

APSA's Financial Operations 2011–2012

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The purpose of this report is to inform APSA's membership about the association's financial health for the 2011–2012 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 \$24.7 million on September 30, 2011, to \$29.9 million on September 30, 2012. During the same period, liabilities increased from \$4.8 million to \$5.8 million.

For the recently ended fiscal year (2011–2012), operating revenue was \$5.7 million (not including funds budgeted to be drawn from APSA's endowments), with operating expenditures held below budget at \$5.9 million. One of the association's primary revenue sources, APSA Annual Meeting, showed a slight decrease—with the aforementioned economic challenges and siting contributing to the decline. Losses from the meeting cancellation, however, were covered by insurance. At the same time revenues from APSA journals and publications show an increase due to the new contract implemented this year.

The association has continued to implement the improved financial practices that were 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, 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, each of these topics is discussed in greater detail.

APSA INVESTMENTS AND NET ASSETS FOR FISCAL YEAR 2011–2012

The association's overall financial position is stable, with assets of more than \$29.9 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 2012

with a balance sheet that reflected assets of \$29.9 million and liabilities of \$5.8 million, resulting in a net worth of \$24.1 million. Of this net worth, \$5 million is permanently restricted, just under \$9.2 million is temporarily restricted as to its use, and more than \$9.9 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, 2012, of \$4.2 million for the fiscal year. The change in net assets for 2011–12 was chiefly due to the increase in fair market value (FMV) of APSA investments in an investment climate marked by the recovering economy and downward pricing pressure on a wide variety of assets caused by debt-related problems in the United States and Europe. As shown on table 1, this performance compares to 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 \$26.05 million on September 30, 2012. These assets can be defined by the purposes to which they are devoted. In round terms, there was \$11.6 million in the Congressional Fellowship Program

Table 1

Balance Sheet

September 30, 2012 (With Comparable Totals for 2007–2011)

	2007	2008	2009**	2010	2011	2012
Assets:						
Current Assets	\$29,732,826	\$26,887,681	\$21,327,232	\$23,445,212	\$24,525,828	\$29,777,376
Property and Equipment	2,357,502	2,318,531	2,477,300	2,500,127	189,394	140,068
Total Assets	\$32,090,328	\$29,206,212	\$23,804,532	\$25,945,339	\$24,715,222	\$29,917,444
Liabilities and Net Assets:						
Liabilities	\$3,646,147	\$5,023,565	\$4,445,944	\$5,071,581	\$4,793,750	\$5,817,345
Net Assets	28,444,181	24,182,647	19,358,588	20,873,758	19,921,472	24,100,099
Total Liabilities and Net Assets	\$32,090,328	\$29,206,212	\$23,804,532	\$25,945,339	\$24,715,222	\$29,917,444

** 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, 2012

BY PORTFOLIO		MARKET VALUE	
General Operating Fund		\$3,652,993	
Trust Pool of Funds, Centennial Fund and Award Funds		10,742,568	
Congressional Fellowship Program Fund		11,650,346	
Total by Portfolio		\$26,045,907	
BY SECURITY TYPE	MARKET VALUE	PERCENT OF ASSETS	
Domestic Equity	\$14,970,182	57.5%	
International Equity	\$3,230,140	12.4%	
Global Equity	\$52,813	0.2%	
Emerging Equity	\$1,046,085	4.0%	
Cash and Cash Equivalents	\$1,093,007	4.2%	
Domestic Fixed Income	5,153,932	19.8%	
Bonds	\$499,748	1.9%	
Total by Security Type	\$26,045,907	100.0%	
PORTFOLIO ACTIVITY	TRUST	CFP	WORKING CAPITAL
Starting Balance at October 1, 2011	\$8,881,761	\$9,911,209	\$1,762,024
Transactions:			
Purchases	—	668,543	3,606,371
Sales	(206,525)	(1,247,893)	2,619,652
Net Investment Transactions	(206,525)	(579,350)	986,719
Earnings:			
Earnings Reinvested (includes realized gains/losses)	21,927	62,869	—
Cash Dividends (reinvested)	256,715	271,222	24,142
Total Earnings	278,642	334,091	24,142
Change in Market Value at September 30, 2012	1,788,665	1,984,397	27,962
Ending Balance at September 30, 2012	\$10,742,542	\$11,650,346	\$2,800,847

endowment; \$4.6 million in the Trust fund; \$3.8 million in the Second Century and related funds; \$3.6 million in general operating funds, and \$2.3 million in endowed award funds (all at market value as of September 30, 2012).

