



*Unifying and strengthening the voice of pharmacy while
advancing pharmacy practice through education,
advocacy collaboration, and relationships*

Variance Summary Report
Amended 3/9/2019
January 1, 2018 – December 31, 2018

The variance report is an examination of various income and expense accounting lines looking for significant differences in activity. The focus on these variances are based upon departures from the approved budget and include staff comments on what may be causing the issue. Variances could be results higher or lower than what was anticipated in the budget. On occasion the staff may also review variances to income and expenses as compared to the previous year. The variance report may also review significant changes in the balance sheet as well as membership reports.

INCOME NOTES

MEMBERSHIP INCOME – Membership income through the end of December is \$339,509 which is about \$10,000 below the income produced during 2017. Our total membership count of all the categories through December 31, 2018 is 3,434 which is about 62 members lower than the same time period in 2017. There was an automatic reset of non-renewing members on January 1st resulting in a net reduction of 321 members who have not renewed as of January 22nd. As of February 19 164 members have either renewed or joined the FPA. Our student member count is currently 1,159 compared to 1,214 in February of 2018. Our current membership is up by 42 comparing February of 2019 to February of 2018. Student income is down by half compared to 2017 even though our student membership count is consistent with last year. That is primarily due to the 4 year student membership retention program. The largest intake of student members have come from FAMU who submitted a list along with a bulk payment for dues. There will likely be a large drop in student members after graduation in June. Regular membership dues received in 2018 is below 2017 by about \$6,135. The regular membership dues category represents the bulk of the FPA's member dues income realized.

There are currently 103 members who are paying their dues monthly which is an increase from 79 from February of 2018. We have 10 that enrolled in the monthly membership dues payment program that are now categorized as delinquent. This usually occurs when the credit card used to pay the monthly dues installment fails to process, reaches the credit limit or expires prior to the processing date. These 14 members have received repeated messaging and calls from the FPA office on their failed credit card transactions but have been unresponsive. There are also delinquent monthly members from 2018 but are not reflected in the 10 we are tracking so far for this year.

ADOPT-A-STUDENT DONATIONS – Adopt-A-Student donations for 2018 was \$3,375 or \$2,300 lower than the \$5,700 received last year. We are thankful for the \$1,000 contribution received from the Alachua County Association of Pharmacists. It is important to note that the costs associated with Adopt-A-Student program for 2018 was \$6,295 which means that the FPA had to supplement the deficit.

DONATIONS AND GRANTS – The approved budget for 2018 anticipated to date for donations and grants from external funding sources is about \$29,185. For 2018 we have received \$41,450 or a favorable variance of **\$12,355** compared to the budget. While we are above budget for 2018 we have also increased our donation support by \$6,576 compared to last year. This year we did not receive a supporting grant for the 2019 legislative day event as we have in years past.

CE REGISTRATIONS – For 2018 reports show \$485,981 in collected registration fees compared to a budget of \$521,879. That results in a budget variance of **\$35,987** for registration income. For 2018 we have facilitated six regional educational conferences with programs in Sandestin, Tampa, Jacksonville, Miami, Orlando and Sarasota Florida as well as the annual legislative day and health fair event. We have also facilitated the annual convention and Southeastern Gatherin for a total of 9 FPA events. Leadership should be aware that though our 2018 registration revenue is below budget we are showing about **\$29,214** higher revenue than was collected in 2017.

CE HOMESTUDY REGISTRATIONS – The FPA has always had an inventory of web based home study continuing education programs. We are now beginning to see a fair amount of demand for those programs. Income for our home study offerings have been primarily to consultant pharmacists though we are seeing many of our programs used for general CE. Through the end of December we have posted \$54,748 in home study income compared to a budget of \$8,585 for a positive variance of **\$49,803**. Leadership should note that this was a renewal year for consultant pharmacists. Combined with the income from live conference registrations, overall CE income is about \$6,600 above budget.

