

## **Fiscal Oversight Committee (FOC) Report for 2020 Fiscal Year**

The Fiscal Oversight Committee (FOC) met virtually through e-mail correspondence to draft this report on the financial health of the sections for the Council of Sections Governing Board Meeting to be held on March 1 and 2, 2021. Most sections submitted complete budgets in time; BIOM did not submit a budget but rather indicated that they would be using the same budget submitted the previous year. In addition, SSPA submitted a blank budget.

We focused our attention on four main areas: (1) sections in financial trouble, (2) sections with excessively large balances, (3) quality of the budgets submitted, and (4) membership trends. We believe that the issues discussed below should be brought to the attention of the COSGB.

As of 12/31/2020, the median balance across section was \$20,523.94, with a minimum of \$3,782.13 (SGG) and a maximum of \$465,245.94 (BIOP). Overall, revenue tended to exceed expenses during the 2020 fiscal year, with 21 sections seeing an increase in their balance (compared with 15 during the previous fiscal year). Some of this growth might be attributable to the cancelation of a number of activities (including JSM functions) due to COVID-19, but the FOC is still somewhat concerned about the trend. The total profit for the year across all sections was \$79,335.57, but the majority of this (\$73,758.70) is attributable to just one section (BIOP).

### Financial Trouble

It appears that all 29 sections are in a solvent state. Four sections (EPI, GOVT, MDD and SSG) have balances as of 12/31/2020 under \$10,000. The situation of SSG and EPI is particularly worrisome and might require immediate attention. SSG, which had been identified in last year's report as a section of concern, had a balance of only \$3,782.13 as of the close of 2020, and also a very low relative balance (whether defined as the ratio of actual balance as of 12/31/2020 to the budgeted expenses or to the actual expenses during 2020 being below two, or even with in terms actual balance to total membership, please see Table 1). The situation of EPI is similar, with the additional risk factor of a projected loss during the 2021 fiscal year.

Table 1.- Sections that show signs of financial distress

	Actual for 2020				Budgeted 2021			Relative Balance Index		
	Initial Balance	Revenue	Expenses	Final Balance	Revenue	Expenses	Balance Growth	Final 2020 Balance to Actual 2020 Expenses	Final 2020 Balance to Budgeted 2021 Expenses	Final 2020 Balance to Jan 2021 Membership
EPI	\$6,892.08	\$6,354.40	\$5,035.49	\$8,210.99	\$9,000.00	\$14,700.00	-\$5,700.00	1.63	0.56	\$5.83
GOVT	\$6,699.55	\$3,083.34	\$1,716.07	\$8,066.82	\$2,740.00	\$8,050.00	-\$5,310.00	4.70	1.00	\$11.97
MDD	\$6,961.92	\$1,989.63	\$1,100.00	\$7,851.55	\$4,883.14	\$4,811.51	\$71.63	7.14	1.63	\$19.53
SSG	\$3,340.04	\$2,442.09	\$2,000.00	\$3,782.13	\$2,090.00	\$2,000.00	\$90.00	1.89	1.89	\$7.25
BE	\$9,832.55	\$4,636.72	\$3,052.15	\$11,417.12	\$5,245.00	\$9,020.00	-\$3,775.00	3.74	1.27	\$17.30
COMP	\$13,714.85	\$5,670.70	\$4,500.00	\$14,885.55	\$14,678.96	\$17,954.29	-\$3,275.33	3.31	0.83	\$8.13

In addition to these four sections, we believe that BE and COMP should also be monitored closely. Both of these sections have balances under \$15,000, very low balances relative to their

budgeted 2021 expenses, and are projecting a loss of over \$3,000 during 2021 (please see Table 1). The situation of COMP is particularly delicate because of the sharp drop of membership since 2019 (please see below).

### Large Balances

Four sections (BIOP, HPSS, SLDM, SSPA) were identified as having large absolute balances (defined as being above \$55,517.73, which is a robust estimate of the 95% quantile of the distribution, assuming balances follow a normal distribution). Two of them (BIOP, SLDM) had balances over \$73,014.63, a robust estimate of the 99% quantile of the distribution (see Table 2). BIOP and SLDM are in a particularly difficult position, as they also have very high relative balances (defined as ratios of balances as of 12/31/2020 to expenses greater than six). These ratios are especially high when computed with respect to actual 2020 expenses. In addition, BIOP had a balance per member of \$216, over 7 times the median for all sections. All four sections have been an ongoing concern in this respect over the last few years

In addition to BIOP, HPSS, SLDM, SSPA, three more sections are of concern: Q&P, SI, and SDNS. Q&P and SI are concerns because of their high balance relative to both actual and planned expenses, a very high balance per member (\$81.35 and \$82.87) and the fact that the section projects its balance to remain stable in 2021. On the other hand, SDNS shows a very high balance per member (\$86.37). SDNS does not show high balance to expense ratios, but this is an artifact of how the section accounts for their expenses. SDNS regularly organizes a conference (DATAWorks) and runs all of its revenues and expenses through the section account rather than through a separate conference account, as is the case for BIOP, Q&P, QPRC and SRMS. The COSGB might want to recommend to SDNS that the section and conference accounts be split in future in order to facilitate oversight.

We should note that the situation for BIOP and Q&P is further complicated by the fact that the conferences sponsored by these Sections (which are treated as separate accounts in ASA's financial systems) have very large positive balances as of 12/31/2020 (\$86,539.67 for NCB-BIOP and \$135,072.83 for QPRC). There does not seem to be a plan in place for these accounts to be drawn down, and previous FOC reports seem to have ignored these balances.

