



Treasurer's Report
SSA Board of Directors
Soaring Society of America
January 2003

2002 Audit and Ongoing Accounting Cleanup

We have just received preliminary audit figures for the 2002 full year based on work done by Alan Gleason and our auditors, Johnson, Miller.

Over the course of the last six months a number of efforts have been made to improve reporting and disclosure of SSA financial information. Principle among these has been Alan's efforts to clean up the accounting records, as well as optimally utilize the capabilities of the new computer system. This has not been an easy task in that our books were substantially impacted by the information blackout caused by our well-known computer installation. Additionally, the lack of trained accounting staff internally took its toll on accuracy and reliability. The result has been a variety of adjusting entries that, in effect, correct accumulated errors and discrepancies in the SSA books. As a general matter, while these change individual account totals, they do not change the overall picture of the SSA finances, described below. They primarily serve as evidence that our books were not in good shape for the past several years prior to Gleason's arrival.

At this point, both Alan and Emily Davis, our Johnson Miller auditor feel that real progress has been made, and that the 2002 financials as adjusted represent a solid base going forward. Both have high praise for the accounting capabilities of the new computer system. Partner James Francis plans to be at the Board meeting to address questions from us on the status of our accounting system and will give us the firm's recommendations on improvements via its Management Letter.

Full Year 2002 Results

Our revenue and expense picture once again shows a roughly breakeven posture. Revenues for 2002 totaled \$1,286K, more than a \$100K increase over 2001. The increase was driven by improved contributions of \$167K, but some \$65K may be dedicated to the SSA Foundation (decision to be made at this Board meeting). Expenses, however, were also up substantially to over \$1.3K, leaving us with an accounting loss of \$32K. Adding back non-cash charges leaves us with a positive \$27K in cash flow – but a negative cash flow of some \$35K if we must exclude the special gift. Together with the repayment of the SSA Foundation loan to below \$100K, this has strained our cash balances.

Our balance sheet shows a comparable picture. While we have apparent liquidity in a \$125K Money Market account, this represents segregated funds for the SSF, US Team, Hilton Cup, and Paige gifts and is not available to the SSA for ordinary working capital purposes. Better management of payables and receivables has enabled the office to set a standard of no payable more than 60 days. Alan indicates that the great majority is 30 days or less.

As several have observed, the SSA financial picture approximates a family living from paycheck to paycheck. Outside the resources invested via the Foundation and under the direction of the Foundation Trustees, the SSA does not have a lot of financial maneuvering room. To avoid the necessity of invading the corpus of the Foundation in a stress scenario, as well as to have the opportunity for the SSA to do more for the membership, we must explore ways to increase financial resources going forward and especially to stem the negative cash flow.

Efforts to Increase Financial Resources:

Zero Based Budgeting: Dick Mockler and Alan have been discussing an approach to reduction of expenses that would require annual rejustification of each expense each year. This would force us to conserve expense money, and avoid continuing to do things that have outlasted their usefulness. We're going to have to be tougher on expenses, and to begin charging other parts of the organization for services rendered and/or costs incurred.

Dues Increase: Because of the ExComm's decision to delay and reduce the dues increase, we only have one or two months of renewal experience at the higher level in the 2002 numbers. A full year at the new dues level should provide a positive swing of some \$50-60K in 2003

Merchandise Sales: Reissuance of the merchandise catalog in the new format, coupled with web based support and on-line purchasing is expected to juice merchandise sales. These were quite disappointing in 2002 – we only recorded \$176K in sales on a budgeted goal of \$242K. Results over the holiday season with the renewed catalog have been very encouraging. November and December 2002 have shown a \$13,000 increase over November and December 2001. Merchandise shipping reimbursed has shown a \$3,000 increase for the same period.

Convention Income: While the 2002 convention was a success at \$107K in revenue, it only netted some \$3K after expenses. Merchandise sales added another \$15K. Dayton is expected to produce something in the \$30-50K range, and although the Ceasar Creek club will receive a portion of that, ongoing convention income has upside potential.

Donations: Jim Kashner and Larry have a goal of \$80K in SSA giving for operating purposes this year, and are close to \$40K already. Continued success here would be of enormous help – most non-profits derive 30-40% of their annual budgets through ongoing donation support, as well as endowment income, far above ours. We have to find the right balance between giving appeals for the Foundation – which preserves the principal but may only throw off 5% or so a year – and appeals for the operating budget – where the entire donation is available in the current period but does not keep on giving.

Other Matters of Interest:

Foundation Loan: Has been paid down to \$99K in monthly installments. While this continues to strain cash, we feel it is important to keep the discipline until this is repaid.

Financial Web Page Disclosure: In my last report, we committed to have the Web page up and running by year end, a goal we did not make. At this point, John Seaborn has designed a very attractive page format and Dick Mockler has written several excellent descriptions of the basic financial reports, as well as suggested to Alan a condensed set of formats for Income Statement and Balance Sheet Disclosure. Sterling has supplied reporting formats for the SSA Foundation and will be supplying a write-up on annual performance. I have outlined the Web page contents in an attachment to this report. However, given the number of adjusting entries to the 2002 financials, as well as the heavy burden of supporting the ExComm and Administration Committee's various requests for information leading up to the proposal on redefining Alan's role (which we'll hear about at this meeting) we were unable to get the 2002 results in web form. We were also unable to get the US Team reporting updated. This should be in place by the end of March.

SSA Foundation White Paper: As the result of a number of comments critical to the SSA Foundation's management of its assets, a White Paper was produced and distributed to the membership on the SSA web site. The Paper detailed the operation of the Foundation, the background and various responsibilities of its Trustees, and the investment methodology utilized. It also examined the performance of the funds for the past several years in some detail. Reaction to this attempt to communicate fully with the membership seemed to be very positive, and the criticism, at least for the moment, has ended.

Doug Jacobs
Treasurer

SSA Web Site Financial Section
Draft Outline
October 14, 2002

Background *Here we would have a welcome/purpose statement, as well as a short description of the purposes of each of the basic reports and hints on how to read them*

- Explanation of Reports
 - Revenue and Expense
 - Balance Sheet
 - Foundation Investment Report
 - US Team Reports
 - Annual Financial Review/Audit
- Foundation Descriptive/Purpose Document
- Link to TTF Financial Structure Document

Revenues and Expenses *Using Dick Mockler's suggested formats*

- Summarized Revenue and Expense Statement
 - Annual for the past 3 years
 - Quarterly year to date

Balance Sheet *Using Dick Mockler's suggested formats*

- Summarized Balance Sheet
 - Annual for the past 3 years
 - Quarterly year to date

Foundation

- Sterling Starr's report of Valuation annual, quarter to date
- Reconciliation of Income and Outflow annual, quarter to date

US Teams

- 2001 Revenues and Expenses by Contest – historic spread sheet
- 2002 Revenues and Expenses by Contest – stub period, 1/102 to 10/30/02

Annual Financial Review/Audit

- 2001 Financial Review
- 2002 Audit

Historic

- Treasurer's Board Reports past 3 years
- Garner "White Paper" on the computer system problem