ADOPT-A-STUDENT – The FPA has received a generous contribution of \$1,000 from the Alachua County Association of Pharmacists. Our revenue budget year to date for Adopt-A-Student is \$5,125 and to date we have received \$3,375 in member and affiliated organization contributions. This means that we are \$1,750 below our budget. The Adopt-A-Student program is not revenue neutral and is a cost for the FPA. Any expenses not covered for the cost of the Adopt-A-Student from contributions are covered from the FPA's general revenue. The Adopt-A-Student costs for 2018 are \$6,295 which means that \$2,920 must come from FPA general revenue.

TECHNICIAN TRAINING PROGRAM INCOME – Income for the technician training program is continuing to showing a little growth. Through December 31st we have received \$176,855 compared to a budget of \$165,000. This will show a positive variance of **\$11,855**. The FPA has an agreement in place with Passassured out of Orange Texas that provides the web based technician training program. We collect the revenue and pass through 70% to Passassured. We keep 30% as income. So far registrations for 2019 are above budget.

SUMMARY NOTES ON TOTAL INCOME: Through the end of 2018 the unaudited FPA financials show \$1,210,755 in income compared to a budget of \$1,206,097 for a variance of **\$4,657**. In comparing 2017 and 2018 revenue we are **\$83,236** above income collected in 2017. We have been able to reduce the income budget deficit by half and are out performing our revenue from 2017. We are however slightly below budget on anticipated income for 2019 though the reports reviewed only contain about 1.75 months of posted activity.

Special Note on PMG Revenue – The FPA (along with most other state pharmacy associations) is a beneficiary of marketing revenue from Pharmacy Marketing Group which is an entity affiliated with Pharmacist Mutual Insurance Company. By contract we had receive \$20,000 annually payable in quarterly installments in exchange for an exclusive endorsement of their products and services to our members. There are a number of other deliverables that we perform to earn that grant. In meetings

that I have been attending with the PMG Board a plan has been implemented to modify that marketing agreement to take effect in January of 2019. That plan reduces the marketing payment by \$1,755. States may have the ability to earn back that reduction and more if certain performance metrics are met.

PMG is now looking at state's member market share which is defined to mean the number of FPA members compared to the number of working pharmacists as determined by the Department of Labor. For example if the number of members is less than 10% of the working pharmacists then the marketing payment is reduced. If the number of members is greater than 40% then the marketing payment is increased by a factor of 1.2. They are also looking at state pharmacy association board engagement as customers of Pharmacist Mutual Insurance Company. Their thought process on this issue is that if the Board of Directors has voted to endorse Pharmacist Mutual then they should also consider signing on as a customer for their insurance products. For example if 70% of the eligible Board members are Pharmacist Mutual Insurance customers the Association could earn additional marketing payments at a factor of 1.15. The 2019 revenue budget for Pharmacists Mutual is \$20,000. That may have to be reduced if we do not meet performance metrics.

EXPENSE NOTES

BANQUETS AND MEALS – This account line is showing expenditures of \$175,069 for costs associated with the Legislative Day event, Sandestin, Tampa, Jacksonville, convention, Gatherin, Miami and midyear clinical and Sarasota educational conferences which is currently over budget by **\$25,069**. The 2018 convention banquet expenses are about \$8,000 higher than our convention expenses for 2017. Food expenses at the Bonita Springs Hyatt were higher than at the Marriot Harbor Beach hotel (which we will be returning to in 2019). Committee members should be aware that there were no expenses in 2017 for the Miami CE program as that event was cancelled due to a hurricane. The banquet spend for 2018 in Miami was about \$9,500. There was also a large increase in attendance at our Jacksonville CE program for 2018 of about 61 participants compared to 2017 which could have an impact in per program spending. So far year to date we are about \$7,000 below budget in banquet and meal spending however again as noted above this represents only about 1.75 months of posted expense data.

FPT JOURNAL SERVICE FEE – The FPA pays Florida Pharmacy Today, Inc a fee of \$25,800 annually to produce the Journal. The Journal will also receive advertising income to offset its other costs of producing the magazine. While the 2018 financial reports show this account line in balance the FPA office is aware that the Journal has lost 2 major advertisers and may file a request for a change in the Journal supplement.

