



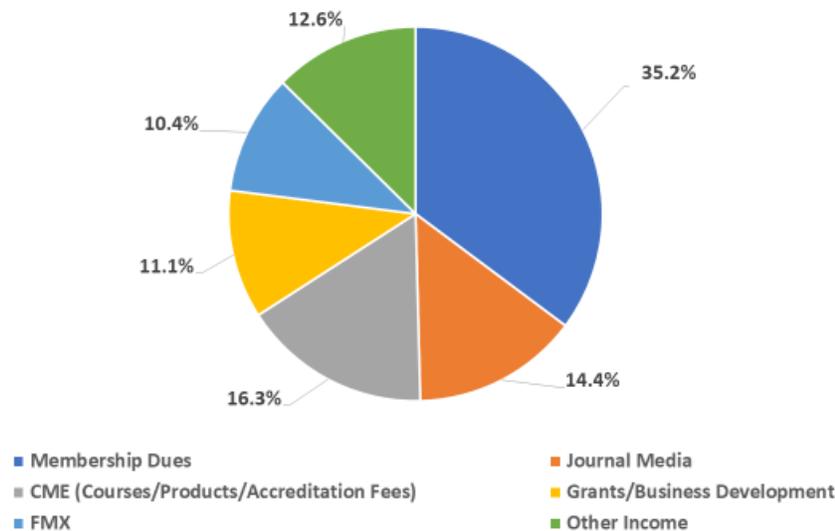
# Board of Directors Report K to the 2019 Congress of Delegates

## AAFP Non-Dues Revenue

(1) This is an informational Board of Directors report that provides an annual update on the key sources of non-dues revenue for the American Academy of Family Physicians (AAFP) and an update on the development of new potential sources through strategic engagements, public and private foundations, and grants.

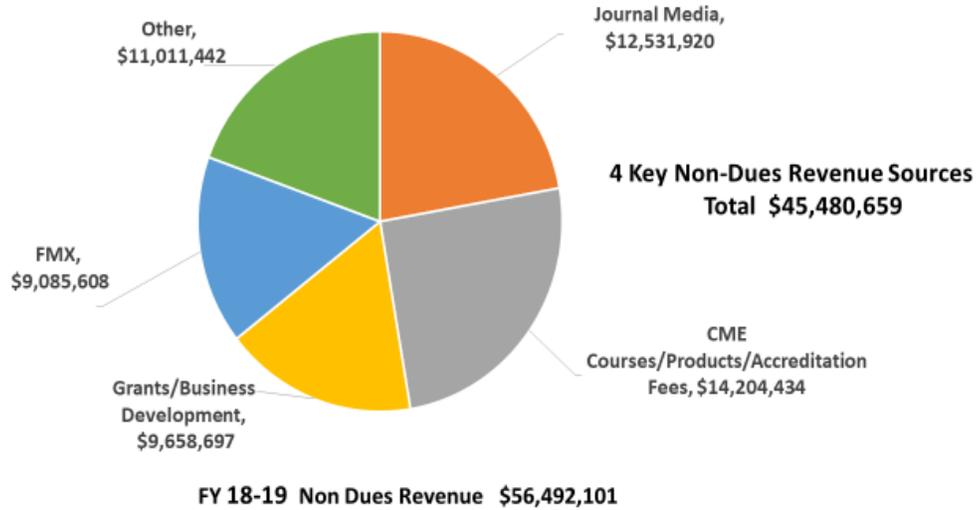
(2) The AAFP provides a wide range of products and services to fulfill its mission. For the fiscal year ended May 31, 2019, the AAFP's annual operating expenditures were approximately \$89 million; however, revenue from dues comprised only \$31 million—or about 35%—of the funds needed to cover AAFP operations. The remaining 65% was funded from non-dues revenue sources.

