

REPORT OF BOARD OF TRUSTEES

BOT Report 14 2020

Subject: Audit Trail of 2018 Financial Statements and 2019-20 Operating Budgets

Presented by: E. Linda Villarreal, MD, chair

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1 Audit of 2018 Financial Statements

2 The *Audit of 2018 Financial Statements* report was presented to the TMA Board of Trustees at its Sept.  
3 13, 2019, meeting. Independent auditor Holtzman Partners, LLP, determined the consolidated financial  
4 statements “present fairly, in all material respects, the consolidated financial position of the Texas  
5 Medical Association and the Texas Medical Association Board Administered Organizations . . . in  
6 accordance with accounting principles generally accepted in the United States of America.” Copies of the  
7 audit report are available in the association’s offices for review by any TMA member.  
8

9 2019 Operating Budget

10 For 2019, operating income was \$26,787,916 and operating expenses were \$26,904,050. At year-end,  
11 total actual operating income for the year exceeded the budgeted operating income by \$176,856 (0.66%).  
12 Total actual operating expenses were over budget by \$207,990 (0.78%), resulting in an actual net  
13 operating deficit of \$116,134. This actual net operating deficit was greater than the budgeted net  
14 operating deficit by \$31,134. An unaudited report on 2019 operations is attached.  
15

16 The *Audit of 2019 Financial Statements* report by Holtzman Partners, LLP, will be completed and  
17 presented to the Board of Trustees at its 2020 fall meeting. The board will present the audit reports to the  
18 House of Delegates in 2021.  
19

20 2020 Operating Budget

21 In December 2019, the Board of Trustees approved a 2020 operating budget projecting an income of  
22 \$27,073,000 and expenses of \$27,073,000, with a 2020 capital expenditure budget of \$620,000. The  
23 operating budget will be presented to the house by Board of Trustees Chair E. Linda Villarreal, MD. The  
24 board also approved direct financial support of related organizations in 2020 as follows: TEXPAC request  
25 for support totaling \$390,000; TMA Alliance request for support totaling \$268,000; TMA Foundation  
26 request for support totaling \$115,000; and Association Management Services request for support totaling  
27 \$1,155,000. Offsetting these expenses are projected 2020 Association Management Services fees totaling  
28 \$1,172,250; corporate contributions of \$71,000 to TEXPAC; and \$15,000 in grant revenue received for  
29 TMA Foundation programming.  
30

31 The 2020 expense budget of \$27,073,000 represents an increase of \$376,000 from the final 2019 expense  
32 budget of \$26,697,000. Supporting this expense budget is a projected income budget of \$27,073,000. This  
33 represents an increase of \$461,000 from the final 2019 income budget of \$26,612,000. As a result, a  
34 break-even budget is projected for 2020.  
35

36 The 2020 budgeting process included a review of all programmatic activities. TMA’s relevance and value  
37 to its members were used as benchmarks for evaluating programs and determining which areas to expand  
38 or reduce. As containing expenses for approved programs becomes increasingly difficult, programmatic  
39 growth must be restrained or new sources of income identified. The 2020 Operating Budget adopted by  
40 the board is attached.

UNAUDITED

Texas Medical Association  
Statement of Income and Expense by Program  
For the Year Ending December 31, 2019

	Operating Fund Budget Comparison						
	Total Income	Contingency Fund Income	Building Fund Income	Actual Income	Budgeted Income	Variance	% Variance
Income	\$ 16,902,923	\$		\$ 16,902,923	\$ 16,800,000	\$ 102,923	0.61%
Membership Recruitment & Retention	2,217,622			2,217,622	2,184,750	32,872	1.50%
Royalty Income	1,736,014		30,000	1,706,014	1,642,960	63,054	3.84%
Rental Income	1,253,363			1,253,363	1,119,180	134,183	11.99%
Organizational Support Activities	1,203,388			1,203,388	1,237,250	(33,862)	(2.74%)
Related Organizations	892,186			892,186	832,050	60,136	7.23%
Communications	643,079		136,618	643,079	1,016,470	(373,391)	(36.73%)
Marketing and Member Services	769,765			769,765	389,000	380,765	62.76%
Investment Income	497,538			497,538	421,000	76,538	18.18%
TexMed and Conferences	406,655			406,655	579,400	(172,745)	(29.81%)
Educational Programs	178,775			178,775	201,500	(22,725)	(11.28%)
Medical Education	117,695			117,695	60,000	57,695	96.16%
Advocacy and Public Policy	84,750			84,750	79,500	5,250	6.60%
Public Health - Quality - Science	23,192			23,192	19,000	4,192	22.06%
Information Systems	17,964			17,964	29,000	(11,036)	(38.06%)
Legal	9,625			9,625	0	9,625	
Boards, Councils, Committees							
<b>Total Income</b>	<b>\$ 26,954,534</b>	<b>\$ -</b>	<b>\$ 166,618</b>	<b>\$ 26,787,916</b>	<b>\$ 26,611,060</b>	<b>\$ 176,856</b>	<b>0.66%</b>
Expense	4,904,971	359,988		4,544,983	4,337,160	207,823	4.79%
Organizational Support Activities	2,998,416			2,998,416	3,016,290	(17,874)	(0.59%)
Communications	2,592,873			2,592,873	2,376,870	216,003	9.09%
Advocacy and Public Policy	2,381,138			2,381,138	2,375,880	5,258	0.22%
Membership Recruitment & Retention	2,372,542			2,372,542	2,278,940	93,602	4.11%
Building Operations	1,887,285			1,887,285	1,790,890	96,395	5.38%
Information Systems	1,874,781			1,874,781	1,842,570	32,211	1.75%
Related Organizations	1,594,609			1,594,609	1,492,950	101,659	6.81%
TexMed and Conferences	1,389,084			1,389,084	1,386,480	2,604	0.19%
Legal	1,196,359			1,196,359	1,196,000	359	0.03%
Depreciation	1,077,069			1,077,069	1,114,360	(37,291)	(3.35%)
Public Health - Quality - Science	994,526			994,526	1,055,280	(60,754)	(5.76%)
Health Policy - Regulation	818,863			818,863	909,460	(90,597)	(9.96%)
Marketing and Member Services	501,761			501,761	492,390	9,371	1.90%
Medical Education	453,482			453,482	522,390	(68,908)	(13.19%)
Boards, Councils, Committees	226,279			226,279	508,150	(281,871)	(55.47%)
Educational Programs							
<b>Total Expense</b>	<b>\$ 27,264,038</b>	<b>\$ 359,988</b>	<b>\$ -</b>	<b>\$ 26,904,050</b>	<b>\$ 26,696,060</b>	<b>\$ 207,990</b>	<b>0.78%</b>
<b>Net Income (Loss)</b>	<b>\$ (309,504)</b>	<b>\$ (359,988)</b>	<b>\$ 166,618</b>	<b>\$ (116,134)</b>	<b>\$ (85,000)</b>	<b>\$ (31,134)</b>	
Realized Investment Gain (Loss)	1,823,688		174,274	1,649,414			
Unrealized Gain (Loss) on Investments	2,627,214		672,798	1,954,416			
Other Gain (Loss)	(5,294)			(5,294)			
<b>Net Balance</b>	<b>\$ 4,136,104</b>	<b>\$ (359,988)</b>	<b>\$ 1,013,690</b>	<b>\$ 3,482,402</b>			

