Finance Committee Report, cont’d

• 2016 Audit
  - Unqualified “clean” audit – no audit findings
  - Action item: request approval of the 2016 audit

• 2016 Budget Report
  - Revenue $19.8M, Expenses $18.7M = Surplus $1.1M (approved by Council at its spring meeting)

• 2017 Budget
  - Revenue $20.0M, Expenses $19.9M = Surplus $91,500 (approved by Council at its spring meeting)
Finance Committee Report, cont’d

• **Investments**
  - From $45M at 12/31/12 to $65M at 12/31/16.
    - Council and Donor designated programs (awards, sections) – from $7M in 2012 to $25M in 2016
    - Reserves – from $38M in 2012 to $40M in 2016 (used to support operating budget)

• **Development Office**
  - 2016 APS Annual Report completed
  - Development Task Force created

• **Information Technology**
  - Three new projects: redesign of APS website, collaboration software (with sections input), marketing automation software
Date: June 19, 2017

To: APS Council

From: Meredith Hay
Chair, Finance Committee

Subject: Finance Committee Report

Action Item: Approve the 2016 Audit Report

On June 1, 2017, the Finance Committee met via conference call with Marina Polyakova of Rogers & Company, the Society’s audit firm. Rogers explained that fieldwork for the 2017 audit was performed by Rogers & Company from April 24, 2017 through April 28, 2017 at the APS office in Bethesda. Based on their work, Rogers & Company rendered an unqualified opinion (i.e., clean opinion) on the Society’s financial statements affirming that the statements presented fairly, in all material respects, the financial position of the Society at December 31, 2016 and 2015. The 2016 audit report noted no material internal control weaknesses or other areas of concern with respect to the Society’s financial processes.

Polyakova discussed the audit report and an accompanying letter to the Finance Committee, Council, and Management of APS (board letter). The board letter is a required communication from the audit firm to the client. Rogers explained that the Society’s financial statements were audited in accordance with generally accepted auditing standards. The 2016 audit did not include a review of the Society’s records in accordance with government auditing standards, because the Society’s income from federal grants was less than $750,000. Only organizations with federal grant (or contract) income of $750,000 require such an audit.

Polyakova discussed all sections of the audit report including her analysis of the financial statements. She explained that the statements reflected a surplus of $1.34 million, which was the result of $2.31 million net investment income and a $961 thousand net operating loss.

After several questions from the Committee, a motion was made and seconded to accept the 2016 audit report by Rogers & Company. The motion carried unanimously.
APS Budget

The Finance Committee met in March to review 2016 financial activity and review the Society’s 2017 budget. **2016** revenue was $19.8 million, which included $1.6 million in support from reserves, and expenses over the same period were $18.7 million resulting in a surplus for the year of $1.1 million.

The **2017** operating budget has revenue of $20.0 million, expenses of $19.9 million, and a surplus of $91,500. The charts below represent the sources of revenue and the allocation of expenses, respectively, in the 2017 operating budget. The 2016 report and 2017 budget were approved by Council at its spring meeting.
**Investments**
The Society’s long term invested funds at December 31, 2016 totaled $65 million. Of those invested funds, approximately $40 million is set aside as reserves, a portion of which is used to support the annual operating budget. The remaining $25 million is used to support the Society’s numerous award programs and sections. The chart below reflects the overall growth of the Society’s investments from 2012 to 2016 and the allocation between reserves and the award programs and section funds.

![Invested Funds at December 31](chart.png)

**Development Office**
The development program, now in its third year of operation, has been seeking and cultivating additional philanthropic support for the numerous programs and awards offered by the Society. The development team, including John Van Ness and Megan Mitzelfelt, continues to work with the Society’s leadership and staff to build relationships with individuals, corporations, and private foundations so that gifts and grants can be solicited for the Society’s current endeavors and, ultimately, build the Society’s endowed funds. The Development Office has built a full fundraising program with formal annual fundraising plan including programs to seek annual, major, and planned gifts from APS members and corporate, foundation, and government grants and sponsorships.

**2016 Annual Report**
The Development Office has produced the third APS Annual Report, which reviews the Society’s 2016 accomplishments, finances, and lists all donors.

