

Dear Members of the Board,

A lot has happened since the BOD meeting in May, 2002 at Point Clear, Alabama. Notwithstanding the problems with our old National Office the report I made then and the points I emphasized have not significantly changed. To wit, the expenses of running our society are not covered by the revenue generated from membership dues.

Our society has three separate income streams, 1) Membership Dues, 2) Fusion Advertising Revenue, and 3) Symposia. We cannot rely on Symposia income to offset the shortfall in Membership Dues. Although the Symposia in recent years have ended in the black this has not always been the case. Likewise Fusion Advertising Revenue is essentially an offset to the expenses of producing and mailing each issue. This leaves us with an operating shortfall the last three years of between twelve and twenty thousand as reported at the Annual Meeting in May, 2002. The shortfall for the year ending in May 2002 was based on projected membership revenue of 40, 818.40. This revenue was based on membership renewal numbers received from the National Office and not on actual revenue received.

A rough estimate of the average annual expense of running the National Office is \$55K. Our membership dues should currently generate around \$41K. We must increase our membership or decrease the expense of running our society.

Currently the ASGS financial situation is relatively stable. Due to previous delayed billing of Fusion advertisers we are receiving income from February, May and August issues of Fusion. Working with the Amy Collins of Bookkeeping Plus Professional Services, Inc. we have instituted some better checks and balances. The treasurer receives weekly reports and complete breakdowns of all deposits, copies of all Fusion advertising billing and timely summaries of open invoices. In addition Bookkeeping Plus Professional Services, Inc. is bonded by the Western Surety Company for \$25,000.00.

I believe the coming year will give us a more accurate representation of the income and expenses incurred in operating our society.

Respectfully submitted,

James R. Hodgson
Treasurer

1-2-A

American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
June through August 2002

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
41190 · Miscellaneous			
41191 · Proceedings	126.00	-	126.00
41195 · T Shirts/Hats	1,029.00	-	1,029.00
Total 41190 · Miscellaneous	<u>1,155.00</u>	<u>-</u>	<u>1,155.00</u>
Total 41000 · Symposia Receipts	<u>4,859.03</u>	<u>-</u>	<u>4,859.03</u>
Total Receipts	<u>12,731.50</u>	<u>96,260.00</u>	<u>(83,528.50)</u>

1-2-C

American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
 June through August 2002

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
Disbursements			
60000 · Symposia			
62000 · Committee			
62130 · National Office Services	1,107.83	-	1,107.83
62175 · Lodging	1,811.40	-	1,811.40
62210 · Photography	280.85	-	280.85
62215 · Postage	66.94	-	66.94
62230 · Printing	1,417.00	-	1,417.00
62310 · Startup	(2,000.00)	-	(2,000.00)
62320 · Supplies	50.68	-	50.68
62330 · Transportation	701.66	-	701.66
Total 62000 · Committee	3,436.36	-	3,436.36
63000 · Seminars			
63110 · Seminars-A/V	556.93	-	556.93
63115 · Food & Beverage	1,556.96	-	1,556.96
Total 63000 · Seminars	2,113.89	-	2,113.89
64000 · Technical Papers			
64165 · Keynote Speaker	322.48	-	322.48
64231 · Audio/Visual	915.83	-	915.83
Total 64000 · Technical Papers	1,238.31	-	1,238.31
65000 · Workshops			
65010 · Audio & Visual	1,089.40	-	1,089.40
65115 · Food & Beverage	641.80	-	641.80

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**American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
June through August 2002**

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
65320 · Supplies	249.03	-	249.03
65330 · Transportation	13.09	-	13.09
Total 65000 · Workshops	1,993.32	-	1,993.32
66000 · Exhibits			
66055 · Decorating Service	3,180.36	-	3,180.36
66115 · Food & Beverage	2,052.96	-	2,052.96
Total 66000 · Exhibits	5,233.32	-	5,233.32
67000 · Banquet			
67115 · Food & Beverage	5,470.02	-	5,470.02
67320 · Supplies	37.13	-	37.13
Total 67000 · Banquet	5,507.15	-	5,507.15
69000 · Special Events			
69085 · Entertainment	3,500.00	-	3,500.00
69115 · Food & Beverage	400.00	-	400.00
69245 · Program & Admissions	3,782.27	-	3,782.27
Total 69000 · Special Events	7,682.27	-	7,682.27
69900 · Miscellaneous			
69992 · Charity Auction	1,536.65	-	1,536.65
69996 · Beach Party Disbursements	13,392.51	-	13,392.51
Total 69900 · Miscellaneous	14,929.16	-	14,929.16
Total 60000 · Symposia	42,133.78	-	42,133.78

