

Acoustical Society Finances

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After serving since 2001 as treasurer of the Acoustical Society of America (ASA) and reporting semiannually to the Executive Council, I am pleased to be able to report directly to the general membership and the interested public on the financial activities of the Society. Although in the last few years our operating activities have shown a deficit, it is a pleasure to report that the Society is in excellent financial health, with sufficient resources available to deliver maximum value to the membership now and in the foreseeable future.

This article was written before the issuance of the independent auditor's report for the year 2016 and therefore reflects our current best estimates of the financial activities of the ASA for 2016. The auditor's report was issued in June of this year and will be published in a condensed version in *The Journal of the Acoustical Society (JASA)* in the fall.¹

Although operating deficits are not ideal, the ASA is fortunate in that operating deficits can be overcome or eliminated by drawing a reasonably small amount (maximum of 4%) of our total assets that are currently more than \$18 million, as seen in **Figure 1**. The total assets in-

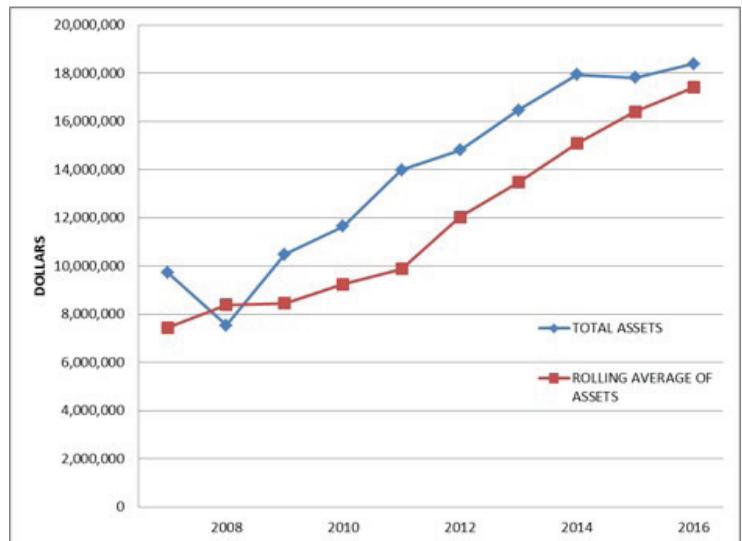


Figure 1. Total assets of the Acoustical Society of America (ASA).

clude long-term investments managed by our two investment management firms, Lowell-Blake Associates and Fragasso Financial Advisors, and short-term investments held within our working capital account at Charles Schwab & Co. The overall assets of the ASA in 2016 grew by almost \$600,000, and reserves in the last decade grew at a compounded annual growth rate (CAGR) of 6.6%. The growth in our assets can be attributed to investment gains as well as contributions and bequests from ASA members.

Currently, a portion of these assets (about \$7.5 million) are restricted and held in the Acoustical Society Foundation Fund² and therefore cannot be used to fund operating activities other than those directly associated with the Fund activities. That leaves about \$11 million to support whatever operating deficits have arisen in 2016.

¹ The full report will be available at the ASA Office, 1305 Walt Whitman Rd., Suite 300, Melville, NY 11747

Also shown in **Figure 1** (red curve) is a rolling average of the reserves of the previous three years. Because the reserves grew at a CAGR of 6.6%, it is quite reasonable each year to add to our operating budget a 4% transfer reserve subsidy (as approved by the Executive Council) in the budgeting process of the ASA. By doing this, the ASA is better able to keep membership dues and meeting registration fees under control.

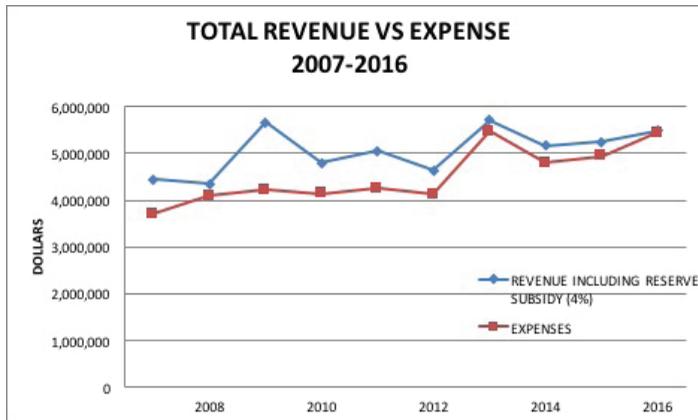


Figure 2. Revenue versus expense of the ASA.

Figure 2 shows the total revenue (operating revenue plus a 4% reserve subsidy) versus expense for the years 2007 to 2016. Aside from the years 2008 and 2013 to 2016, the ASA has achieved a reasonable surplus regarding total revenue versus expense. But going forward, it is apparent that without increasing revenues and by continuing to subsidize programs, using the reserves of the ASA to offset meetings, standards, and outreach expenses will ultimately lead to a deterioration of the financial position of the ASA.

