

FAKE NEWS IN MOTORCYCLING

Consider The Source By Rob Dingman

You'd have to have been living under a rock not to have heard about "fake news" over the last several months. Fake news can be defined as fictitious articles deliberately fabricated to deceive readers, usually for financial or political gain. Once such information goes viral, it is believed to be true because it passes many people's test for veracity: "I read it on the Internet, so it must be true."

Although we have heard a lot about fake news in the context of national politics, national politicians are not the only targets. In fact, the AMA is frequently called upon to respond to inquiries about fake news stories where motorcyclists and, in some cases, the AMA are the victims of the hoax.

In September of last year, a false online article claimed that the AMA helped develop regulations with the U.S. Department of Transportation that would bar minors from riding as passengers on motorcycles. Another false story claimed that 11 states were planning to implement a curfew that applied to motorcyclists between the hours of 11 p.m. and 6 a.m. Both stories were completely fabricated by fake news websites, but were nonetheless shared online by thousands believing them to be true.

These outrageous claims were intended to get motorcyclists to go to a website where their digital information is captured, allowing unscrupulous marketers and personal injury lawyers to solicit them.

These examples are relatively sophisticated efforts designed to grow marketing lists or generate advertising revenue, but there are other less sophisticated—yet no less nefarious—efforts that target motorcyclists, and even your AMA.

Particularly sad is that some who are undermining your organization's ability to protect your freedoms to ride enjoyed many years of gainful employment at the AMA. In fact, this disparagement dated to a time before their departures, when they presumably decided fulfilling the AMA's mission interfered with their personal interests.

One of the flimsier examples of fake news attacking your association is a claim that the AMA will go broke in July of this year. This would-be "analysis" is based on carefully selected numbers pulled from the AMA's publicly available tax filings

from a couple fiscal years ago.

Typically, we ignore the mud slung at the AMA following the advice that one shouldn't get down

in the mud to wrestle with a pig because the pig likes it. Some attacks, however, are so egregious—libelous, even—that they demand a response.

Assessing the financial health of an organization from its IRS Form 990 submissions is naïve at best and intentionally misleading at worst. The 990 is a small slice of the full financial pie. Although an in-depth review is beyond the scope of this column just consider the following three factors: depreciation expense, unrealized gains and income from the AMA's for-profit subsidiary, Paradama.

From 2008 to 2014, the AMA incurred \$3.7 million in depreciation expense attributed to investment in IT hardware and enterprise-wide software systems. Previous AMA leadership failed to invest in computer systems capable of servicing AMA members and the association's financial resources, relying on technology from the 1980s. These antiquated older systems were long past their serviceable lifespans. As a result, the AMA Board of Directors voted to invest in a modern IT infrastructure designed for member-based nonprofit organizations. While this was a substantial investment, it was necessary for the AMA to function adequately and responsibly going forward. As this depreciation expense rolls off the books, the reported bottom line will improve considerably.

Next, unrealized net gains are not presented on the IRS 990. The AMA maintains ample reserves, and although these funds are conservatively invested, they are capable of appreciating significantly depending on the market climate. In 2009, the AMA Board established an investment policy where

none had existed before and, since then, investment performance has exceeded its benchmark projections. From 2008 to 2014, the net gains on those reserves amounted to almost \$1.4 million.

Finally, Paradama is the AMA's for-profit subsidiary primarily involved in professional racing activities. This income is not included in the AMA 990 even though Paradama is a wholly owned subsidiary of the AMA. From 2008 to 2014, Paradama income amounted to \$3.3 million. This is in stark contrast to Paradama's financial performance in the 14 years prior to 2008, when a loss of \$1.8 million was recorded, forcing the AMA Board of Directors to address this prior mismanagement with bold moves that saved the AMA from ruin.

These three factors only scratch the surface. Membership organizations like the AMA collect cash up front for memberships, but record that revenue over time. As a result, that revenue is reported as a liability even though it is cash in the bank. In the case of the AMA, a typical 990 might include more than \$7 million of deferred revenue reported among liabilities.

These accounting nuances are just a few examples of why making specific financial projections based on select data from an IRS 990 is amateurish at best—or more likely a deliberate attempt to defame and undermine the AMA.

The AMA remains on solid financial footing, with millions of dollars in reserves and strong cash flow, despite the most trying economic climate for the motorcycle industry since the Great Depression.

A decade ago, the AMA was bloated and inefficient. The new management team was handed a \$1 million budget deficit, a crippled IT infrastructure and professional racing commitments that would have bankrupted the organization without swift action. Working together, the executive team and board of directors cut waste and inefficiency, better managed our reserves and invested in our future.

As a result, today the association is lean, focused and modernized. Every AMA employee is working hard to provide our AMA members with exceptional value, and our efforts to recruit and retain new members have never been more determined.

Rob Dingman is the president and CEO of the AMA.

"A lie gets halfway around the world before the truth has a chance to get its pants on."

—Winston Churchill