

**NATIONAL TREASURER**

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FMCA's Financial Status

I am pleased to report to you the financial status of your organization. Accompanying this article are the Family Motor Coach Association and Subsidiary Consolidated Statement of Financial Position and the Consolidated Statement of Activities, each for the years ended December 31, 2007, and December 31, 2006. The audit was conducted by the certified public accounting firm of Plattenburg and Associates.

The year 2007 was another challenging one for FMCA, as the association suffered another pre-tax operating loss, although this loss was substantially lower than the prior year. The change in net assets in 2007 — known as profit in the for-profit world — improved substantially over 2006 as a result of significant investment gains.

Even with the loss of some advertising accounts, and reduction in advertising by others, the advertising sales team was able to bring actual 2007 ad revenues to a level equal to 2006. The revenue shortfall from budget reduced actual gross margins (revenue minus direct costs) by more than \$400,000. The actual magazine gross margin percentage for 2007 was 48.3 percent compared with a budget of 46.9 percent, indicating that costs were well controlled, notwithstanding the revenue shortfall. Magazine revenues consist primarily of display and classified advertising. Direct expenses include printing, paper, postage, ad agency and representative commissions, and writer fees.

Membership revenues are FMCA's second-largest revenue source. While family membership dues are the

Year	2007	2006	Change
Operations, pre-tax	(392,227)	(869,696)	477,471
Investments, pre-tax	952,165	795,769	156,396
Change in net assets	177,077	(133,509)	310,586

Magazine advertising is FMCA's largest and most profitable revenue source. From 2005 to 2006, advertising revenue declined by 14 percent, or more than \$1 million. In early 2006, as the 2007 budget was being prepared, this decline was not perceived; consequently, the budget for 2007 was set at roughly 2005 levels. So, the 2007 budget ended up being \$1.1 million in excess of 2007 actual.

major revenue contributor, other revenues in this classification include commercial membership dues, logo merchandise sales, and commissions. The 2007 budget anticipated a growth in membership that did not occur. Instead 2007 membership dropped by 3,702 families, or roughly \$130,000 in revenue. Merchandise sales and commissions also were lower than budget by more than

\$80,000. Membership costs include rally promotion, area rally support, and chapter promotion/services, in addition to benefits such as MEDEX, coach membership plates, the directory/member benefits guide, and so forth. The gross margin percentage in 2007 was lower than budget and lower than the prior year because many of the membership costs are not directly related to the level of membership or membership revenue. Promotion and chapter services are two such expenses.

Conventions are supported in large part by the commercial members of FMCA and enjoyed by those FMCA members who attend. As such, they are budgeted to provide a small margin with a risk factor added to cover lower-than-estimated attendance and/or added costs. Our 2007 convention revenues were lower than budget, but higher than the preceding year. Convention costs for 2007 were under budget. The 2007 conventions were at venues with which FMCA was quite familiar. In 2006, however, the summer convention in Charlotte was not only an unfamiliar venue, but attendance expectations proved to be off because of several factors, including a sharp increase in fuel prices and an excessive heat wave prior to the convention.

Convention revenue includes all member registrations and gate fees, exhibitor fees, sponsorships, and program advertising. Expenses include facility and equipment rental, grounds setup, travel, entertainment, and catering and receptions, among others.

For 2007, indirect expenses were under budget by more than \$100,000. The combined total of salaries and employee benefits was under budget by more than \$100,000, while total travel expenses for FMCA were over budget by approximately \$77,000. These travel

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**FAMILY MOTOR COACH ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Years Ended December 31, 2007, and December 31, 2006**