The ASA derives its operating revenues from (1) membership dues, (2) JASA publication (including journal subscriptions and publication charges from authors and members), (3) meeting registration fees, (4) standards (including sales of standards and organizational member dues), (5) sales of books and publication royalties, and (6) assets released from restrictions. (Note that none of the contributions to the Acoustical Society Foundation Fund go to operating revenues.) A 10-year history of operating revenues is shown in **Figure 3**. The major revenue source of the ASA is JASA publication (about \$2.5 million per year, most of which is derived from library subscriptions) that has been relatively flat over the 10-year period. The nonmember subscription

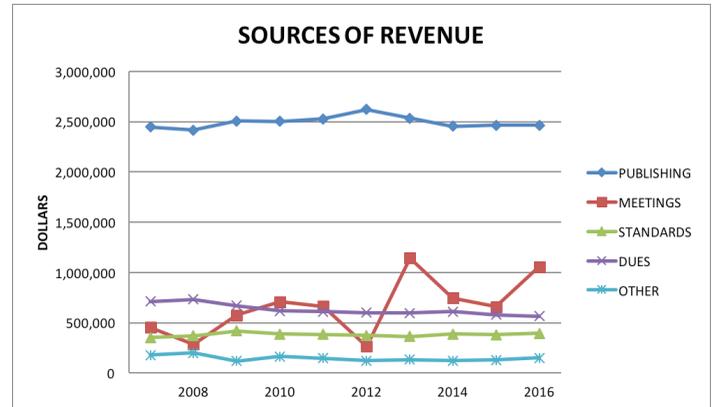


Figure 3. Revenue sources.

numbers have been decreasing 3-5% per year, but we typically increase subscription rates by about 5% per year, an obviously untenable solution.

Figure 4 shows total expenses for the same 10-year history. These include (1) JASA publication charges, (2) standards development and publication, (3) meeting organizing charges, (4) finance and administrative costs associated with ASA operations, (5) “other” that includes outreach and special project programs, *Acoustics Today*, and books. Note that the meeting’s revenue and expenses dramatically changed in 2008, 2012, and 2013. In 2008 and 2012, the meetings were held in Paris and Hong Kong, respectively, and for both these meetings, the finances were not handled by the ASA. In 2013, the spring meeting was held in Montreal and there was a very large attendance (over 2,000 attendees), resulting in unusually large revenues and expenses.

Using 2015 as an example (the last available audited results), the ASA total operating revenue was \$4,324,764 and net expenses were \$4,945,356, resulting in an operating deficit of \$620,592. As mentioned earlier, the unrestricted reserves as of December 2015 were about \$13.5 million, and a 4% draw on the unrestricted reserves is reasonable without adversely affecting the principal. In this case, the draw amounted to \$540,000, which was close to covering the 2015 operating deficit.

Looking at **Figures 3** and **4**, we see that for 2015, JASA publication was the principal source of revenue, \$2,465,311 or about 57% of operating revenue, and the largest expense was \$1,240,173 or about 25% of operating expenses, resulting in a surplus of \$1,225,138. This JASA surplus helped subsidize the net losses in the other cost centers. Such surpluses have existed for many years, but as we look to the future, there is concern that this may not continue in the years to come as publication models change.

A review of program revenues over the last decade shows that income has been relatively flat (**Figure 3**). Therefore,

² See the Sound Perspectives article in this issue by Carl Rosenberg regarding the Foundation Fund.

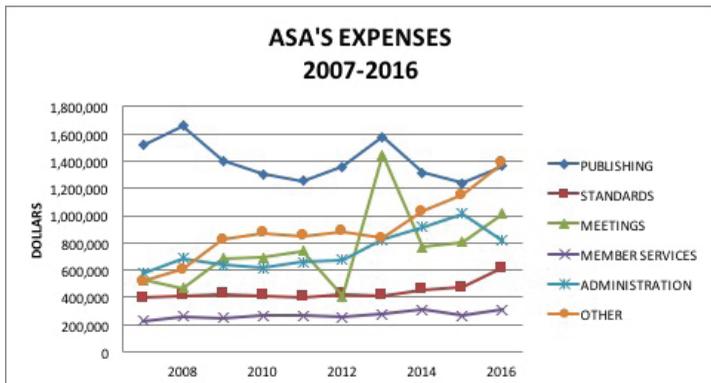


Figure 4. ASA expenses.

the steadily increasing costs of the Society’s activities are being subsidized by the transfers from the unrestricted assets. To overcome this deficiency, a number of strategies should be considered. These can include the raising of rates such as journal prices, meeting registration fees, and member dues. Although the latter strategies can help the finances of existing programs and services, it is also possible that there are limits on how much these rates can be raised without losing subscribers or even members. Instead, it will be far more important (though a large challenge) to develop new revenue-producing programs and services, and this is the ultimate goal of the strategic planning process that began in 2014, resulting in the *Strategic Leadership for the Future Plan* (Holland and Fox, 2016). Goal 4 of this plan, Financial Stew-

ardship, states that the “ASA engages in wise, strategic stewardship to ensure sufficient resources to deliver maximum value both now and in the future.” To this end, the Executive Council approved the formation of a finance committee to work in partnership with the treasurer to provide financial oversight for the ASA, including budgeting, financial planning, and financial reporting.

Biosketch



David Feit, a member of the Acoustical Society of America since 1967, became treasurer in 2001. After graduation from Columbia University with a ScD in engineering, he joined Cambridge Acoustical Associates where he coauthored with Miguel Junger *Sound Structures and Their Interaction*. In 1973, he joined the David Taylor Model Basin and conducted research in vibrations and structural acoustics. Dr. Feit received the Per Brüel Gold Medal from the American Society of Mechanical Engineers and the Trent-Crede Medal from the Acoustical Society of America.

References

Holland, C. K., and Fox, S. E. (2016). From the President and Executive Director. *Acoustics Today* 12(1), 7 and 10.

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