Treasurer's Report

Henry E. Brady, *University of California, Berkeley*

For the fiscal year ending June 30, 2003, the Association posted a surplus of $46,305 from programmatic and general operating activities. APSA's audited financial statements, which include the figures for programs and operations as well as investments, endowed programs, and grant-funded activities, show a decline in total net assets of $763,433 for the fiscal year. This loss was due chiefly to a recovering investment climate and to timing on grant-funded programs. Fortunately, the Association's overall financial position is strong, with assets of over $20 million, a headquarters building that continues to appreciate in value, no debt, and a stable operating budget (please refer to Table 1 for the *APSA Balance Sheet*).

APSA's investment advisor reports that the value of the Trust and Development Fund investments (which include the Centennial Campaign and Award funds) increased nominally at 0.27% for the fiscal year, and the Congressional Fellowship Fund investments declined by 5.2%. By way of comparison, the S&P 500 earned 0.3% for the same period. The market value of APSA's investments still exceeds the cost due to many years of significant earnings. However, the returns for both FY02 and FY03 have taken a toll on gains from prior years. APSA's portfolios have historically outperformed the S&P 500.

With guidance from the Association's investment advisor, Cedarpoint Capital Management, Inc., the APSA Trust and Development Board of Trustees carefully monitor investment performance. Following our established guidelines calling for periodic external review, the T&D Board commissioned a third-party review in 2002 to ensure that the best possible returns were being achieved within the existing investment guidelines. The results of this review were positive, and the Board has continued to work with Cedarpoint Capital Management.

Compared to the $2.9 million loss in fiscal year 2002, net investment loss in 2003 was significantly reduced, with $1.1 million in realized loss offset by an unrealized gain of $762,130 (please refer to Table 2 for more information on APSA's investment portfolio). The remainder of the deficit was due to the timing of expenditures of grant and project funds received in prior years. (Accounting standards require that a grant be recorded as income in the year it is received; expenditures of those funds in an ensuing fiscal year result in a loss on the books.)

Overall, APSA ended fiscal year 2003 with assets of $20.5 million and liabilities of $1.6 million, resulting in a net worth of $18.9 million. Of this amount, $7.9 million is restricted as to its use and $11.0 million is unrestricted. The net assets can also be broken down by fund: $9.3 million in the Congressional Fellowship Program endowment, $3.2 million in Trust and Development, $3.5 million in Centennial Campaign funds, $2.1 million in general operating funds, and just under $850,000 in Endowed Award funds (all at market value as of June 30, 2003).

In terms of earned revenue and program expenses, the outcome was positive. For the fiscal year ending June 30, 2003, APSA earned approximately $3.71 million in operating revenues. With operating expenses of $3.66 million, the Association ended the year with an operating surplus of $46,305. Actual revenue increased by $85,856 over the prior year and expenses increased by $213,365. Both revenue and expenses came in lower than anticipated, at 96% and 97% of budget, respectively.

In fiscal year 2003, APSA realized the full benefit of its journal publishing agreement with Cambridge University Press (CUP). This agreement increased both revenue and expense for APSA by shifting the bulk of the publishing operation to the publisher. The publisher has taken over the collection of institutional (library) dues, the sale of journal advertisements, and the management of royalties and permissions, as well as the PROceedings project and other electronic services. APSA receives a share of the revenue that CUP brings in from each of these areas. In addition, CUP provides funding for all three of the editorial offices (*APSR*, *PS*, and *Perspectives on Politics*). On

Table 1
APSA Balance Sheet

	Total All Funds For Fiscal Year Ending June 30			
	2003	2002	2001	2000
Assets:				
Current Assets	$20,039,231	$20,741,134	$24,102,839	$27,817,241
Property and Equipment	525,411	513,622	438,392	455,858
Liabilities and Net Assets:				
Current Liabilities	1,630,078	1,556,759	1,618,715	1,460,889
Net Assets	18,934,564	19,697,997	22,922,516	26,812,210
Total	$20,564,642	$21,254,756	$24,541,231	$28,273,099

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Table 2
Investment Portfolio Summary for APSA and Endowed Funds June 30, 2003

By Fund	Value Cost	Value Market
General Operating Fund	$2,164,338	$2,140,597
Trust & Development Fund, Centennial Fund, and Award Funds	6,884,145	7,605,803
Congressional Fellowship Fund	9,115,279	9,343,789
Total	$18,163,762	$19,090,189

By Security Type	Market Value	Percent of Assets
Equities	$8,650,450	45.3%
Cash and Cash Equivalents	1,303,815	6.8%
Mutual Funds	9,135,924	47.9%
Total	$19,090,189	100.0%

