

## **TREASURER'S REPORT, APRIL, 2020 -- Kyla Terhune, M.D. FACS**

This report covers the financial statement for the period July 1, 2019 through March 31, 2020, as well as the outside CPA firm audit of APDS year-end financial statements for the period ending June 30, 2019.

Turning to the first 9 months of the current fiscal year, this shows a relatively typical pattern compared to last year in most categories except the income from both SEW and investments are dramatically more adverse than in the prior, a reduction of about \$350,000 compared to the prior year. Expenses are higher than budget for the journal (because Elsevier's bill for the prior year was not received until the first week of July this will fall in the new year), and Internet/Website expenses are about \$50,000 higher than last year (relating to approved Operations and Education Division such projects on the website and distance learning). Our year-end statements will allocate unique expenses of the four divisions created under the November 2018 APDS Strategic Plan, and which are budgeted for the current fiscal year.

The relative normalcy presented in the March 31 financial statement does not capture the actual and profound challenge that will be our 2019-20 fiscal year. With the transition from eliminating the live SEW meeting in Seattle, essentially ALL registration income will end up being returned to those individuals/institutions—the \$463,645 income (some of which reflected registrations from ASE attendees) will completely go away. There will be some offsetting income from the Virtual Meeting, but there will be the actual non-recoverable expenses both in planning for Seattle, and in actually conducting the Virtual Meeting. In short, we can expect a large 6-figure year end deficit for the year, which will have to be absorbed from the APDS reserves, depleting our currently health balance sheet. It is too early to convert this overview into actual projected year-end deficit.

In accordance with the policy established several years ago, an annual allocation is made to the Research Fund that includes the annual research amount in the budget, proportional shares of both APDS surplus and the annual investment performance of the portion of the APDS Cambridge Fund portfolio identified with the Research Fund. It is then reduced by actual expenditures for Research during the recently concluded fiscal year. As a result of this process, as you can see on the APDS Balance Sheet, the re-allocation to the Research Fund results in an increase over last year of \$17,932, and the Research Fund is being carried at \$561,118. Looking ahead, the unfortunate performance of the APDS financial picture for 2019-20 will almost certainly result in the Research Fund calculated allocation at June 30, 2020 being a negative number. The Research Fund has anticipated an expenditure divided over the next two years in the range of \$250,000 for the EQIP project. In short, a significant drop in the value of the Research Fund over the next 18 months appears inevitable. The finance group will review this after our virtual meeting.

In accordance with APDS policy that calls for an independent CPA audit whenever there is a change in Treasurer, a CPA audit was conducted, and the report is included in your background materials. The CPA firm issued a clean and unqualified report on APDS 2018-19 financial statements, with only very modest recommendations, which have been reviewed by the Finance Committee.

A MOTION to approve the Consent Agenda at the Board Meeting will include the Board's approval of both the Treasurer's Report, and of the CPA Audit Report for the fiscal year ended June 30, 2019