

Treasurer's Report
AESS September 2004 Board of Governors Meeting

7 September 2004

1 - 2003 FINANCIAL RESULTS

In the final 2003 results, the AESS net surplus was reduced to \$616K. This compares to a \$639K net surplus given as preliminary results in my April report. The reduced surplus resulted from reductions in final distributions of the APP (18K) and Book Broker (23K) accounts that were partially offset by an increase in the investment results (17K). The AESS Net Worth on 1 January 2003 was \$1417K.

2 - 2004 FINANCIAL STATUS

The AESS budget for 2004 has a net surplus of \$245K with a zero entry for investment returns. I currently forecast that the net surplus at the end of 2004 will be between \$200K and \$225K without investment returns. This estimate results from individual subscription sales that are below the budgeted level.

As always, year-end AESS Book Broker revenue and IEEE investment returns will unpredictably impact my estimate of the year-end AESS net surplus.

3 - 2005 BUDGET

The development of the 2004 budget has had few problems. The budget cycle for 2005 is well advanced and AESS has received and accepted a "Second Pass" budget from TAB with a net budget surplus of \$370K. This budget includes no increases of member dues and Transactions fees and no AESS income from investments. In my opinion, this budget is reasonable as long as we continue our recent policies of conservative expenditures and IEEE meets its projections on surplus distribution from publication sales

4 - NEW INITIATIVES

As a reminder, several activities have been discussed at recent BoG meetings where increased expenditures may result in benefits to the society. I suggest that we develop plans and proposed budgets for these activities by March 2005 so that they may be considered next Spring in the 2006 budget.

I have included below a message from Hal Flescher concerning an IEEE rules change that may make it easier to spend money from our reserves in future years for new society activities.

On August 15, Flescher wrote:

Since before the last time I was TAB

> Treasurer, our societies have been "requesting" a methodology that

> will let them again access their reserves for their own internal
> initiatives rather than have our reserves simply be a black hole
> (positive revenue in - nothing out) as they have been for several
> years. Last year a committee of Peter Staecker, John Vig, Guilanne
> Pollak and I had unsuccessfully attempted to find a way to do this.
> Last month I sent an idea on this issue to the BoD for discussion
> with the intention of bringing a motion to the BoD in Nov. I got
> very positive inputs, and a recommendation was made that I bring
> this to the IEEE FinCom as a motion to place it into their
> Operations Manual rather than make it an BoD motion. If IEEE FinCom
> passes a motion that goes into their FOM (IEEE Financial Operations
> Manual) it gets distributed to the BoD. If no member of the BoD
> objects to the new rule within 30 days of its distribution, it
> becomes "IEEE law". Ergo if they don't object they tacitly agree. On
> 8/14 Fincom indeed passed the following motion to be included in
> their FOM by the process I described above.

>
> "In years when IEEE reserve/expense ratio exceed the 50% of expense
> requirement, operational units that also exceed the 50% rule with
> otherwise balanced budgets will be permitted to budget up to 3%* of
> their previous year-end reserves for inclusion in the next budget
> cycle."

> * 3% figure will be vetted with the Investment Committee to insure
> reasonableness

>
> This means that, for example, if IEEE and a society were at the 50%
> ratio this year, they would have been able to use 3% of the 2003
> thirteenth month closing reserves value.

> I know that this isn't everything people have wished for but it is a
> good start. As the IEEE reserves grow it should be easier in the
> future to relax these spending rules. In the meantime, those
> societies that respond to this motion with good fiscal practices
> will be able to spend at least a portion of their reserves. As for
> when this motion will kick-in, IEEE is now at about 42% (from
> around 36% two years ago). The overall IEEE spending this year is
> below budget, which will lift this ratio, and a decent kick in the
> stock market should allow us to reach the 50% number in the next
> year or two. In the meantime the societies have a period of time to
> get themselves organized to make use of this new process.

AESS would qualify in 4 of the last 5 years for the 3% discretionary expenditure under this proposal. The figures for the previous five years are:

2003

Reserve/Expense Ratio - 213%

3% of reseves - \$43k

2002

Reserve/Expense Ratio - 48%

3% of reseves -

2001

Reserve/Expense Ratio - 52%

3% of reseves - \$25k

2000

Reserve/Expense Ratio - 101%

3% of reseves - \$29k

1999

Reserve/Expense Ratio - 57%

3% of reseves - \$26k

AESS numbers are distorted by two quirks in the IEEE accounting system.

1- Our gross expenses are reduced by the curious practice of booking Book Broker as a negative expense rather than a positive income

and

2- The total conference expenses of closing conferences are included in AESS expenses, even though we have no direct control of these expenditures.

Charles H. Gager,
Treasurer