



Treasurer's Report
Board of Directors
Soaring Society of America
September 2003

SSA Financial Web Site

As of the second quarter, the financial web site is a reality. Based on the hard work of Alan Gleason, John Seaborn and Dick Mockler, we have presented three years of summary financial statements, the 2002 audit, Treasurer's reports going back several years, and Foundation statements for the same period. Several key documents are also accessible, including Chip Garner's White Paper on the computer installation, the Foundation White Paper, etc. Also up are links to Board and ExCom committee minutes and a FAQ capability with email links so that members may ask questions directly. Going forward, we are posting quarterly statements in the format Alan suggested in January, with first quarter 2003 statements posted in late spring and second quarter posted by the time of our meeting.

While all this information has been available for six months or so, we have received very little feedback on the site, positive or negative. Yours is encouraged. On the other hand, we have also seen a dramatic decline in the volume of complaints and rumors about SSA financial opacity, so some progress seems to have been achieved by these steps.

Budget and Finance Committee Proposal

Enclosed in your Board books is a proposal to create a formal Budget and Finance Committee. Its purpose is to clarify and formalize activities in the financial arena of the SSA which heretofore have been done in an informal manner, as well as to firm up the relationships between the key officers in Hobbs, the Administrative ExCom member and the Treasurer. Your support is recommended, and those interested in serving on this Committee are encouraged to contact Dick Mockler, who will be seeking one or two more willing and qualified members.

Financial Statement Delays

We have been struggling with production of monthly financial statements, the reason for my tardy report. Statements have not been produced on a timely basis – June and July, for example, the first statements since March, were not done until the first week of September. We have not, as promised in January, circulated monthly statements to Board members either.

Per my conversations with Alan and Dennis, this has primarily been a problem of prioritization and workload. During this time of transition, Alan has done yeoman work holding the Hobbs office together while the Search Committee actively looked for a new Executive Director. After Dennis came on board, a steep learning curve had to be climbed, meaning that Alan continued to be overworked. With financial statement production lagging, Dennis made the decision to fall behind schedule to deal with other pressing priorities.

At the same time both confirm that the new computer system, once properly configured, makes statement production much more efficient, and should ensure our ability to meet this standard going forward. Given the financial chaos that resulted from the computer-related information blackout several years ago from which we have not yet fully recovered, getting back to this standard is a high priority. The fly in that ointment will be higher prioritization of other activities.

Given the hand to mouth nature of our finances and the rancor that accompanied our borrowing for computer related cost overruns from the Foundation, my sense is that these activities should be assigned a very high priority, a view I believe Dennis and Alan share. I would ask my fellow Directors to support that view, and to be particularly sensitive to impacting Alan's ability to perform this vital function by being demanding of his time.

Current Financial Posture

Monthly statements for June and July will either be in the Board book or handed out at the meeting.

The July statements exclude the results from the Convention, and are presented on an operating basis, i.e. without the results of the SSA Foundation. The Convention netted revenues of over \$111K versus budget of \$60K, but expenses ran just under \$111K, also well over budget, thus have been separated out to better evaluate the rest of our activities. July shows year to date revenues of \$631K, some \$60K less than budget, and expenses of \$661K, only \$13K better than budget. As a result, we show an operating cash flow deficit of \$30K year to date. On an accounting basis, after non-cash charges for depreciation, we recorded a loss of \$52K.

On a full year basis, Alan currently projects slightly better results, with our cash flow deficit being halved to the negative \$15K range. While expenses are reasonably well understood, the wild card for year-end will be revenue from the annual campaign. Both our results and our budgeting have been impacted by the SSA's well-publicized problems of the last several years. To the degree that confidence is returning with the finding of a new Executive Director and CFO in Hobbs, there may be some upside to the financial picture if the membership can be made to understand the need for support.

Our balance sheet shows a similarly stressed picture. While the loan from the Foundation is being amortized on schedule, the continuing impact of poor operating results on our cash position means that our payables are stretched out to the 60 day range. Liabilities to the Foundation and other funds – safety, US Team, etc.- represent a significant source of financing not backed by enough asset liquidity to quickly pay down.

In sum, we are on our way to recording a fourth year of negative operating results and cumulative negative cash flow. Without new revenue sources – dues, contributions, convention, merchandise – our only alternative is to reduce expenses, eliminating services provided to the members by the Hobbs office. Our ability to do anything new, or withstand further financial shocks of almost any magnitude, is very low without tapping additional cash support from the Foundation.

2004 Budget Plan

Enclosed in the Board book or to be handed out at the meeting is a draft 2004 budget proposal. It shows a cash flow breakeven result and a small accounting loss after depreciation charges. Dennis and Alan consider it to be conservative, and feel that better results might be achieved.

