FULL REPORT

OVERVIEW
This Treasurer’s Report has four parts: I. A detailed review of the final budget figures for last year, Fiscal Year (FY) 2012-2013; II. a brief overview of the proposed budget for next year, FY 2014-2015; III. a brief summary of other ISA accounts, including the ISA Transition and the ISA Reserve Funds; and IV. a summary of the Finance Committee’s business and management of the ISA Reserve Funds (“endowment”) over the past year (since April 2013).

YEAR-END BUDGET REPORT FOR FY 2012-2013
This portion of the report reviews the end-of-year operating budget figures that were sent for audit for Fiscal Year 2012-2013 and that are specified in the accompanying spreadsheet. Occasional comparisons in this report to the previous year’s figures (FY2011-2012) are drawn from the operating budget figures provided to the Executive Committee, the Finance Committee and the Governing Council for last April’s San Francisco meetings. That spreadsheet is not included here, but is available to anyone who wants another copy.

The end-of-year General Operating Account budget figures for Fiscal Year 2012-2013 show an exceptional year for the ISA, with total (gross) income again surpassing the $2.6 million mark. Pending the final audit, Actual Total Income for FY 2012-2013 was $2,633,389.55, which exceeded budget projections by $460K and represents an increase of 5.5% in income over the previous fiscal year. Actual Total Expenses for FY 2012-2013 were $1,918,564.33, which was nearly $40K (or 2%) below budget projections and represents an increase of 8.2% in expenses over the previous fiscal year.

The net General Operating Account Surplus for FY2012-2013 was a whopping $714,825.22 (or $715K). Additionally, two one-time only income payments to the ISA during the year—namely, a new contract signing bonus of $750,000 from Oxford University Press (OUP) and a $50,000 bequest to ISA from the Estate of James Rosenau—yielded an unprecedented annual surplus of $1,514,825.22.

Highlights of the Income Side of the Budget:

- **ISA Membership Income totaled $392,277.00**, which was $62K over projections but only 0.8% greater than the previous year, suggesting a slowing in membership growth.

- **Income from all ISA Publications** totaled $826,478.50 for the year. Of that total, “Wiley-Blackwell Royalties” brought in just over $587.5K, exceeding budget projections by $57.5K. “Journal Add-on Income” generated $19K from members paying to receive hard copies of our journals rather than electronic versions. All revenues from Taylor & Francis were practically unchanged from the previous year while “Jstor Royalties” increased by nearly 3% over the previous year.

- **Interest on Bank Accounts** again came in below budget projections due to the market’s exceedingly low interest rates.

- **Convention Income for San Francisco totaled $863,447.92**. This figure exceeded budget expectations by $163.4K and was $80.6K (or 10.3%) greater than the previous year’s (San Diego) total.
• **Income Subtotal:** Income earned by ISA operations for the fiscal year totaled **$2,134,570.05.** This figure is 19% greater than anticipated and represents a 3% growth over the previous year’s figure.

• **Carry Forward and Endowment Transfers:** In addition to revenue earned by regular ISA operations for the fiscal year, two additional income streams pass into the Income side of the General Operating Account. The first is the Carry Forward ($300K), generated by part of the previous year’s budget surplus. The second additional income stream comes from ISA Reserve Funds, “Endowment Transfer (4%),” to support member services and is based on the following formula: Four percent of the average total value of ISA Reserve Funds over the three previous years (as of 30 June) passes into the new fiscal year’s General Operating Account. This figure amounted to $73,819.50 for FY 2012-2013.

• **Income Total:** New income plus the Carry-Forward and Endowment Transfer totaled **$2,633,389.55** for the year, as noted above.

*Highlights of the Expenses Side of the Budget*

• **ISA Publications’ expenses totaled just over $255.6K,** with nearly all journals coming in exactly on budget. “Journal Add-on Expenses” are monies paid to Wiley-Blackwell for members who prefer hard-copy journals and totaled nearly $24K for the year; four-fifths of this expense was offset by the $19K in “Journal Add-on Income” those members paid for those hard copies.

