

## First Thru Third Quarter 2012

Attached is a comparison of ICS' approved 2012 budget versus our actual income and expenses for the first three quarters of 2012 along with an explanation of any large discrepancies.

- Membership income is less than expected by \$8.5K due to an over optimistic estimate of membership numbers. Last year at this time membership income was \$110K, still \$3K less than the budget number.
- Advertising is less than expected by \$7.5K.
- Inventory sales are less than expected by \$1K.
- Interest Income is less than expected by \$1.3K. Interest is currently being recorded monthly versus February of the following year. Note also the amount currently earned is greater than the \$1K of non-related income allowed to be exempted from taxation. As a follow-on to this report ICS will need to pass a resolution directing that all interest earned in excess of \$1K shall be used for specific educational purposes or donated to an organization like CFF to avoid taxation.
- Special Project income is up slightly thanks to Hans Neubert's landing gear DVD at Airventure.
- Flyer costs are not actually higher, but appear to be higher than anticipated as there is one more issue reflected in the 2012 numbers due to differences in accounting procedures. This will continue to appear this way for the rest of the year, but will automatically correct itself next year. Note: Last year's financial reports reflected only 11 issues of the Flyer instead of 12.
- Village Press Management expense is \$2K less than budgeted, but I expect it to close in at year end.
- Cost of Items Sold is \$2K higher than expected partially because we are now tracking the cost of storage (\$283) and shipping (\$545) as part of this account instead of VP Management.
- Bank Charges are running slightly higher than expected and I expect that to continue.
- Event Promotion was not specifically budgeted for. The 2012 cost shown is less than actual due to the site rental fee of \$3K was paid in 2011. I expect the same to happen with regard to Airventure 2013 expenses. Therefore I expect an additional cost in December.
- Tech Support Projects has had no activity yet this year. Any Horn AD or technical library costs would be reflected here.
- Professional Expenses originally included accountant, tax preparation, legal, and web site related activities. The IRS does not include web consultants within its definition; additionally I wanted to separate our web expenses and thus created a new account (67000) for it. We have about \$5.7K remaining to spend this year.
- Nonperforming Debt is really a misnomer. There was a disagreement between me and Webco over the amount owed ICS for Killbough manuals. I elected to accept their figures and absorb the discrepancy. QuickBooks equates it as a non-performing debt.
- Taxes are as explained previously from FY2009 and FY2010 back taxes. There will be no reoccurrence of this.
- ICS Other Charitable Donations are the cost of two close-out shirts and one close-out cap donated by ICS to the Civil Air Patrol at Airventure.

Bottom line shows a net loss of almost \$20K. As explained previously there is one more edition of the Flyer (10 versus 9) which amounts to an average of \$13.8K reflected here that should have been shown in 2011. Our actual shortfall is about \$6K. This will continue to grow during the next quarter; I expect the total shortfall to run close to \$9K.

It should be noted that assuming 2300 members and dues of \$69, the total dues income for the year equals \$158,700. Assuming the same membership, the 2013 dues income should increase by \$6,900 to \$165,600.

Note: I am concerned about the relationship between the publication of the Flyer and the credit afforded by transferring dues from the deferred income to the earned income category. These transactions need to occur simultaneously. For example, we have deferred income (dues) based on prepaid expectation by our members of receiving their Flyer. The Flyer is published and ICS receives the bill from Village Press that is typically dated on the last day of the month for the Flyer dated the next month - September 30 for the October issue. ICS then must then receive the income for the October issue that was deferred in the same month for which it was billed - September. If ICS receives the credit in October instead of September then ICS will be showing a loss based on publishing an extra issue; this only occurs during the first year the deferral occurs if the situation is consistent and repeatable. Village Press has assured me ICS is correctly receiving the earned.

Also attached is a Balance Sheet Comparison to last year. The major differences not previously discussed above are:

- Significant increase in cash assets due to closing out a CD early this year. CD 8256 currently earning 4.97% and worth \$30+K will mature in November. The interest income will drop significantly next year.
- Current 53 Securities value is \$34K.
- Deferred Membership is significantly higher because we have more members now than at this time last year.
- Similarly the Deferred Membership LT (long term – meaning two year memberships) is also significantly higher than last year.

The bottom line: ICS is \$2,500 ahead of last year in total assets.

Respectfully submitted,

*Patrick Donovan*

Treasurer