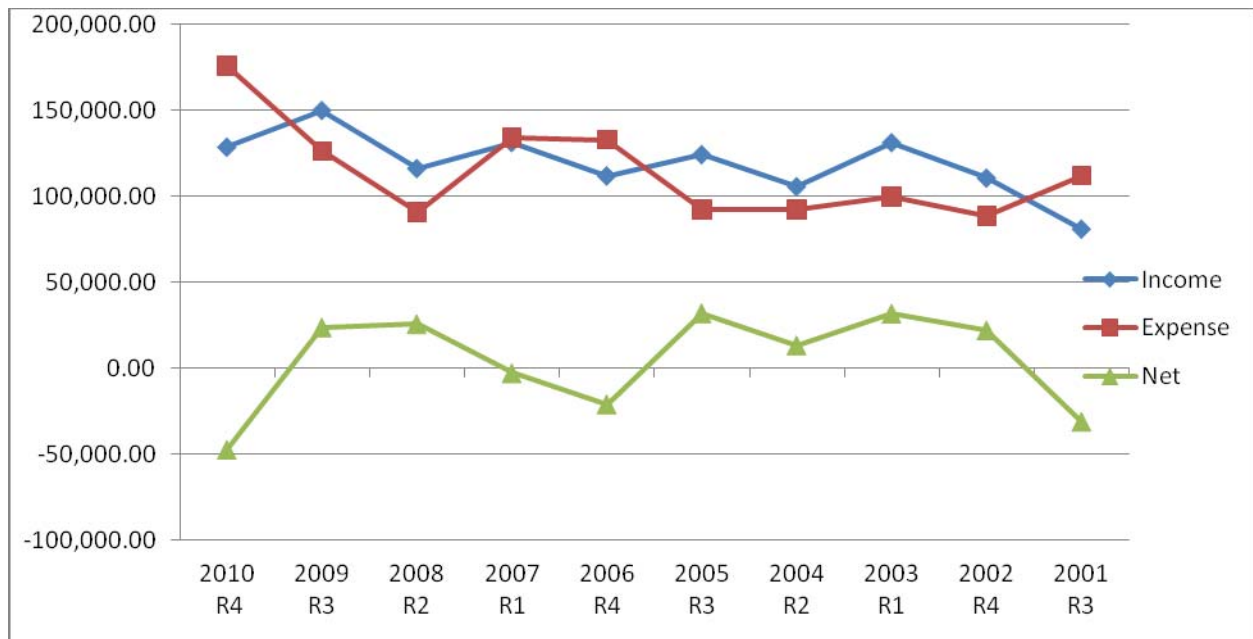


Dollars and Sense – A look at the MNRC Finances

We would like to thank all of you for your interest and inquires regarding the financial status of the MNRC. We welcome such correspondence with our member clubs and stress that we have always and will continue to operate in a spirit of openness and transparency. It is unfortunate that the financial results of the 2010 event have been discussed out of context of both the event and the way the MNRC yearly cash flow cycles work. With this article we hope to bring about a better understanding of both.

Let's start with some facts about the cash flow of the MNRC events as I think the big picture should help you put 2010 in perspective. The MNRC rarely makes a profit at the Region 4 event, and generally does not make a profit in Region 1. The costs to conduct the event on the two coasts are simply too high. The last time we held the event in Region 4 (2006), there was about a \$21,000 loss without the extra expenses of capitalizing the third flight (see below) and we even saw a loss (\$31K) at the 2001 Region 3 event for a variety of reasons. In general, the profits are made in Regions 2 and 3 (Figure 1). Our long-term and yearly event financial plans take these profits and losses into account, with the Region 2 and 3 events used to capitalize and cash flow the events in Regions 1 and 4.

Figure 1. Multiyear Financials for the MNRC Event



As for the 2010 event, it was never budgeted to generate a profit from the beginning, and several factors occurred after the construction of the original event budget or at the event that increased the 2010 event loss beyond the anticipated deficit. Also, let us be clear – by a loss we mean that the event did not bring in more money than it cost to put it on. We also have another category of profit and loss for the administrative side of our activities and you need to examine both statements to understand the true

financial standing of the MNRC. All of our financials (the administrative and event profit and loss (P&L) and the overall financial balance sheet of the MNRC) are distributed at the Annual Meeting every year and discussed with the delegates of the member clubs every year.