SPEAKER EXPENSES & HONORARIUM – This expense category includes costs associated with presenter honorarium, travel and overnight accommodations including meals. Our expenses this year through the end of December is about \$10,700 over budget. It is possible that the budget for the 2018 travel & honorarium costs were calculated based upon estimated spending which did not include costs associated with a cancelled conference in 2017. Also the FPA facilitated 3 law conferences in 2017 as compared to 2 in 2018. Our law conferences which utilize state agency staff sometimes benefit from reduced speaker costs as we are not allowed to pay honorarium and in some cases expenses as well. Our biggest presenter costs generally have been those associated with the convention and the nuclear track at the midyear clinical conference. The nuclear track requires us to bring into Orlando subject matter experts from beyond Florida's border. We are able to get some of our presenters to waive their honorarium in exchange for continuing education credits but that is not often.

T-SHIRTS/SPECIALTY – This expense account line is about **\$2,055** over budget as there is a \$5,500 expense associated with a grant for custom printed lanyards and convention tote bags.

TECHNICIAN TRAINING PROGRAM EXPENSES – We are showing an expense of \$117,807 for costs associated with our technician training program against revenue of \$176,855 which is about 66%. While the expense line item is above budget it is within the percentage of the revenue that we retain. There is an invoice due to Passassured at this time. This is also a timing issue that was balanced with a payment to Passassured in January.

MEMBERSHIP MANAGEMENT SOFTWARE – This account line is over budget by **\$7,172** as it is showing an annual payment for our membership software license in January of 2018 for the year 2018 as well as December of 2018 for 2019. There will likely be a journal entry to move one of these expenses to 2019.

INTERNET HOMEPAGE – The internet home page expense account line is showing a budget variance of **\$2,072** due primarily to the decision to not renew our capwiz software agreement for our legislative action center. The purpose and intent was to utilize the savings from the cost of the capwiz software license to help offset some of the costs associated with redesign of the FPA web site to become more mobile enabled. The web site redesign costs will be included in the 2019 expenditures. The unused funds helped to acquire a license to use special software needed for our 2018 FPA election.

COPIER LEASE – There is a **\$3,041** variance in this account line as records are showing 5 quarterly payments rather than 4. The 5th payment is likely for quarter one for 2019.

PAYROLL EXPENSES – These expenses are about \$20,000 under budget due to several factors including but not limited to reclassification of a staff position and pending salary reviews that may involve adjustments. There is also a little unanticipated savings associated with health insurance costs. Payroll accounts for about 30% of the FPA's operating expenses and is about 29% of the income received. Members should note that these percentages are below the 42% average reported in a survey of state pharmacy associations facilitated in 2015 for similar organizations our size. There is also a variance of about \$5,300 in disability insurance expenses that puts us below budget. We dropped our current carrier and are working to bring on board a different insurance provider through Pharmacist Mutual.

UNREALIZED GAIN (LOSS) ON SECURITIES – While we do not budget for this, our OBS and bond fund portfolio (PAS) has declined in value as noted by the financial reports for 2018. At the end of 2018 our OBS account on our equity portfolio was valued at \$508,708 through the end of December which is below the starting year value of \$562,600 (-8.3% for 2018). This portfolio has since recovered to \$551,255 as of February 25, 2019. The bond portfolio has declined from \$193,573 at the beginning of this year to \$192,860 at the end of December. As of the end of January of 2019 the bond funds have increased in valuation to \$196,912 or slightly above the opening value for 2018. Overall both portfolios combined lost \$94,462 in equity for 2018 resulting in a negative impact on the FPA's net income.

APHA RECEPTION INCOME AND EXPENSES – The Florida Pharmacy Association is the facilitator of the Florida Reception each year at the APhA annual meeting. This year we budgeted for a spending plan of \$5,773 and only had actual expenses of \$4,644. We received shared payment for the March Florida reception from FAMU, NSU and UF. All schools have been invoiced. For the 2019 APhA Florida reception we have received positive confirmation that FAMU, NSU and UF will be participating.

Larkin and PBA have indicated that they will not be participating and we have not heard from LECOM or USF.

