



Finance Committee Annual Report August 2010

TREASURER'S REPORT

Finance Committee: Tom Jeswald (4 years service), Dennis Warner (2 years service), Henry Kessler and John Safranek (each 1 year service), Jack Kurdzionak (treasurer and chairman).

AWCI's fiscal situation is sound with a substantial net asset value. Please check our balance sheet for details.

- A. Our debt to asset ratio is very low in comparison to other corporations.
- B. The majority of our assets (Dodson Perpetuation Fund) are professionally managed and have done relatively well in light of the challenging economic environment of the past two years.
- C. Our dues have been held steady at \$137 for another year.
- D. Our income from the rejuvenated IAB has substantially increased to account for 5.3% of our total revenue. That is the good news.

A few areas of concern are:

- A. Our regular membership has continued to decline to just under 2000 dues paying members.
- B. The Dodson Fund now contributes 31% of our total revenue. Any reduction in income from that fund would have a serious negative impact upon AWCI's finances. The fund's original mandate was not to provide funds for our regular operating expenses, but over the past 20 years it has gradually become the major source of AWCI's income.
- C. Our long term debt interest rate is not fixed. Fortunately for the past few years the interest rate on that loan has been manageable at below 5%, but future market conditions could increase that rate to as much as 10% plus fees of about 3%.

Since our midyear meeting, the finance committee has held numerous teleconferences to discuss AWCI fiscal matters. We accomplished the following tasks:

- A. Made a motion to the BOD to engage Rudler Associates as our auditor for the next fiscal year. This motion was approved by the BOD
- B. Made a motion to the BOD to extend the expiring budget for the fiscal year 2009-2010 for 31 days ending on July 31 to allow further time to prepare the 2010-2011 budget. This motion was approved by the BOD.
- C. Made a motion to the BOD (including lines D and E below) to accept the 2010-2011 balanced budget submitted by management, and unanimously approved by the finance committee to be effective August 1, 2010. This motion was approved by the BOD.
- D. We had a surplus from the 2009-2010 budget of \$67,652.38 to be dispersed as follows: 1. \$25,000 for HVAC replacement (capital item, not shown on this statement) is subject to Finance committee review/approval of a bid: 2. \$3,000 available to work on strategic planning utilizing available qualified volunteers wherever possible: 3. The balance of the surplus \$39,652.38 to be used to pay down our senior debt.
- E. \$20,000 allotted in the budget for Data Processing expenses under "Professional Fees" is subject to Finance committee review/approval of a bid.

The past year has witnessed a few significant changes in the way the BOD conducts its financial affairs.

1. The BOD has determined that our auditing firm will report directly to the BOD through the office of treasurer.
2. The BOD is willing to make needed capital expenditures, but they will be subject to complete bidding and BOD approval. Examples above are the data processing and HVAC expenses.

The Finance Committee, during the budgetary process, always kept the following in mind:

1. While learning to operate within our means, not one person on the Committee was against spending money on investments designed to progress efforts toward

reaching the goals of AWCI, or on maintaining our building, or insuring against any risks we face. The need for Strategic Planning was and remains crystal clear, and possible, while operating within our means.

2. All businesses recognize the value of their employees and management. We are proud of our AWCI staff, and we appreciate the work they do. In this regard, we discussed the need for more work and a better understanding of job descriptions (expectations), performance reviews, and management (and reward) by objective.

This will be my final communication to you and our members, as your treasurer. Thank you for your support of my office for the past four years. I truly have appreciated that confidence you have shown in me to have me serve in this important office.

Your treasurer is the team leader of the finance committee that is constitutionally charged with overseeing AWCI's finances. I am pleased to be able to report to you that AWCI has completed another fiscal year, the third in a row, in which we generated a surplus. That means we did not have to borrow any money for the past three years. In fact we actually have reduced our long-term debt by over \$85,000. In light of the worst business recession since the 1930's, this is no small accomplishment and it has not been without considerable pain. Everyone involved in the operation of the Institute has made a sacrifice. Each of our employees has taken on a greater proportion of the workload due to several staff retirements and resignations. Several of these positions have remained vacant so that our salary budget has been significantly reduced. Our management has trimmed expenses by carefully monitoring spending so that the Institute receives one hundred cents worth of products and services for every dollar we spend. They literally practice the old Yankee maxim of, "Use it up and wear it out" before they buy a replacement item. They are to be commended for their care of our Institute.

Our members have shared in these difficult financial times by not only remaining with us as members, but also by paying more dues than in the past. We owe them our gratitude for their continuing long-term support.

Our Industry Advisory Board (IAB) is comprised of industry member companies. They include watch service centers, material distributors, importers, and several watch companies. Ten years ago, the IAB was the nearly forgotten relative in our AWCI family. The IAB was always there but we seldom called upon them for support. Thanks to the strong leadership within that group since those days, the IAB has become a substantial

supporter of the Institute. Member firms have loaned both technical and managerial expertise to AWCI to assist with our certification, education, and publicity programs. Our progress in these areas would have been far slower had it not been for the unselfish support of the Institute from the IAB.

Three years ago your directors voluntarily began paying their own travel and meal expenses to and from all of AWCI's meetings for a cumulative savings to the Institute of about \$40,000. All of the directors have cheerfully accepted this no reimbursement policy and have willingly made the sacrifice of their time and treasure to guide your Institute. We owe them our thanks for their dedication.

Without our volunteers, we would not have the Institute, as we know it. There are far too many to enumerate here, but they have donated countless hours of their valued time to help with whatever task needs to be done.

This brief report has certainly omitted many people whose contributions deserve mention and they are entitled to my apologies for their omission from this report.

Jack Kurdzionak