

Treasurer's Report

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TREASURER'S REPORT

**APSA COUNCIL MEETING: APRIL 25, 2022
WASHINGTON, DC**

OVERVIEW

This report is a summary of APSA's finances for the 2021 fiscal year, ending December 31, 2021. More detailed financial information is available on the APSA 990 federal tax form, which is available on the APSA website, and the FY-20 audit report that is available upon request from the APSA finance office (the FY21 audit report will be available after completion of the audit).

APSA is fortunate to have successfully weathered the pandemic and remains in a sound financial position with ample resources for current and future operations. The combined Fair Market Value of APSA investments as of December 31, 2021, was \$56.4 million, a historic high.

FINANCIAL SUMMARY AND HIGHLIGHTS FOR FY2021

Total revenues were under budget. The main reasons were the decrease in membership and meeting revenue. These two departments are somewhat interrelated in that we usually see an increase in membership revenue in conjunction with the registration for the annual meeting. Individuals want to take advantage of the discounted annual meeting rate that is only offered to members and often renew their membership or join APSA for the first time when registering for the annual meeting. In 2021, the annual meeting was offered with an in-person or virtual option. Many members were still affected by the pandemic and chose to attend virtually at a discounted meeting rate or not to attend at all (and therefore not to renew or purchase a membership). Royalties for publications (the third main revenue generator along with membership and meetings) were close to the budgeted amount for FY2021 and even slightly higher than 2020.

Fortunately, expenses were also below budget, largely due to the reduction in meeting-related expenses such as member travel expenses and meeting food and beverage costs. Salary and salary-related expenses were also below budget due to some long-term vacancies in several positions.

The bulk of the renovations of APSA headquarters were completed in FY2021. This shaped APSA's finances in several ways. Fixed assets increased by \$870K, so depreciation expenses also increased in the latter part of 2021 when many of the projects were completed. The total expenses for the cost of the renovation were \$1.8 million. In the past, APSA has taken out a loan to cover such expenses but APSA made \$3.0 million in draws/fund transfers from the Trust and Development Fund in 2021 to cover these expenses, as well as the drop in revenues that had occurred throughout the pandemic.

APSA's balance sheet remains strong as indicated by the low

debt-to-equity ratio of 6.4%. As of December 31, 2021, total assets totaled \$62.3 million. This balance is comprised primarily of \$27.8 million from the Trust and Development Fund and \$28.2 million from the Congressional Fellowship Program Fund. The total investments experienced gains of 20.5% in 2021, and even after the transfer of \$3.0 million during the 4th quarter of 2021, remained 14.4% higher than as of December 31, 2020. Overall liabilities remained comparatively low at \$4.0 million at year end. The SBA forgave the \$450,000 Paycheck Protection Program (PPP) loan, so APSA is no longer carrying that liability. The only major long-term liability APSA currently has is a balance of \$596K for a mortgage loan with Bank of America, which is due to be paid off in July 2024.

FY2022 NOTES AND EXPECTATIONS

The pandemic continues to impact operations, but we are slowly returning to a new normal. Pre-pandemic, APSA rented the fourth and fifth floors of its New Hampshire Ave. headquarters. Both renters left in the early part of the pandemic, causing APSA to forego approximately \$220K in rental income in FY2021. One of APSA's previous tenants, Pi Sigma Alpha, has signed a two-year lease beginning on May 1, 2022 to rent a small portion of the fourth floor for \$15K per year. APSA is also working with a real estate broker to rent the remaining fourth and entire fifth floors. The understanding is that it could take up to two years to find a tenant, so we do not anticipate any additional rental income in FY2022 or FY2023. Fortunately, the tenants (School for Ethics and Global Leadership) at 1528 18th St. have remained throughout the pandemic, generating \$180K in annual rental income.

The situation in Ukraine has contributed to short-term market volatility in the financial markets. As such, the current Fair Market Value of our investments as of March 31, 2022 is (in millions):

Trust & Development	\$26.2
Congressional Fellowship Program	\$25.5
Total	\$51.7

This represents a 7.7% decline from December 31, 2021. Vanguard is assuring clients that the overall exposure to Russia in Vanguard funds is very limited—accounting for less than 0.01% of client assets—and the vast majority of that exposure is in the index funds. They have suspended purchases of Russian securities across internally and externally managed active funds, and are actively working to further reduce their exposure to Russia and exit the positions across the index funds.

While not quite to pre-pandemic levels, both membership and meeting FY2022 revenues are expected to be higher than FY2021. As of February 28, 2022, APSA has 10,722 individual members,

which represents a 6.7% increase over February 28, 2021. We generally see membership increasing leading up to the Annual Meeting. Between March and July 2021, we saw 9.7% membership growth. APSA anticipates 5-7% growth in the same time period this year, resulting in 11,300-11,500 members by the Annual Meeting in September. Registration for the Annual Meeting just opened and APSA is expecting a 12-15% increase in registration fees over FY2021.

APSA staff are returning to the office for one day a week. This began the last week of April 2022. Staff will begin coming in to the office for two days per week in the near future (conditions permitting). We have implemented several new policies and procedures to keep

everyone safe, including the purchase of HEPA air filters for every office and conference room and hand sanitizing stations at several locations on each floor.

The annual audit has begun. Beginning on January 1, 2021, APSA's fiscal year coincides with the calendar year for the first time; therefore, the annual audit will now cover January 1–December 31, 2021.

Overall, APSA remains in a very strong financial position with ample resources for continuing operations and minimal liabilities. Members with questions about our finances should contact Steven Rathgeb Smith, Executive Director at smithsr@apsanet.org. ■

