

APSA's Financial Operations 2010–2011

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The purpose of this report is to inform APSA's membership about the association's financial health. 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-growing domestic economy and volatile economic conditions elsewhere. Since APSA's last annual report, and as seen in table 1, we have seen our assets decrease in value from \$25.9 million on September 30, 2010 to \$24.7 million on September 30, 2011. During the same period, liabilities decreased from \$5.1 million to \$4.8 million.

For the recently ended fiscal year (2010–2011), operating revenue was \$5.67 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$6.2 million. Two of the association's primary revenue sources (memberships and the Annual Meeting) showed slight decreases—with the aforementioned economic challenges and the fact that both meeting venues were smaller and more western cities than the previous year contributing to the decline. At the same time revenues from APSA journals and publications have been stable.

The association has continued to implement the improved financial practices that we developed in previous years. As described in detail in last year's report, and under the direction of Regina Chavis, APSA's financial officer, 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 sum, APSA continues to operate in a desirable environment, with stable membership, 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, 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 2010–2011

The association's overall financial position is stable, with assets of over \$24.6 million, a headquarters building and adjacent property, and a carefully monitored operating budget (see table 1 for the APSA Balance Sheet). Overall, APSA ended fiscal year 2011

with a balance sheet that reflected assets of \$24.7 million and liabilities of \$4.8 million, resulting in a net worth of \$19.9 million. Of this net worth, \$5 million is permanently restricted, just under \$7 million is temporarily restricted as to its use, and more than \$6.8 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, 2011 of \$950 thousand for the fiscal year. The change in net assets for 2010–11 was chiefly due to an investment climate marked by the slowly recovering economy and downward pricing pressure on a wide variety of assets caused by debt-related problems in the United States and Europe. This performance compares to 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 \$21.6 million on September 30, 2011. These assets can be defined by the purposes to which they are devoted. In round terms, there was \$9.9 million in the Congressional Fellowship Program endowment; \$3.8 million in the Trust fund; \$2.3 million in the Second Century and related funds; \$2.1 million in general

Table 1

Balance Sheet September 30, 2011 (With Comparable Totals for 2006–2010)

	2006	2007	2008	2009**	2010	2011
Assets						
Current Assets	\$ 25,816,809	\$ 29,732,826	\$ 26,887,681	\$ 21,327,232	\$ 23,445,212	\$ 24,491,500
Property and Equipment	2,330,607	2,357,502	2,318,531	2,477,300	2,500,127	189,394
Total Assets	\$ 28,147,416	\$ 32,090,328	\$ 29,206,212	\$ 23,804,532	\$ 25,945,339	\$ 24,680,894
Liabilities and Net Assets						
Liabilities	\$ 3,529,223	\$ 3,646,147	\$ 5,023,565	\$ 4,445,944	\$ 5,071,581	\$ 4,757,565
Net Assets	24,618,193	28,444,181	24,182,647	19,358,588	20,873,758	19,923,329
Total Liabilities and Net Assets	\$ 28,147,416	\$ 32,090,328	\$ 29,206,212	\$ 23,804,532	\$ 25,945,339	\$ 24,680,894

**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, 2011

BY PORTFOLIO	MARKET VALUE		
General Operating Fund	\$ 2,820,546		
Trust Pool of Funds, Centennial Fund and Award Funds	8,881,761		
Congressional Fellowship Program Fund	9,911,209		
Total by Portfolio	\$ 21,613,516		
BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS	
Domestic Equity	\$ 12,256,095	56.7%	
International Equity	\$ 2,637,501	12.2%	
Emerging Equity	\$ 836,377	3.9%	
Cash and Cash Equivalents	978,322	4.5%	
Domestic Fixed Income	4,198,965	19.4%	
Bonds	706,256	3.3%	
Total by Security Type	\$ 21,613,516	100.0%	
PORTFOLIO ACTIVITY	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2010	\$ 9,022,239	\$ 10,299,169	\$ 3,283,671
Transactions:			
Purchases	9,111,712	10,125,758	263,614
Sales	(9,114,322)	(10,318,175)	(767,440)
Net Investment Transactions	(2,609)	(192,416)	(503,826)
Earnings:			
Earnings Reinvested (includes realized gains/losses)	1,414,334	1,200,686	15,613
Cash Dividends (reinvested)	213,885	233,644	61,725
Total Earnings	1,628,219	1,434,330	77,338
Change in Market Value at September 30, 2011	(1,766,088)	(1,629,874)	(36,637)
Ending Balance at September 30, 2011	\$ 8,881,761	\$ 9,911,209	\$ 2,820,546

operating funds, and \$2.8 million in endowed award funds (all at market value as of September 30, 2011).

