



While preparing this third and final annual report to the APA membership, I was struck by how deeply satisfying it feels to convey the following positive financial information for 2010—especially given the state of the economy during my first year as treasurer. When I was nominated and elected in 2007 for a 3-year term that began in 2008, my primary goal was to facilitate the planned transition that would occur when our long-standing chief financial officer (CFO), Jack McKay, retired. I had no expectation that during my first year in office, the country, if not the world, would be on the brink of the worst financial crisis since 1929.

In the face of the economic consequences of the ensuing recession, I developed a deep admiration and respect for our new CFO, Archie Turner. With the support of APA's membership and the efforts of the talented members of the APA Finance Office, the Finance and Investment committees, and many others within management and governance too numerous to mention, our association survived 2008 and thrived thereafter—to the benefit of all members of APA.

It has been both a challenge and an honor to have provided financial guidance during this time of economic turbulence. In my first year or two in office, I learned volumes about persistence and resilience. At a very personal level, I came out of those first 2 years with increased confidence in my ability to deal with stress. I also appreciated the importance of collaboration and the value of genuine expressions of compassion and support from colleagues, many of whom were directly in the path of painful budget cuts.

As the books close on 2010, it is with great pleasure that I report the following positive financial news to you about APA's financial status and offer a glimpse of our future.

Balance Sheet

APA's overall balance sheet continued to improve this year (see Table 1), marking an increase of 57% in net assets over 2009. The most significant components contributing to the \$14 million increase in net assets (see Table 2) are APA's operations and APA's nonoperating activity (long-term investments and real estate holdings). The largest component contributing to the growth in net assets is the nonoperating gains produced by APA's long-term investment portfolio. The APA portfolio continued to rebound, recording an annualized return of 17.2% for 2010—bringing the total value to \$67.6 million as of December 2010 (for investment allocation, see the Long-Term Portfolio chart and table on page S46). During 2010, the members of the Finance Committee and the Investment Subcommittee devoted substantial efforts to restructuring the asset allocation to further diversify the portfolio in terms of investment in non-core fixed income and commodities/real estate assets. The asset allocation changes to the long-term investment policy statement were approved by the Board of Directors and the Council of Representatives.

Real estate activity is the second largest nonoperating component contributing to the increase in net assets. The gains from the operation of our two buildings and the unrealized loss from our interest rate swaps associated with building loans resulted in a net gain of \$4 million (see Table 3).

I am pleased to report that in the aftermath of the 2008 downturn in the world economy and the associated decline in the stock market, we have almost restored our net assets to the December 2007 high. This restoration of net assets and the continued effective management of our resources will allow

TABLE 1 Balance Sheet (Consolidated)

	2008	2009	2010
ASSETS			
Cash and short-term investments	\$42,345	\$48,195	\$56,136
APA long-term investment portfolio	39,756	55,635	67,586
Real estate/equipment	82,679	79,778	74,229
Other	35,913	38,373	37,392
Total Assets	\$200,693	\$221,981	\$235,343
LIABILITIES			
Divisions/other groups	\$9,552	\$8,907	\$7,941
Long-term debt/swap liability	131,828	119,784	119,939
Accounts payable/accrued expenses/other	19,146	18,209	17,554
Deferred revenues	48,506	49,772	50,153
Total Liabilities	\$209,032	\$196,672	\$195,587
Net Assets (Deficit)	(8,339)	25,309	39,756
Total Liabilities and Net Assets	\$200,693	\$221,981	\$235,343

(All figures shown in thousands.)

TABLE 2 Net Assets Summary (Consolidated)

	2008	2009	2010
NET ASSETS (DEFICIT) BEGINNING BALANCE (CONSOLIDATED)			
APA operations (see also Table 3)	(8,155)	2,981	1,833
APA nonoperating activity (see also Table 3)	(45,989)	31,225	12,413
APAPO operations	94	270	201
APAPO nonoperating activity	–	(828)	–
Total Change in Net Assets (Deficit)	\$(54,050)	\$33,648	\$14,447
Net Assets (Deficit) Ending Balance (Consolidated)	\$(8,339)	\$25,309	\$39,756
COMPOSITION OF ENDING UNRESTRICTED NET ASSETS (DEFICIT)			
APA unrestricted/undesignated activities	\$(22,012)	\$13,222	\$25,634
Designated activities:			
Publications and Databases R&D	2,489	2,238	667
Accreditation	1,647	1,469	1,407
Convention	441	776	1,034
Web relaunch	6,494	5,023	2,631
2010 fall consolidated meetings	–	535	–
Investment in APA plan	–	–	6,136
APAPO	2,602	2,046	2,247
Ending Unrestricted Net Assets (Deficit)	\$(8,339)	\$25,309	\$39,756

(All figures shown in thousands. APAPO = APA Practice Organization; R&D = research and development.)