Activity by Fund for Fiscal Year 2003	T&D, Awards, & Campaign	CFP	Working Capital
Starting Balance at July 1, 2002 (at cost)	$7,164,400	$10,088,033	$2,097,458
Purchases	4,365,531	5,406,191	2,750
Sales	(4,242,391)	(5,817,474)	—
Net Investment	123,140	(411,283)	2,750
Earnings Reinvested (includes interest, dividends, gains/losses)	(403,395)	(561,471)	64,130
Cash Dividends (not reinvested)	49,487	74,630	—
Total Earnings	(353,908)	(486,841)	64,130
Ending Balance at June 30, 2003 (at cost)	$6,884,145	$9,115,279	$2,164,338

the expense side, Cambridge is responsible for marketing, production, printing, and distribution for all three journals. Under this arrangement, APSA has streamlined its operations, reduced costs in several areas, and added a third journal, *Perspectives on Politics*, without having members bear additional expense.

Revenue from individual memberships increased from the previous year due to a modest increase in dues rates, and an increase in the number of members (up 533 from July 2002 to June 2003). The cost to deliver key services in major program areas (journals, committees, departments, representation, Annual Meeting, publications, member services, organized sections, education and professional development, employment, awards and sections) increased 6.6% over the prior year. Costs associated with supporting these major program areas (general administration, building and equipment, business office, and depreciation) increased 4.7% in 2002–2003. It was a positive year on

Table 3
APSA Operating Budget: A Multi-Year Perspective

Year	Income	Expenditures	Surplus (Deficit)	Annual Expenditure Change %	Year	Income	Expenditures	Surplus (Deficit)	Annual Expenditure Change %
1989–90	$1,891,773	$1,871,305	$20,464	+8.1	1996–97	2,979,845	2,793,237	186,608	+7.2
1990–91	2,153,800	2,133,524	24,595	+14.0	1997–98	3,068,237	2,981,914	86,323	+6.7
1991–92	2,254,844	2,180,544	74,300	+2.2	1998–99	3,150,001	3,086,546	63,455	+3.5
1992–93	2,405,023	2,321,830	83,193	– (*)	1999–00	3,395,407	3,224,919	170,489	+4.5
1993–94	2,704,155	2,423,847	280,308	+4.4	2000–01	3,595,669	3,351,744	243,925	+3.9
1994–95	2,734,375	2,524,664	209,711	+4.2	2001–02	3,621,269	3,447,455	173,813	+2.8
1995–96	2,822,154	2,590,227	231,927	+2.6	2002–03	3,707,125	3,660,820	46,305	+6.2

(*) 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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Table 4
Revenue Trends for Fiscal Years 1998–2003

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
Individual Memberships	$858,384	$912,704	$990,106	$942,969	$1,113,525	$1,148,084
Institutional Memberships	541,787	540,371	549,761	567,915	307,679	—
Administrative	34,904	28,841	91,215	101,962	77,472	68,493
Annual Meeting Registration	364,672	387,113	338,427	459,839	510,151	546,369
Advertising and Exhibits	357,121	376,771	406,622	431,974	371,935	348,774
Dividends and Interest	111,534	129,862	184,966	147,637	200,742	88,723
Journals, Sales and Publications	203,991	219,343	210,144	196,024	318,418	806,273
Departmental Services	224,275	206,445	221,848	250,247	267,833	272,464
Other (employment, sections, etc.)	371,569	348,551	402,319	497,102	453,514	427,945
Total	$3,068,237	$3,150,001	$3,395,407	$3,595,669	$3,621,269	$3,707,125

Table 5
Expenditure Trends for Fiscal Years 1998–2002

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
Journals and Publications	$593,934	$677,586	$687,097	$761,265	$572,842	$721,648
Annual Meeting	391,897	418,514	403,538	484,097	464,089	593,044
Special Programs	950,724	934,854	1,036,871	1,022,414	1,139,253	1,103,918
Governance	164,957	170,504	191,495	196,923	274,242	167,101
Membership, Business Office and Sales	349,864	378,771	408,693	416,181	415,624	496,413
General Operating and Building	530,538	506,317	497,225	470,864	581,405	578,696
Total	$2,981,914	$3,086,546	$3,224,919	$3,351,744	$3,447,455	$3,660,820

the operational side. In fact, even though, as in past years, we planned to take a drawdown from the endowment to support operations, we did not need to use those funds (please see Tables 3, 4 and 5 for multi-year comparisons).