• **Total expenses for ISA Member Services** (including various grants, awards, and committee expenses) came to $271,002.14, running 18% below budget allocations for this broad category of expenses. ISA Travel Grants ran slightly over budget and were 13% greater than the previous year however ISA Workshop Grants continue to run well below (46%) budget allocations. Grants for Professional Development Projects for the Regions totaled just over $7.9K, tapping two-thirds of available funds.

• Under **ISA Meetings & Conventions,** all expenses attributed to “**Annual Convention** totaled **$399,293.58.** This figure includes Program Chair Expenses, which totaled $57.4K for both the San Francisco and the up-coming Toronto meetings. On balance, total income from the San Francisco meeting ($863.4K) exceeded that meeting’s expenses ($399.3K) by $464.1K

• **Personnel expenses totaled $818.7K,** which was $14.3K over budget due mainly to the conversion of one half-time position to full time. Nevertheless, overall personnel expenses are 9% lower than the previous year due to the loss of two long-time staffers and the cost-saving shift to five members of staff now being direct employees of ISA rather than University of Arizona. One and one-half of these positions are funded by Transition Transfer monies.

• Under the broad category **Office Operations,** office expenses totaled $68,500.55, running about $5K under budget. Most office expenses (supplies, printing, telephones, etc.) were well below budget while “Bank Fees,” continue to run much higher ($13K) than anticipated. With most of our revenues coming in through an on-line payment system, our overall bank transaction fees have grown tremendously in recent years; Headquarters expects these fees to level off since signing recently with a new vendor. Meanwhile, “Professional Services” expenses totaled $51,718.05, running $12K higher than projected due to additional legal consulting for reviewing the new publisher contract proposals, increased audit and financial management fees, and help with rebuilding our **Quickbooks** program after a crash. “Insurance” costs totaled $8.8K while “Travel Support” totaled $38.5K, running $5K under budget. All together, these various categories of expenses under **Office Operations totaled $167.5K.**

• As noted above, **Total Expenses came to $1,918,564.33,** which was $39.7K (or 2%) under budget expectations.

• Pending the final audit, the **budget Surplus for FY 2012-2013 was $714,825.22.** This $715K surplus, combined with the additional “Special One-Time Only Income” (OUP Signing Bonus and Rosenau Bequest) totaling another $800K, leaves the ISA with an amazing windfall surplus of $1,514,825.22 for the year. Of this amount, $500K passes to the FY 2013-14 General Operating Account’s Carry-Forward, leaving just over $1M for the Reserve
Fund. The Finance Committee discussed how to invest this huge surplus at its meeting on 30 August 2013 in Chicago (infra).

Audits for FY 2010-11 and FY 2011-12

As in previous years, the outcomes of the audits of the ISA’s financial statements for FY2010-2011 and for FY2011-2012 were clean and clear.

Proposed Budget for FY 2014-2015

The proposed budget for FY 2014-2015 anticipates very conservative increases in income and expenses over the current 2013-14 fiscal year, with a growth of less than one percent (0.6%) in Total Income ($2,455,750) and an increase of less than two percent (1.9%) in Total Expenses ($2,251,945.90). On the Income side, the proposed budget maintains the Carry Forward at $500K and increases the anticipated pass-through from Endowment Income to $90,000 (an increase of 38.5%), which reflects the infusion of last year’s extraordinary surplus into our Reserve Funds. However, looking at the Income Subtotal figure, the proposed budget anticipates a negligible decrease (-0.55%) in outside (non-ISA) revenue sources. On the Expense side, most items are held to the same levels as the current fiscal year budget, with modest increases for salary and benefits for existing staff. Under ISA Member Services, new funding is proposed for Professional Development Teaching Resource Center and Career Courses ($15K and $7.5K respectively), while under Professional Services, Audit Fees increase by 20%. The proposed budget for FY 2013-2014 anticipates an overall budget surplus of $203.8K, a decrease of 11% from the current year.