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American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
 June through August 2002

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
70000 · National Office			
72000 · National Office Operations			
72045 · Computer	163.69	300.00	(136.31)
72215 · Postage	1,068.37	4,600.00	(3,531.63)
72230 · Printing	-	500.00	(500.00)
72305 · Service Contract	8,276.30	27,316.00	(19,039.70)
72315 · Storage	255.00	1,020.00	(765.00)
72320 · Supplies	-	600.00	(600.00)
72325 · Telephone	544.97	2,500.00	(1,955.03)
Total 72000 · National Office Operations	<u>10,308.33</u>	<u>36,836.00</u>	<u>(26,527.67)</u>
73000 · Publications-Fusion			
73120 · Fusion	7,931.12	38,000.00	(30,068.88)
73130 · Discounts Taken on Fusion Ads	28.58	-	28.58
73215 · Postage	62.99	250.00	(187.01)
73275 · Roster	-	2,300.00	(2,300.00)
73320 · Supplies	708.17	800.00	(91.83)
73325 · Telephone/Computer Service	229.72	800.00	(570.28)
Total 73000 · Publications-Fusion	<u>8,960.58</u>	<u>42,150.00</u>	<u>(33,189.42)</u>
74000 · Organizational Expense			
74060 · Delaware Agent	74.80	400.00	(325.20)
74110 · Bank Service Charges	753.00	1,500.00	(747.00)

T.N.T.

**American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
June through August 2002**

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
74170 · Liability Insurance	643.00	1,850.00	(1,207.00)
74190 · Bookkeeping Service	-	2,100.00	(2,100.00)
Total 74000 · Organizational Expense	1,470.80	5,850.00	(4,379.20)
75000 · Officers			
75105 · Executive Secretary	-	100.00	(100.00)
75220 · President	-	100.00	(100.00)
75225 · President-Elect	-	100.00	(100.00)
75285 · Secretary	-	100.00	(100.00)
75286 · Treasurer Expense	92.20	700.00	(607.80)
75340 · Travel Reimbursement			
75341 · Executive Secretary	-	500.00	(500.00)
75342 · President	-	700.00	(700.00)
75343 · President-Elect	-	700.00	(700.00)
75344 · Secretary	-	500.00	(500.00)
Total 75340 · Travel Reimbursement	-	2,400.00	(2,400.00)
75350 · Treasurer			
75351 · Symposium Site Coordinator	-	500.00	(500.00)
Total 75000 · Officers	92.20	5,000.00	(4,907.80)
76000 · Board of Directors			
76020 · Meeting Expense	160.05	1,000.00	(839.95)
76025 · Partial Reimbursement	-	2,000.00	(2,000.00)
Total 76000 · Board of Directors	160.05	3,000.00	(2,839.95)

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American Scientific Glassblowers Society
Receipts & Disbursements Budget vs. Actual
 June through August 2002

	<u>1st Qtr</u>	<u>Annual Budget</u>	<u>Over (Under) Budget</u>
77000 · Presidential Committees			
77010 · Audio & Visual	-	200.00	(200.00)
77015 · Awards	1,235.20	1,500.00	(264.80)
77050 · Computer Network Committee	100.00	250.00	(150.00)
77080 · Education	-	100.00	(100.00)
77180 · Membership	-	150.00	(150.00)
77200 · Nomination/Election	39.60	100.00	(60.40)
77205 · Outreach	-	1,000.00	(1,000.00)
77280 · Safety & Hazards	-	100.00	(100.00)
Total 77000 · Presidential Committees	<u>1,374.80</u>	<u>3,400.00</u>	<u>(2,025.20)</u>
78000 · National Office Move	3,356.33	-	3,356.33
Total 70000 · National Office	<u>25,723.09</u>	<u>96,236.00</u>	<u>(70,512.91)</u>
Total Disbursements	<u>67,856.87</u>	<u>96,236.00</u>	<u>(28,379.13)</u>
Other Receipts			
80000 · Designated Fund Donations			
80071 · Regular Member Workshop	200.00	-	200.00
80074 · Audio Visual Workshop Donations	125.00	-	125.00
Total 80000 · Designated Fund Donations	<u>325.00</u>	<u>-</u>	<u>325.00</u>
Net Receipts/Disbursements	<u>(54,800.37)</u>	<u>24.00</u>	<u>(54,824.37)</u>

