

Treasurer's Report
Board of Directors
Soaring Society of America
October 2004

Performance against 2004 Budget

At the February 2004 meeting the Budget and Finance Committee presented an extensive analysis of the 2004 budget. Our goal at that time was to produce a plan that would result in positive cash flow for the year in the range of \$30-\$50,000 so that we could alleviate an acute cash shortage and begin, over the course of several years, to pay down debt between the Society and the Foundation. Our process was to work with Hobbs on a functional analysis of activities and spending, and to boil up initiatives which either decreased expenses or increased revenues. Together, nine actions were proposed to the Executive Committee for potential adoption which totaled some \$120,000. These were further refined by the Committee, which resulted in a budget calling for net income of \$35,000 for the year. This budget was adopted in February.

Attached are the SSA's August year to date figures, showing a better than projected result of \$11,800 in positive cash flow. While revenues were below budget primarily due to slow merchandise sales, expenses were down significantly due to better than planned wage savings. Dennis and Alan are confident that the full year plan can be achieved. This is obviously a very welcome result, both as to the numbers and as to the methodology by which we came together on a budget. It is our understanding that Hobbs and the Budget and Finance Committee will employ the functional analysis approach to next year's budgeting process as well.

Liquidity Measures

To insure the liquidity of the organization and to avoid reoccurrence of long dated payables and bounced checks, the Budget and Finance Committee worked with Hobbs to institute the following performance measures:

- Creation of a \$20,000 overdraft facility with Lea County bank.
- Maintain a minimum of \$25,000 in cash on balance sheet at all times
- Target days payables at a maximum of 45 days with a target of 30 days

Staff was asked to call a telephonic meeting of the Budget and Finance Committee if these standards were not met. In order to meet these standards, utilization of the previously authorized Line of Credit between the SSA Foundation and the SSA would be permitted. This is a sister facility to the Term Loan put in place at the time of the computer crisis, which has been amortized down by monthly payments to a current balance of \$30,000. The Line of Credit was utilized in March in the amount of \$50,000, and there is a potential for the Line to be used again in the range of \$35,000 to meet the liquidity targets (borrowing report attached). All usage of this line is specifically approved by both the Budget and Finance Committee and the Foundation Treasurer. As mentioned above, in order to retire this debt completely, the SSA will have to turn in several years of \$30,000+ positive cash flow operating performances, so continuing discipline will be necessary. We quote again from our February 2004 report:

“While some members may be apprehensive at this last step, it must be remembered that all Foundation funds are, in effect, our Society’s “net worth”, i.e. the financial muscle of the organization. Without a solvent and active SSA, the Foundation has no purpose or reason for existence. In effect, when dealing with the Foundation we are making a loan to ourselves, paying ourselves interest on it, and avoiding borrowing from third parties on a commercial basis. Therefore it is clearly the best path to remedy the existing, unacceptable liquidity situation.

Longer term, borrowing is not the answer. What will improve the situation is positive cash flow, as has been planned in the 2004 Budget. It is imperative that we achieve the budgeted results, not only for one year but on an ongoing basis. Only this will allow us to pay down this debt to the Foundation and to begin expanding member services.”

Financial Reporting

We continued to wrestle with timely financial statement production for the past six months, in part due to staff illness but primarily because of computer server capacity. The hard drive capacity of our server was woefully inadequate, and a significant amount of staff time and effort was devoted merely to managing space to avoid crashes and lost data. Given how inexpensive computer equipment has become, this was obviously an unacceptable situation. After a brief analysis, Dennis recommended to the Committee that we perform an unbudgeted server upgrade at a cost of \$8500, which was approved. The new server has been installed and capacity problems have ceased to be an issue. At the moment, we are current on financial statement production; all August numbers were available in mid-September.

Respectfully submitted

Doug Jacobs
SSA Treasurer