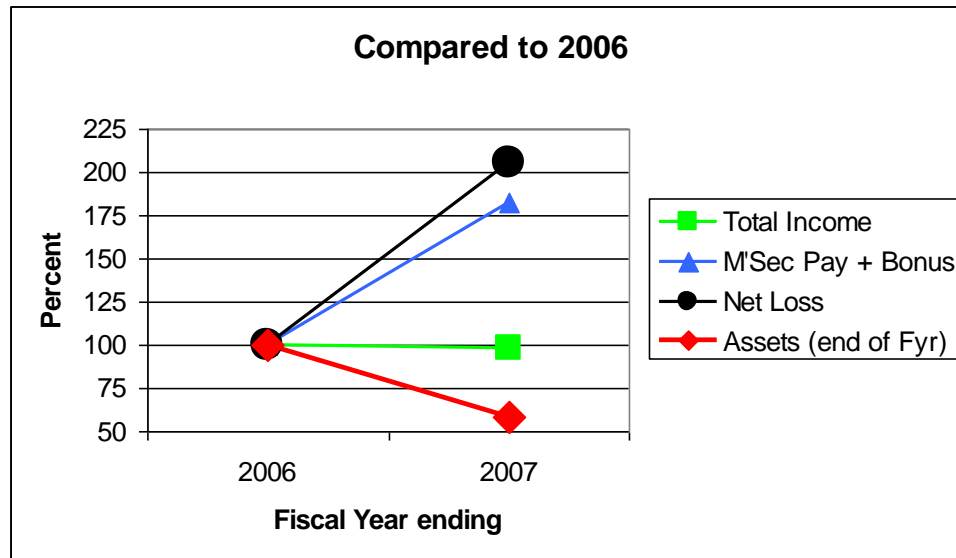


AMYA'S FISCAL 2007 WAS TERRIBLE



The AMYA's financial results were just awful in the Fiscal Year ending 30 September 2007.

Compared to Fiscal 2006, total income was about the same, however the net operating loss more than doubled, to \$27,542. Curiously, the Membership Secretary's pay and bonus were increased by over 75%, in spite of the fact that membership income, the largest source of revenue, was slightly lower than in 2006.

The most shocking result is the change in the Association's assets (cash in bank accounts.) The Association's cash position was reduced almost in half. There were only \$41,849 in the bank at the end of Fiscal 2007! Compare that to the year's net loss of over \$27,000 and to the year's total expense number of \$104,188!

In less than two years, at this rate of spending, the Association will be out of money and the publication of *Model Yachting* will cease. Things will be even worse if the present economic crisis of the country results in a decrease in hobby spending, and a consequent reduction in Association revenue.

This is a textbook example of deficit spending, and it will soon result in bankruptcy of the Association if it is not reigned in.

Where do these numbers come from? Directly from the official Treasurers' Reports shown in *Model Yachting*.

They Blame the Previous Treasurer for This??

As to the false accusations made by current Treasurer Gene Faust in Issue 152 of *Model Yachting*, on page 58, trying to pin the blame for the 2007 deficit on the previous Treasurer, Phil Geren, here is the truth of those matters:

Treasurers do not create deficits. They are responsible for: collection and disbursement of Association funds; preparation of annual financial reports; obtaining approvals needed for non-budgeted expenditures in excess of \$100.00; and, they must keep all Association funds in bank accounts in the name of the Association, to be withdrawn only by the President and the Treasurer.

Faust states that he inherited the bulk of the 2007 deficit from Phil Geren, from the publishing of 2 extra catch-up issues of *Model Yachting*. In fact, all four catch-up issues (Issues 139-142) of *Model Yachting* were paid for prior to the beginning of the 2007 Fiscal Year. Faust did have to pay for two regular issues of *Model Yachting* published in the latter 2006 Fiscal Year for which bills were not received or paid until after the start of the 2007 Fiscal year. However, he also passes on to Fiscal Year 2008 the two regular issues published in latter 2007 but not paid for until 2008. So, you see, those 2006 issues did not contribute to the amount of the 2007 deficit.

Faust alleges in his MY article that part of the 2007 deficit was an IRS penalty assessed for Geren's "late filing...of the AMYA tax return for the 2006 fiscal year." Let's look into that false allegation. When Geren was appointed Treasurer, on 1/1/05, he learned that the office of Treasurer had been vacant for many months and that the Association had not filed a Federal Tax Return for at least 5 years. In spite of the fact that AMYA is exempt from income tax liability, tax returns must be timely filed to maintain that exemption and to avoid significant monetary penalties for late filing. These are serious matters. Geren insisted that back tax returns be filed. He was able to provide Jeff Moore, of Moore, Frey & Crayton, P.C., accountants for AMYA, with the data Jeff needed to file delinquent returns. Working further with Jeff, the two of them were successful in convincing the IRS not to assess a penalty at that time (no intent to defraud; no taxes owed; failure to file being due to "our ignorance of the requirement.") So, we were up to date and on good terms with the IRS for fiscal years through 2005.

