

Financial Report to the VHTRC Board

by Anstr Davidson
Treasurer
January 11, 2008

This is the initial report of the VHTRC treasurer to the new Board. Data is current as of this date.

Overall, the financial health of the VHTRC is good. The club, however, no longer has a large surplus. Budgeting for the next year or two will be more important than it has been in the past.

Background

The finances of the VHTRC are simple. Funds come from member dues and revenue from the three events with entry fees -- BRR, MMT, and the WHM. The money goes out to RRCA dues, no-fee runs, and social events. At least half of member dues go to the RRCA. (The RRCA gives us two critical things -- insurance and tax-exempt status.) So, the significant funding of the club's activities comes from the three fee-based events. The result is that the members and volunteers fund their runs and social activities through their work at the fee-based events.

Reserve

The club must keep a reserve. Our reserve gives us great flexibility and power. It allows us the flexibility to order club t-shirts before we receive the funds to pay for them. The amount of the target reserve is important.

The previous Board decided that the reserve should be \$8,000. At the time, the reserve was over \$20,000. That Board attempted to reduce the surplus by spending the excess in a responsible fashion. The Board was successful. The surplus has been significantly reduced. The exact status of the reserve at this point requires computation. See below.

I suggest that the new Board reconsider the amount of the target surplus. A higher target surplus of \$10,000 seems appropriate.

Income

The last Board decided to control the revenue from the events by establishing a "tax" per runner. The advantage of this system is that the race director can pay his tax and then spend *all* of his remaining available funds on the runners. While some of this is semantics, the important point is that the RD has no incentive to "make" more money. If he finds extra money, he can plow it back into the current year's event. On the other hand, the club does get the tax from the event. That tax is well-

earned in light of all the work of the volunteers.

That said, event budgeting is not as predictable as one would hope. We have had particular problems with increased costs from the venues of both BRR and MMT. While we should be able to avoid a loss pretty easily, the amount of the surplus is difficult to predict. Over the history of the club, we have usually made more than planned. But it doesn't seem prudent to count on that. For that reason, the budget below uses an arbitrary, and conservative, prediction of the 2008 surplus from the three fee-based events.

The club could increase either or both of its revenue sources. A small increase in dues would be unlikely to reduce membership significantly. Far more revenue could be produced by increasing entry fees to the fee events. All three are over-subscribed and could easily absorb increased entry fees without reducing demand or being "rip-offs."

As the treasurer, I don't suggest that there is a financial need to increase either dues or entry fees. The Board, however, may consider these measures to fund specific contributions to the trail running community.

Membership

The club's membership continues to increase. We can expect to see membership drop from its present level, however, when we delete those members who do not renew for 2008.

Current VHTRC Membership				
Expires	2007	2008	2009	Total
Number	230	149	38	417

In November, we made two important changes in the membership process. First, we provided for on-line membership application and payment. The result is that the process is quicker and easier. Perhaps most importantly, the club's membership chair is now pretty much out of a job.

Secondly, we have now allowed people to join or renew for two years. This requires that we sequester the dues attributable to the second year. That computation appears on this page.

The club continues to give volunteers free renewal of their memberships. We have not detected anyone abusing this provision. This is not a significant loss of dues revenue and is a small but important recognition of the contribution of these volunteers to the financial well being of the club.

Since free renewal is only for volunteering at the revenue-producing runs, it is financially logical. These volunteers have produced funds for the club far in excess of the \$15 dues each would have paid.

Run Support

The primary objects of the club's funds are

Dues Payments at PayPal Nov 2007 to Date	
Regular One Year	74
Spouse One Year	4
Regular Two Years	39
Spouse Two Years	3
Total Paid Memberships	120
Volunteers (expire 2008)	52
Pmts Received	
Total	\$2,330.00
Net	2,226.04
Attributable to '09	577.00

the no-fee runs and social events that the club puts on or supports. There are two points to be made here. Even though we have tried to increase the number of events we support, we have not done so. **Policy on Support for Trail Runs** (requires password reentry). There is only one new event that we will support in light of this policy.

Last Year

The cash flow for the club for the period October 1, 2006 to September 30, 2007 is below. Though our fiscal year is the calendar year, this period produces a good picture of the club. The events are closed out and the membership is relatively stable at this time.

The categories are somewhat arbitrary and there could be errors in allocations among categories, but the bank account balances and the money is all there.

