AOA BUDGET OVERVIEW WEBINAR

Mark A. Baker, DO
Chair, Joint Board-House Budget Review Committee
Presenters

- Mark A. Baker, DO – Chair, Joint Board-House Budget Review Committee
- Kevin Klauer, DO, EJD – Chief Executive Officer
- Frank Bedford, CPA – Chief Financial Officer
RES. NO. H-701 – A/2018

- The House of Delegates approved a $90 decrease in the dues rate of regular members at its July 2018 meeting
  - This was required as one of the provisions in a pending settlement of a class action lawsuit
The Single Accreditation System (SAS), Dues Decrease and Decoupling Decreased Revenues in FY 2020 Proposed Budget

SAS Revenue Decreases:
- Annual Postdoctoral Fee Revenue ($615K)
- Annual OPTI Fee Revenue (fee eliminated) ($140K)
  Subtotal – SAS Revenue Decrease ($755K)

Lawsuit Settlement Revenue Decreases:
- Dues Revenue ($90 dues rate decrease) ($2.2M)
- Certification Maintenance Fee Revenue ($90 fee eliminated) ($1.8M)
- Member Retention Rate Decreased to 80% (estimated) ($3.3M)
  Subtotal – Lawsuit Settlement Revenue Decrease ($7.3M)

Total Revenue Decrease ($8.1M)
FY 2020 Budgeted Net Operating Deficit ($9.9M to $4.5M)
## FY 2020 Budgeted Net Operating Deficit and Reserve Levels

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<th>05/31/19</th>
<th>05/31/20</th>
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<tr>
<td><strong>Net Operating Surplus (Deficit)</strong></td>
<td>$2.8M</td>
<td>($4.5M)</td>
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<td><strong>Reserve Balance</strong></td>
<td>$37M</td>
<td>$32.6M</td>
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<td><strong>Reserve % of TOE two years earlier</strong></td>
<td>84.5%</td>
<td>78.4%</td>
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<td><strong>Reserve Requirement</strong></td>
<td>75%</td>
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Reserve Requirement Policy and Request for Waiver

- The Reserve Requirement Policy (section IV) states that: “The operational budget must be balanced on an annual basis prior to approval by the Board of Trustees and the House of Delegates.”

- The Finance Committee is requesting that the House approve a waiver from the Reserve Requirement Policy for FY 2020 to fund the budgeted operating deficit of $4.5M from reserves.
FY 2020 Waiver From Reserve Requirement Policy Resolution

– RESOLVED, that the AOA House of Delegates waives the requirements contained in the Reserve Requirement Policy for Fiscal Year 2020 (June 1, 2019 – May 31, 2020) to fund the budgeted net operating deficit of $4.5 million from reserves; and be it further

– RESOLVED, that the Joint Board House Budget Review Committee will report back to the House of Delegates at its annual business meeting in 2020.
Questions?