

## 1994 SCCA TREASURER'S REPORT

PRESENTED BY PETER HYLTON, BOSTON MASSACHUSETTS, FEBRUARY 24, 1994

Following last years Convention I received an astoundingly large number of compliments regarding the details and explanations which I endeavored to put into the Treasurers Report. Given such a positive response, I have attempted once again to address not only our current dollars and cents, but also to look at some pertinent issues which affect the overall financial health of the club and to answer some frequently asked monetary questions. At this moment we are 35 days away from the end of our fiscal year, and the numbers I present will be projections of that yearend result. However, they are projections which I have a great deal of confidence in.

In giving the annual breakdown of departmental operations, I will begin with two areas that showed remarkable productivity in 1993. The Club Racing Department had a superb year capped by an excellent Runoffs and is expected to net a surplus of \$407,900. The Solo Department showed its greatest financial strength in history with a projected operating surplus of \$108,700. However, if 1993 was a year of wine and roses for these two segments of the club, it was a year of flood and pestilence in Pro Racing. The flood was obvious, as one of our most profitable events, the Des Moines Grand Prix, was forced to be canceled by the devastating midwestern floods. This, combined with the unfortunate cancellation of the Columbus, Ohio Pro Race weekend (another event which projected high profitability), resulted in the loss of roughly \$165,000 of expected income to Pro Racing. And on top of the floods came a pestilence of lawyers. The projected budget for legal fees in all departments was over-run by a factor of 196% with the Pro Department taking the brunt. The result is that Pro Racing is projected to show a loss of \$11,944. Other departments are expected to show the following results: the Regional and Member Relations Department (which includes the Convention), negative \$140,241; Corporate Services, positive \$48,073; Pro Rally, positive \$15,097; and Road Rally, negative \$8478. The Risk Management Department will show a surplus of \$947. I would again like to point out that the operations of this department do not include approximately \$300,000 in insurance premium subsidy which is budgeted as overhead expense to the various competition departments. The Board of Directors has authorized continuation of this approximate level of insurance subsidy in 1994. And finally, the Administration account shows a \$232,768 loss. This account includes overhead operations such as the mailroom, computer, accounting, membership, license processing and other miscellaneous items. This leaves us at a projected overall surplus for the year of \$187,285. Taking into account \$130,000 of allowable depreciation charges, the club will show a positive cash flow of about \$317,000. As a side note, had we not changed the fiscal yearend to April 1, the calendar year 1993 would have shown a surplus of \$140,882 compared to the \$187,286 I just reported.

This summary answers one of the questions that I am most frequently asked by the membership. That is, "which of our programs pays the bills." However, it only answers it for the fiscal year just ending. At the risk of appearing to be a tall version of Ross Perot, I have prepared a chart (located on the last page of the newsletter) which tracks these programs for the past decade. When it is asked, the question usually is in the context of how does Pro Racing stand up against Club Racing and against Rally/Solo. So, that is how I have prepared my chart. As you can see, the answer to the question is: across the years our various programs have shared the burden of paying the club's bills, each having some good years and some bad years. I hope this display in some way helps answer this frequently asked question.

Returning to the current year, let's look at our wholly owned subsidiary, SCCA Enterprises, since its financial summary must be capitalized into the club's statements. Hampered by the decline in Renault parts and rebuilds associated with the on-going change to Ford powered Spec Racers, Enterprises has been projected to show a loss of \$143,984 during the SCCA fiscal year just ending. It is worthy of comment that in August the SCCA Board authorized a restructuring of all outstanding Enterprises loans into one long term note and since that date they have made each monthly payment of interest and principal. Returning to Enterprises' projected loss of \$143,984, this number includes \$24,120 of depreciation charges meaning that for 1993 the subsidiary operated with a negative cash flow of \$119,864.

At this time last year we discussed the formation of SCCA Pro Racing Ltd. as another wholly owned subsidiary due to future tax concerns. Rather than act hastily, the steps taken to separate the two parts of our organization have been pursued in a methodical manner and are slowly nearing completion. In an effort to raise the comfort level of the membership, Chairman Haas and I were asked to assume the positions of Chairman and Treasurer of Pro Racing Ltd. during its formation, and the Board made a commitment to the membership that Pro Racing would remain a permanent part of our organization. For the fiscal year about to end, Pro Racing is still being reported as a part of the normal organization, and, therefore, does not yet