

## **Financial Report: Treasurer's FY 2022 4th Quarter Report**

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Date: August 17, 2022

The Association's fiscal year (FY) ended June 30, 2022, 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 FY22 financial statements are currently being audited and are not finalized; however, this report outlines some of the highlights of the Association's financial performance in the past fiscal year (July 1, 2021–June 30, 2022).

### **Financial Position**

In FY22, the Board approved a balanced budget with .44% net income and anticipated a decrease in expenses due to the impact of the COVID-19 pandemic on travel. We ended the fiscal year with a surplus, resulting from increases in our CASPA revenue and previously uncollected exam revenue. The majority of our expense savings were travel and event expenses due to the effects of the COVID-19 pandemic, as we had predicted.

Our net assets total \$18,657,073 as of June 30, 2022. 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.

### **FY22 Revenue**

Revenues totaled \$10,855,103 in FY22, approximately \$1,683,990 lower than anticipated. Nearly \$1,800,841 was a loss on investments, which are not included in our annual operating budget. Removing investments, we had a \$116,851 gain above budgeted revenue. The increase in net revenues was achieved primarily through previously uncollected exam sales and CASPA royalties. The variance in CASPA royalties over our budget this year was \$270,966 and for exam sales the variance was \$71,147.

In FY22, CASPA royalties totaled \$5,875,292, representing 46% of the Association's revenue (excluding investment income). Exams totaled \$4,565,599, or 36% of the Association's revenue. We generated membership related dues of \$1,337,216, or 11% in FY22, as the number of programs has continued to grow. The Education Forum and workshops together totaled \$540,757, or 4% of total revenue. Forum and Workshop revenue was less than prior years due to virtual programming and the cancellation of in-person events.

### **FY22 Expenses**

Expenses came in under budget by \$1,858,142 at \$10,626,256 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 \$896,400. At the time we approved the budget, we had planned optimistically returning to many 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 FY22.

### **FY23 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 to provide the most accurate and updated financial data amid the constantly changing environment. With the move to many virtual 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 2022, the Finance Steering Committee and Board reviewed the working draft of the FY23 budget compiled by the staff. The proposed FY23 budget included an updated forecast of CASPA and exam sales revenue, as well as details regarding the ongoing investments needed for the Assessment transition. The Board will vote on raising membership dues 4%. The cost of membership has been held at the same rate since FY20. The Board continues to support funding for new products and resources needed to align to member needs and approved a deficit budget for FY23.

### **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 \$537,566 and will continue to support the Don Pederson Grant Program in FY22.

### **Fund Reserve**

At present, our fund reserve stands at 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 meticulously monitored our reserves throughout the market fluctuations. 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, Karen Graham-Burnet, Theresa Morris, Jason Radke, and Ray Eifel — as well as staff members Sara Fletcher, Melissa Bradley, Tabitha Ratcliffe, and Maressa Hakos. 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. PAEA has been through some challenging and exciting times, and I truly appreciate your support for my service to the Association. As my first year as Treasurer of PAEA comes to a close, I am thankful to the amazing staff and volunteers with whom I have had the pleasure of working, and I am truly grateful to be afforded this opportunity to serve.