

# 2018 Report of the ASHP Treasurer

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Each year, the Treasurer has the responsibility to report to the membership on ASHP's financial condition. ASHP's fiscal year is from June 1 through May 31, coinciding with our policy development process and timetable. This report describes ASHP's financial performance and planning for three periods, providing (1) the final audited numbers for fiscal year 2017 (prior year), (2) the projected performance for fiscal year 2018 (current year), and (3) the budget for the fiscal year 2019, ending May 31, 2019.

ASHP segregates its finances into two primary budgets, core operations and the program development and capital budget. The core operations budget represents the revenue and expense associated with the operations of ongoing ASHP products, programs, and services, as well as infrastructure support. The program development and capital budget is intended for expenditures that are (1) associated with new, enhanced, and expanded programs; (2) associated with time-limited programs; (3) capital asset purchases; or (4) supplemental operating expenses. The program development and capital budget is funded primarily with investment income from reserves/net assets. Additional spending from reserves/net assets is only occasionally used to fund programs. Funding requests from reserves/net assets are reviewed on a case-by-case basis and approved by the Board of Directors. As a result of ASHP's sale of its previous headquarters building, there are two additional funding sources. The first is the building fund. The building fund was created to hold the net gain from the sale of ASHP's previous headquarters building so that the long-term investment earnings can be used to pay for lease and other occupancy-related expenses associated with ASHP's current headquarters office throughout the term of ASHP's lease. The second additional funding source is the building sale reserve funds. The building sale reserve funds were created with a portion of the cash proceeds from the sale of ASHP's previous headquarters building, and the investment earnings are intended to be used for new programs, products, and services, as well as to sustain ASHP through an economic downturn. Funding requests from the building sale reserve funds are approved by the Board of Directors on a case-by-case basis.

The fiscal year 2017 financial audit of ASHP and its subsidiary, the 7272 Wisconsin Building Corp., for fiscal year 2017, ending May 31, 2017, was performed by the independent audit firm of Tate & Tryon. The audit resulted in ASHP receiving the best opinion available, an unmodified opinion.

## Fiscal Year 2017 (Ending May 31, 2017)—Actual

ASHP's core operations had another successful year, with a \$219,000 surplus, and the program development and

capital budget had a surplus of \$2.4 million due to better-than-budgeted investment income (Figure 1). Spending from reserves/net assets was \$312,000, and there was a favorable pension adjustment of \$43,000. ASHP's net assets at May 31, 2017, represented 80%<sup>1</sup> of total fiscal year 2017 expense. Our long-term financial policy is to maintain reserves/net assets at a target of 70% of total ASHP expenses.

ASHP's May 31, 2017, year-end balance sheet (Figure 2) remained impressive. The May 31, 2017, asset-to-liability ratio stood at 5.45:1.

## Fiscal Year 2018 (Ending May 31, 2018)—Projected

As of February 28, 2018, the financial performance from core operations, the program development and capital budget, reserves/net assets, and building sale reserve funds for the fiscal year ending May 31, 2018, is projected to produce net income of approximately \$1.4 million (Figure 1). We anticipate the building fund will show a total accrual accounting deficit in the range of \$430,000 at fiscal year-end. However, using the cash basis, we will have positive cash flow from the building fund. Projections do not include any potential pension adjustments.

## Fiscal Year 2019 (Ending May 31, 2019)—Budgeted

ASHP's fiscal year 2019 core operations, program development and capital budget, and building sale reserve funds budgets are balanced, with a combined \$1.2 million surplus (Figure 1). We are pleased to continue to keep ASHP's total dues revenue at a low 13% of total core revenue. We are also pleased to have surpassed 45,000 total members. Reserves/net assets expense is budgeted at \$405,000. ASHP's total reserves/net assets are still budgeted to be at a strong 83% of total fiscal year 2019 expense.

With respect to the building fund, it is budgeted on the accrual basis at a slight deficit of \$184,000. On the cash basis, we anticipate the building fund will have positive net cash flow during fiscal year 2019.

## 7272 Wisconsin Building Corporation

ASHP's subsidiary, the 7272 Wisconsin Building Corp., owned ASHP's previous headquarters building in Bethesda, Maryland, and derived income from leased commercial and office space that was used to support ASHP's expansive membership mission. This subsidiary is in the process of being closed down in an orderly manner.

