American Nurses Association
2014 Membership Assembly
Treasurer’s Report

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A. Introduction

This document contains highlights of ANA's financial results since the 2013 Membership Assembly. It also contains information regarding the 2014 budget and key metrics related to the ANA Statement of Financial Position (Balance Sheet).

B. ANA Enterprise

The term “ANA Enterprise” refers to ANA as the parent organization and three subsidiaries plus ANA-PAC. The American Nurses Credentialing Center (ANCC) and American Nurses Foundation (ANF) reside at the ANA headquarters’ building in Silver Spring, MD. The American Academy of Nursing (AAN) rents office space in Washington, DC.

American Nurses Foundation (ANF)

In 2010, the ANA Board of Directors created a taskforce to assess the mission, vision and structure of ANF and to make recommendations to the ANF Board of Trustees and
ANA Board of Directors on proposed changes to strengthen the operations and fiscal sustainability of ANF for the future. The work of the task force was completed in early 2011 and the recommendation to re-launch ANF with a new mission, Board of Trustees and Executive Director was approved by the ANA Board of Directors.

ANF is a 501(c) 3 organization whose mission, in support of the ANA, is to transform the nation's health through the power of nursing. In 2013, ANF funded several grants to ANA to support the Staffing Conference and Leadership Institute. The ANF audit for 2013 is complete and ANF received a unqualified “clean” opinion.

American Academy of Nursing (AAN)

AAN, established in 1973 under the aegis of ANA, became a 501(c) 3 corporation in 1999 with ANA as the sole corporate member. The Academy serves the public and the nursing profession by advancing health policy and practice through the generation, synthesis and dissemination of nursing knowledge. AAN has managed its own operations since 2007 and is not assessed an administrative fee by ANA. As of the date of this report, the AAN audit for 2013 was not complete.

American Nurses Credentialing Center (ANCC)

ANCC is a 501(c) 6 corporation with a mission to promote excellence in nursing and health care globally. Per a joint Memorandum of Understanding (MOU), ANCC pays ANA an Administrative Fee for the support services it receives from ANA. These services include financial management and accounting; office technology; facilities management; human resources; online services; legal support; and several others. In addition to the administrative fee, ANCC pays ANA a distribution, which is typical for a subsidiary and reflects the value to ANCC of ANA's standards and brand. The ANCC audit for 2013 is complete and ANCC received an unqualified “clean” opinion.

The American Nurses Association Political Action Committee (ANA-PAC)

The ANA-PAC was established to promote the improvement of the health care system in the United States by raising funds from the members of Constituent and State Nurse Member Associations (C/SNA) and the Individual Member Division (IMD) and contributing funds to support candidates for federal office who have demonstrated their belief in the legislative and regulatory agenda of the American Nurses Association. ANA-PAC is bipartisan and works with both national parties to recruit and support candidates. ANA-PAC received contributions totaling $259 thousand in 2013.
C. Overview of Financial Results: 2009 through 2014 (budget)

<table>
<thead>
<tr>
<th>Overview of Financial Results</th>
<th>2009 – 2014</th>
<th>$ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per Audited Financial Statements</td>
<td>Budget</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td><strong>Operating</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$33.3</td>
<td>$36.6</td>
</tr>
<tr>
<td>Expense</td>
<td>33.4</td>
<td>35.5</td>
</tr>
<tr>
<td><strong>Operating Surplus (Deficit)</strong></td>
<td>($ .1)</td>
<td>$ 1.1</td>
</tr>
<tr>
<td><strong>Non-Operating</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment Gains (Losses)</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Transfer from Center for American Nurses</td>
<td>-</td>
<td>.4</td>
</tr>
<tr>
<td><strong>Non-Operating Surplus (Deficit)</strong></td>
<td>$ 1.1</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>$ 1.0</td>
<td>$ 2.5</td>
</tr>
<tr>
<td><strong>Reserve Ratio</strong></td>
<td>31.3%</td>
<td>32.6%</td>
</tr>
</tbody>
</table>

This chart reflects the total audited results for ANA (Parent Organization Only) and includes the General Fund (Operations), Grant Activities, and the Facilities Fund (which includes ANA’s 7% interest in the ANA Headquarters building). This chart does not include the unfunded pension liability, which is an ANA Enterprise (ANA, ANCC and ANF) liability. This liability is captured on the ANA consolidated financial statements, which comprises the financial results for ANA (Parent Organization), its three subsidiary entities (American Nurses Credentialing Center, American Nurses Foundation, American Academy of Nursing), ANA Political Action Committee and the ANA Retirement Plan. Note: ANA froze the Retirement Plan effective April 1, 2012.

On May 28, 2014, the ANA Audit Committee reviewed and approved the 2013 Audit Report for ANA. The annual audit was performed by CliftonLarsonAllen, a national audit/accounting firm.
D. Financial Results: 2013 (audited)

In 2013, the Association had an operating deficit of $1.2 million. $.3 million of this deficit was generated by the General Operations of the Association. $.3 million of the operating deficit was associated with planned spending out of the Board Designated Investment Fund, $.4 million was related to deferred rent in the Facilities Fund and $.2 million was a result of spending on grant activities out of the Grants Fund.

General Fund - Operating Revenues:

- **Membership Dues:** Member dues revenue for the year of $12.6 million represented an increase of $.7 million due to growth in membership.