APSA's portfolios have historically outperformed the S&P 500. Although portfolio diversification that includes high-quality investments in foreign markets can increase long-run risk-adjusted returns, this strategy does not imply that APSA will beat the S&P every year. This year they lagged this index slightly with the difference being largely explained by our international exposure.

THE OPERATING BUDGET FOR 2010–2011

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 (\$1.95 million), conferences and meetings revenue (\$1.38 million) and journals and publications (\$1.08 million). Our largest anticipated expenditure areas were the

Congressional Fellowship Program (\$1.03 million), journals (\$887 thousand), and the annual meeting (\$821 thousand). Once again, fiscal year 2011 ended within the operating budget.

The budget anticipated that roughly 29% of total revenue would be derived from individual memberships; 20% 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 13% of all operating expenses in 2010–11, Congressional Fellowship Program and other grant expenses were expected to account for 16%, while our three journals were expected to account for 14% of all operating expenses, followed by building and equipment (including depreciation costs) and governance and external relations at 8%. Business office stood at 7%, general administration was 6%, while publications and committee programs accounted for 5%. At 4% or less were costs related to member ser-

vices, 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 2010–11 remained steady, with rates increased by 3% over the prior year. The cost to deliver services in major program areas—journals, committees, departments, external relations, Annual Meeting, Teaching and Learning Conference, Centennial Center, publications, organized sections, education and professional development, employment, and awards—increased from 2009–10. Supporting these major program areas, the costs for core operations (membership services, general administration, building and

equipment, business office, and depreciation) increased as well from 2009–10. (See tables 3, 4 and 5 for multi-year comparisons.)

OPERATIONS IN REVIEW: FISCAL YEAR 2010–2011

The recently concluded fiscal year was an active one. Initiatives included sustained efforts in the areas of public presence, expanded department and international membership, changes in our meeting sitting 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.

The 2011 Annual Meeting in Seattle marked the conference's return to the West Coast. It was well attended with more than

Table 3
Operating Budget 1992–2011: 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	\$ 5,667,571	6,217,188	(549,616)	(.19)	+8.8

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

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6,200 participants. APSA also held its eighth Teaching and Learning Conference in Albuquerque, New Mexico and provided valuable insight to some of our discipline's brightest teachers. For 2012, the Annual Meeting will be held in New Orleans, and the Teaching and Learning Conference will be held in Washington, DC.

The APSA website continued as a valuable resource for external audiences and as

a collaborative workspace for committees and members. APSA's online resources—annual meeting programming, *myAPSA*, conference papers on *SSRN*, 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 operating revenue and program expenses, the outcome for the year was within budget expectations. APSA

earned approximately \$5.67 million in operating revenues and incurred operating expenses of \$6.22 million, excluding budgeted draws/fund transfers.

In 2010–11, APSA completed its tenth year of a publishing agreement with Cambridge University Press, and the ninth publication year of *Perspectives on Politics*. The Cambridge agreement has continued to benefit APSA by increasing revenues and by partnering on publishing operations. Cambridge has direct responsibility for collection of institutional (library) dues, the sale of journal advertisements, and the management of royalties and permissions. 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, production, printing, and distributing all three journals. The current contract expires December 31, 2011. APSA is in the process of renewing our publishing contract with Cambridge University Press, based on a competitive bidding process involving four other publishers.

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 at apsa@apsanet.org or call 202-483-2512.

