

Report of the Secretary/Treasurer

Canadian Association of Physicists

The past year was one of negative growth in net assets for the General Fund, after a substantial increase for the previous year. For FY2018, revenues were less than expenses for a deficit of \$69,427 following the deficit of \$23,268 in 2017, a \$17,052 surplus in 2016, and a \$57,093 deficit in 2015. These figures compare with earlier surpluses of \$61,091 for FY2013 and \$23,754 for FY2012. The reason for the \$69,427 deficit for 2018 is in part due to strategic planning for the future viability of the CAP, and in part due to year-end paper losses in the investment account as further discussed below.

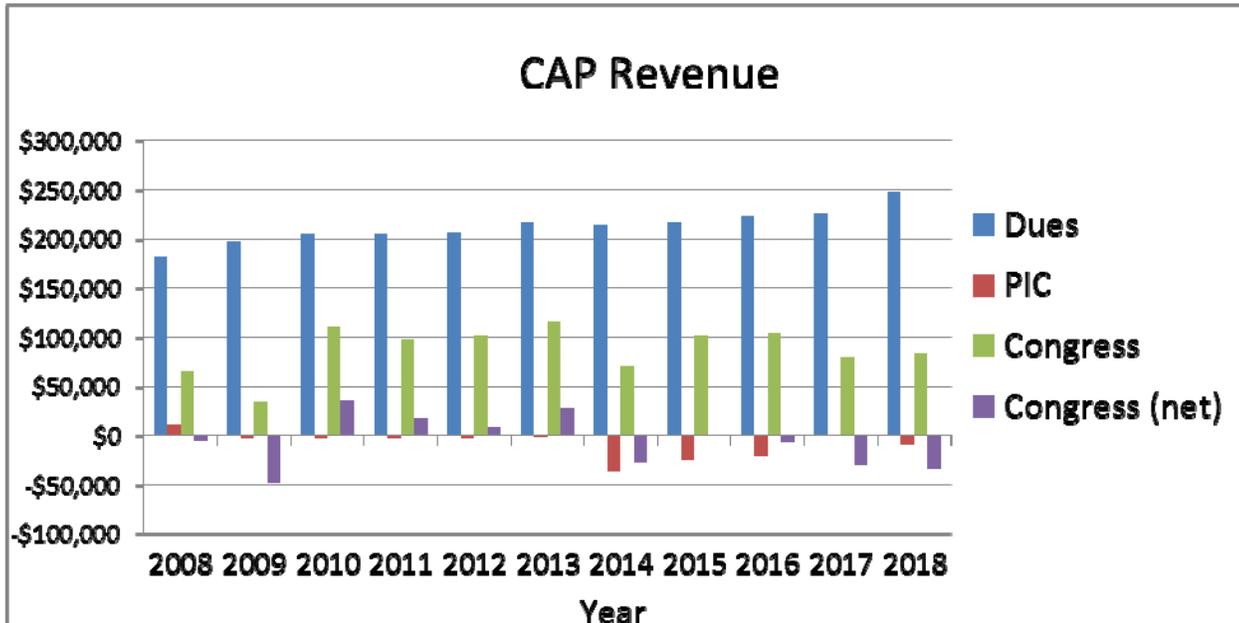
Income comes from a variety of sources, but most comes from membership fees and contributions (\$247,938, up from \$225,734 in 2017) and in exceptional years from the Annual Congress. The popular 2018 Congress at Dalhousie University returned an income of \$189,503, up from the \$181,263 from the 2017 Congress at Queen's University, down from \$231,724 from the 2016 Congress at the Université d'Ottawa, and \$195,893 from the 2015 Congress at the University of Alberta. After direct expenses (but not including CAP staff salaries), the net income was \$83,178, compared with \$79,534 for 2017, \$104,374 for 2016, \$102,274 for 2015, \$70,876 from the 2014 Laurentian University Congress and \$116,156 in 2013 for the Université de Montréal Congress. Including also a recovery of the CAP staff time spent on Congress (45% of salaries and benefits) yields -\$34,096 for 2018, compared with -\$30,208 for 2017, -\$9927 for 2016, \$208 for 2015, -\$27,290 for 2014 and \$28,037 for 2013. It is clear that on average, the CAP Annual Congress is close to a financial break-even position; but it is a major reason for the existence of the CAP.