After much discussion between Messrs. Jacobs, Gleason, Wright, Mockler, and Short, and assuming the success of the Budget and Finance Committee proposal, we have decided not to seek your approval currently but to work the budget through the Committee for further improvement. We feel that a better picture can be assembled toward the end of the fourth quarter, and that more time is needed to truly attempt something closer to a zero-based budget concept, and to evaluate the costs and benefits of current programs fully. As you recall, we decided to change our annual financial cycle from October to end of December last year. Therefore it also makes sense to delay final approval since our financial picture will be clearer later in the year.

At the same time, it is clear that programs to build revenues must be identified, or ways to cut expenses explored. The former is highly preferable, of course, but may run into the type of Board/member reluctance shown on the dues increase, which was reduced in amount, stretched out, produced only modest revenue gains, but still seems to have served as a lightning rod for the membership. Failing the identification of ways to produce revenue gains, expenses must be cut. Choices must be made, preferably by the Board, between competing uses of resources, between various functions now provided to the membership from Hobbs. To this end, Dennis may be prepared to speak to the issue of tradeoffs between a prioritized list of programs and functions that must be evaluated.

Therefore we plan to spend the next few months working these issues, and will advance a finalized budget version for your review and approval sometime in December.

Respectfully submitted

Doug Jacobs
SSA Treasurer

**Proposed Action Item
SSA Fall Board 2003
Dallas, Texas**

Good financial planning, reporting and management control of the Society is critical. Equally important is good communication of our financial position, resources, and constraints, whether to the Board, SSA membership, or other interested parties. However, the responsibilities for these activities are not well laid out and understood. In particular, the role of the Treasurer of the SSA has not been well defined, and is currently not well integrated with the rest of the Board committee structure underlying the Executive Committee.

Given the difficult financial position of the SSA for the past several years, as well as the challenges facing us going forward, it is important that financial planning and reporting be more tightly tied in to the existing management structure.

Proposed:

That a Finance and Budget Committee be constituted and given responsibility for oversight of the financial affairs of the SSA, including:

- **Financial Reporting:** Supervision of staff production of monthly, quarterly and annual financial statements, as well as communication of such information to the Board and membership
- **Annual Audit:** Supervision of the selection of an independent auditor and the production of the SSA's annual audited statements
- **Annual Budget Planning:** Supervision of the production of an annual budget for the Society and subsequent evaluation of performance versus budget
- **Borrowing Authorizations:** Oversight and approval of any and all borrowing arrangements on behalf of the Society
- **Financial Policies:** Review and approval of financial policies
- **SSA Foundation:** Manage the relationship between the SSA and its Foundation, assure good control and reporting of contributions to and endowment support from the Foundation

The proposed membership of the Finance and Budget Committee would be:

	<u>Current Incumbents</u>
Treasurer (Chair)	Jacobs
SSA CFO	Gleason
SSA Executive Director	Wright
Administrative Committee Chair	Mockler
2 Additional Committee Members	Appointed/Elected by Board

The Finance and Budget Committee would administratively report into the Executive Committee and the Board through the Administrative Committee Vice-Chairman, and would be required to give periodic reports to the Board. In keeping with the SSA By-Laws, the Treasurer would be required to be a Board member upon his/her election. Note that the Administrative Committee Vice Chairman could also serve as Treasurer, in which case he/she would chair the Finance and Budget Committee.

The Finance and Budget Committee's principle liaison at the SSA office in Hobbs would be the Chief Financial Officer. The Committee would be primarily responsible for employment and staffing issues for these functions at the SSA office.

This step appears not to require a By-Laws change, and is within the Board's authority under Article VII, SECTION 1 of the By-Laws:

"There shall be committees and sub-committees as approved by the Board of Directors of the Society, appointed by the Chair with the advice and consent of the Directors. The period of appointment shall coincide with the term of office of the appointing Chair".

I respectfully recommend approval of this step

Douglas Jacobs
SSA Treasurer

Appendix on Treasurer Responsibilities under By-Laws

Article V, Section I of the By-Laws indicates that the Treasurer at his/her election must be a Board member:

“The Board of Directors shall elect from their number, or from any Directors-at-Large-elect, by a majority vote of the Directors present, if there is a quorum duly assembled, a Chair, four Vice-Chairs, a Secretary, a Treasurer, and such honorary officers as it may select”

Note however (and somewhat curiously) that a particular Treasurer, once elected, does not necessarily have to remain a Director:

“Officers-elect, except the President, Treasurer and Secretary, having less than one year to serve as elected Directors shall be elected Directors-at-Large for the following year. An elected President, Treasurer or Secretary shall continue in office and may be elected to successive terms even though not a Director or Director-at-Large. “

The only guidance from the By-Laws on the Treasurer’s duties indicates, also in Article V:

“SECTION 5 — The TREASURER shall receive and disburse the funds of the Society under direction of the Chair and Directors and shall perform such other duties as may be required by the Directors including the preparation of a quarterly financial report. “