



AWCI FINANCE COMMITTEE REPORT FOR MIDYEAR MEETING, FEBRUARY 20-21, 2009

MEMBERS: Mark Butterworth, Tom Jeswald, Dennis Warner, Jack Kurdzionak (treasurer)

Attachments:

- 1. Budget to actual (latest available from Finance director, Tom Pack)**
- 2. Notes on budget from Finance Director Tom Pack**
- 3. Proposal from Stellar Meetings and Events**

Committee report:

1. Committee Activities:

- a. The Finance director has kept the committee abreast of AWCI's finances since the annual meeting in August 2009 by issuing the weekly interest rate reset for our outstanding indebtedness. As of today's date, Feb 15, 2009, we are paying 4.00% interest. In the past six months, it has ranged from 3.75% to 10.00%.**
- b. The Finance Director, on a bimonthly basis, distributes the AWCI budget to actual report the committee to study in addition to his notes on the budget.**
- c. The committee was asked by President Juairé to recommend that the Board approve the transfer of \$12,900 from the special project budget to the convention-planning budget. The committee approved of the transfer and the president was notified.**

2. Financial concerns:

- a. AWCI's long-term financing is a source of genuine concern for the Committee. We have a substantial debt, now secured by a bond in our Perpetuation Fund. The interest rate on that debt resets weekly as a function of the LIBOR (London Interbank Offered Rate) which has recently settled in the 4% range after some wild gyrations from 3.75% to 10.00% within the past six months. For budgetary purposes, we cannot accurately predict our cost of borrowing for more than one week at a time. The committee encourages AWCI's management to investigate the possibility of converting all or a considerable portion to a fixed rate loan.**

- b. Horological Times. The magazine is a very important segment of AWCI's operation, but unfortunately still loses a significant amount of money. Management has been able to reduce expenses during the first two quarters to compensate for the magazine's reduced revenue. The current recession, which is now deeper than any recession for several generations, will most likely be far longer than originally anticipated. The committee believes that AWCI needs to carefully formulate a long-term vision for the magazine as well as look into existing alternatives for publishing it. Although we anticipated in our budget for the magazine to lose \$40,000, does it need to lose that much money? Every dollar saved in the HT budget will be equivalent to increasing our revenue by that same dollar amount.**
- c. The annual meeting. This yields substantially less revenue than it returns. The committee has recommended funding a professional planner for the 2009 meeting. This will accomplish several goals including freeing up our staff and management to concentrate on AWCI's business before and during the annual meeting, produce a professionally run convention, lower some of our accommodation costs, and see to the needs of members and guests during the meeting. The annual meeting has two lines in the budget, namely revenue and expense. These expenses and revenues should be further broken out so that the committee and the Board can more carefully examine this area of the budget for future meetings.**
- d. A substantial portion of AWCI's revenue is generated from the Perpetuation Fund. There is a strong possibility that there will be a significant reduction in the income generated by the fund mainly due to the decline of the value of the corpus of the fund. The committee recognizes the situation and suggests that the Finance Director formulate a contingency plan in case this income reduction occurs.**

The Finance Committee makes the following four recommendations, derived from the areas of concern listed above, for the Board to consider.

Recommendation #1: To have the Institute investigate the feasibility of converting a portion or all of its outstanding debt from the variable rate instrument we currently have into one with a fixed rate.

Recommendation #2: To have the Institute formulate a long-term plan for the Horological Times magazine with the goal of reducing the annual losses generated in its publication.

Recommendation #3: To have the annual meeting expense and revenue budgets itemized and listed as a separate category in the budget.

Recommendation #4: To prepare a contingency plan to operate the Institute with reduced income if there is substantial decrease (8% per annum or greater) in the income derived from the Perpetuation Fund.