. (Please see Tables 3, 4, and 5 for multi-year comparisons.)

OPERATIONS IN REVIEW: FISCAL YEAR 2013–2014

The recently concluded fiscal year was an active one. Most importantly, after the success of the 2013 Annual Meeting in Chicago, this year's 2014 Annual Meeting in Washington, DC, was able to surpass expectations in spite of the "#APSAonFire" incident. Compared to 2013, the number of paid registrants was almost a record for a Washington, DC meeting. Additionally, exhibit sales, sponsorships, and advertising revenues for the meeting increased from the previous year. Other initiatives in 2013–2014 included sustained efforts in the areas of public engagement, expanded department and international membership, changes in our meeting siting and engagement policies, the Teaching and Learning Conference, annual workshops in North Africa and the Middle East, mentoring, and graduate education.

The association has 25 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 11th Teaching and Learning Conference in Philadelphia, Pennsylvania, in February 2014. This conference theme was "Teaching Inclusively: Multiple Approaches into the Curriculum." The conference attracted a diverse group of political scientists from a wide variety of institutions

and sub-fields. For 2015, the APSA Annual Meeting will be held in San Francisco, California, in early September, and the Teaching and Learning Conference will be held in Washington, DC, in January.

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 much deliberation and review, Timberlake Systems 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 and the transition between the APSA website and our online community, APSAConnect, is more seamless. 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. While currently we are experiencing the expected transition glitches moving from an old system to the new system, we are very excited about the future success of this more technological enhanced system.

In 2014, APSA provided substantial support for the APSA Ralph Bunche Summer Institute at Duke University, albeit at a somewhat reduced level (12 students this year as compared to 2012 enrollment of 20 students). This funding support came from the Centennial Center grants, other grants and contributions, and direct APSA operating funds. A development consultant was engaged to identify possible funding options for the RBSI program. Subsequently, letters of inquiry were sent to a wide array of foundations seeking funding for the program. Efforts to support the RBSI programs

Table 6
Operating Budget

Actual Revenue for Fiscal Year 2012-13 and Projected Revenue for Fiscal Year 2013-14

CATEGORY	ACTUAL	PROJECTED	
	2012-13	2013-14	% OF TOTAL
Membership			
Individual (incl. sections and postage)	\$1,968,428	\$1,867,504	24%
Annual Meeting	1,600,337	1,733,591	23%
Journals and Publications	1,286,521	1,262,998	16%
Interest, Dividends and Draws	619,759	1,075,527	14%
Departmental Services	392,170	411,235	5%
Administrative and Miscellaneous	40,595	41,600	1%
Employment Services	106,200	100,300	1%
Rent (1527 New Hampshire Avenue)	150,725	192,213	3%
Teaching and Learning Conference	91,888	103,300	1%
CFP & Other Grants	453,925	865,817	11%
Centennial Center	7,702	10,500	0%
Total Revenue	\$6,718,250	\$7,664,584	100%

Actual Expense for Fiscal Year 2012-13 and Projected Expense for Fiscal Year 2013-14

CATEGORY	ACTUAL	PROJECTED	
	2012-13	2013-14	% OF TOTAL
Annual Meeting	\$1,117,352	\$901,523	12%
Journals	1,093,229	995,238	14%
Committee Programs	259,634	378,477	5%
Building and Equipment	495,740	510,091	7%
Publications, Web and Sales	337,543	369,154	5%
Business Office	663,903	605,443	8%
Governance & External Relations	621,985	606,029	8%
General Administration	389,449	290,201	4%
Member Services	147,186	327,663	5%
Organized Sections	317,587	252,790	4%
Teaching and Learning Conference	118,564	138,178	2%
Departmental Programs and Conference	126,143	160,466	2%
Employment Services	18,498	19,499	0%
Education and Professional Development	166,078	201,805	3%
CFP & Other Grants	1,010,266	1,307,379	18%
Centennial Center	32,924	94,600	1%
Endowed Awards	33,249	41,070	1%
Other	24,674	15,000	0%
Total Expenses	\$6,974,004	\$7,214,605	100%
Change in Net Assets	\$(255,754)	\$449,979	

through institutional and individual philanthropy are continuing.

In terms of earned operating revenue and program expenses, the outcome for the year surpassed budget expectations. As Table 3 demonstrates, APSA earned approximately \$6.7 million in operating revenues and incurred operating expenses of \$6.5 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.

Budgeted Draws/Fund Transfers	2013-2014
Congressional Fellowship Program	\$314,260
T & D Draw for Operations	215,700
Centennial Center Draw-Space	20,744
Centennial Center Draw-Oper.	34,840
Centennial Center Draw-Grant	62,232
Endowed Awards Draw	22,301
Board Designated TLC Draw	15,450
Total:	\$685,527

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
	2014
Per Statement:	
Operating Net Profit (Loss)	\$460,090
Budgeted Draws:	
CFP	314,260
T & D Draw for Operations	215,700
Centennial Center Draw-Space	20,744

Centennial Center Draw-Oper.	34,840
Centennial Center Draw-Grant	62,232
Endowed Awards Draw	22,301
Board Designated TLC Draw	15,450
Subtotal Change in Net Assets	\$1,181,617
Non-Operating Interest/Dividends Income	643,874
Change in Net Assets	\$1,825,491

In 2014, APSA completed its 13th year of the publishing agreement with Cambridge University Press. The Cambridge agreement, now in its third year of a five-year contract, continues to benefit APSA by increasing revenues. We are also working with Cam-

bridge on many emergent publishing issues, including data access and research transparency and replication studies. 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 receives in each of these areas. In 2014, Cambridge completed digitizing content of all APSA journals and proceedings content including *APSR* from Volume 1, (1906) to Volume 94, (2000); *PS* from Volume 1 (1968) to Volume 33 (2000); *Proceedings* from Volume 1 (1904) to Volume 10 (1913), *The Political Science Teacher* from 1988 to 1991; *News for the Teachers of Political Science* from 1978 to 1987 (*Perspectives on Politics* contents already exists digital format). In 2014, APSA received the first royalty payment from this venture. Cam-

bridge, working with APSA journal teams, significantly 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 (*APSR*, *PS*, 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.