

Financial Report: Treasurer's FY 2023 4th Quarter Report

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Date: August 21, 2023

The Association's fiscal year (FY) ended June 30, 2023, 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 FY23 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, 2022-June 30, 2023).

Financial Position

In FY23, the Board approved a deficit budget with -2.38% net income. We ended the fiscal year with a deficit of -3.64%. This was due in large part to higher-than-expected travel and meeting expenses as well as higher than expected contractor costs related to the launch of the new Assessment platform.

Our net assets total \$22,268,625 as of June 30, 2023. 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, revenue diversification, and strategic growth to continue delivering impact for our members and pursuing our mission.

Revenue

FY23 revenues totaled \$15,391,484, approximately \$1,922,600 higher than anticipated. Nearly \$1,346,587 of the variance was a gain on investments, which are not included in our annual operating budget. Removing investments, we had a \$576,013 gain above budgeted revenue. The increase in net revenues was achieved primarily through CASPA royalties. The variance in CASPA royalties over our budget this year was \$1,110,937.

In FY23, CASPA royalties totaled \$6,475,187, representing 46% of the Association's revenue (excluding investment income). Exams totaled \$4,813,125, or 34% of the Association's revenue. We generated membership related dues of \$1,440,478, or 10% in FY23, as the number of programs has continued to grow. The Education Forum and workshops together totaled \$1,190,169, or 8% of total revenue. Forum and Workshop revenue were greater than in prior years due to in-person events and an increase in exhibitors and sponsorships.

Expenses

Expenses came in over budget by \$376,066 at \$14,576,129 in total. Most of this variance was due to an increase in AV expenses, food and beverage expenses, and consulting expenses. The largest categories underspent were related to dues and development and software expenses.

FY24 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 our main revenue sources, Assessment and CASPA. 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 host both in-person events and 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 2023, the Finance Steering Committee and Board reviewed the working draft of the FY24 budget compiled by the staff. The proposed FY24 budget includes an updated forecast of exam sales revenue, as well as details regarding the ongoing investments needed for the Assessment transition. The Board continues to support funding for resources needed to align to member needs and approved a deficit budget for FY24.

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 \$577,950 and will continue to support the Don Pederson Grant Program in FY24.

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 closely 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, Lisa Tshuma, Gabrielle Poole, and Ray Eifel – as well as staff members Zach Britt, 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 second 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 be afforded this experience.