1-2-H

American Scientific Glassblowers Society
Statement of Fund Balances
As of August 31, 2002

Aug 31, 02

ASSETS

Current Assets

Checking/Savings

10000 · Unrestricted Funds

Checking-BB&T

10070 · General Budget	8,755.76
10071 · Reg Member Workshop Donations	1,500.00
10072 · Beach Party	14,360.00
10073 · Jr Member Workshop Donations	400.00
10074 · Audio Visual	125.00

Total Checking-BB&T	25,140.76
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Total 10000 · Unrestricted Funds	25,140.76
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15000 · Restricted Funds

15040 · BB&T CD # 5810696771	43,501.22
15050 · BB&T CD # 5810696763	11,511.84
15070 · AIM Fund - BB&T	20,630.56

Total 15000 · Restricted Funds	75,643.62
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Total Checking/Savings	100,784.38
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Accounts Receivable

12000 · Unearned Fusion Revenue (Dietmar Glindemann)	-335.00
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Total Accounts Receivable	-335.00
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Other Current Assets

14999 · Credit Card Deposits in Transit	247.60
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Total Other Current Assets	247.60
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Total Current Assets	100,696.98
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TOTAL ASSETS	100,696.98
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Unaudited-Cash Basis

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To: President Edwin Powell
RE: National Office financial history

As you are well aware, the finances of our Society are not in the best shape. In spite of previous Treasurer Sally Prasch's hard work in trimming our expenditures, our declining membership numbers and corresponding decrease in revenue have not been offset to any large extent by a decrease in expenses. Traditionally, in our Society, the Treasurer's job has been to keep a handle on expenses while all the deposits and income are handled by the National Office.

Using data from the system established by Sally Prasch and our bookkeeper, Amy Collins of Bookkeeping Plus, Inc., I examined our income from various sources. It appeared that our Fusion advertising revenue was not what it should be. Looking back at the B.O.D. meeting report from June 19, 2001 in Colorado Springs I noted the following statement in the minutes: "Treasurer Prasch related that these quarterly statements were running figures. As such, some items have monies due but not in. This was specifically the case with Fusion. Dave Smart (Publications Chair), explained there was a lapse in the system and the delay went back to two issues of Fusion and he said that he expected an additional \$21k to \$22k would be in soon." From our succeeding quarterly reports, it was apparent that this was not the case. On February 25th, 2002, I sent an email to National Office Manager Dawn Hodgkins as follows.

From: Jim Hodgson <hodgson@pop.ksu.edu>
To: Dawn Hodgkins <asqs@northstate.net>
Subject: Thanks
Date sent: Mon, 25 Feb 2002 21:14:36 -0000

Dawn,

Thank you for paying some of those bills out of your own pocket. Hopefully that won't happen again, or at least not often. Not everyone would leap in to fill the gap like you do.

Here are some areas of concern for me re: Fusion Advertising
For the BOD report in Nov Dave Smart listed the following:

Ad revenue as follows:
February 2001 \$11,542.00
May 2001 \$10,600.50
August 2001 \$11,015.00
November 2001 \$11,432.00

In Gary's budget he has allotted \$44,000 for Ad Revenue for Fusion.

1-2-J

In Fiscal year from June 1999 through May 2000 we were close to this figure, our total ad revenues were around 42,650. But in Fiscal Year June 2000 through May 2001 we only had ad revenue of 22,900. Almost 20,000 short! This year we have 16,650 so far. Somewhere we are coming up short. Even if we say some of the revenue for this year was for the May issue last year we come up short. Lets get together with Dave Smart and Amy on this and see if we can't come up with the shortfall. Maybe it is listed elsewhere but I can't find it and I think we are going to need this income. If people aren't paying or checks are lost we need to know that too.