Other Accounts

ISA Transition

Transition-related funds and expenses are reported separately at the end of the accompanying General Operating Account spreadsheet for transparency. The costs of the transition have been funded thus far with planned annual transfers from the ISA Reserve Funds at a rate of $125K per year over a five year period (2010-15). It should be noted that the special one-time OUP signing bonus more than covers or replaces the earmarked funds from ISA Reserves for the transition. The Proposed Budget for FY 2014-15 currently anticipates $137,926 in transition expenses.

ISA Reserve Funds (aka “Endowment”)

According to the most recent figures available as of this writing, ISA Reserve Funds totaled approximately $3.16M. These funds are allocated in the following way: $2,266,651.76 is held in a managed portfolio specializing in socially responsible investments with First Affirmative Financial Network (FAFN); $417,087.17 is held in socially responsible CDs known as CDars; and $478,041.05 is currently held in cash reserves. Updated figures will be reported orally to the Governing Council meeting in March.

ISA Finance Committee Business

At its semi-annual meetings in April 2013 (in San Francisco) and August 2013 (in Chicago), the Finance Committee reviewed Powerpoint reports by our financial manager, David Behnke-Seper, on the performance of our portfolio of investments with First Affirmative Financial Network (FAFN). David joined us in person at our Chicago meeting to answer questions and guide our thinking about our current risk tolerance and our investment strategy for the windfall surplus of FY 2012-13. At both meetings, the Finance Committee agreed to maintain a 70:30 [stocks: bonds] mix of our investment holdings in the FAFN portfolio, with transfers of $20K per month from maturing CDars between April and September and then of $50K per month from the FY 2012-13 windfall over five months between October 2013 to March 2014. The committee also decided to transfer a lump sum of $500K from the year’s windfall surplus for David to invest and rebalance our FAFN portfolio. Another $250K from the FY 2012-13 surplus is being held in CDs and cash for the Finance Committee to decide how to invest at its Toronto meeting. Beyond these investment strategy decisions, the Chicago meeting yielded the following additional decisions and two items for the Governing Council’s consideration:
• The committee approved the draft of the ISA Financial and Investment Policies document specifying current policies and practices and recommends its adoption by the Governing Council.
• In light of this document, the sum of $750,000 has been identified as a reasonable target for the ISA’s “Rainy Day Fund” portion of the Reserve Funds. Currently $335K of total Reserves is designated as “Rainy Day Funds”. The committee will work with HQ to build up to this sum with CDars and relatively liquid investments in the coming 15 months or so.
• The committee agreed that there is a need to develop a procedural policy for handling bequests to the ISA, especially for earmarked gifts. This is an agenda item for the committee’s March meeting.
• Given the size of the ISA Reserve Funds, the importance of the Finance Committee’s regular and full due diligence in determining the ISA’s investment strategies, and the need to ensure a quorum for Finance Committee meetings, I am asking the Governing Council to expand the membership of the Finance Committee by two, growing it from three to five members in addition to the Treasurer and its ex officio members.

**Conclusion**

In closing this final report of my tenure as your treasurer, I would like to thank all those who have served on the Finance Committee with me since May of 2006 for their thoughtful service and good advice. I also want to thank the ISA membership and the Governing Council for its confidence in me through two and a half terms. Serving as your treasurer has been not only an honor and privilege but the highlight of my professional life. I thank Misty for her fine example, and I wish incoming Treasurer Cliff Morgan the same support and good luck that I have had. Finally, I especially thank ISA Executive Director Tom Volgy and Director of Operations Dana Larsen for their amazing support, openness, patience, good humor, and faith in me. They are outstanding colleagues and consummate professionals, and with the rest of the team at ISA Headquarters, they have done a superb job of managing the ISA operating budget and ensuring the annual fiscal health and long-term financial well-being of the ISA.