For the current fiscal year, July 2003 to June 2004, the operating budget projects revenues of $4.049 million, expenses of $4.042 million, and a net surplus of $7,150. In August 2003, the Council approved additional capital expenditures from reserves during fiscal year 2004 for a technology plan to upgrade the APSA physical computer network, improve network security, create a records archive process, and introduce content management capabilities for the APSA web site. Including the approved cost of the technology plan (increased depreciation of $50,000), the fiscal year 2004 budget will result in a net loss of $42,850 (please see Table 6 for a detailed comparison of fiscal year 2003 revenue and expenses compared to fiscal year 2004 budgeted figures). The Council approved a modest annual membership dues increase, which went into effect on July 1, 2003. This resulted in an increase of one dollar for students and increases ranging from two to five dollars for professional members. Student dues are now $36 per year; professional dues range from $76 (for those earning less than $40,000 per year) to $184 (for those earning more than $100,000).

The fiscal year 2004 budget projects a revenue increase of 9.2% over the prior year and an increase in expenses of 11.7%. The budget projects that 34% of revenue will come from individual memberships, 24% from Annual Meeting activities, and 22% from journals, sales, and advertising. The remaining 20% will come from administrative sources (rent, investment income, etc. at 11%), departmental programs (7%), and employment services (2%). Costs for the three journals are expected to account for 16% of all operating expenses in fiscal year 2004, followed by the Annual Meeting at 15%, committee programs at 10%, publications, Internet and sales, and general administration at 7%, respectively. Each of the following programs will constitute 6% of operating costs: building and equipment, business office, and member services. At 5% or less are costs related to governance, departmental programs, organized sections, representation, education and professional development, employment services, the Centennial Center, and endowed awards.

APSA had numerous accomplishments in FY03, including key transitions in several important program areas. Michael Brintnall served his first full year as Executive Director, and three directors (Linda Lopez, Bahram Rajaee and Robin Smith) were newly placed in senior leadership positions. Program support positions were fully staffed during the year as well. The 2002 Annual Meeting in Boston and the 2003 Annual Meeting in Philadelphia—where the membership celebrated its 100th anniversary—were both hugely successful events. Implementing online resources, including annual meeting programming, myApsa, and department services capabilities have afforded members many opportunities to enjoy direct access to and control of Association

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Table 6
Operating Budget

Summary of Actual Revenue Line Items for Fiscal Year 2002–03 and Projected Revenues for Fiscal Year 2003–04

	Revenue		
Category	2002–03 Actual	2003–04 Projected	Percentage of Projected
Membership Individual	$1,338,653	$1,377,000	34%
Annual Meeting	895,143	954,000	24%
Sales, Advertising, Journals	806,274	885,500	22%
Departmental Programs	272,464	301,000	7%
Interest and Dividends	88,723	283,500	7%
Rent	118,424	115,000	3%
Employment Services	118,161	78,000	2%
Administrative	68,493	54,000	1%
Miscellaneous	790	1,000	0%
Total Revenue	$3,707,125	$4,049,000	100%

Summary of Actual Expense Line Items for Fiscal Year 2003–04 and Proposed Expenses for Fiscal Year 2002–03

	Expenses		
Category	2002–03 Actual	2003–04 Projected	Percentage of Projected
Journals	$531,988	$649,700	16%
Annual Meeting	593,044	606,100	15%
Committee Programs	317,589	428,500	10%
General Administration	258,610	279,000	7%
Publications, Internet and Sales	214,968	278,000	7%
Member Services	238,066	225,500	6%
Building and Equipment	204,682	226,500	6%
Business Office	233,038	244,500	6%
Governance	167,101	199,000	5%
Education and Professional Development	198,683	179,200	4%
Organized Sections	161,376	162,700	4%
Depreciation	115,404	173,000	4%
Departmental Programs	159,336	105,000	3%
APSA Representation	127,112	135,150	3%
Employment Services	113,394	57,000	1%
Endowed Awards	26,429	21,000	1%
Centennial Center	—	122,000	3%
Total Expenses	$3,660,820	$4,091,850	100%

services and membership renewal. Fiscal year 2004 also promises many important achievements, including the launching of the new Centennial Center for Political Science and Public Affairs, and a content management system for the APSA web site, which will simplify staff updates to web content, further extend content management to our external audiences, and support collaborative workspaces for committees and members.

Looking forward, the Council has enthusiastically endorsed a wide range of significant programs to serve APSA's members. These include initiatives on public presence, mentoring, and international and graduate education, among others. APSA's leadership and staff are taking advantage of ever-increasing opportunities to serve our members and the profession. It is our ongoing challenge to find cost-effective ways to maintain and expand the Association's programs while at the same time protecting APSA's assets and ensuring its sound financial future.

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