

## **Financial Report: Treasurer's FY17 4<sup>th</sup> Quarter Report**

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Date: September 25, 2017

The Association's fiscal year ended June 30, 2017, and we finished the year in good shape. The Board met its fiduciary responsibility by doing an annual detailed review of the financial statements in January, with financial statements received at each meeting. At the other meetings, the Board's discussion was on strategic financial topics, unless the financial statements warranted a conversation.

Although we have not received the audited reports, here are some of the highlights of the Association's financial performance in the past fiscal year (July 1, 2016-June 30, 2017).

### **Financial Position**

At the end of FY17, our net assets increased by \$1,940,084. This increase can be attributed to growth in revenue streams and in our investments, along with management of our expenses. An increase in net assets is always welcome news, and the Association needs to continue to strengthen its financial position so that it can support existing operations, new products, programs, and services for members – as well as pursue strategic initiatives – while maintaining a healthy reserve in case of any unanticipated major expenses or downturn in revenue. We can credit our financial stability to the prudent business practices of the Association's past and present staff, Boards, and Finance Steering Committees. Additionally, we continue to be thankful for the tremendous success we have experienced from CASPA and through exam sales. Taking this organization to new levels of achievement will require that we continue to develop our financial strength and stability.

### **Revenues**

Revenues totaled \$9,588,090 in FY17 with most of the excess revenues (\$1,486,458) coming from four budget categories: CASPA royalties; exam sales; Education Forum and exhibit sales, membership dues; and professional services consulting. This excess will move into reserves, which will help support new products and service initiatives. The performance of our investment portfolio contributes \$901,177 of this excess. Since anticipated revenue for interest and investments are not included in the budget, this amount has an impact on excess revenues. More importantly, the unrealized gains do not represent additional monies brought in by the organization, but rather a change in the valuation of our investments.

The variance in CASPA royalties over our budget this year was \$225,156. For this budget cycle, we worked with our partner, Liaison International, to develop a projection model. We also used this model in FY18 with revised assumptions about the number of participating schools and growth in applicants.

In the current fiscal year, CASPA royalties totaled \$4,632,232, representing 48% of the Association's revenue. Applicant participation in CASPA continues to grow, with a 6% increase seen in the 2016-2017 cycle. End of Rotation™ exams and PACKRAT™ sales totaled \$1,898,578, or 20% of the Association's revenue. The Education Forum and workshops together totaled \$930,932, or 8% of revenue. The high level of quality seen in our educational activities continues to drive participation, resulting in excess revenues. Revenue from books, publications, and our professional services brought in \$206,064. During FY17, we generated dues totaling \$950,575, or 10% of revenue. This percentage is considered low when compared with similar associations.

## **Expenses**

Expenses came in under budget by \$865,430. This is largely due to careful staff management and oversight of budgeted expenses and spending less than anticipated across many budget line items. Expenses totaled \$7,648,007.

## **FY18 budget**

The budgeting process is the way that organizations advance priorities that have been set. Fortunately, the PAEA Board clearly articulates those priorities. Having considered the current financial picture of the Association – and having considered the future needs of the Association – the Finance Steering Committee and Board reviewed the working draft of the FY18 budget compiled by the staff in April.

Since revenues continue to exceed expectations, increased efforts were put into developing a budget model that would result in maximum utilization of existing revenue streams. This includes PAEA's membership dues, CASPA fees, and End of Rotation™ exams.

On the expense side, the Board continued to support funding for research and unbudgeted strategic initiatives, along with PAEA's operating expenses and funds devoted to the development of new services in the areas of research, faculty development, and additional staff to support these and other Association priorities.

## **Endowment**

Within our overall investments, the Board has designated/restricted specific funds for use in supporting research initiatives. Built both on donations and Board-designated funds, the

endowments have grown to nearly \$480,000. With this growth, the endowment will continue to support the Don Pederson Grant Program in FY18.

### **Fund Reserve**

At present, our fund reserve stands at just over one year of expenses. The growth in CASPA revenues has been the chief source of funds that have grown the reserve. Given PAEA's healthy level of reserves, the Board can prioritize funding of new products, services, and strategic initiatives for member programs and has approved additional staff resources to support these initiatives.

### **Socially Responsible Investment Policy**

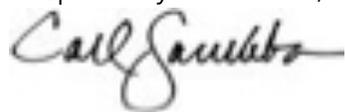
In January 2017, the Board initially discussed the importance of having PAEA's values reflected in our investment decisions. Following this discussion, the Finance Steering Committee and staff worked with our investment manager to develop a survey to determine areas that should be emphasized and avoided in our investments.

In July, 2017, the Board approved a socially responsible investment policy. As a result, the Association elects to avoid direct investment in companies that derive revenue from products or practices that conflict with PAEA's values and mission and in turn emphasizes investments in companies that align with the organization's values and mission.

### **Finance Steering Committee**

The Association benefited from the expertise and diligent work of the members of the Finance Steering Committee, including Darci Brown, Jacqueline Barnett, Theresa Morris, Mark Archambault, and Diana Noller, as well as staff members Timi Agar Barwick and Lynn Heitzman. These individuals deserve our significant thanks for their contributions to the steering committee's work this year.

Respectfully Submitted,



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