The highly successful negotiations that resulted in the decision to sell our headquarters building have served our members extremely well and will continue to do so long

## REPORT OF THE TREASURER

into the future through the natural ups and downs in the U.S. and global economies. Most importantly, the sale has and will continue to allow ASHP to provide a growing list of highly valued membership services and the ability to advance the practice of pharmacy now and into the future.

### Conclusion

It has been a pleasure to again serve as your Treasurer this year. The Board of Directors, CEO, and staff of ASHP remain committed to supporting and advancing the profession of pharmacy. The financial strength of ASHP (solidified by the sale of the previous headquarters building)

and diversity of ASHP's non-dues revenue sources allow for continued growth and development of a wide variety of additional member services, including educational resources, advocacy resources, and advancement of membership sections and forums. It is truly an honor to be a part of this highly engaged membership organization that continues to advance the profession and positively impact pharmacy services to fulfill our Mission and Vision.

<sup>1</sup>The building fund and the building sale reserve funds are excluded from the reserves/net assets calculation due to their designated use.

**Figure 1. ASHP condensed statement of activities (in thousands).**

	<b>Actual Fiscal Year Ended 31-May-17</b>	<b>Projected Fiscal Year Ended 31-May-18</b>	<b>Budget Fiscal Year Ended 31-May-19</b>
<b>CORE OPERATIONS</b>			
Gross revenue	\$48,843	\$50,651	\$52,585
Total expense	(48,774)	(49,544)	(52,732)
Investment income subsidy	150	150	150
<b>Core Net Income</b>	<b>\$219</b>	<b>\$1,257</b>	<b>\$3</b>
<b>PROGRAM DEVELOPMENT AND CAPITAL BUDGET</b>			
Investment income	\$3,437	\$1,377	\$1,555
Program revenue	156	467	330
Program and capital expenses	(1,168)	(1,583)	(1,058)
<b>Program Development and Capital Budget Net Income</b>	<b>\$2,425</b>	<b>\$261</b>	<b>\$827</b>
<b>Programs Funded from Reserves/Net Assets</b>	<b>(\$312)</b>	<b>(\$742)</b>	<b>(\$405)</b>
<b>BUILDING SALE RESERVE FUNDS</b>			
Investment income	\$75	\$810	\$846
Expenses	0	(175)	(25)
<b>Building Sale Reserve Funds Net Income</b>	<b>\$75</b>	<b>\$635</b>	<b>\$821</b>
<b>Increase in Reserves/Net Assets</b>	<b>\$2,407</b>	<b>\$1,411</b>	<b>\$1,246</b>
Pension plan adjustment	43	---	---
<b>Net Increase in Reserves/Net Assets</b>	<b>\$2,450</b>	<b>\$1,411</b>	<b>\$1,246</b>
<b>BUILDING FUND</b>			
Investment income	\$6,336	\$4,209	\$4,493
Building expenses	(3,662)	(4,639)	(4,677)
<b>Building Fund Net Income</b>	<b>\$2,674</b>	<b>(\$430)</b>	<b>(\$184)</b>

## REPORT OF THE TREASURER

**Figure 2. ASHP statement of financial position (in thousands).**

	<b>Actual as of 31-May-17</b>	<b>Actual as of 31-May-16</b>
<b>ASSETS</b>		
Current assets	\$5,596	\$5,449
Fixed assets	\$11,113	\$329
Long-term investments (at market)	\$38,085	\$34,497
Long-term investments (at market) Building Sale Reserve Funds	\$16,100	\$0
Long-term investments (at market) Building Fund	\$86,282	\$102,141
Investment in 7272 Wisconsin Building Corp.	\$199	\$5,642
Other assets	\$169	\$269
<b>Total Assets</b>	<u><u>\$157,544</u></u>	<u><u>\$148,327</u></u>
<b>LIABILITIES</b>		
Current liabilities	\$18,954	\$18,061
Long-term liabilities	\$9,945	\$6,746
<b>Total Liabilities</b>	<u><u>\$28,899</u></u>	<u><u>\$24,807</u></u>
<b>RESERVES/NET ASSETS</b>		
Net assets*	\$128,645	\$123,520
<b>Total Net Assets</b>	<u><u>\$128,645</u></u>	<u><u>\$123,520</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$157,544</u></u>	<u><u>\$148,327</u></u>

\*Includes \$86M net gain from the sale of ASHP's building on May 26, 2016. The investment earnings from these monies are designated to pay lease and other occupancy-related expenses for ASHP's new offices.