### Overall Revenue Sources (for context)



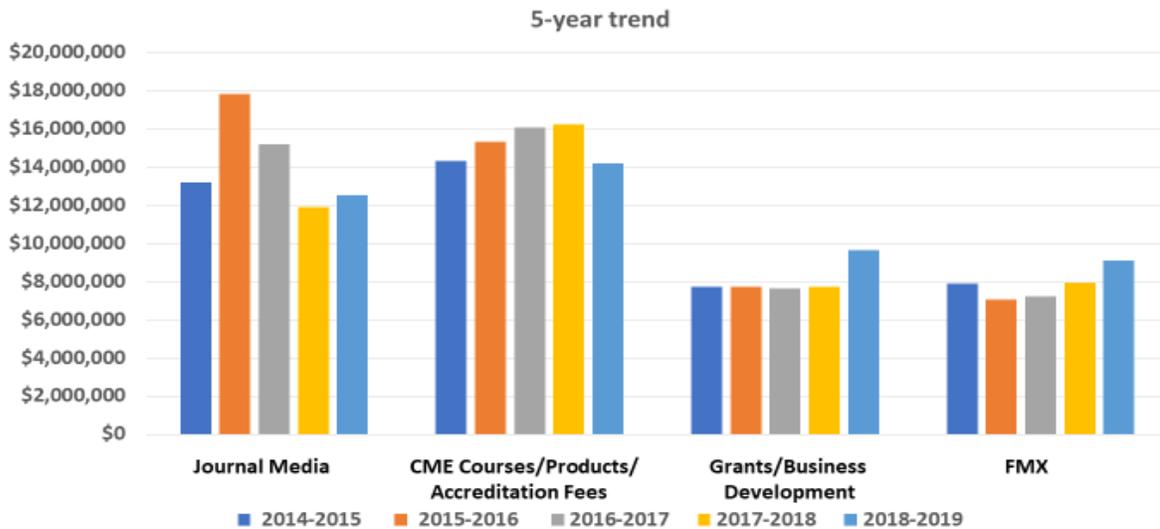
(3) There are four major sources of AAFP non-dues revenue: (a) Family Medicine Experience (FMX), (b) Journal Media, (c) grants, (d) and other continuing medical education (CME) activities. All other sources of non-dues revenue make up less than 13% of the total.

## Snapshot: FY 18-19 Key Non-Dues Revenue Sources



(4) In order to best predict the future health of our non-dues revenue performance, it is critical for us to monitor year-over-year trends for all major categories to determine whether any particular revenue source needs incremental attention or a shift in strategy.

## Performance of Key Non-Dues Revenue Sources



## BOARD OF DIRECTORS REPORT K, continued

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(5) FMX revenue continues to be driven by three key sources: (a) attendance, (b) exhibit sales, and (c) sponsorship. Attendance revenue makes up approximately 39% of the gross revenue. Exhibit sales (i.e., booths) make up 22% of gross revenue and sponsorship revenue makes up 26%. After seeing an increase in revenue in all areas last year, we are seeing a decrease of approximately 14% in attendance revenue and an 8% decrease in exhibit sales in 2019. We have shifted our sponsorship sales strategy by bringing all sales in-house. This allows us to keep 100% of revenue, and we have seen an increase of 11% over budget. FMX attendance was up significantly last year. However, if you take out 2018, attendance for this year will be up 10% over the average for the three previous years. We are continually working to massage the marketing channels and strategies, as well as the exhibitor offerings, for the future.

(6) In Journal Media, the largest source of revenue is prescription drug advertising, which is predominantly impacted by the development of new drugs that are highly prescribed by primary care physicians. This phenomenon affects all primary care journals and publications. In both up years and down years, *American Family Physician (AFP)* remains the #1 advertising buy in primary care. However, extreme volatility in this market creates dramatic revenue swings of as much as \$4 million from one year to the next for the AAFP's journals.

(7) For this reason, since 2013, Journal Media has devoted considerable resources to building other, more stable revenue streams. Due primarily to growth in paid journal subscriptions, licensing, non-pharmaceutical advertising, and product/app sales, annual revenue from sources other than prescription drug advertising has grown by \$2.4 million since FY12-13. At the end of FY18-19, this revenue represented 45% (\$5.6 million) of the total Journal Media revenue (\$12.5 million).

(8) Additionally, Journal Media continues to explore and launch new sources for advertising revenue, including CME program advertising, "AFP Podcast" advertising, advertising for over-the-counter treatments, cover tips/outserts/belly bands, microtargeted digital advertising programs, and sponsored content marketing (in partnership with the AAFP's Strategic Engagements and Innovation Division).

(9) Revenue driven by grants comes from three separate sources: (a) the federal government, (b) industry, and (c) foundations. A diverse portfolio of non-dues revenue opportunities is key to delivering quality products and services and evidence-based education to AAFP members. Federal sources remain a vital source of funding that increased again in FY18-19. Additionally, as shown in the chart of the top 20 non-dues revenue supporters below, the Patient-Centered Outcomes Research Institute (PCORI) has become the Academy's top non-dues revenue partner. The Grants Management Office (GMO) is continually working to nurture and grow the relationship with PCORI to identify additional funding opportunities. With the addition of Heather Palmer as Vice President of Development, opportunities for foundation funding are expanding, as evidenced by increased funding in FY18-19. The GMO will work in collaboration with Ms. Palmer to continue to identify new opportunities for funding from new and existing foundation partners. In FY19-20, the newly reorganized Strategic Engagements and Innovation Division will focus on diversifying our portfolio of industry and corporate partners to support an increase in funding from this source.