Past FOCs have encouraged sections with an excessively healthy balance to spend it down by disbursing money back to section members in the form of **reduced section dues, reduced ASA dues, student travel awards, member awards and/or reduced conference fees**. Other ideas include a well-funded section co-sponsoring an initiative of mutual interest with a less well-funded section. During the latter part of 2016, the COSGB prepared a list of possible ways for sections to spend on members, based on input from the sections' leadership; this list has been incorporated into the Guidance for Section Treasurers. Whichever ideas are used, the committee suggests again that sections be reminded that section money should be spent on activities that are of interest to their members. Having a large balance should be seen as an opportunity to provide more member benefits. In addition, we feel that sections with large balances should be reminded that they might have a more difficult time receiving money from the Strategic Initiative and perhaps should use some of their section money on an "in house" Strategic Initiative.

We should note that BIOP, HPSS, SLDM and SSPA do appear to be trying to address their large balances, as all four sections project a loss in their 2021 budgets. This is particularly true for

BIOP, which is planning for a loss of \$57,000. However, in previous years, projected losses have turned into realized profits at the end of the year. In particular, BIOP projected a loss of \$46,929.00 for 2020, but ended up with a revenue of \$73,758.70 (a difference of \$120,687.70!), SLDM projected a loss of \$17,000.00 that became a small profit of \$467.33, and SSPA projected a loss of \$3,825.00 but ended up the year with a profit of \$2,890.29. Only HPSS was successful at reducing their large balance during fiscal year 2020.

Table 2.- Sections with excessive balances

	Actual for 2020				Budgeted 2021			Relative Balance Index		
	Initial Balance	Revenue	Expenses	Final Balance	Revenue	Expenses	Balance Growth	Final 2020 Balance to Actual 2020 Expenses	Final 2020 Balance to Budgeted Expenses for 2021	Final 2020 Balance to Jan 2021 Membership
BIOP	\$391,487.24	\$106,847.54	\$33,088.84	\$465,245.94	\$37,200.00	\$94,200.00	\$57,000.00	14.06	4.94	\$216.19
HPSS	\$57,626.21	\$7,078.05	\$9,045.70	\$55,658.56	\$3,600.00	\$6,944.85	-\$3,344.85	6.15	8.01	\$68.55
SLDM	\$111,650.67	\$14,596.09	\$14,128.76	\$112,118.00	\$11,200.00	\$17,600.00	-\$6,400.00	7.94	6.37	\$52.61
SSPA	\$53,585.87	\$2,944.73	\$54.44	\$56,476.16	\$1,518.04	\$46.75	\$1,471.29	1,037.40	1,208.05	\$50.02
Q&P	\$35,865.53	\$3,138.08	\$280.81	\$38,722.80	\$5,100.00	\$4,800.00	\$300.00	137.90	8.07	\$81.35
LIDS	\$42,277.01	\$1,713.53	\$4,800	\$39,190.54	\$3,750	\$12,900	-\$9,150	8.16	3.04	\$82.86
SDNS	\$36,582.78	\$1,058.63	\$12,594.46	\$25,046.95	\$86,200.00	\$86,925.00	-\$725.00	1.99	0.29	\$86.37
SI	\$26,858.99	\$1,696.63	\$3,000.00	\$25,555.62	\$6,050.00	\$5,000.00	\$1,050.00	8.52	5.11	\$82.97

### Budget accuracy

Realized financials during 2020 diverged substantially from the original budgets submitted during 2019. Of the 29 sections, 16 underestimated their revenue for 2020 by more than 30% and one overestimated by more than 30%. On the other hand, 26 sections overestimated their expenses and one underestimated them by more than 30%. Taken together, this resulted in 22 sections underestimating their balance growth for 2020 by more than 30% (and 19 by more than 100%), and 7 overestimating their balance growth by 30% (and 6 by more than 100%).

As we mentioned before, the committee was not surprised that sections overestimated their expenses in 2020. With JSM becoming a virtual conference, planned expenses related to functions during the conference were not incurred. That might be the situation again this year if JSM goes virtual again. The underestimates in revenue are somewhat harder to understand, and we recommend that the relevant sections be informed.

### Membership

Overall section membership, which had remained more or less stable between January 2014 and January 2020 (average 29,848, with a minimum of 28,336 in 2016), fell somewhat as of January 2021 to 26,851. These numbers include joint memberships.

These aggregate numbers hide substantial variability across sections (please see Figure 1). While most sections have had more or less stable membership numbers over the past 7 years, BIOM, COMP, CNLS, SOC and SRMS show a decrease in the number of members. In particular, the membership of COMP fell from 2459 to 1831 between 2018 and 2021 (a ~25%

drop), while the memberships of BIOM, SOC, CNLS and SRMS have fallen by 26%, 46%, 27% and 24% between 2014 and 2021, respectively. On the other hand, HPSS has seen a steady increase in its membership totaling 14% since 2014.

Newer sections seem to be doing well in terms of membership numbers. LIDS, which is the newest, saw a ~5% increase to 473 members. MDD and SGG, both created in 2014, have had stable membership numbers of around 440 and 550, respectively, for the last few years.

Abel Rodríguez (Chair)  
Robert Oster, FOC Rep (2019-2021)  
Amanda Hering, FOC Rep (2020-2022)

