



Treasurer's Report

SSA Board of Directors

Soaring Society of America

January 15, 2002

Since our last meeting in Denver, I can report good progress toward financial stabilization of the Society. In my September report I indicated that the following steps were necessary:

- Operating results had to be improved to a break even or better level
- Formalize the loan between the Foundation and the SSA
- Create an ongoing line of credit between the Foundation and the SSA
- Improve control of Foundation funds passing through the SSA
- Address the need for increased revenue
- Encourage both operating and endowment contribution program

As a group, we have made good progress on each of these fronts.

Operating Results

The attached financials for the full year ended October 31, 2001, as well as the November 2001 statement show a stabilized and slightly improved picture. As you recall, when financial reporting recommenced in the early summer 2001 after the computer system installation difficulties, we anticipated an operating loss for the year estimated at about \$40K. We finished fiscal 2001 with Revenues of \$1,166K, better than budget by \$61K, and expenses of \$1,206K, worse than budgeted by \$85K. This left us with an operating loss of \$40K for the year, close to the estimate made in September. Note however that among our expenses are non-cash charges of \$46K. This means that the Society was able to break even for the year on a cash flow basis – not great news but certainly not a black hole either.

The November statements indicate a positive start for the New Year. We booked operating income of \$19K for the month, and with non-cash charges of \$4K, showed a positive cash flow of \$23K. For the full year, we budgeted only \$6K of operating income and a \$60K positive cash flow, so we're well ahead of that pace at the moment.

Loan from the Foundation

The \$162K loan discussed at the last meeting has been approved by the Foundation Trustees and formalized by a written legal agreement. The interest rate on the loan will be the Prime Rate, and its terms require that it be repaid over three years. In fact, based on the positive cash flow reported for October through December, plus the successes achieved at year end in the contribution program, the Society was able to begin amortizing the loan down with a \$30K payment in January, bringing the outstanding balance to \$134,384 after accrual of interest.

Line of Credit

The same loan document sets up a \$100K line of credit from the Foundation to the SSA for occasional working capital liquidity needs. It is not the intent of the SSA to utilize this borrowing capacity, but to keep it in reserve. Any borrowings made under this facility carry the prime rate and must be repaid at least annually to a zero balance.

Foundation Reporting

The Foundation Trust Fund Reporting schedule has been amended to show the SSA loan balance and any payments against it.

A reconciliation statement is attached which shows all transactions between the SSA and the Foundation. It is important that Board members as well as the general membership recognize that not all contributions received by the SSA are Foundation related, and that the SSA office administers a number of other funds (US Team, Safety Foundation, etc separately from those going to the SSA Foundation).

Balance Sheet

Noteworthy on the balance sheet in October is the loan balance noted above, which is listed as “Due to Life Funds”. The category “Due to or from Other Funds”, showing a liability of \$32K in October paid down to \$18K in November, represents the SSA’s handling of other, non-Foundation related special accounts mentioned above, including the US Team Fund (see discussion below), the Soaring Safety Foundation, and other specifically designated funds. While the accounting for these non-Foundation purposes is separate, but there is no segregation of cash – these cash balances become part of the overall Society balance sheet.

Note also that the monthly balance sheets indicate that the SSA has a negative net worth. This is not accurate in that the value of the Foundation’s \$939K in endowment and other funds is not included in the monthly statements

Increased Revenue

The dues increase discussed at the Fall meeting was approved and is being put in place. It is estimated that this step will add net revenues of \$50-75K in fiscal 2002, when fully cycled in should become a \$175-200K annual factor in our revenue going forward.

Operating and Endowment Giving

We will hear some very positive news on both fronts – from John Seaborn on the Robertson Fund, and from Larry Sanderson on the Eagle program.

Without stealing his thunder, in the latter case we have received significant cash income to our operating funds to the tune of roughly \$115K over the past few months. \$50K of this money will be used to reduce payables, \$15K was designated for the US Team Fund, and the remaining \$50K has been segregated as a reserve and invested in a short-term money market asset. This will be kept for cash contingencies, and will only be drawn upon with both Larry’s and my approval.

US Team Fund Report

Also attached to this report is a spreadsheet showing US Team income and expense over the past 13 months, covering the 27th World Gliding Competition at Mafikeng, the Club Class in Gawler, Australia, the Juniors competition in France, and the 18 Meter competition in Spain (WAG). A breakdown is included for Mafikeng, although currently in rough form. Since many of the Mafikeng expenses have yet to be submitted and paid, estimates for those expenses are included. We will also try to include in future editions the amount of expense borne by each pilot, whether by individual cash contributions or through payment for expenses personally.

Since there is a great deal of interest among donors and the membership at large as to how wisely team funds are being spent, it will be a priority of mine to improve both the quality and frequency of this reporting over the coming year. That way, whoever wants to bitch about whatever will at least have the facts.

This report, which indicates a substantial funding shortage in the range of \$40K, should be of use to the committee being assembled by Ken Sorenson to study future US Team policies and funding requirements. At the moment, funding to cover expenses as they are paid will have to come from the SSA general operating cash, with repayment from future donations. Obviously, this will put the next set of World competition expeditions in the hole vis a vis future funding requirements.

Treasurer's Editorial on Contributions and Urban Legends

Our increased giving efforts are very, very encouraging from a financial standpoint. We need to effectively tap the great bulk of our members who want to support a strengthened Society and are anxious to take part in enabling better soaring programs in the US. *However, in ramping up these efforts, it is critical that all Board members understand and communicate to those members the fact that contributions come in two broad varieties.*

Contributions for operating purposes, even if designated for a specific use such as safety or the US Team Fund, can and probably will be spent on immediate needs. Contributions for endowment purposes go to the Foundation and are invested. By policy, the Foundation will not pay out for operating purposes more than the inflation adjusted investment returns on such funds. In simple terms, a dollar's contribution for operating purposes is worth a dollar in expenditures now, but brings no future benefit. A dollar's contribution to endowment probably yields no more than five cents this year, but keeps yielding that number in years to come.

We need both, and Larry and other fundraisers must balance their efforts so that we get both. What we don't need is misunderstandings on the part of the Board or donors who, having made a donation, assume that it was misspent or frittered away. When we solicit, make our own personal gifts, or talk with the membership, we must carefully explain the difference between the two. I believe we should indicate a broad preference for donations that can be used immediately. We should make clear that such donations will, indeed, be used immediately and for good and valid Society purposes. Should the donor prefer to donate an endowment gift, naturally we will be delighted to accept. However, it should always be explained to the donor that such a gift throws off a very limited amount of current funding.

It is very easy for a donor, having made an endowment gift, to be surprised when we say we continue to need money, confusing his or her gift with an operating gift. I'm convinced this is the source of many of our "Where did all the money go?" questions. Therefore, in addition to better reporting and improved transparency on fundraising and expenditures outlined above, we must always keep the need to educate our members in the forefront of our minds.

Doug Jacobs
Treasurer