

Financial Report: Treasurer's FY 2021 4th Quarter Report

Submitted by: Carl Garrubba, DMSc, PA-C, CPA
Treasurer, Physician Assistant Education Association

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The Association's fiscal year (FY) ended June 30, 2021, in a strong financial position. The Board met its fiduciary responsibility by meeting with and reviewing the financial statements and reports from the Association's accounting and auditing firms. The FY21 financial statements are currently being audited and are not finalized; however, here are some of the highlights of the Association's financial performance in the past fiscal year (July 1, 2020-June 30, 2021).

Financial Position

In FY21, the Board approved an 11% deficit budget to invest in products and services for the members. However, we anticipated a decrease in expenses due to impacts of travel during FY21 with the COVID-19 pandemic. We ended the fiscal year with a significant surplus. This variation was due to increases in our CASPA and exam revenue, along with increases of approximately \$3 million to PAEA's investments. The majority of our expense savings were travel and event expenses due to the effects of the COVID-19 pandemic, as we had predicted. In April 2020, the Association received a Paycheck Protection Loan from the Small Business Administration, and this loan was forgiven in June 2021. The Paycheck Protection Loan (\$696,452) is included in the FY21 revenue figures reported below.

Our net assets total \$18,729,239 as of June 30, 2021. Maintaining a healthy reserve provides financial sustainability 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. It is important that we remain focused on expense management and revenue diversification and growth to continue our internal investments aimed at enhancing our member experience and achieving our mission.

FY21 Revenue

Revenues totaled \$16,004,444 in FY21, approximately \$4,000,000 higher than anticipated. Nearly \$2,800,000 of this variance was gains on investments, which are not included in our annual operating budget. The increase in net revenues was achieved primarily through exam sales and CASPA royalties. The variance in CASPA royalties over our budget this year was \$922,386 and for exam sales the variance was \$659,705.

In FY21, CASPA royalties totaled \$5,616,061, representing 43% of the Association's revenue (excluding investment income). Exams totaled \$4,321,381, or 33% of the Association's revenue. We generated membership related dues of \$1,176,989, or 9% in FY21, as the

number of programs has continued to grow. The Education Forum and workshops together totaled \$662,418, or 5% of total revenue. Forum and Workshop revenue was less than prior years due to registration rate changes for virtual programming.

FY21 Expenses

Expenses came in under budget by \$3,655,572 at \$9,232,145 in total. The majority of this variance was due to travel and event changes due to the COVID-19 pandemic. The largest categories underspent were related to event and travel/meeting expenses by \$2,408,123. At the time we approved the budget, we had planned optimistically returning to in-person events that has not yet occurred. Other expenses under budget included general operation and office-related expenses due to our virtual operation for the entirety of FY21. Expenses over budget were related to investing in member resources in response to the pandemic and current events, including technology and consultants.

FY22 Budget & Scenario Planning

PAEA continues to utilize the annual budgeting process to prioritize the Association's mission work and future needs of the organization. This year, the budget process included additional financial modeling and scenarios for the continued impact of the COVID-19 pandemic recovery. The Association has implemented a working budget in FY22 and beyond to provide the most accurate and updated financial data amid the constantly changing environment. With the move to virtual events or possibly future hybrid events, the Association will benefit from the working budget to show how our expenses/revenue have changed, while allowing us to reallocate funds within projects as needed.

In the first quarter of 2021, the Finance Steering Committee and Board reviewed the working draft of the FY22 budget compiled by the staff. The proposed FY22 budget included an updated forecast of CASPA and exam sales revenue, as well as details regarding the ongoing investments needed for the Digital Learning Hub and virtual events and education programming. In response to the pandemic and its financial impact on our members, the Board voted to maintain membership dues at the same amount as FY20 and FY21. The Board continues to support funding for new products and resources needed to align to member needs and approved a balanced budget for FY22.

Research 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 endowment contains \$614,000 and will continue to support the Don Pederson Grant Program in FY22.

Fund Reserve

At present, our fund reserve stands at just over one year of expenses, which is twice the recommended six months guidance provided to nonprofits similar to our size. We have worked closely with our investment managers and closely monitored our reserves throughout

the market fluctuations in 2020-2021. This surplus level of reserves affords the Board the ability to prioritize funding of new products, services, and strategic initiatives for member programs and services.

Finance Steering Committee and Treasurer Role

The Association benefited from the expertise and diligent work of the members of the Finance Steering Committee – Shani Fleming, Erin Hoffman, Theresa Morris, Jason Radke, and Judy Truscott – as well as staff members Melissa Bradley and Lynn Heitzman. These individuals deserve our significant thanks for their contributions to the steering committee's work this year.

It has been my distinct pleasure to serve as your Treasurer over the past six years. PAEA has been through some challenging and exciting times, and I truly appreciate your support for my service to the Association. As my final year as Treasurer comes to a close, I am reminded of the amazing staff and volunteers with whom I have had the pleasure of working, and I am truly thankful to have been afforded this experience.