The major factors impacting the 2010 event financials are discussed:

- There was not a financial planning template to use for a 3-flight event so a straight increase of \$15,000 was applied on top of the amount predicted by our 2-flight template to predict costs for the 2010 event. As we were in new territory, we simply made our best guess. Subsequently, this template has been revised based on the actual 2010 costs and will aid us in continuing to make good financial decisions.
- The draft 2010 budget was not available at the 2010 Winter Meeting due to a critical work commitment that prohibited Frank Barton, MNRC Treasurer, from attending that meeting. This resulted in the Board making financial decisions (see next bullet) without a complete financial picture and did not allow for the rigorous debate and final approval of the budget that usually happens. Had we done this, I think we could have put additional measures in place or made some different decisions to slightly lessen the anticipated financial loss. Regardless, there would still have been a loss at the 2010 event.
- The Board approved, for the second year in a row, a lowering of entry fees. In hindsight, this was not a good decision but I commend the Board for continuing to look for ways to make this event more accessible to the majority who qualify.
- The 2010 event capitalized the equipment and supplies needed for the third flight and this capitalization was not in the 2010 Budget. Future events will not have this one-time cost.
- During the 2010 equipment trailer inventory, many of the supplies were found to be old, expired, or unusable. An extensive list was compiled and some of the needed equipment was donated by individuals or our sponsors but most was replaced and the expenses were charged to the 2010 event budget. These new supplies and equipment will be used for subsequent events.
- Our equipment trailer needed significant repairs this year along with new tires (which blew out once on the drive from Texas to California and again on the drive from California to Kansas. Fortunately no one was hurt.) Unfortunately, the 2010 event bore the cost for all the trailer related expenses.
- Worker expenses are always high on the West Coast as we just simply do not get the local club member support that we do in Regions 1, 2 and 3. We started using paid workers on the second day of the 2010 event whereas at other events, the paid workers were not needed until sometimes as late as Friday or Saturday. In addition, and unknown at the time the 2010 event budget was developed, California law requires that anyone using paid labor must have an Injury Illness Prevention Plan and must train all workers on the contents of this plan. This resulted in

additional (non-productive) hours that we had to pay our workers in order for them to attend this training.

- A significant portion of our normal income was redirected (via loss of merchandise sales and auction income) to the Chase Away Canine Cancer organization (foundation?). While the MNRC believes that this is a good and charitable cause, we are stopping such charitable ventures until the member clubs can weigh in on the decision whether to essentially donate a portion of our revenue.
- Costs have just simply gone up and again are exacerbated on the West Coast. Prices for fuel, lodging, meals and supplies are simply higher in today's world. We have updated our financial planning template to account for this inflation in cost.

I think these are the most pertinent budget issues related to the 2010 event. While I agree that many of these costs should have been spread out between several events or accounted for on the administrative side that is not the way it has been done in the past and we chose to continue with past practices to allow for year to year financial comparisons.

In regards to the questions regarding cost controls, the MNRC has excellent financial planning tools but again keep in mind the newness of the 3-flight event. The template used for the 3- flight event was gone over exhaustively at the 2011 Winter Meeting and the revised tool should allow us to better plan future events. In addition, the 2011 event draft budget was discussed and debated at length at this meeting in an effort to ensure the best financial decisions were made.

Another factor that affected the 2010 financial year is that this was the first year that our new committee costs were felt. In response to overwhelming input from you that we needed to upgrade our program especially in regards to communication and safety, we had additional costs related to these issues (e.g., status texting, new chair members, website overhaul, website updates during the event, etc). In addition, much time was spent in 2010 and prior years in working with the AKC on the MNH title. I think everyone agrees that the improvements in these areas were badly needed but these improvements do not come without some incremental cost.

The MNRC policy requires that our financials are audited yearly and this is religiously done. We also performed a long-term financial analysis in early 2011. The results have been incorporated into the 2011 event discussions and decision making process to determine exactly what our income streams needed to be and what costs/expenses were necessary and what we should cut.

In summary, the 2010 event was never expected to bring in more money than it cost to put on. There were some equipment and trailer related costs that were allocated against the 2010 event budget, as well as higher than anticipated labor costs. The additional flight ended up costing more than expected. When you combine these with a reduction in entry fees and the redirecting of a portion of our usual revenue to Chase Away Canine Cancer, the result is a net loss that exceeded that anticipated by the Board. In fact if we add up these unanticipated costs they account for the majority of the unplanned 2010 event deficit. As we do every year, the Board has used the lessons from 2010 in our planning for future events.

Again, I'd like to thank those of you who inquired about this matter for your interest in the MNRC financials. This Board remains committed to openness and transparency in our dealings with the member clubs, and we welcome the opportunity to share these details with you all.

As always the full MNRC financial report will be presented and discussed at the annual meeting. The financial performance of the MNRC is well documented and understood. This Board takes our fiduciary responsibilities very seriously and believes that we have been good stewards of the MNRC. What the 2010 event really shows is our continued growing pains – over the years we have grown this event from a single flight event to a 3 flight event. Along with that growth, we have been able to deliver many of the upgrades and desired improvements to the MNRC.

The Master National Retriever Club Board of Directors