

# **UNC NROTC Alumni Association**

**Treasurer's Report**

**4 March 2017**

# What was different in 2016 ?

- **Budget & Financial Oversight Committee**
  - Steven Levesque (Chair), David Jackson (past Treasurer), Steve Fish (Secretary, past President)
  - Each has a financial management background and experience
  - Establish investment strategy, financial management controls and exercise oversight of the Treasurer
  - Develop and propose budget to the Board of Directors
- **Budget adopted, Board-approved (and revised).**
  - Annual budget development process established, monitored monthly by B&FO committee.
  - No spending takes place unless allowed by budget controls or specifically authorized by vote of the board.
- **Financial Reporting**
  - Treasurer reports balance sheet, income statement, budget report and copies of bank and investment account statements to B&FO committee (now cc: to all Directors) **monthly**.
  - Balance sheet, income statement and budget report and any analyses reported at each board meeting (approx. quarterly) , published in the meeting minutes, and posted on the website once approved.

# Balance Sheet (31 Dec 2016)

	2016	2015	2014	2013	2012
Assets / Member's Equity	\$72,230.26	\$67,558.78	\$75,016.89	\$76,302.10	\$72,286.31
Year over year change	\$4,671.48	(\$ 7,458.11)	(\$ 1,285.21)	\$ 4,015.79	\$ 5,123.08
% change	+6.9%	-9.9%	-1.7%	+5.5%	+7.6%

- Asset/Equity as of this morning 3/4/17: \$74,757.61
- Depletion of assets reversed.
- Realized gains (market performance) in 2012-2014 masked fiscal policy (profligate deficit spending).

# Income/ Expenses (cash basis)

	2016	2015	2014	2013	2012
Income (Dues & Gifts)	\$13,553.22	\$1,715.87	\$ 3,760.74	\$ 2,788.58	\$ 4,876.13
Investment Income & Cap Gains	\$1,494.14	\$3,529.11	\$ 6,606.21	\$ 1,912.87	\$ 2,166.18
Total Income	\$15,047.36	\$5,244.98	\$10,366.95	\$ 4,701.45	\$ 7,042.31
Expenses	\$7,419.93	\$8,291.69	\$11,878.27	\$10,352.95	\$7,195.11
Net Gain/Loss	\$7,627.43	(\$ 3,046.71)	(\$ 1,511.32)	(\$ 6,138.10)	(\$ 152.80)

- **Income from dues/gifts up smartly (nearly eight fold) in 2016 (mostly restricted gifts)**
- Investment income down: B&FO committee adopted conservative strategy.
- Expenses cut while maintaining \$3,000 in Scholarships, Connor Award and reinvesting in website.
- Borrowed \$2,250 from Life Dues Account to enable website recapitalization

# Budget Report (expenses, cash basis)

Category	Budgeted amount	Actual YTD
Awards expense (DAA/DSA)	\$ 300.00	\$65.84
Bank Charges	\$ 1,000.00	\$250.79
Midshipmen Support expense	\$ 250.00	\$ 250.00
Miscellaneous, Business*	\$ 700.00	\$576.00
Postage & Shipping	\$ 250.00	\$ 0.00
Supplies, Business	\$ 250.00	\$32.84
Website expenses	\$ 3,000.00	\$ 2,635.04
Award- Connor Award expense	\$ 609.42	\$609.42
Midshipmen Scholarship expense	\$ 3,000.00	\$3,000.00
Dawson Library expense	\$ 300.00	\$0.00
	\$ 9,659.42	\$7,419.93

\*Constant Contact account (\$546) and NC Secretary of State (\$30)

# Conditions Noted: (some recap from last Fall)

- **Annual membership was in steep decline, now stabilized.**
  - ~150 annual members 2000-2009 (\$3,000)
  - down to 23 (\$460 in revenue)
- **One third of Endowment depleted**
  - \$101,600 in restricted gifts / \$67,129 in total assets
  - **Minimum \$ 34,471 depletion**
    - Some as a result of market forces in 2008
    - Some spending down principal
    - Not illegal, but not deemed a wise path for future
- **Scholarship funding in deficit**
  - 2001-2015: \$21,500 awarded / \$9,386 raised (\$12,144) deficit
  - 2016: \$8,631.97 raised, \$3,000 disbursed, net gain \$5,631.97
- **Spending on Midshipman Support in deficit**
  - Conveyed \$17,000 in MIDN support since 2007 / collected \$900 to cover that expense (includes all general fund contributions)
  - Excludes scholarships, Connor Award, Dawson Library.
- **Operating income strained by declining membership**
  - In order to meet austere operating budget this year, without membership goals achieved, will be forced to borrow from life dues fund to balance operating funds
    - [\$2,250 borrowed, 3yr payback]