APA to fund those initiatives deemed to be of high priority and consistent with APA's strategic plan.

Operating Activity

Fiscal year 2010 was another strong year in terms of financial performance, resulting in a positive operating margin (gain from operations) of \$1.8 million (see Table 3). This was achieved through a combination of stable revenues and a continued commitment to strict discipline on spending.

Although revenues from member dues and print journals continue to decline, overall revenue stability at \$108.7 million was provided by sales of the sixth edition of the *APA Publication Manual* and electronic licensing revenue.

Salaries and benefits represent 57% of total expenses and were maintained at or below levels of the previous 2 years. Overall, expenses increased less than 1% in 2010 to \$106.9 million.

Strong financial results allowed the Board of Directors and Council of Representatives to approve an "investment in APA" plan designed to strengthen electronic publishing operations, which are our most significant source of revenue today and in the future. This plan calls for additional investment in three main areas: new products, marketing enablement, and platform capacity and infrastructure.

- **New products** include, but are not limited to, PsycTHERAPY, a new database of therapy demonstration streaming videos and synchronized transcripts, which will be integrated into PsycNET; a new PsycTESTS product that will be integrated into PsycNET; and new PsycNET applications for mobile devices.
- **Marketing enablement** includes, but is not limited to, expanding the publication sales force and developing new sales and marketing analytics as well as a database on institutional prospects.
- **Platform capacity and infrastructure** include developing the PsycNET platform for higher capacity and improving the current PsycNET search engine as well as others. Planning for the future of PsycNET is key to APA's long-term success.

This plan calls for the investment of \$13.5 million over the period 2011–2015 and projects a return on investment in excess of 30%.

Real Estate and Building Operations

Demand for office space in the Washington, DC, market hit an all-time high of 4.3 million square feet in 2010. In APA's

neighborhood, the North of Massachusetts (NoMa) District, over 1.3 million square feet were leased in 2010, primarily stemming from government expansion, and Class A vacancy rates fell from 13.1% to 9.5%. The NoMa District continues to thrive, with mixed-used development that includes 1,500 new residential units delivered and a 50,000-square-foot Harris Teeter store that opened in 2010.

APA's buildings were fully leased in 2010. At the 10 G Street building, two tenant leases were terminated, totaling approximately 8,500 square feet, to provide for the expansion of two anchor tenants in the building. Tenants consistently report satisfaction with building management practices. Low tenant turnover and long-term lease structures contribute to a stable source of cash to fund APA operations in the amount of \$3.5 million annually and to increased cash and investments on a consolidated basis.

Also in 2010, APA opened its new conference center and library in the headquarters building. These new centers provide modern conference/library facilities for staff use and a multipurpose room that houses the programs of APA's Staff Initiatives Office.

Summary

During 2010, APA operated prudently within the budget adopted by the Council of Representatives and ended the year with a positive operating margin. The association also enjoyed a healthy increase in the book value of its net assets thanks to the hard work of the Investment Subcommittee and many others. Moreover, APA's management and governance have

an eye on the association's future and are developing programs and products that will allow APA to advance our mission.

As William James, APA's 3rd and 13th president (1894 and 1904, respectively) is widely quoted as saying, "Act as

if what you do makes a difference. It does." Serving as your treasurer during the past 3 years has reified James's words in my life. I was honored to have been elected treasurer and was uniquely privileged to have served APA's diverse membership during such challenging economic times. Psychology—as a science and as a profession—has much to offer society as it grapples with its current and future challenges. APA's healthy financial status provides a solid foundation upon which we can collectively address society's challenges.