CASH FLOW October 1, 2006 - September 30, 2007							
	Andiamo	BRR	FA50	General	MMT100	WHM	OVERALL
INFLOWS							
Donation	0	0	0	-190	0	0	-190
Dues	0	0	0	3,685	0	0	3,685
Entry Fees	0	32,715	0	0	22,990	7,530	63,235
Sale of Items	0	847	0	0	718	115	1,680
Club-T-shirts	0	0	0	285	0	0	285
TOTAL Sale of Items	0	847	0	285	718	115	1,965
TOTAL INFLOWS	0	33,562	0	3,780	23,707	7,645	68,694
OUTFLOWS							
Award--Finisher	0	13,006	0	0	2,353	885	16,245
Bad_Bank_Charge	0	0	0	-5	5	0	0
Bank Fees	0	5	0	96	15	0	116
Donations	0	0	0	820	0	0	820
Dues and Fees	0	0	0	1,958	0	0	1,958
Equipment	0	0	0	1,028	0	0	1,028
Postage	0	135	0	41	234	0	410
Race Supplies	52	13,650	553	1,939	6,728	595	23,517
Recognition	0	251	0	2,875	0	0	3,125
Rent	0	5,800	375	0	7,501	176	13,851
Social	0	0	0	58	0	0	58
T-Shirts	0	0	0	638	5,390	3,351	9,380
VolSup	0	0	0	2,244	0	0	2,244
Web	0	0	0	127	0	0	127
TOTAL OUTFLOWS	52	32,847	928	11,818	22,226	5,008	72,879

OVERALL TOTAL	-52	715	-928	-8,038	1,482	2,637	-4,184
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Notes:

- Andiamo revenue was in the period before. It actually had a small profit
- "sale of items" includes t-shirt sales at events. Funds from these sales were often commingled with other income and used to pay other expenses. Consequently, these figures are only approximate.
- Negative numbers in categories mean that they are on the wrong half of the chart. For example, the "-190" donation in the income section is a donation we made. The "-5" bank charge is actually a reimbursement to us for a bounced check charge. The bounced check charges that we paid are in the category below that one.

Equipment Purchases

The last Board approved the purchase of equipment to support club events. The purchase of this items helped reduce the club's surplus.

The major items purchased were:

- Sound system - \$933
The system has been used at both MMT and WHM where it served to help in information announcements as well as providing musical entertainment
- Canopies (4) - \$992
The four canopies were purchased at the end of the year and have not yet been used. We need/use canopies at events frequently.
- Coffee pot - \$94
This multi cup coffee maker will be used before many events. We can no longer use the coffee makers at Hemlock Overlook.

Club Apparel

During 2007, the club continued its practice of obtaining apparel items with the club name and logo for members. The Board continued the goal of providing these items "at cost" to members with an intent to neither make nor lose money.

It is very difficult to determine the financial results of these sales. There are several practical problems. Our apparel inventory includes items that the club purchased in prior years. The club shirts are also sold at events that sell their own shirts and have other cash revenue sources (e.g. meal costs, entry fees, etc.). Sales are not allocated among the different kinds of shirts sold. Also, cash from apparel sales is occasionally spent on other club needs (e.g. the pizza guy, a few extra Cokes for an aid station) before the treasurer receives it.

We spent \$7,012 to buy and screen two orders of shirts and one order of a pullover fleece in 2007. The club's bank account has received \$4,429 that was represented as "shirt sales." There are still many of the shirts and pullovers that are unsold.

The apparel program is probably taking a small loss that is akin to "spillage" in a bar. It is unlikely that the members of the club, especially those volunteering to order and sell the shirts, believe it's worth the effort to account for these shirts more closely. But if the Board wants a better idea of the gain or loss on these shirt sales, we will need to improve accountability of the shirt sales.

2008 Budget

A template for the 2008 budget appears at right. Overall, the club has \$11,047 available. Here is how the figures were derived.

How much money does the club have?

The total funds of the club are \$29,975. (All figures are as of January 11, 2008.) But that includes the entry fees for MMT and dues that are attributable to 2009. So to find out how much we have available, we need to take those out.

But, we can assume that MMT and BRR will pay for expenses already incurred in their behalf. So we can consider as available, funds that would repay for the MMT shirts and the Hemlock rental fee. (That, by the way, is *half* of the Hemlock rental fee.) So after these adjustments, we have \$11,047 that is not committed.

This figure is important because it is our "baseline" worth. A year ago, this figure was about \$20,000. The last Board was successful at reducing this surplus. This figure is still \$3k over the previously agreed club baseline.