APSA's portfolios have historically outperformed the S&P 500. While 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 as was the case in the past fiscal year.

THE OPERATING BUDGET FOR 2011-12

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 (\$2.0 million), conferences and meetings

revenue (\$1.31 million) and journals and publications (\$1.16 million). Our largest anticipated expenditure areas were the Congressional Fellowship Program (\$1.2 million), journals (\$962 K), and the APSA Annual Meeting (\$806 K). Once again, fiscal year 2012 ended within the operating budget.

The budget anticipated that roughly 29% of total revenue would be derived from individual memberships; 19% 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 2011–2012, Congressional Fellowship Program and other grant expenses were expected to account for 18%, 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 and general administration stood at

7%, while publications accounted for 5%. At 4% or less were costs related to committee programs, member services, 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 2011–12 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, Teaching and Learning Conference, Centennial Center, publications, organized sections, education and professional development, employment, and awards—increased from 2010–11. Supporting these

major program areas, the costs for core operations (membership services, general administration, building and equipment, business office, and depreciation) decreased from 2010–11. It should be noted that the 55% decrease in Annual Meeting cost was a direct result of the cancellation. (Please see tables 3, 4, and 5 for multi-year comparisons.)

OPERATIONS IN REVIEW: FISCAL YEAR 2011-12

The recently concluded fiscal year was an active one. Most importantly, was the cancellation of the 2012 Annual Meeting in New Orleans because of Hurricane Isaac. All of the associated losses and costs to the APSA of the cancellation of the Annual Meeting were covered by insurance and provisions within the contracts with conference hotels, meeting facilities, and airlines. Initiatives in 2011–2012 included sustained efforts in the areas of public presence, expanded department and international membership, changes

Table 3
Operating Budget 1992–2012: 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	\$5,731,126	5,882,574	(151,448)	+1.2	–5.3

* 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.

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 ninth Teaching and Learning Conference in Washington, DC, and provided valuable insight to

some of our discipline's brightest and most innovative teachers. For 2013, the Annual Meeting will be held in Chicago, Illinois, and the Teaching and Learning Conference will be held in Long Beach, California.

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 \$5.73 million in operating revenues and incurred operating expenses of \$5.88 million, excluding budgeted draws/fund transfers.

In 2011–2012, 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 (*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. The APSA renewed its 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. ■

Table 4
Operating Revenue Trends 2005–2012

	2005-06	2006-07	2007-08	2008-2009**	2009-10	2010-2011	2011-2012
Individual Memberships	\$1,319,968	\$1,394,734	\$1,417,293	\$1,902,711	\$1,564,968	\$1,561,788	\$1,567,023
Institutional Memberships	—	—	—	—	—	—	—
Administrative	63,218	61,666	73,974	69,731	71,317	46,171	41,271
Annual Meeting Registration/Other	682,393	788,138	803,053	1,788,132 ¹	1,074,448	1,080,415	1,079,560 ²
Annual Meeting Advertising and Exhibits	328,814	389,870	361,578	640,440 ¹	328,444	272,318	80,990
Teaching and Learning Conference	55,760	65,605	79,275	56,040	66,591	69,217	82,829
Dividends, Interest and Draws	441,511	163,891	140,528	82,512			
Journals, Sales and Publications	922,122	986,903	1,046,199	1,264,719	1,085,387	1,153,334	1,421,243
Departmental Services and eJobs	355,571	420,823	470,802	577,490	463,006	462,048	471,169
Centennial Center	23,400	23,091	35,780	31,359	13,984	15,660	11,635
Congressional Fellowship & Other Grants				850,852	591,294	599,267	567,351
Other (section dues, rental income, etc.)	323,333	350,865	331,682	517,646	419,134	402,901	408,056
Total Revenue	\$4,516,090	\$4,645,586	\$4,760,164	\$7,781,631	\$5,678,572	\$5,663,119	\$5,731,126