If you have any questions regarding the finances of APA, you may submit your inquiry to aturner@apa.org. ■

Table 3 Revenues and Expenses**APA OPERATIONS (UNCONSOLIDATED)**

	2008	2009	2010
REVENUES			
Dues and fees	\$14,531	\$14,547	\$13,631
Journal subscriptions/licensing/sales	73,000	83,106	81,602
Other	15,517	11,158	13,484
Total Revenues	\$103,048	\$108,811	\$108,717
EXPENSES			
Salaries and benefits	\$52,322	\$51,725	\$51,130
Publication production costs	9,960	10,775	9,447
Space costs	8,801	8,940	8,975
Boards/committees	2,786	2,097	2,717
Special projects	8,746	7,484	7,927
Consulting/contractual	11,898	9,959	11,389
Other	16,690	14,850	15,299
Total Expenses	\$111,203	\$105,830	\$106,884
Net (Loss)/Gain From APA Operations	\$(8,155)	\$2,981	\$1,833

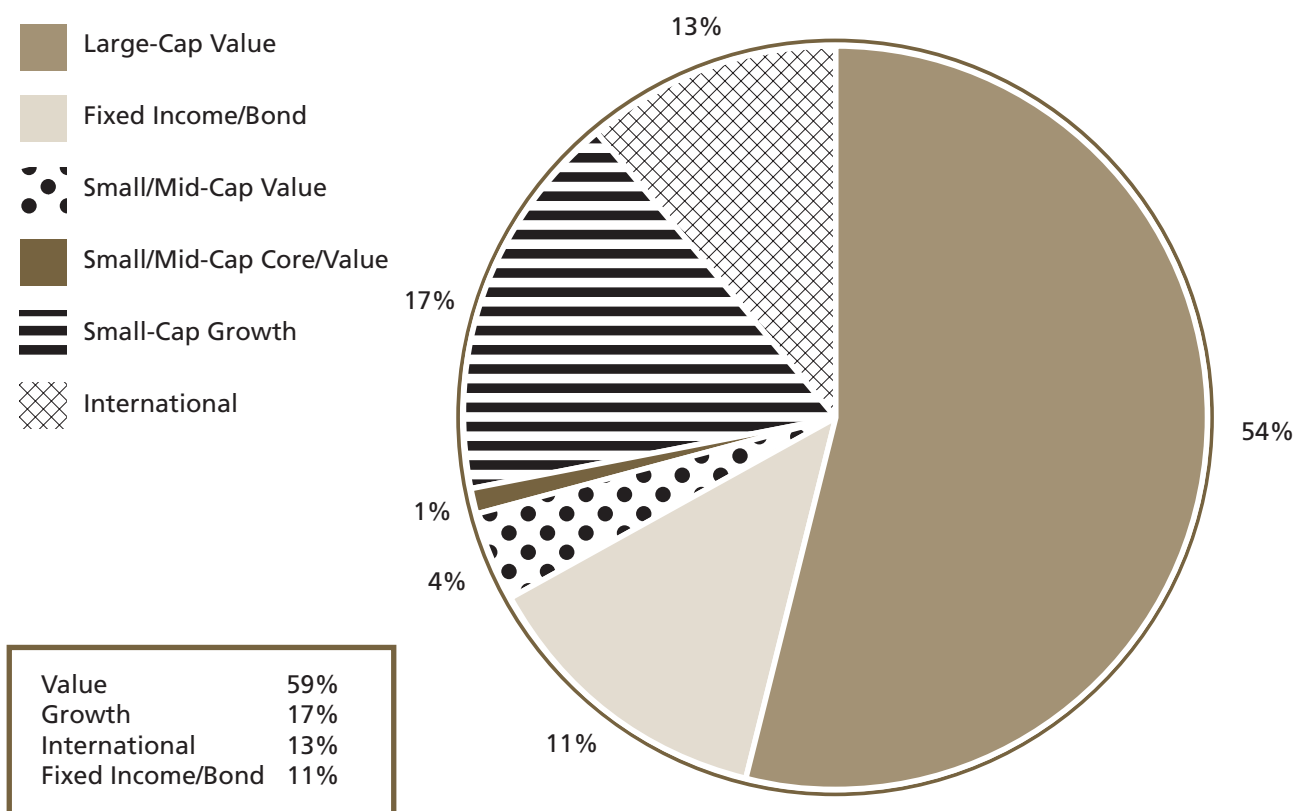
NONOPERATING ACTIVITY (CONSOLIDATED)