The income for 2018 includes a loss of \$6,407 on investment income. This is due to a substantial year-end sell-off in the stock market resulting in paper losses in our investment portfolio. This compares with an unrealized capital gain of \$10,798 on the CAP investment portfolio in 2017 for an overall investment income of \$24,936 in 2017. The market has since recovered, and our investment portfolio now stands at an all-time high. More detailed report on investments will be given separately.

The membership fee income (individual + departmental + institutional + corporate) rose to \$247,938, compared with \$225,734 in 2017. A large part of the increase was due to an increase in institutional memberships (\$22,500 compared with \$11,000 in 2017). Individual membership fees increased to \$185,088 from \$178,997 in 2017. In earlier years, the total membership fee income was \$223,398 in 2016, \$213,237 in 2015, \$214,884 in 2014, and \$216,822 in 2013 (see histogram below). The income for *Physics in Canada* (advertising and offprints plus subscriptions) was \$29,464, compared with expenses of \$38,307, resulting in a net loss of \$8,843. In contrast, there was a net gain of \$1,264 in the previous year. The reason for the large change is that two of the four issues scheduled to be published in 2017 were not published until 2018, and so the publication costs were abnormally reduced in 2017. The deficit for 2018 is in fact less than the deficit of \$20,943 in 2016 and \$24,398 in 2015.

A large part of the deficit for 2018 is due to one-time investments over a two-year period made in the CAP office to improve its efficiency and the long-term viability of the CAP. These extraordinary expenses were included in the budget projections for 2018. The major expense items include \$14,000 for database development for an upgraded record-keeping system to track the CAP membership (amortized over ten years), and \$25,370 in professional fees. The total extraordinary expenses of \$39,370, together with a paper loss of \$21,000 in the investment account and a decrease of \$12,000 in income from the CAP Foundation, approximately accounts for the deficit of \$69,427 for 2018.

Expenses support the salaries/benefits of the CAP office staff, bank charges, office rent/insurance/supplies, telephone/fax, postage, legal/audit charges, printing, translation, travel, computer/database/website charges, and miscellaneous charges.



Membership fees for 2018 were increased by 1.3, which is calculated as the average monthly Core Consumer Price Index increase over the period September 2016 to August 2017.

Turning now to the balance sheet, the CAP holds a number of GICs, both long term and short term, in rotating five-year investment terms. At maturity, these are being systematically re-negotiated to provide maximum income for the General Fund. To diversify our investment portfolio and achieve a more balanced portfolio of investment vehicles, including both short- and long-term investments, Council in June 2011 approved a financial investment policy in which up to 40% of investments could be in equities.

At the end of 2018 the CAP’s GICs and bonds had a total market value of \$323,863 in comparison with \$304,422 for 2017. The value of the equities (common stocks) was \$181,733, down substantially from \$274,779 in 2017. The change was due in part to an unrealized paper loss of \$41,806, and the sale of approximately \$51,000 in securities in order to provide cash for the other activities of the CAP. This money should be reinvested as funds become available.

An increasingly important component of the CAP income comes from dividends on common stocks. The dividend income increased from \$8,363 in 2014 to \$9,042 in 2015, \$9,059 in 2016, \$10,745 in 2017, and \$10,285 in 2018. (The decrease for 2018 was due to the sale of dividend-bearing securities). The investment policy is in accordance with the CAP Board strategy is to “buy income” (in the form of dividends), rather than to “make money” as capital gains. Nevertheless, our total portfolio value has increased at an average annual rate of approximately 10% per year in the nine years since we began this investment strategy in 2009.

The CAP Reserve Fund decreased by \$44,475, from \$178,243 to \$133,768, in order to cover part of the deficit. The long-term goal is to increase this fund to 1.5 times the annual operating costs

Following Board approval, the firm of Ginsberg, Gluzman, Fage, and Levitz was appointed for the 2018 fiscal audit. This firm will be retained for the 2019 audit, with the decision to proceed with an audit or a review engagement to be decided by the membership at the 2019 AGM.