- **Product and Services:** 1,970 hospitals participated in the NDNQI program as of December 31, 2013. This program generated an additional $1.2 million in products and services revenue over 2012 due to growth and a price increase effective on January 1, 2013.

- **Administrative Fees and Rent:** The Administrative Fees and Rent charged to ANF and ANCC increased by $1.5 million over 2012 due to the level of support and space utilized by these subsidiaries for ongoing operations as well as an increase in technology support as ANA moved its IT infrastructure to the cloud.

- **ANCC Revenue Disbursement to ANA:** The amount of revenue disbursement from ANCC to ANA increased by $.9 million over the 2012 level also in support of technology needs.

Operating Expenses:

- **Professional Fees:** In 2013, professional fees increased by $1.1 million over the 2012 expense level due to programmatic growth and legal fees for corporate matters.

- **Travel and Meeting Expenses:** Increases in travel and meeting expenses for 2013 were associated with the inaugural Staffing Conference held in November 2013.

- **Strategic Development Funds:** $1.8 million in Strategic Development Funds were provided to C/SNAs in 2013 to support the C/SNAs and Multistate Divisions.
The 2014 operating budget was presented to the C/SNAs in November 2013 via several Pres/ED calls facilitated by ANA’s President Karen Daley. This budget was approved by the ANA Board of Directors in December 2013. In 2014, the budget target is for a breakeven bottom line for general operations. Listed below are the major changes between the 2013 actual results and the 2014 budget.

Revenue

**Membership Dues:** Membership dues revenue in 2014 is $1.9 million higher than 2013 due to projected growth in membership due to campaigns and membership pilot programs as well as an increase in the membership dues rate, effective January 1, 2014.

**Product & Services:** Projected increase of $1.5 million over 2013 revenue for growth and a price increase related to the NDNQI program.

**Conference Fees:** Budgeted to increase by $.2 million due to expected growth in attendance at the 2014 Quality Conference and the 2014 Staffing Conference.

Expenses

**Personnel Costs:** Increase of $1.2 million to support ongoing work in support of the strategic plan as well as the infrastructure needs of all entities within the ANA Enterprise.

**Strategic Development Funds:** $1.8 million in Strategic Development Funds were budgeted for 2014, the same level as 2013. Of this amount, $1 million is sent directly to the states while the remainder is used to support advocacy, state membership support, communications and customer service and Multistate Division support.

**Membership and Marketing Costs:** Higher membership and marketing costs include the support of membership initiatives (such as the Member Get A Member and New Graduate trial programs) and product revenue growth related to the NDNQI program, Leadership Institute, conferences (both Quality and Staffing), continuing education offerings, publications, career center and efforts of building programs for Nurses Week.
In June 2002, the ANA Board of Directors established a minimum goal of 25% for reserves with a desired reserve level of 50%. The Association’s reserves are defined as unrestricted net assets that are needed to sustain the organization during economic downturns or other unexpected events with negative financial consequences. Due to investment gains in 2009, the reserve balance at the end of 2009 increased to 31.3%. Both an operating surplus and investment gains in 2010 increased the ratio to 32.6%. Higher expenses in 2011 caused the ratio to drop to 29.9%. Minimal changes in net assets and operating expenses in 2012 resulted in no change to the reserve in 2012. Investment earnings in 2013 increased the ratio to 31.4%. Increases in expenses for 2014 are the driver of the 30.2% projected ratio at December 31, 2014.

**Working Capital**

ANA maintains operating cash balances to cover budgeted activities for the year plus keeps additional amounts on hand for any unanticipated need. The working capital calculation takes current assets and subtracts current liabilities. The result shows what cash balance would remain if all current liabilities were paid. At December 31, 2012 the working capital balance was $5.5 million and at December 31, 2013, the balance was $4.0 million. This net cash balance helps to maintain the investment portfolio balance and eliminates the need to draw down investments to cover operations or other needs that may arise.
**Investment Portfolio**

ANAs investment portfolio is driven by a long-term strategy. The portfolio has not been needed to fund operations or any strategic funding of ANA in many years. The balance in ANA’s investment portfolio at December 31, 2013 and 2012 was $10.1 million and $9.0 million, respectively. Historical balances are shown on the following chart.

![Investments Chart](chart.png)

**G. Summary**

The Committee on Planning and Budgeting along with the ANA Board of Directors continues to address key challenges and opportunities confronting the Association. ANA is committed to the strength of C/SNAs and subsidiary entities, and to being relevant for both existing and prospective members.

Even though the investment markets continue to grow after significant declines in 2008 and early 2009, the economy continues to be sluggish due to both domestic and global fiscal challenges. Unemployment is still high and affecting most employment sectors, including our nurses. In a sluggish economy, there continues to be a level of uncertainty of the economy’s impact on the programmatic work that is done at the national, state and local level. Membership and non-dues related revenues could also be impacted by fiscal issues related to the economy.

Our Association is a very active and complex organization which continues to perform outstanding work in support of the nursing profession. I remain confident that together we will address the many opportunities and exciting challenges that will move our Association forward. I am confident that the continued work of transforming ANA will have a significant impact on all registered nurses and the nursing profession overall while achieving the fiscal results that will keep ANA and the C/SNAs financially vibrant and secure for the long-run.