**Strategic Partnership with ADInstruments**
At the end of 2016, ADInstruments signed an agreement to participate in a strategic partnership with APS for the next three years. As part of the agreement, ADInstruments will provide $111K over three years to support the Macknight Award, Claude Bernard Distinguished Lecture, section/group awards, and the 2018 Institute on Teaching and Learning. ADInstruments has also expressed interest in providing additional support for the LifeSciTRC, although this is not currently part of the partnership agreement.
Major & Planned Giving
Significant progress had been made in identifying, contacting, and cultivating major and planned gift prospects. At present we’ve identified and researched 440 individual members who may have interest in considering a gift. Personal calls on 168 prospects have been made to introduce them to the giving opportunities and to discuss their particular interests and philanthropic objectives. See the pipeline report below for a summary of these activities as of June 2017. Two planned gift commitments have been made thus far in 2017 and one major gift agreement is pending. Donor engagement and solicitation plans have been made for 11 individuals who appear ready for gift solicitation.

<table>
<thead>
<tr>
<th>Prospect Stage</th>
<th>As of June 2017</th>
<th>As of June 2016</th>
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<tbody>
<tr>
<td>Identified</td>
<td>440</td>
<td>213</td>
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<tr>
<td>Contacted</td>
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<td>158</td>
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<td>Visited</td>
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<td>73</td>
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<td>Promising Prospects</td>
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<td>31</td>
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<tr>
<td>Gift Commitments</td>
<td>5</td>
<td>3</td>
</tr>
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Development Task Force
Several APS members have been invited to serve on the new Development Task Force and all have accepted the position. The first task force teleconference is planned for July and a full in-person meeting for sometime this fall.

Donor Surveys
Development sent out a survey to current and past donors in early 2017 to assess donor satisfaction with and interests in giving to the Society. Past donors were also asked the reason(s) for discontinuing giving to APS in the past year. Results from the surveys show that the majority of respondents are satisfied with the services that APS provides to donors. There was some dissatisfaction with difficulty in giving online. Donors express the most interest in giving to support advocacy for federal research funding, to increase the general public’s knowledge of physiology, and to section/group activities. Past donors cited changes in financial circumstances, support for another organization, or simply forgetting as the top reasons for not continuing their support in 2016.

Information Technology
The IT Office recently began three projects that will significantly enhance the Society’s ability to serve its members and all other constituents. IT recently added a staff person, Christine Zhou, who is experienced in the implementation, modification and support of websites and customer-facing online applications. Christine’s experience in leading such projects will be very helpful.

APS Connect (collaboration software) - enhancements and relaunch.
APS leadership has voiced numerous concerns about APS Connect as it is currently designed. The current APS Connect communities are not providing or promoting the collaboration as intended. The plan is to: 1) improve the organization, appearance and functionality of the communities’ homepages, 2) facilitate and promote opportunities for collaboration through use of communities, and 3) implement reporting on participation and engagement metrics. Per the recommendation of APS Council, the IT and Membership departments are in the early stages of working with SAC to determine what their requirements are with respect to the use of APS Connect. From the meetings, IT will develop a requirements document to guide them through the implementation of an improved APS Connect. IT hopes to roll out several new configurations and/or select changes to the functionality to address existing issues. Then they hope to relaunch a redesigned APS Connect at the end 2017 that can effectively promote community and collaboration.
**APS website redesign and new content management system (CMS)**
The APS website is outdated and does not serve APS well as the central source of information about the Society or as a hub for its community. The APS CMS lacks the functionality of modern CMS’s and is no longer being enhanced and supported. IT has begun working with all the departments to identify current website users (both APS members and non-members). IT will go through the RFP process to identify the contractor best able to assist the Society in this major effort. The preliminary target launch date for the new website is the end of 2018.

**Implement Informz (marketing automation platform)**
APS would like to be able to more effectively capture and use data to carry out a strategic marketing and communications plan. The Informz marketing automation platform will provide the Society the capabilities necessary to implement and manage such a plan. Specifically, Informz will allow the Society to: 1) capture data on the interactions of our customers with our online services to both better understand our customers and their needs, and the level of usage for our various online services and products, 2) provide the tools to develop and execute sophisticated marketing campaigns; including features like A/B message testing, personalized content, emails triggered by customer actions, and 3) marketing automation tools can also be used for customer notifications, to improve recruitment and retention of members, subscribers, meeting attendees, etc. The Minding Your Business communications and strategic planning efforts are providing guidance to this effort. By July 31, 2017, IT hopes to complete the migration of existing email marketing information to the Informz marketing automation platform while also collecting new customer information related to user activity related to email sent by the Society and user visits to our websites. For the remainder of 2017, IT will roll out the new marketing automation capabilities to enhance current marketing of APS products and services, implement a corporate communications plan, and provide better tools for running select marketing campaigns.