**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

Table 5
Operating Expenditure Trends 2005–2015

	2005-06	2006-07	2007-08	2008-09**	2009-10	2010-2011	2011-2012
Journals, Publications and Web	\$944,591	\$1,037,408	\$1,155,131	\$1,464,177	\$1,026,001	\$1,238,598	\$1,373,056
Annual Meeting	575,888	693,462	721,440	1,577,206 ¹	709,375	919,739	416,544 ³
Teaching and Learning Conference	145,970	143,953	168,189	165,009	117,359	120,945	124,503
Programs and Projects	1,234,340	1,169,089	1,208,658	2,887,393 ²	1,526,763	1,528,668	1,648,856
Governance	301,129	263,006	348,452	432,467	415,765	442,804	461,746
Membership, Business Office and Sales	507,689	568,459	558,233	988,322	1,043,452	1,102,733	1,097,315
General Operating and Building	624,133	673,644	666,807	1,001,817	874,667	861,106	760,554
Total Expense	\$4,333,740	\$4,549,021	\$4,826,910	\$8,516,389	\$5,713,383	\$6,214,593	\$5,882,574³

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¹Includes (2) Annual Meetings 2008 & 2009

²Includes CFP & other Grants

³Includes net effect of 2012 Annual Meeting Cancellation

Table 6
Operating Budget

ACTUAL REVENUE FOR FISCAL YEAR 2010–11 AND PROJECTED REVENUE FOR FISCAL YEAR 2011–12

CATEGORY	ACTUAL	PROJECTED	
	2010–11	2011–12	% of Total
Membership			
Individual (incl. sections and postage)	\$1,840,218	\$2,012,105	29%
Annual Meeting	1,352,733	1,311,715	19%
Journals and Publications	1,153,334	1,164,581	17%
Interest, Dividends and Draws	481,033	968,695	14%
Departmental Services	354,761	393,071	6%
Administrative and Miscellaneous	46,171	77,250	1%
Employment Services	107,287	99,000	1%
Rent (1527 New Hampshire Avenue)	124,472	140,800	2%
Teaching and Learning Conference	69,217	88,910	1%
CFP & Other Grants	599,567	779,035	11%
Centennial Center	15,360	21,000	0%
Total Revenue	\$6,144,153	\$7,056,162	100%

ACTUAL EXPENSE FOR FISCAL YEAR 2010–11 AND PROJECTED EXPENSE FOR FISCAL YEAR 2011–12

CATEGORY	ACTUAL	PROJECTED	
	2010–11	2011–12	% of Total
Annual Meeting	\$919,739	\$805,911	12%
Journals	984,279	962,140	14%
Committee Programs	156,541	273,666	4%
Building and Equipment	501,003	535,863	8%
Publications, Web and Sales	254,319	330,400	5%
Business Office	504,267	500,262	7%
Governance & External Relations	442,804	535,771	8%
General Administration	403,589	442,225	7%
Member Services	218,250	244,596	4%
Organized Sections	260,166	228,557	3%
Teaching and Learning Conference	120,945	123,560	2%
Departmental Programs and Conference	155,424	217,734	3%
Employment Services	38,692	50,711	1%
Education and Professional Development	158,399	138,724	2%
CFP & Other Grants	1,032,980	1,199,487	18%
Centennial Center	20,418	39,689	1%
Endowed Awards	29,593	37,300	1%
Other	13,185	30,000	0%
Total Expenses	\$6,214,593	\$6,696,596	100%