Notes on December 2008 AWCI Budget to Actual report

With a few exceptions, this report has nothing unusual to report. The bottom line is that our revenues are $51,717.27 above expenses at this point in the fiscal year. We had budgeted to have a surplus of $48,552.91 at this point in the fiscal year, based on the scaling of various line items that has been put in place by the request of the board. This scaling is being done to better reflect actual expected activity in certain line items that don't follow consistent monthly patterns. The net result is that we have a surplus in regards to actual dollars coming and going, and we are ahead of the budget by over $3,164.36 at this point.

I have placed three asterisks after each line item on the report that has been scaled. An example of this scaling is annual meeting revenue. We do not anticipate receiving much additional revenue in this line item until late in the fiscal year (May or June 2009), so a minimal amount of the budgeted revenue is being shown as of December 31, 2008. When we get to the end of the fiscal year, a much bigger portion of the budgeted amount for that line item will be shown.

An example of a line item that would not be scaled is the waste removal line item. This is a monthly expense that rarely changes. As a result, the annual budgeted amount for this line item is simply divided by 12, and an appropriate amount of month's budgeted expense is then shown for the corresponding reporting period. For December 2008 I am showing 50% or 1/2 of the budgeted amount, since we are finished with 6 of the 12 months in the fiscal year.

Dues revenue collections have been fairly strong, with the renewal notices going out in mid-October. We have scaled up the budgeted amount for those line items to match our actual dues collection experience. I will repeat two observations that were previously emailed to the President and Treasurer in regards to dues revenue:

1) We don't have the IAB dues from Richemont as of yet. They were late sending those in last year, too. They are a platinum member.
2) We had a deposit prepared for December 31, but due to circumstances beyond our control that deposit did not get into the bank until January 2. That deposit was nearly $30,000 and consisted mostly of dues revenue. It will appear on the bi-monthly report for the end of February.

As noted in the previous budget to actual notes, education and CW21 revenues have picked up substantially. We are ahead of budget in the Education category. CC21 revenue is at zero, which is dragging down the whole category. We also have a minimal amount of CC21 expenses, so the net result is that CC21 is not impacting the budget at present.

Books and merchandise revenue did not pick up as well as we had anticipated during the holiday buying season. Revenue from the new battery books did not come in as of this period. It should hit the books in the period that ends in February.

Investment income is holding steady and is slightly ahead of budget. We have not seen a change in the valuations used by Johnson Investment Counsel that are used to calculate our monthly "allowance". I have asked about that, and have been assured by Dale Coates that there is not a need at the present time to adjust anything on that formula. If there is I will be sure to report to the Perpetuation Fund trustees.

Expenses are under budget in every category except for Certification and Salaries. Salaries are slightly over due to a one-time payment to Laurie Penman for his correspondence course work. The overage in certification is due to the purchase of 107 Bulova watches with ETA 7750 movements. That was noted in the October 2008 budget-to-actual notes. Those watches are completely paid off as of December 31.

Interest expense for the building has settled down over the past two months. We are currently at a 3.85% interest rate on the two bonds, and have been between 3.75% and 5.00% for November and December. There seems to be new developments every day in the financial markets. Between proposed bailout plans, mergers and acquisitions in the banking industry, job cuts across all manufacturing and service sectors, interest rate cuts and debates on how far to go with those cuts in numerous domestic and foreign markets, and of course the political changes in Washington DC, there are way too many major factors in play to hazard even a questionable estimate as to how AWCI will be affected. It is assumed that the bailout (TARP) funds being offered to banks will have to be offered as loan money to individuals and companies, so we do not anticipate a repeat of the credit market freeze. Other than that, all bets are off as to how AWCI will be impacted by the global economic conditions. We are having members come to us with stories of being laid off from their job and now being unable to pay for courses they have signed up to take. We will have to review those on an individual basis, but it is possible that some revenues will be down due to economic conditions. So far, AWCI has seemed to be able to ride out the extraordinary events in the marketplace with stable dues collections.

The Perpetuation Fund portfolio has taken a significant hit in value over the past 6-8 months. I normally don't go into much detail in this report in regards to portfolio valuation, but it is important to note that we will be subject to a portfolio re-valuation at some point before the end of our fiscal year. It is highly unlikely that the markets will have recovered sufficiently to enable us to maintain our current monthly allowance income from the Fund. This is something to consider when constructing and reviewing the budget for 2009-2010. It would be an appropriate discussion topic for Dale Coates when he makes his report at the midyear meeting.

As usual, we have managed to stay ahead of the projected budget to date by keeping expenses well below the budgeted amount. Revenues are down in some areas, but we have good reason to expect dues to come back up as noted above. Merchandise sales are an area that needs work, and we may be fighting a losing battle on that with everybody cutting back on non-essential purchases.