

TO: BOARD OF TRUSTEES, SOCIETY FOR MILITARY HISTORY
FROM: ASHLEY KUMBIER, CPA, TREASURER
SUBJECT: TREASURER'S REPORT FISCAL YEAR 2022 MID YEAR UPDATE
DATE: SEPTEMBER 20, 2021

1) FINANCIAL UPDATE – FIRST FIVE MONTHS OF FYE 3/2022

The first five months of FYE 3/2021 overall are on budget. The year to date net loss is -\$69,732. Similar to prior years, having a loss at this time of the year is very normal as almost 50% of membership and 80% of subscriptions renew in the last 4 months of the fiscal year (December – March. Additionally, since we are only reviewing five months, instead of six, there is only one EBSCO royalty that has been received, with the next royalty coming in late September. Last fiscal year, the first five months had a net loss of -\$50,736 (unaudited) and the year ended around breakeven with \$670 of net income (unaudited.)

- Membership dues are ahead of last year at this time (+\$2,340). This hopefully represents some of the “lost covid” memberships coming back, though given this is not a large amount, could also be timing of the two-year memberships.
- Publication revenue is also ahead of last year at this time (+\$2,952.50). This is both advertising revenue and institutional subscriber revenue. Again, while this is not a large amount, it is promising, as last fiscal year saw a dip in subscriber revenue, and this may indicate some recovery. Certainly a trend to continue to watch.
- Contributions are slightly behind, though the biggest difference is the micro-grant campaign in last fiscal year that did not take place in this fiscal year.
- Investment income is slightly down from last year (\$-1,428.19). However, I believe overall the new investment strategy is going well. More on this in section 3.
- The final conference numbers haven't come through yet, though any income from the conference is expected to be minimal due to the smaller size of the 2021 conference. Since there was no 2020 conference, this is also the same as last fiscal year (no conference income in either year).

On the expense side, overall the Society has 10% increase in expense (total cost of \$19,515) as compared to last year, though most of this is related to holding the 2021 conference and the approved spending for the 2022 conference.

- Annual meeting expense was \$9,365 greater than last fiscal year. This is due both to the fact that there actually was a 2021 conference and because SMH has started paying Cypress

Planning the contract amount of \$1,500/month for the 2022 conference, which was included in the 2022 budget. Though August, \$6,000 has been paid to Cypress.

- Travel last fiscal year in August was only \$762 (this was actually a site visit for Cypress planning the Ft. Worth conference) as compared to FYE 3/2022 with YTD travel at \$16,897. The travel budget for the year is \$20,000 and the bulk of travel expenses (for the annual meeting) have all been paid, though there will be some additional officer travel throughout the rest of the year.
- Journal printing is down (savings of \$5,599), this is due to a higher cost last year from the re-prints that were needed for the 2020 conference cancelation, as well as lower bills/less pages printed.
- Contributions and awards expenses are up slightly (\$2,425) as expected since the travel award were not paid in 2020 due to the cancellation of the 2020 conference. While SMH did given out travel awards in 2021, there were less travel awards given than in 2019.
- A savings as compared to last year of \$8,228.86 in payroll expense. This is due to both the passing of Blair Turner and his position that has not been replaced at the JMH and staff bonuses paid in the prior fiscal year.
- Higher professional bills office expenses than last year (\$3,575), mainly due to timing and the difficulty to predict legal expenses, though professional fees are still under budget.
- Higher office expenses than last year (\$2,654.14). This is primarily due to higher Morgan Stanley fees from the change to managed investments. The YTD Morgan Stanley fees are \$2,749.87, as compare to ~\$800 in the prior year (which was the total annual fee)

Last, please note that included in income, is the donation that Graham Cosmas left to the Society in his will. This donation, while unfortunate in the cause of it, will likely turn the Society's expected net loss for the year (due to the timing of 2022 conference expense with Cypress vs the income which will come in the 2023 fiscal year) into a net income for the year

For a complete year-to-date P&L and comparison to last year/budget, please see attachments.

2) ASSETS OF SMH

As of August 31, 2021, the Society has total assets of **\$1,107,867** (\$1,,124,222 at fair market value). This includes:

- \$238,824 of unrestricted cash and money markets
- \$ 14,987 of temporarily restricted cash and money markets (Coffman and Millett Funds)
- \$705,902 of unrestricted mutual funds and \$60,000 of board designated Weigley mutual funds (total market value \$783,809)

- \$ 88,153 of temporarily restricted mutual funds (Coffman & Millett Funds; market value \$86,602)

A full balance sheet is attached to this report.

3) INVESTMENTS

Year to date SMH investment fair market value has increased by \$49,116, which is a 6% increase in the first five months of the year. As noted above investment income is slightly behind where it was at 8/31/21 (\$9,675 vs \$,11,104 prior year). This income also does not include:

- the increased investment fees noted above
- the unrealized market gains

While the smaller investment accounts that are not managed funds (Coffman, Weigley, Millett) have posted between 3-4% gains (realized income on the income statement + unrealized income that is just the gain in value on the market), the managed account has posted 6.4% gains, which includes the fees that have been taken out of the account. So, while “on paper” the managed account does not appear to be doing as well (i.e. less realized income on the income statement much higher fees), the gains in the market have more than made up for these fees. If the Society cashed out all investments today, the managed investments have performed better, than the non-managed investments.

Last, please note that this is all based on only five months of investment income, which is of course, very difficult to predict. As always, the treasurer will continue to monitor the investments.

3) ANNUAL AUDIT

All audit documentation was sent to James Turner, CPA in July. A clean audit report is again expected, and will be posted to the website when available.