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,077,118	\$ 809,437
Accounts receivable, net of allowance	225,682	136,123
Merchandise inventory	147,254	137,376
Prepaid expenses	1,946,087	2,352,695
Investments	11,506,278	11,001,549
Refundable income taxes	72,900	159,408
Deferred income taxes	488,100	192,800
Property and equipment, net	<u>1,749,550</u>	<u>1,824,696</u>
Total Assets	<u>17,212,969</u>	<u>16,614,084</u>
LIABILITIES		
Accounts payable	\$ 207,296	\$ 130,200
Accrued payroll and taxes	112,815	116,748
Income taxes payable	206,736	22,566
Member mail-forwarding deposits	70,015	66,657
Convention deposits	841,055	844,304
Magazine deposits	49,286	61,346
Contributions payable	68,017	78,017
Deferred membership dues	1,506,140	1,295,123
Deferred life member dues	<u>404,290</u>	<u>428,881</u>
Total Liabilities	<u>3,465,650</u>	<u>3,043,842</u>
NET ASSETS		
Unrestricted - board designated		
Current operations	2,075,127	1,598,694
Building and equipment	1,749,550	1,824,696
Building reserve	4,967,674	4,628,030
Operating reserve	4,967,674	4,628,030
Market value adjustment	<u>(12,706)</u>	<u>890,792</u>
Total Net Assets	<u>13,747,319</u>	<u>13,570,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,212,969</u>	<u>\$ 16,614,084</u>

TREASURER'S COMMENTS

expenses were primarily in the Executive Board and committee areas. Corrective measures are being implemented in the 2009 budget.

Looking forward, advertising revenues will probably continue to erode at least in the near future, because of the general economic malaise. The advertising sales staff is working hard to monitor this situation and execute strategies to improve revenues or mitigate the revenue losses. No matter how hard we work, there are limits to what we can do to stimulate ad revenues.

This is not the case, however, with membership levels. FMCA has a great deal to offer the motorhome owner. Our market penetration is somewhere under 15 percent, which means there are a lot of potential FMCA members out there. We need to work as a team to increase our membership.

While FMCA, and the industry as a whole, is facing many challenges, the association is fortunate to be in a rock-solid financial position. At the end of 2007, FMCA had more than \$12.6 million in cash and investments, an increase of more than \$750,000 from the end of the prior year. Our current ratio (current assets/current liabilities) is 4.4:1, where 2.0:1 is considered good. Cash and investments, as a percentage of total assets, are 73 percent (at the end of 2006, the average for S&P 500 companies was 8 percent).

Uncertainties continue in the securities market, and while I am confident it will in time recover, we cannot afford to burn reserves to cover operating losses. Having said this, the time is right for making strategic operating investments that will have long-term benefits. The staff, Finance Committee, and Executive Board are working hard to develop a budget and operating investment opportunities that will address these issues. **FMC**

FAMILY MOTOR COACH ASSOCIATION, INC. AND SUBSIDIARY CONSOLIDATED STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2007, and December 31, 2006

	2007	2006
REVENUE		
Membership revenue	\$ 3,573,348	\$ 3,810,603
Magazine revenue	6,750,508	6,755,189
Convention revenue	3,303,793	3,244,913
Commissions	93,310	131,490
Message service	45	5,677
Road atlas	60,953	61,365
Miscellaneous	<u>131,595</u>	<u>156,890</u>
Total Revenue	13,913,552	14,166,127
OPERATING EXPENSES	14,305,779	15,035,823
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(392,227)</u>	<u>(869,696)</u>
OTHER INCOME (EXPENSE)		
Interest and dividend income	297,518	281,456
Net realized gains (losses) on investments	629,068	291,723
Net unrealized gains (losses) on investments	86,420	281,573
Investment fees	<u>(60,841)</u>	<u>(58,983)</u>
Total Other Income (Expense)	<u>952,165</u>	<u>795,769</u>
CHANGE IN NET ASSETS BEFORE INCOME TAXES	559,938	(73,927)
PROVISION FOR INCOME TAXES	382,861	59,582
CHANGE IN NET ASSETS	177,077	(133,509)
NET ASSETS, BEGINNING OF YEAR	<u>13,570,242</u>	<u>13,703,751</u>
NET ASSETS, END OF YEAR	\$ <u>13,747,319</u>	\$ <u>13,570,242</u>