(10) Other CME activities revenue comes from three sources: (a) learner-paid live, enduring, or online learning activities; (b) grant-funded live, enduring, or online learning activities; and (c) CME accreditation fees for the review and processing of applications submitted by CME provider organizations (including AAFP chapters and others) that want to offer AAFP CME credit.

(11) In FY18-19, these activities collectively generated \$14,204,434 in revenue, which was under budget by approximately \$3 million. The budget shortfall was due to several factors, including the launch of the American Board of Family Medicine's Family Medicine Certification Longitudinal Assessment (FMCLA) pilot (one-day exam alternative), which had a significant effect on the revenue for the AAFP's board exam preparation activities. External funding, including federal grants, contributed revenue of \$198,752.

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(12) The Continuing Medical Education Division is monitoring sales patterns, which have not followed historical trends. This may be due to instability of the CME environment resulting from the new longitudinal board exam format. The division has several initiatives in development to diversify the AAFP's CME portfolio with new CME formats and topics, including a virtual conference.

(13) In the pursuit of our mission, the AAFP works with hundreds of partners in various capacities. The AAFP's top 20 non-dues revenue supporters in gross dollars for FY18-19 are listed below.

Partner	Total Revenue*
1. Patient-Centered Outcomes Research Institute (PCORI)	\$3,073,455.00
2. GlaxoSmithKline	\$2,552,415.42
3. Health Resources & Services Administration (HRSA)	\$1,940,592.78
4. Merck	\$1,170,581.00
5. Pfizer Inc	\$1,130,040.42
6. Community Brands	\$817,791.59
7. Eli Lilly & Company	\$669,161.91
8. CVS Health Foundation	\$618,466.00
9. Centers for Disease Control and Prevention (CDC)	\$611,310.45
10. EBSCO Industries, Inc.	\$566,264.34
11. AstraZeneca Pharmaceuticals	\$480,613.96
12. Gilead Sciences	\$440,724.35
13. National Institutes of Health (NIH)	\$427,210.48
14. Elsevier	\$406,364.00
15. Wolters Kluwer Health	\$401,210.21
16. Bayer Consumer Care Division	\$338,536.00
17. Medscape	\$316,200.00
18. Amarin Corporation	\$303,500.05
19. Amgen	\$283,844.50
20. Shire Human Genetic Therapies	\$261,545.00

\*Contributions to the American Academy of Family Physicians Foundation not included

(14) The Strategic Engagements and Innovation Division continues to focus on growing non-dues revenue by leveraging existing opportunities and identifying new non-dues revenue opportunities.

(15) Over the past year, reinvestment efforts in key external partner relationships have led to identifying shared interests and opportunities for potential collaboration and funding in areas that are a priority for the AAFP and our partners. This includes key meetings with Merck, Novo Nordisk, Lilly, Exact Sciences, and Abbott. In addition, through increased communication, we are uncovering new opportunities to enrich existing member resources through work with organizations like the National Dairy Council and Pfizer. Through the implementation of Sales Cloud, a new sales performance software, we are leveraging increased insight and shared learnings to identify untapped opportunities. This is allowing us to amplify the involvement of a wide variety of organizations already engaged with the AAFP.

## BOARD OF DIRECTORS REPORT K, continued

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(16) The division is also focused on diversifying our external partner portfolio by identifying new organizations to engage with the AAFP. These efforts include an increased emphasis on identifying and pursuing opportunities in e-health, as well as new sectors identified through *National Journal* and a strategic mapping exercise. We are also championing the development of an overall non-dues revenue strategy established and aligned around a clear, compelling story and approach to securing new opportunities across all sources of AAFP non-dues revenue.

(17) Finally, we are identifying new products, programs, and partnerships that allow us to broaden our ability to generate non-dues revenue. We recently established a new partnership with Haymarket Medical Education (HME) that enables us to expand educational resources for AAFP members, accelerates our ability to offer innovative education, and drives incremental non-dues revenue.

(18) The AAFP Board of Directors and staff remain committed to accepting outside funding only in accordance with the highest ethical and organizational standards, with full disclosure of sources in all appropriate circumstances.