Table 4
Operating Revenue Trends 2004–2011

	2004–05	2005–06	2006–07	2007–08	2008–09**	2009–10	2010–11
Individual Memberships	\$ 1,278,155	\$ 1,319,968	\$ 1,394,734	\$ 1,417,293	\$ 1,902,711	\$ 1,564,968	\$ 1,561,788
Institutional Memberships	—	—	—	—	—	—	—
Administrative	59,434	63,218	61,666	73,974	69,731	71,317	46,171
Annual Meeting Registration/Other	564,353	682,393	788,138	803,053	1,788,132 ¹	1,074,448	1,080,415
Annual Meeting Advertising and Exhibits	369,113	328,814	389,870	361,578	640,440 ¹	328,444	272,318
Teaching and Learning Conference	36,910	55,760	65,605	79,275	56,040	66,591	69,217
Dividends, Interest and Draws	236,021	441,511	163,891	140,528	82,512		
Journals, Sales and Publications	849,367	922,122	986,903	1,046,199	1,264,719	1,085,387	1,153,334
Departmental Services and eJobs	313,088	355,571	420,823	470,802	577,490	463,006	462,048
Centennial Center	171,790	23,400	23,091	35,780	31,359	13,984	15,660
Congressional Fellowship & Other Grants					850,852	591,294	579,071
Other (section dues, rental income, etc.)	357,164	323,333	350,865	331,682	517,646	419,134	427,549
Total Revenue	\$ 4,235,395	\$ 4,516,090	\$ 4,645,586	\$ 4,760,164	\$ 7,781,631	\$ 5,678,572	\$ 5,667,571

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¹Includes (2) Annual Meetings 2008 & 2009

Table 5
Operating Expenditure Trends, 2004–2011

	2004–05	2005–06	2006–07	2007–08	2008–09**	2009–10	2010–11
Journals, Publications and Web	\$ 1,008,004	\$ 944,591	\$ 1,037,408	\$ 1,155,131	\$ 1,464,177	\$ 1,026,001	\$ 1,217,061
Annual Meeting	539,795	575,888	693,462	721,440	1,577,206 ¹	709,375	932,384
Teaching and Learning Conference	121,640	145,970	143,953	168,189	165,009	117,359	122,431
Programs and Projects	1,164,335	1,234,340	1,169,089	1,208,658	2,887,393 ²	1,526,763	1,538,668
Governance	265,915	301,129	263,006	348,452	432,467	415,765	442,804
Membership, Business Office, and Sales	477,037	507,689	568,459	558,233	988,322	1,043,452	1,102,733
General Operating and Building	651,781	624,133	673,644	666,807	1,001,817	874,667	861,106
Total Expense	\$ 4,228,507	\$ 4,333,740	\$ 4,549,021	\$ 4,826,910	\$ 8,516,389	\$ 5,713,383	\$ 6,217,188

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¹Includes (2) Annual Meetings 2008 & 2009

²Includes Congressional Fellowship Program and other Grants

Table 6

Operating Budget: Actual Revenue for Fiscal Year 2009–10 and Projected Revenue for Fiscal Year 2010–11

CATEGORY	ACTUAL	PROJECTED	
	2009–10	2010–11	% of Total
Membership			
Individual (incl. sections and postage)	\$ 1,831,022	\$ 1,951,000	29
Annual Meeting	1,402,892	1,381,150	20
Journals and Publications	1,085,387	1,082,734	16
Interest, Dividends, and Draws	430,140	875,931	13
Departmental Services	366,326	381,985	6
Administrative and Miscellaneous	71,317	68,300	1
Employment Services	96,680	96,000	1
Rent (1527 New Hampshire Avenue)	153,080	135,600	2
Teaching and Learning Conference	66,591	85,659	1
Congressional Fellowship Program and Other Grants	591,294	675,031	10
Centennial Center	13,984	21,000	0
Total Revenue	\$ 6,108,712	\$ 6,754,390	100

Actual Expense for Fiscal Year 2009–10 and Projected Expense for Fiscal Year 2010–11

CATEGORY	ACTUAL	PROJECTED	
	2009–10	2010–11	% of Total
Annual Meeting	\$ 709,375	\$ 820,740	13
Journals	733,144	886,720	14
Committee Programs	219,742	331,313	5
Building and Equipment	480,889	544,950	8
Publications, Web, and Sales	292,857	316,830	5
Business Office	455,985	479,640	7
Governance & External Relations	380,657	502,810	8
General Administration	387,999	416,410	6
Member Services	239,873	238,820	4
Organized Sections	259,182	230,680	4
Teaching and Learning Conference	117,359	164,540	3
Departmental Programs and Conference	68,379	128,470	2
Employment Services	63,351	91,750	1
Education and Professional Development	156,807	186,080	3
Congressional Fellowship Program and Other Grants	1,044,245	1,034,800	16
Centennial Center	22,335	44,840	1
Endowed Awards	66,447	69,240	1
Other	14,756	15,000	0
Total Expenses	\$ 5,713,383	\$ 6,503,633	100