What revenue do we expect?

There are 230 current members who have not yet paid their 2008 dues. Assuming that 175 of those renew and of those 175, 25 will be volunteers who will not pay any dues, that will be net dues of \$2,137. (We pay PayPal \$0.74 for each \$15 membership.) This is a conservative figure. We will likely pickup some new members in 2008.

At this point, we can assume surpluses at the events. But it seems imprudent to assume a profit larger than \$1,000. (It would probably be imprudent to rely on \$1,000 for any one event. But an average of \$1,000 for all three events is very reasonable.)

One reason to be prudent is that two of our entry fee events occur before most of our costs. So in early May, we will know two thirds of our event surplus and can readjust.

So total revenue we can assume at this point is

Bank Balance	20,428.97
Paypal Balance	9,287.66
Cash Balance	259.00
Total VHTRC Funds	29,975.63
Calculate Funds Available	
Less MMT Entry Fees	(23,087.30)
Less 2009 year dues	(577.19)
Pmt for Hemlock Rent (BRR)	2,000.00
Pmt for MMT shirts	2,736.00
Funds Available	11,047.14
Expected Revenue 2008	
Dues (230 unpaid - assume 175 renew with 25 volunteers)	2,137.00
MMT Surplus	1,000.00
BRR Surplus (1,000 plus 2,000 repay for Hemlock rent)	1,000.00
WHM Surplus	1,000.00
	5,137.00
Expected Expenses 2008	
Eagle Run	850.00
Awards Party / Volunteer Party	4,674.00
Awards	370.00
PHT	730.00
Work Party	220.00
MLK Weekend	220.00
MMT Training/Choc Bunny	100.00
Ring	450.00
MGM	1,000.00
Donations to other events	
Catherine's	350.00
Big Schloss	400.00
Hashawha Hills	200.00
Catoctin	200.00

\$5,137.

Where should we spend our money?

This is the big question. The figures above at right are **not** my suggestions as to a budget. They are not what I propose we spend. They are the items we should consider spending our money on with approximations of *last year's* figures. We can't, or shouldn't in my view, spend at last year's rate.

Boyer Furnace	220.00
RRCA Dues (paid for 08 but 09 due this year)	2,000.00
Urban Institute (tax return)	50.00
Total Planned Expenses	12,034.00

This will be the work of the Board. Which of these events will be supported in 2008, and at which level?

What do we have to decide now?

As noted earlier, we have the advantage that two of our three revenue-producing events occur before most of our events that cost us money. So I propose that we budget incrementally. There is no need to budget for the entire year now. I propose that the Board only has to decide on budgets for the following:

- The Eagle Run
Last year we spent \$850 on pizza and beer.
- The Awards Party
We have already paid for the room (\$375). Both food and the awards themselves can be cheap or luxurious.
- MMT Training Runs/Choc Bunny: Last year we gave Tom Corris \$100 for incidental expenses from the MMT training runs and the Chocolate Bunny. Both runs expect participants to make contributions of supplies.
- Hashawha Hills: This event is covered by the Board's run support policy. Additionally, the old Board approved it. Under that policy, we have committed \$200.
- Elizabeth Furnace 50k: There is no current budget for this run.
- Work party: We have not scheduled this. We don't need much. I would propose a limit of \$200 for volunteer support.
- Donation to the Urban Institute: The Urban Institute sponsors a free, on-line **service to file our tax return**. The Urban Institute suggests a donation of "\$100 for larger organizations and \$20 for smaller." This service is wonderful and makes what would be a huge pain not so bad. So we donated \$50 for the last two years. I recommend \$50 again.

What about donations?

In the past, we have made donations to several beneficiaries to further the purposes of the club. For example, we made a significant donation to pay for the water fountain at Fountainhead Regional Park. The last Board discussed making donations such as this in the future. I recommend that we defer discussion of further donations until after MMT.

What about RRCA dues?

We have paid our 2008 dues. We will have to pay our 2009 dues in December 2008. But after August, new or renewing members will pay for 2009. So we can prudently assume that by December 2008, we will have sufficient 2009 funds to pay this bill. We do not need to budget for this cost in 2008.

Important Note

The club's bank information is kept in Quicken. We are completely cash-basis. For tax purposes, our tax year is the calendar year.

We balance our bank account each month and, somewhat amazingly, it comes out right. So this is the club's money and is, generally, how it has been received and spent.

Anstr Davidson
Treasurer

Virginia Happy Trails Running Club

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