The tax return filing date for AMYA, an organization under Internal Revenue Code Section 501(c)(3), is 15 February of the year following the end of the fiscal year. Geren's duty as Treasurer was to make sure that financial statements for the fiscal year ending 30 September 2006 were provided to Jeff Moore so that Jeff could timely file the 2006 tax return February 15th, 2007. As soon as possible after the 30 September ending of the 2006 Fiscal Year, financial reports were provided to Jeff (timely on 28 November 2006.) There could be no late filing penalty attributable to Geren's tenure as Treasurer, contrary to the accusations in Gene Faust's article.

How Did These Disastrous 2007 Results Happen?

This happened because of poor stewardship of the Association's finances by the incumbent administration of the AMYA. No budget had been put together for 2007 until after John A. Davis, Editor of *Model Yachting*, called for one on 30 January 2007. At that point the incumbent Treasurer, Gene Faust, messaged the

previous Treasurer for help! See the footnote to this document for actual email messages about this.

Extraordinarily favored treatment for the Membership Secretary, status quo for the Dick Rutledge (former President) years, has continued and has constituted a very large part of the 2007 deficit.

There was no monitoring of expenses versus budget to make sure things were under control.

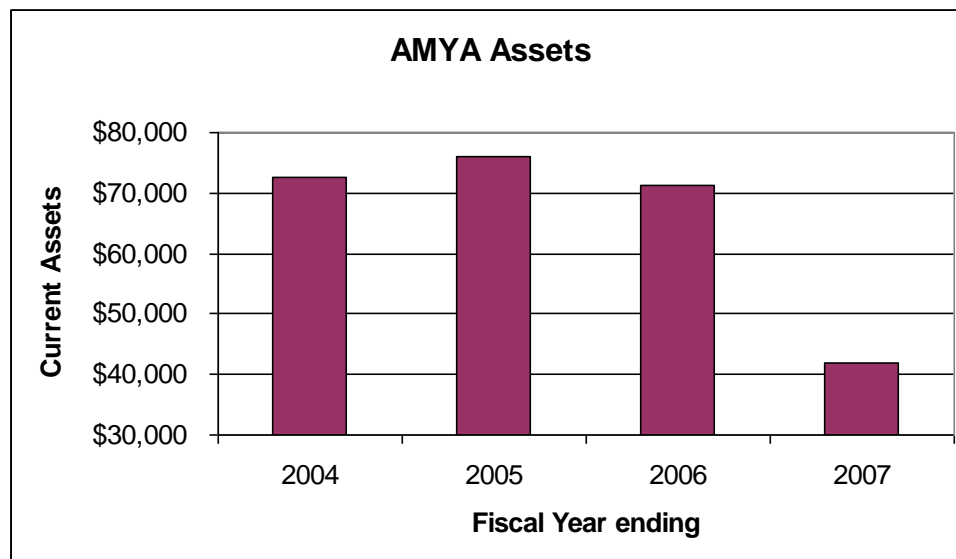
Apparently, the current administration decided to go ahead and spend money freely and hope that membership income would grow. It didn't! There is evidence that lately the current administration is at least aware of the precarious position they are in. They are considering the following hare-brained scheme: accept a large cash donation from a major liquor distribution company in exchange for the rights to advertise alcoholic beverages in *Model Yachting*. What?

Also, they have decided not to pay ISAF dues, meaning that skippers who travel internationally with the intent to compete in international championship regattas will learn after arrival that they will not be allowed to compete!!

Where Do We Stand?

We are not bankrupt, yet. We had a treasury of about \$42,000 on October 1, 2007. It is probably not that big at this time, due to the ongoing deficit spending. We need to reduce yearly expenses to be equal to or to be below yearly revenues. That means we have to economize and live on about \$77,000 of yearly income. The changes needed might take more than one year, and we have our nest egg to see us through. We can make it, but only if we take immediate action.

Look at the situation of our cash reserves from a historical perspective:



The trend is very disturbing.

What Can We Do About It?

We can demand that the incumbent officers of the AMYA prepare and publish to the membership a new budget for the balance of their term (through 30 September 2008), a budget showing their comprehension of the problems and progress toward balancing spending with revenues.

