

**American Philatelic Society
American Philatelic Research Library**

Frequently Asked Questions Regarding Long Range Planning Process

What is the present financial situation of the APS/APRL?

The combined APS/APRL 2009 expense budgets are approximately \$4.4 million. In November of 2008 the Boards of the APS/APRL approved budgets which relied upon the use of \$442,000 in unrestricted donated funds to help cover the deficit (not including depreciation). The long-term use of unrestricted donated funds to offset an operating deficit is not a prudent approach to take in building our budgets. Our challenge is also reflected on our year-end financial statements (see Dec, 31, 2008 APS financials), which record a negative unrestricted net asset balance of \$487,000. Essentially, each year we have used a portion of next year's income to meet current year's expenses. Over the years we have also been unable to establish an adequate reserve for depreciation. Our reliance on unrestricted resources to fund operating deficits also impacts our ability to fund building renovations at the American Philatelic Center. We must bring spending in line with income to assure our future.

What is the cause of / how did we get into this financial situation? Shouldn't we have acted on this earlier?

In 2006-7 the APS increase dues from \$35 to \$45. Part of the rationale for the increase was to address our negative unrestricted net asset balance as well as to help fund depreciation. While we did indeed experience an increase in dues income, the historical year-to-year decline in APS membership continues to impact our operations. In 2008, APS continued to trim expenses, which also included an elimination of some staff positions. Yet these efforts have not been sufficient to meet current ongoing program expenses and other fixed costs including, for example, mortgage and interest payments of \$379,000 per year and rising healthcare cost. Recognizing these continued challenges the APS/APRL Boards of Directors authorized the formation of a Long Range Planning Committee to investigate and recommend a course of action to be considered by the Boards.

The impact of declining membership, increased costs of doing business, utilizing donated resources to offset operational deficits and the state of our national economy have all combined to create a "perfect storm" for the APS/APRL. By addressing these challenges now, we will be able to ensure a viable and robust APS/APRL in the years to come.

Will the APS/APRL be able to weather this current situation? How is this going to be approached, addressed and resolved?

Absolutely. The Long Range Planning Committee, working in concert with the APS/APRL Boards and senior staff, has been tasked to address our immediate challenges and our long-term future. By the end of May 2009 recommendations will be made and implemented to reduce the 2009 operating deficit. A 20-year strategic plan will be presented to the Boards for review and consideration in August 2009 when the Boards

convene at StampShow in Pittsburgh. While adjustments will have to be made, a fiscally stronger APS/APRL will emerge.

Who is leading this effort?

The APS Board of Directors and the APRL Board of Trustees have approved a Joint Long Range Planning Committee. Members of the committee include: APS President Wade Saadi (Chairman), APS Treasurer Dan Walker, APRL President Ken Grant, APRL Treasurer Jack Flannery, APS Immediate Past President Janet Klug, APS Executive Director (CEO) Peter Mastrangelo, APS Deputy Executive (COO) Director Ken Martin, APS Director of Internal Operations (CFO) Rick Banks, and APS member John Barwis.

Will jobs be eliminated?

In all likelihood, yes.

Are the circuit books consigned to the sales division and the material members have in StampStore safe?

The circuit sales program and StampStore continue operations, as well as other essential services to our members.

How will other programs and service be impacted?

Undoubtedly, as we go forward the emphasis and configuration of some our programs and services will change or possibly be eliminated. A major improvement coming within the next few months, for example, will be the launching of our new website that will dramatically improve the way we interact and do business with our members on the Internet.

Can we afford to carry a \$4 million mortgage and to continue to rehab the remainder of the Match Factory in light of our current financial condition? What options are being considered?

The APS/APRL needs a home for staff, services and the library. While we are evaluating a variety of options, everything is on the table right now. For example, we have spent over \$9 million on the development of the American Philatelic Center, financed by a \$4 million mortgage, the sale of our previous building and donations from our members. Mortgage interest and principle payments of \$379,000 are a significant part of our combined budgets. We are presently seeking a modification on our mortgage to lower the interest rate. We are also exploring the possibility of a development partner for the unfinished tenant phases of the complex and/or subdividing the complex for a suitable use with the goal of securing resources to significantly reduce our mortgage.

Fund raising continues in order to raise the necessary capital to complete the remaining APS/APRL sections of the complex that will eventually house the library. We will need to secure \$4-5 million to eventually accomplish our goal (this does not include the tenant sections of the complex). Under the new chairmanship of Alfredo Frohlich, the Campaign for Philately Steering Committee is refocusing its efforts. Even in this tight economy fund raising must continue as well tell our story to potential contributors.

How much has stock market investment losses contributed to our current financial condition?

Since September of 2008 the combined investment portfolios of the APS/APRL have incurred about \$560,000 in unrealized losses, which is equivalent to 18% of the value of their combined portfolios. As of the end of February the combined investment portfolios of the APS/APRL were valued at \$2.572 million. For 2009 we have budgeted 4% less investment income, yet this may have to be adjusted as we revise our budgets during the course of the year.

Will our dues go up because of the financial difficulties?

The Board is not considering a dues increase at this time. However, Patron and Supporting memberships will be offered at dues renewal time. These two levels are being offered at an extra cost providing a way for our members to provide additional funds in support of APS programs and services.

How will members be kept in the loop of what is happening?

Watch for updates in the President's and Executive Director's columns in *The American Philatelist* as well as our monthly e-newsletter.

How can I help?

Consider renewing your APS membership at the patron or supporting level when you receive your dues renewal. You can also help by recruiting a new member or by making a donation to the campaign for Philately.

Where can I find more information?

Year-end and current financial information for the APS and APRL can be found on the APS website at http://www.stamps.org/Almanac/alm_Reports.htm.