SUMMARY

The Committee is reminded that the Association is still in very good financial, health with sufficient cash reserves. Grant support for 2018 has met our budget target however we are beginning this year with one less grant from last year. Membership income still needs to grow if we are to maintain quality member services and support our advocacy programs. We have implemented several membership incentive programs and with limited return on investment. While the monthly payment program has been beneficial there are some increases in administrative costs to manage the effort. As a continuing reminder we may need to review our technician membership fees. It is this member type where our staff is spending a fair amount of time providing support for. We receive a number of inquiries daily from technician candidates seeking information on how to become eligible for Florida registration as well as providing support for pharmacies that are utilizing the FPA for their employer based technician training program. We are also observing that retention of technician members is generally not very good. There are also a noticeable increase in organizations offering continuing education creating a very competitive market. The FPA is slightly advantaged in this space as the CE that we provide is approved by ACPE and is also filed with NABP and also with CEBroker. There is also favorable and surprising growth in our home study program offerings and will continue our efforts to build additional content.

We continue to also benefit from marketing revenue from Pharmacist Mutual Insurance Company however we have been put on notice that those funds have been reduced for the year 2019 and beyond. Each year we had receive \$20,000 in co-marketing support from Pharmacist Mutual. We are also being put on notice that our marketing income support from PTCB will be reduced for 2019.

What is favorable for the close of 2018 based upon our unaudited revenue and expense statements is that we were successful in keeping our expenses below our revenue however the reduction in the valuation of our long term investments ultimately resulted in overall negative net income. Leadership should be reminded that our investments represent only paper value and is only realized when sold.

The 2019 budget approved by the Board of Directors in December includes a significant reduction in A/V expenses. We will need to acquire equipment as soon as possible in order to avoid rental at hotel venues for our educational conferences. Staff was tasked with putting together proposals which will need to be reviewed and approved at the March meeting.

The year to date 2019 financial reports will contain only 1.75 months of data and may not be a clear measure of the FPA's budget performance.

Comments on Changes on Mileage Reimbursement

The Board of Directors implemented a policy change in August of last year that set reimbursement for mileage at 75% of the published annual IRS rate. Below is an analysis of the fiscal impact on reduction to CE expenses.

1. Implementation of the rate change - When the Board executed the plan to lower the mileage reimbursement in August it was done after we had made final plans for our fall educational conferences.

Our speakers who planned to drive had an expectation of the published reimbursement rate. We could not execute the change until the first CE for 2019 which we did.

2. Modification of the rate change in January - The change in policy sets the reimbursement rate at 75% of the published IRS mileage rate. That rate increased slightly in January to 43.5 cents per mile.

3. Not every speaker that we recruit will file for mileage reimbursement. There are some who may fly. Usually we run into that when the air fare is cheaper than an 800 mile round trip over the road.

4. Car rental - There is one speaker that rented a car rather than drive their own personal car. Under those circumstances we pay the rental and reimburse for the fuel. In many cases this method of reimbursement is slightly lower than the mileage rate depending upon the miles driven and length of the automobile rental.

5. Comparison of variances to previous year - Looking at variances of mileage reimbursement rates to previous year expenditures is like comparing apples to oranges. Much depends upon where the speaker lives that we recruit for a conference and what method they use to travel to the meeting site. We try our best to recruit speakers who live in the vicinity of where we do a conference but that does not always work out.

6. Best comparison of a variance - The better way to assess a variance of something like this is to look at 2 years of historical data and make assumptions that the miles reimbursed per program will always be the same which will almost be never. The best way to assess a variance is to look at the mileage reimbursed for the January CE program at the new rate and compare it to what the IRS rate for January would have been had we not made the policy change. The 2019 IRS mileage rate is 58 cents per mile and we are reimbursing speakers for the January program at 43.5 cents per mile. We paid \$408.78 for mileage for 2 speakers for the January program. Under the IRS rate we would have paid \$545.04 for a savings of \$136.26. If we would have been able to implement the mileage rate change in December we would have saved \$68.29 based upon what was reimbursed.