	2008	2009	2010
LONG-TERM INVESTMENT ACTIVITY			
Realized (loss)/gain on sale of long-term investments	\$(3,387)	\$5,582	\$3,568
Investment management fees	(464)	(372)	(438)
Unrealized (loss)/gain - (Net)	(28,046)	10,899	6,231
Net Long-Term Investment Activity	\$(31,897)	\$16,109	\$9,361
REAL ESTATE ACTIVITY			
Ten G Street operations	\$2,166	\$1,941	\$2,589
750 First Street operations	5,823	6,002	6,361
Unrealized (loss)/gain on interest rate swap (LLC)	(10,036)	5,826	(1,940)
Unrealized (loss)/gain on interest rate swap (APA)	(5,738)	3,329	(1,249)
Series B interest	(512)	–	–
Interest on 750 First Street term loan (Bank of America)	(1,056)	(1,364)	(1,317)
Deferred rent	(545)	(401)	(253)
Prepayment penalty and financing costs	(3,604)	–	–
Net Real Estate Activity	\$(13,502)	\$15,333	\$4,191
OTHER APAPO NONOPERATING ACTIVITY			
Loss on Impairment - Center for Professional Development ^a	\$–	\$(828)	\$–
OTHER NONOPERATING ACTIVITY			
Deferred income tax fluctuation	\$(342)	\$–	\$–
Income tax expense/provision	(248)	(217)	(1,139)
Net Other Nonoperating Activity	(590)	(217)	(1,139)
Total Nonoperating Activity	\$(45,989)	\$30,397	\$12,413
Total Nonoperating Activity (APA only)	\$(45,989)	\$31,225	\$12,413

(All figures shown in thousands. APAPO = APA Practice Organization.)

^a APAPO determined that the continuing education marketplace had changed dramatically; the “first-to-market” advantage had been lost, and the required technology necessary to deliver the library of courses would not be available until 2010. Thus, the Board closed the Center for Professional Development and recorded the noted loss on impairment.

2010 Long-Term APA Portfolio Composition



Performance Returns/Market Value

2010 Long-Term APA Portfolio	2010 YTD Returns ^a	% of 67.6m	Market Value ^b
Southeastern Asset Management	18.5%	48.8%	\$33.0
Osterweis Fund	–	5.2%	3.5
Advisory Research Investors	22.4%	3.6%	2.4
Lapides L.P	21.1%	1.6%	1.1
Westfield Capital Management	31.3%	16.6%	11.2
Eaton Vance Emerging Market Fund	–	4.0%	2.7
Mondrian Emerging Market Fund	–	4.0%	2.7
Longleaf International Fund	13.7%	5.3%	3.6
PIMCO Low Duration Bond Fund	2.8%	10.9%	7.4
Overall Return	17.2%	100%	\$67.6
Return Since Inception	11.5%		

^a Returns are net fees. ^b In millions.

APA'S PUBLIC CREDIT RATING

In December 2010, Standard and Poor's (S&P) affirmed APA's BBB+ rating with a stable outlook (upgraded from BBB in September 2006). S&P cited the following positive attributes of APA's operations:

- A long positive operating history
- Diverse revenue streams, with revenue flexibility supported by APA's ability to increase dues and subscription prices while reducing operating expenses
- APA's adequate financial resources: cash and investments equal to 93% of debt and 84% of expenses

The stable outlook reflects S&P's anticipation that APA will generate operating surpluses and manage debt structure.

2010 FINANCE COMMITTEE MEMBERS

Paul L. Craig, PhD, Chair

Nina K. Thomas, PhD, Vice Chair

Guillermo Bernal, PhD

Ronald E. Fox, PhD

Jessica Henderson Daniel, PhD

Bonnie Markham, PhD, PsyD

Danny Wedding, PhD

OUTSIDE EXPERT MEMBERS

Investment Subcommittee

Stephen C. Howell

Frederick R. Kobrick

John J. McCormack

Peter M. Ramsey

Audit Subcommittee

Stephen C. Howell

Joan E. Lynch

Steven F. Stanton