



Treasurer's Report

SSA Board of Directors

Soaring Society of America

September 14, 2002

In the wake of last year's computer installation controversy, it has become quite clear that substantial questions exist in the minds of our members as the state of financial control at the SSA. Whether reality or false perception, these questions must be addressed; else we face a number of negative impacts in areas such as fundraising efforts, acceptance of the necessity of the dues increase, the general level of loyalty toward the organization on the part of the membership, etc. Unfounded or not, I consider answering this criticism to be a major challenge to the SSA's wellbeing and its ability to promote soaring in the US.

We have taken a number of steps over the course of the year to do just that:

Computer System Installation Aftermath:

The usage of Foundation funds for purposes of paying for the computer system was regularized by the conversion of the \$162 thousand into a **three-year term loan** between the SSA and the Life Fund, amortized on a monthly basis and yielding the Prime Rate to the Foundation. All monthly payments of interest and principal have been made on time, and the loan balance has now been amortized ahead of schedule to \$109 thousand as of July. Final maturity on this borrowing is 2004.

A \$100 thousand **Line of Credit** between the Foundation and the SSA was established in the unlikely event of future cash needs. This was done as an alternative to bank borrowing – better to pay interest on borrowings from the Foundation than go outside the Society to borrow at greater cost. The rate on any borrowings is the Prime Rate, and any usage under the line must be reduced to zero at least annually.

Staff Support:

The hiring of Alan Gleason to focus on accounting matters and to give Nancy well deserved support has been a real plus. In addition to his accounting capabilities, Alan has mastered the application of the new computer system to our needs, and has done a terrific job in producing improved and on-time monthly reporting. In addition, he has gone the extra mile with new reporting formats such as the Foundation and US Team reporting. He is currently working on several such projects, will have an opportunity to discuss them at the Board meeting, and will be available to meet the Directors. I encourage all of you to say hello.

Foundation Reporting

A monthly report has been constructed showing the status of all Foundation funds, activities during the month, and a reconciliation of monies paid back and forth between the Foundation and the SSA.

The stock market has not been kind to the Foundation corpus over the past year, but at least we are seeing exactly how much pain we're in, and can accurately trace all transactions between the two.

US Team Finances:

An effort was made to completely reconcile revenues and expenses for the US Teams for 2001 as part of the US Team Task Force led by John Seaborn and Ken Sorenson. This was done in detail for Mafikeng and Gawlor, with less detail on other contests supported during the year (World Class, Juniors), and was posted on the SSA's web site.

Based on this work, Alan has set up a series of accounts in the new computer system that should make the tracking of Team expenses (by contest, expense type and pilot) and revenues (by source) more or less automatic. A quarterly rendition of the statement is planned. This should help enormously in the complex task of tracking multiple Teams activities, and especially the important task of fundraising to support them all to the maximum extent possible while letting donors know exactly where their (much appreciated) money is going.

Finally, a Financial Control section for the Task Force report has been written. This describes the creation of a US Team Treasurer position reporting to the US Team Chairman who would be responsible for general financial control. It also outlines the responsibilities of all participants – Team Managers, the SSA office, Pilots, etc. – with regard to raising funds and controlling spending. This draft document is available for your review on the SSA web site on the US Team Task Force pages.

It is our hope that better financial control will both make our dollars go farther to sponsor teams, and encourage donors to give, particularly those that have reservations about control over funding.

Annual Audit:

Historically the Society's financial statements have been audited by Johnson, Miller and Co., our CPA firm in Hobbs. Because the organization is small and relatively simple, we have not asked for a fully certified audit due to the additional expense that would be involved. At the same time we have had annual reviews with them to probe for weaknesses found during their review in our control systems or numbers. These have been universally reassuring, even during the control blackout caused by the old computer system's crash.

However, members of the Board as well as general members have raised questions about the lack of an audit, wondering if this were indicative of financial problems. To allay such concerns, Larry has consulted with James Francis of Johnson, Miller and they have agreed to perform a full audit at a modest increase in audit fees from approximately \$12,000 to \$15,000. This seems a small price to pay to improve perceptions within the membership and I recommend we agree to it.

Financial Disclosure on the Web Site:

It is our intent to provide a special section of the SSA web site devoted to financial disclosure. Beginning at the end of the fiscal year, we will post the following information quarterly:

- Statement of Revenue and Expenses
- Balance Sheet of the SSA
- Foundation Financial Report
- Foundation/SSA Transaction Report
- US Team Fund Statement of Revenue and Expenses

To help avoid confusion, it would be our intent to provide a commentary such that major changes in the financials would be readily understood by the non-specialist.

While there may be a period of confusion while everyone gets used to the reporting formats, it is my belief that the additional transparency will be worth it.

Summarizing These Steps – What’s Your View?

As mentioned earlier, these steps were taken to promote the perception of financial responsibility on the part of the SSA to the membership. You are all encouraged, so long as you are supportive, to pick up this banner and wave it around a bit at home. Neither the SSA nor soaring in the US is helped by these perceptions, and we need to make them go away. To the extent you share these perceptions, let us know what we should be doing to improve the situation. Suggestions, constructive or otherwise, are always gratefully accepted.

Year to Date Financials:

For the full year, we are currently projecting revenues of \$1,210M, an increase of about \$50K over 2001. Non-cash expenses are projected to be held flat to 2001 at \$1,169M, producing an operating profit of \$41K. Adding back depreciation and amortization results in an operating cash flow of just under \$100K. This is an improvement of nearly \$70K over 2001 and much better than 2000’s \$40K net negative operating cash flow. So our finances have clearly stabilized after the troublesome bout with the computer replacement and the loss of control it produced.

A major factor in this picture has been contributions, which have grown from a mere \$15K in 2000 to \$104K in 2002. Note that these are general contributions to the operations of the SSA, and do not include the Foundation where, particularly in the case of the Robertson Fund, excellent results were also achieved. Note also that these results were not much affected by the dues increase voted on last year, which has been very slow in its implementation. Dues actually declined by \$22K to \$611M for the year, and the net benefit expected from the increase in 2003 is likely to be less than an 8% improvement.

The balance sheet in July presents a liquid picture. Because of the positive cash flow noted above, payables have come down \$43K to \$81K, and receivables and inventories are at normal levels.

Preliminary Budget:

A preliminary budget has been circulated for 2003, well ahead of the pace in comparison to prior years, for comment. It projects a stable year financially, and a small improvement to operating results. A more detailed second pass budget will be discussed at the Board meeting.

Douglas Jacobs
Treasurer