Then, we can install a new Executive Board, comprised of the new candidates now running for election. These people are dedicated to finding the best ways to improve AMYA's financial condition, to perpetuate an improved AMYA, and to ensure that *Model Yachting* will continue. They also plan many other enhancements to member benefits, to class secretary support, to communications among the Board, the members, and the class secretaries, and many other improvements.

Read the platform of the new candidates running for election to the posts of President (Rick West), Vice President (Ken Shaw), and Treasurer (Phil Geren). You will find it in issue 152 of *Model Yachting*. Read also the election/campaign information which is building at ec12.org, under News on the home page, under [2009 Team Campaign for AMYA](#). And be sure to read election Comments which will be published in Issue 153 of *Model Yachting*, along with the ballot you need to cast your vote.

Contact each of these new candidates and raise any AMYA issue you are concerned about.

But, most importantly, we can decide what we want for AMYA for the next two years. We are empowered through the democratic process of the upcoming election. Do you want the status quo or improvement? Please make up your mind, prepare your paper ballot (included in *Model Yachting* issue 153) and **cast your very important vote.**

Footnote:

Subj: **Checks & budgets**

Date: 1/30/2007 7:43:58 PM Central Standard Time

From: ejfaust@worldnet.att.net

To: philgeren@aol.com

Sent from the Internet

John Davis sent me a note today asking me when I was going to put together a budget. This the first time anyone has mentioned a budget. He also asked me if I was going to use the same format as you used last year. Did you put together a budget last year? Let me know.

Thanks again

Gene

From: Philgeren@aol.com [<mailto:Philgeren@aol.com>]

Sent: Tuesday, January 30, 2007 10:57 PM

To: ejfaust@worldnet.att.net

Subject: Re: Checks & budgets

Gene,

Yes, my method has been to request an estimate (forecast) early in the year of the revenue and expenses which are expected by all those having dominion over income and expenses on behalf of the Association: advertising (or mfgr's rep), membership/rulebook revenue, etc. I believe that you have examples from my Treasurer's Report to MY and to the Alamo Summit meeting. From this, I drew up a budget of forecast income, expenses, and net income or loss for the year in progress. Pete Maxson is responsible to steward the Association and make sure that it operates within it's income. He will need this from you to do his job.

Then, I periodically during the year asked for tabulations of income and expenses to update my year's forecast.

Unfortunately, due to the Membership Secretary's (MS's) almost total refusal to cooperate (read refusal to provide the information which would show where the missing money is going) I was never able to balance the books or create a financial record which would survive an audit or inquiry by the Members. The Membership Secretary's accounts comprise the vast majority of revenue, and the Model Yachting (MY) publication comprises the vast majority of expense. MY's ethics are unassailable. Membership Secretary is a disaster. It just might be that, due to MS's total incompetence to do the accounting portion of the job, and because MS comingles Association funds with her own and uses the Associations funds for her personal matters (this according to her new reports) she doesn't understand how much money she has taken from the Association. I have never been able to balance our books or have a good feeling about the numbers, in spite of a lot of futile work. MS refused to cooperate, and Dick Rutledge refused to enforce her compliance while President of the AMYA (during my tenure).

You are expected to publish in MY each year a Treasurer's Report. I have not seen fit to expose what is going on in the MS office, nor Dick Rutledge's dereliction of duty in relation to the MS situation, directly to the members in my Treasurer's reports to MY. Anyone who will take the time to look at the new Membership Secretary's reports, reports which I designed in hopes of making clear whether or not things are as terribly wrong as they seem to be, can see that large amounts of money have disappeared from the Association's Membership Secretary account. However, because the MS's accounts are not reconcilable, and because the MS refuses to make the raw data available, it cannot be proven without an audit, which audit I have demanded.

Thankfully, the Association had a huge positive balance in bank accounts when I came in (>\$70,000), primarily due to healthy membership renewals and MY publication expenses being behind for a long time, and that positive balance sustained the Association through two years of huge deficits.

The Association is going to be much poorer. However, now that MY is up to date in publication, if membership renewals continue apace and new membership revenues improve, the Association should survive and be able to continue to publish MY quarterly. However, there still is the issue of all that missing money. One day someone is going to demand that it be put right. It is not going to be pretty, and it is no mystery why Dick Rutledge is doing his best to bury the whole thing. Poor you? NO. Congratulations. You have the opportunity to do what is right for the membership and the Association. I will assist you in whatever way I can. As soon as the Jan-07 bank statements for Bank of TX and First Nat'l of Omaha arrive, I will copy them to treasurer@modelyacht.org, or whatever address you provide which will accept large files.

Best,

Phil Geren