**Texas Medical Association  
2020 Operating Budget**

	2020 Budget	2019 Budget	Change		% of Budget
			\$	%	
<b>Income</b>					
Membership Recruitment and Retention	\$ 16,747,000	\$ 16,823,000	(\$76,000)	(0.5%)	61.9%
Insurance Royalty Income	2,237,000	2,185,000	\$52,000	2.4%	8.3%
Building Operations	1,732,000	1,643,000	\$89,000	5.4%	6.4%
Related Organization Support	1,187,000	1,187,000	\$0	0.0%	4.4%
Marketing and Member Services	1,129,000	1,294,000	(\$165,000)	(12.8%)	4.2%
Communications	925,000	857,000	\$68,000	7.9%	3.4%
Organization and Support Activities	819,000	601,000	\$218,000	36.3%	3.0%
Investment Income	665,000	389,000	\$276,000	71.0%	2.5%
Education Center	444,000	579,000	(\$135,000)	(23.3%)	1.6%
Conferences	416,000	416,000	\$0	0.0%	1.5%
Information Technology	254,000	229,000	\$25,000	10.9%	0.9%
Continuing Medical Education	202,000	202,000	\$0	0.0%	0.7%
Governance	151,000	68,000	\$83,000	122.1%	0.6%
Advocacy and Public Policy	138,000	110,000	\$28,000	25.5%	0.5%
Legal	27,000	29,000	(\$2,000)	(6.9%)	0.1%
	<b>\$ 27,073,000</b>	<b>\$ 26,612,000</b>	<b>\$461,000</b>	<b>1.7%</b>	
<b>Expense</b>					
Organization and Support Activities	\$ 3,520,000	\$ 3,621,000	\$ (101,000)	(2.8%)	13.0%
Communications	3,278,000	3,203,000	75,000	2.3%	12.1%
Advocacy and Public Policy	2,744,000	2,699,000	45,000	1.7%	10.1%
Building Operations	2,380,000	2,279,000	101,000	4.4%	8.8%
Information Technology	1,898,000	1,823,000	75,000	4.1%	7.0%
Membership Recruitment and Retention	1,782,000	1,814,000	(32,000)	(1.8%)	6.6%
Related Organization Administration	1,741,000	1,674,000	67,000	4.0%	6.4%
Marketing and Member Services	1,682,000	1,725,000	(43,000)	(2.5%)	6.2%
Governance	1,535,000	1,295,000	240,000	18.5%	5.7%
Legal	1,463,000	1,413,000	50,000	3.5%	5.4%
Public Health - Quality - Science	1,198,000	1,192,000	6,000	0.5%	4.4%
Health Policy - Regulation	1,161,000	1,052,000	109,000	10.4%	4.3%
Conferences	894,000	867,000	27,000	3.1%	3.3%
Continuing Medical Education	343,000	336,000	7,000	2.1%	1.3%
Education Center	229,000	508,000	(279,000)	(54.9%)	0.8%
Non-Cash Depreciation Expense	1,225,000	1,196,000	29,000	2.4%	4.6%
	<b>\$ 27,073,000</b>	<b>\$ 26,697,000</b>	<b>\$ 376,000</b>	<b>1.4%</b>	
<b>Net Budget Surplus</b>					
	<b>\$ 0</b>	<b>\$ (85,000)</b>	<b>\$ 85,000</b>		