

TREASURER'S REPORT  
AS OF DECEMBER 31, 2018

GENERAL COMMENTS

All transactions for the 2018 fiscal year have been recorded, and unless there are adjustments required as a result of the CliftonLarsonAllen year-end audit, for fiscal year 2018 the bottom line will show a net loss of \$33,000.

REVENUE AND EXPENSE

Revenues from all sources are \$5.8 million for the year, about \$132,000 higher than the original budget, and \$120,000 higher than last year. There were significant positive variances which included registrations and booth sales at the spring convention, \$123,000 higher than the budget, OMED registrations \$54,000 higher, and unbudgeted realized gains for the year were \$186,000. In total, the positive revenue variances added up to over \$440,000. On the negative side, membership receipts were \$126,000 below budget, revenues from practice management failed to materialize adding \$60,000 to the deficit, and Intensive Review registrations were \$39,000 below the goal. Negative revenue variances amounted to \$308,000 for the year resulting in the net positive variance noted above.

Total expenses for the year are \$227,000 higher than the \$5.6 million budget. The two major items contributing to the expense variance were \$90,000 in unbudgeted search costs associated with replacing the retiring Executive Director, and a \$45,000 marketing communications audit commissioned to review and recommend improvements to current methods of reaching members. Emergency building repairs and the installation of a new security system added \$26,000 to building expense in 2018. This past year, in order to reduce Board expense, the President's Advisory Council was terminated after the Spring Convention.

The proposed 2019 budget has been reviewed and approved by the Finance Committee and the Board of Governors and will be submitted to the Congress of Delegates. For 2019, revenues are projected to exceed expenses by \$13,875. Total 2019 revenues are estimated to be \$5.7 million, about \$187,000 lower than the 2018 revenue projection. The reduction of the AOA grant for residents will have a major impact on 2019 and future revenues

Total expenses in 2019 are projected to be \$235,000 lower than actual 2018 spending at about \$5.6 million, as the main expense variances in 2018 are not expected to recur.

## INVESTMENTS

At the end of the year, the Sterling Advisors investment account was valued at \$5.0 million. In addition, the operating account had a balance of approximately \$580,000 bringing the total cash and fund balance to \$6.56 million. In 2018 the account returned \$150,000 in dividends and interest, and realized gains were \$186,000. The investment fund lost approximately \$415,000 in market value for the year ended December 31, 2018 reducing the total of unrealized gains to \$456,000. For the year, the fund suffered a combined loss of 1.9 percent, compared to the Dow Jones loss of 3.48 percent. The combined return includes a fixed income of .74 percent which offsets slightly the equity losses. Annualized since inception, the equity fund earned 7.20 percent compared to the Dow at 6.50 percent.

At the end of the year, the fund held a 52% position in equities and the balance in cash and fixed income investments, in line with the fund objectives. With the negative investment performance during 2018, and the lower cash balance at the end of the year, the goal of maintaining at least 125 percent of operating expense will not be realized as the projected coverage should about 95 percent.

## OPERATING FUNDS

As noted on the investment summary, ACOFP continues to maintain adequate reserves. During the year, the investment management firm continues to actively balance the exposure in equities and fixed income holdings in accordance with current market conditions and the economic outlook. This ensures a higher degree of capital preservation, while maintaining the liquidity of the account. At the end of the year the combination of money market funds and operating funds totaled approximately \$846,000.

Respectfully submitted,

Nicole H. Bixler, DO, MBA, FACOFP  
Secretary/Treasurer