# Business Rules Adopted by the Board

- **Dues** (and life dues income) used only for the operation of the Association.
- **Restricted Funds**: Funds raised for a specific purpose used only for designated purpose.
  - Connor, Dawson, Life Dues , Scholarship funds segregated / re-established
- **MIDN Support**: Funds designated for MIDN support have reasonable nexus to academic or prof. development (including TDY travel), but excluding entertainment, food & beverage.
  - Raised specifically for MIDN support or from general fund gifts
- **Social events** sponsored by the Association paid for by those attending / participating in the event.
  - allowed on pay-as-you-go / cash positive basis. (Not tax deductible in most cases)
  - Charity fundraisers allowed (tax deductible net of benefit).
- **Ethics compliance**. Funds of the Association not to be used for food & beverage, travel or other expenses of NROTC Unit active duty or civil service personnel, so as to avoid appearance or actual ethics regulation violation.

# Goals: Membership

## Annual Dues Paying Member Goal: 100

- 2017: 17 (15 since 23 Feb 17)
- 2016: 23

### Why?

- 2000-2009: ~150 annual dues paying members
- 2010: 116
- 2011: 104
- 2012: 86
- 2013: 31
- 2014: 44
- 2015: 28
- Correlation of big drop in membership / discontinued website use & update

## Life-Dues Conversions in 2016: 20

2017: 1 so far: Phillip Kirsten

2016: 7+2

Eric Schneider '86

Pat Riordan '87

Vernon Rudolph '70 (?)

Daniel Wright '86

Charles M. Carroll '87

Frank Linkous '87

Grant Morine '11

Installments started 2014-2015: 2

John F. Ferguson '86 (from 2014)

Christopher B. Houser '85

Typical year: 4-7 conversions

2015 : 1 (installment)



# Goals: Scholarship Program

- **Scholarship Endowment established to raise funds for the perpetual award of three \$1000 scholarships annually**
  - The fundraising goal of the Association
  - ~\$20,000 endowment minimum needed for EACH of three scholarships
  - Multi-year fundraising project.
  - First scholarship named in honor of the late CAPT Koster (Unit CO,1981-1985)
    - Naming rights for other two scholarships not yet decided. Ideas welcome Think fundraising draw.
    - **Let's Discuss naming rights ideas in new business later in the meeting**
  - **2016: \$8,631.97 raised, \$3,000 disbursed, net gain \$5,631.97**
    - 12 of 13 directors gave \$4,300.00 (avg .contribution of ~\$350 per director)
    - Koster family gave \$2,000
- **2001-2015: Scholarships funded each year without endowment: not a sustainable model.**
  - \$21,500 conferred on 26 MIDN, but only \$9,386 raised; remaining \$12,114 taken from funds designated for other purposes.
  - 2016 is the first year in which we have raised more Scholarship funds than the Association disbursed.
- **Please consider the Scholarship Endowment as our top fundraising priority.**

# Way Ahead:

## Build Organizational Strength and Member Trust

### Successes:

- Profligate deficit spending reversed / budget process working.
- Scholarship Trust off to a good start: \$5,631.97 carry forward
  - 28% of the way to making Koster Scholarship self-sustaining
  - Strong support by Board (92% participation) provided ~50% of donations
- 9 Life Member conversions (only 2 were Directors) > avg.
- 17 annual members this year, 15 in last 9 days.
  - Master Chief Ledford was the first to renew for 2017 in January

### Needs Improvement:

- Annual dues paying membership levels (~20s vice 100) is not sufficient to sustain operations with a modern and effective website: Must Grow Membership back to near historic levels.
  - Invest in website, social media & integrated membership (circle) database/ CRM software solution
- Need to improve ROI on restricted funds portfolio: 2016 ROI: ~2.1% (1% Scholarship)
  - Would have been 4.2% annualized – need a 5%+ solution requesting B&FO committee engagement .
- Recruiting an Assistant Treasurer to apprentice in position to run for re-election in the Fall and seek office of Treasurer: Quicken savy, USAA member
- Need an audit: no contact yet from initial advertisement
- Tax letters have not gone out yet – no one has inquired yet.
  - Must find correct addresses to complete merge mail – promise soon