I have asked All American Mini Storage to send me a duplicate billing for the \$85.00 check I sent. I spoke with Tina about that. Also, I left off the charge code on Allan Brown's check. Could you write in 76025 - 136.48 on that check for me?

Thanks Dawn,

Jim

I followed this email with a call to Dawn to discuss the problem. Dawn was concerned about the future of the Society, and distressed about the continued need for a national office. I also called Amy Collins and asked her to talk with Dawn regarding this matter, and to reassure her that no one was after her job. We were just trying to identify the reason for the apparent shortfall, be it late billing, lost payments, etc.

Over the next two months I periodically asked Dawn how she was progressing on getting me this data. I emailed her and attached copies of the various spreadsheets which I had generated by looking at the advertisers in each issue of Fusion, listing the advertisers and projecting the revenue from the ad rates listed in each issue. This was done for all of 2000 and 2001. She offered various reasons for not getting me the data, for instance: "I'm working on it but am very busy with membership, symposium, etc"; various family illnesses and deaths; computer problems, starting with the laptop and moving to the main computer, culminating in a loss of all data stored in Quickbooks (Dawn's accounting software).

With the news of the data loss and on Sally's advice, I asked Amy if she had any of the income data for the past two years. Amy did, and I had a brief conversation with her about my concerns over Fusion advertising revenue. This raised some flags as Amy noted that the number of advertisers I said we should have for any given issue were higher than the number of paid advertisements listed on her reports from Dawn (which Amy uses, along with my expense reports, to compile our quarterly reports). Amy faxed me her copies of these reports. Using a spreadsheet of our expected advertising revenue for the last two years, I entered the actual revenue data from Amy's copy of Dawn's itemized reports for the last two years. The results were not encouraging. Comparing the actual ad revenue against my estimates of what it should have been, I calculated approximate losses of \$18K for Fusion year 2000 and \$18K for Fusion year 2001. The losses for 2001 could be high due to revenue not yet posted.

Given the apparent total loss of data from the National Office, I began calling Fusion advertisers and asking for the following information: when they were billed for each issue, how much they were billed, when they paid, how much they paid, and when the check cleared. The results were disturbing. On average, the bills for any given issue were not sent until four months after the date of the issue. For instance, August 2000 was not invoiced until December 20th, 2000. Also disturbing was the fact that checks were sometimes not deposited for more than a month after they were issued.

1-2-K

Unfortunately, these problems were not the worst. As I began to receive data back from advertisers, some of it did not correspond to payments I had posted from Amy's data. Finally, I asked for copies of the cancelled checks from a few advertisers. The checks had been stamped with two different endorsement stamps. One stamp was a multiline stamp with our bank name, account #, etc. The other endorsement was a stamp, which read "For Deposit Only, A.S.G.S." The checks with the multiline endorsements corresponded to deposits made by Dawn to our bank, BB&T. The checks with the other endorsements did not show up in our account.

Based on my further consultation and work with Amy Collins and Sally Prasch, one of our advertisers filed with their bank for payments, which were sent to us but not received by us. I signed an "Affidavit of Forgery or Altered Item." The Privacy Act makes it difficult for banks to share information about their accounts. However, working with bank investigators, the following information came to light. There has been an account bearing the name American Scientific Glassblowers Society at a bank other than BB&T. The account bears the address of the National Office, and the name on the account is Dawn Hodgkins. The account has been open for several years, but was closed earlier this year. For a period of time deposits to the account included checks payable to The American Scientific Glassblowers Society.

It is not possible to determine our loss without bank records on the account in question. The records can be obtained by subpoena, or a release from the authorized signer on the account. Although initial estimates of our losses were in the \$30,000 - \$40,000 plus range, at this time, as further information has come to light, it appears that our total losses are more in the \$70,000 - \$80,000 range. This higher number most likely results from an extended time period for which the records are incomplete and it was not possible to accurately estimate Fusion Ad Revenue losses. Additionally, there may have been other losses in the areas of membership dues and symposium revenue. When records regarding the account in question are made available it should be possible to more accurately pinpoint the exact areas and amount of our losses.

Respectfully submitted,

Jim Hodgson
Treasurer

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