Finance Committee Report

July 10, 2018
Finance Committee Report, cont’d

• 2017 Audit
  - Unqualified “clean” audit – no audit findings
  - Action item: request approval of the 2017 audit

• 2017 Budget Report
  - Revenue $18.8M, Expenses $18.9M = Deficit of $160,000 (approved by Council at its spring meeting)

• 2018 Budget
  - Revenue $19.5M, Expenses $19.5M = Breakeven budget (approved by Council at its spring meeting)
Finance Committee Report, cont’d

• **Long Term Investments**
  - From $56.1M at 12/31/13 to $67.9M at 12/31/17.
    - Reserves – from $45.9M in 2013 to $44.3M in 2016 (used to support operating budget)
    - $9.5 million moved from reserves in 2014 to support Council designated awards programs
    - Council and Donor designated program funds (awards, sections) – from $10.2M in 2013 to $23.6M in 2017.
    - Supported over $1M in awards and fellowships distributed in 2017.

• **Development Office**
  - 2017 APS Annual Report completed
  - Development Task Force report

• **Information Technology**
  - APS website redesign is on schedule to be completed in February 2019
Memorandum

Date: June 15, 2018

To: APS Council

From: Paul Welling
Chair, Finance Committee

Subject: Finance Committee Report

Action Item: Approve the 2017 Audit Report
Materials for this action item will be distributed at the Council meeting.

APS Budget
The Finance Committee met in March to review 2017 financial activity and review the Society's 2018 budget. 2017 revenue was $18.8 million, which included $1.9 million from reserves, and expenses over the same period were $18.9 million resulting in a deficit for the year of $159,645. Note that the 2017 budget called for a projected surplus of $91,500. Thus, the Society was approximately $250,000 over budget at year-end due primarily to lower revenue in several categories, including Page Charges, Grant Income, Color Fees, Meetings Income (conferences), and Permissions and Royalties.

The 2018 operating budget has revenue of $19.5 million and expenses of $19.5 million for a break even budget. The charts below represent the sources of revenue and the allocation of expenses, respectively, in the 2018 operating budget. The 2017 report and 2018 budget were approved by Council at its spring meeting.
Investments
The Society’s long term invested funds at December 31, 2017 totaled approximately $68 million. Of those invested funds, $44.3 million is set aside as reserves, a portion of which is used to support the annual operating budget. The remaining $23.6 million is used to support the Society’s numerous award programs and the sections. From that $23.6 million there was $1.02 million expended on awards in 2017. The chart below reflects both the distribution between reserves and the award and section funds along with the overall growth of the Society’s investments from $56 million at the end of 2013 to $68 million as of December 31, 2017.

Elimination of Color Fees
Rita Scheman presented a proposal from the Publications Committee to eliminate charges to authors for color figures in journal articles. She explained that the Committee was concerned about the continuing decline in article submissions to the APS journals and they believe that a reduction in author fees would help to increase submissions. In addition, the Publications Committee recommended that the Society add a page charge discount of $10 per page for APS members. The member fee would be $75 per page and the non-member fee would remain $85 per page. Scheman presented a financial analysis that estimated that the loss in annual revenue from the elimination of color fees and page charge member discount would be from $350,000 to just over $600,000. The proposal to eliminate color fees was approved by the Finance Committee and later by Council at its April meeting.
Increase 2019 Subscription Prices
Rita Scheman presented the proposed subscription price increases for 2019 which are being recommended by the Publications Committee. The recommendation is for increases in online subscriptions of 5.0% for Tier 1, (smallest organizations), Tier 2, and Tier 3 (larger organizations representing over 70% of the Society’s subscribers). For Print + Online and Print Only subscriptions, the proposed increases were 9%. The proposed increase for individuals and members was 2% and the proposed increase for Legacy content was 10%. The proposal to increase 2019 subscription prices was approved by the Finance Committee and later by Council at its April meeting.

Development Office
John Van Ness, APS Director of Development, will report on the activities of the Development Task Force at the Council meeting.