

# **UNC NROTC Alumni Association**

**Treasurer's Report**

**7 October 2017**

# What is different in 2016-2017 ?

- **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.
    - See: [www.uncnrotcaa.org](http://www.uncnrotcaa.org)

# Balance Sheet (30 Sep 2017)

|                          | 2017 YTD     | 2016         | 2015          | 2014          |
|--------------------------|--------------|--------------|---------------|---------------|
| Assets / Member's Equity | \$103,328.22 | \$72,230.26  | \$67,558.78   | \$75,016.89   |
| Year over year change    | \$ 31,097.96 | \$ 4,671.48  | (\$ 7,458.11) | (\$ 1,285.21) |
| % change                 | <b>+43%</b>  | <b>+6.9%</b> | <b>-9.9%</b>  | <b>-1.7%</b>  |

- Depletion of assets reversed.
- First of three scholarships (The Koster Scholarship) fully funded as \$20,000 for perpetual annual grants of \$1,000
- 17 new /upgraded life members this year so far.

# Income/ Expenses (cash basis)

|                               | 2017 YTD           | 2016              | 2015                 | 2014                 |
|-------------------------------|--------------------|-------------------|----------------------|----------------------|
| Income (Dues & Gifts)         | \$31,665.00        | \$13,553.22       | \$1,715.87           | \$ 3,760.74          |
| Investment Income & Cap Gains | \$1,381.73         | \$1,494.14        | \$3,529.11           | \$ 6,606.21          |
| Total Income                  | \$33,046.73        | \$15,047.36       | \$5,244.98           | \$10,366.95          |
| Expenses                      | \$6,625.46         | \$7,419.93        | \$8,291.69           | \$11,878.27          |
| Net Gain/Loss                 | <b>\$26,421.27</b> | <b>\$7,627.43</b> | <b>(\$ 3,046.71)</b> | <b>(\$ 1,511.32)</b> |

- Income from dues/gifts up smartly (mostly scholarship gifts)
- Investment income improving: B&FO committee adopted new asset allocation mid year.
- **Expenses cut** while maintaining \$3,000 in Scholarships, Connor Award and reinvesting in website.

# Budget Report

(expenses, cash basis, 7 October 2017)

| Category   | Budgeted amount     | Actual YTD          |
|--|---------------------|---------------------|
| Awards expense (DAA/DSA)                           | \$ 525.00           | \$ not yet invoiced |
| Bank Charges                                       | \$ 840.27           | \$ <b>463.73</b>    |
| Cable TV for MIDN (phased out)                     | \$ 62.50            | \$ 62.50            |
| Miscellaneous, Business (Constant Contact account) | \$ 542.50           | \$ 542.50           |
| Postage & Shipping                                 | \$ 2.00             | \$ 2.00             |
| Supplies, Business (New Quicken Software)          | \$ 126.41           | \$ <b>16.42</b>     |
| Website expenses                                   | \$ 4,955.00         | \$ 4,955.00         |
| Life Dues account payback                          | \$ 750.00           | \$ not yet paid     |
| Award- Connor Award expense                        | \$ 404.28           | \$ 404.28           |
| Midshipmen Scholarship expense                     | \$ 3,000.00         | \$ 3,000.00 (today) |
| Dawson Library expense                             | \$ 179.03           | \$ 179.03           |
| <b>Total</b>                                       | \$ <b>11,386.99</b> | \$ <b>9,625.46</b>  |

# Conditions Noted:

## **Annual membership on the rebound**

- ~150 annual members 2000-2009 (\$3,000)
- 2015: 29 memberships; 28 annual, 1 life member
- 2016: 32 memberships; 23 annual, 9 life members
- 2017 YTD: 58 memberships; 42 annual, 17 life members

## **Operating income strained by membership levels – need to get to 100-120 membership participants annually to sustain existing program plan.**

- In order to meet operating budget and fund website tech refresh, forced to borrow \$5,550.00 from our life dues fund over last 2 years on a 4 year payback.

## **Scholarship funding was in deficit, now 1<sup>st</sup> of 3 Scholarships Fully Endowed**

- 2001-2015: \$21,500 awarded / \$9,386 raised. ~\$12,144 deficit
- 2016-2017: \$ 6,000 awarded / \$35,952.30 raised. ~\$29, 952 surplus

## **One third of Restricted Gift Endowment was depleted when we took over in 2016**

- \$101,600 in restricted gifts / \$67,129 in total assets
- Minimum \$ 34,471 depletion
  - Spending down principal (identified net \$12K in Scholarships 2001-2015; \$17k in net grants to QDS; \$10.3k net Food & Beverage for Senior Dinners 2007-2015)
  - Not illegal, but not deemed a wise path for future
- In March 2016, the Board restored Conner and Dawson accounts to their rightful levels, and allocated the depletion to the Life Dues account, evenly spreading the “pain” across the Lime Members’ Equity.

# 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.

# Way Ahead:

## Build Organizational Strength and Member Trust: to do list

Exploring transfer of certain restricted assets to UNC Development Office (guarantee 5% ROI)

-seeking member feedback.

- Connor Fund (fully funded)
- Scholarships (when fully endowed)
- Dawson Library (full or partial)

Comprehensive audit.

- Association never audited in the 27 years of existence, either before or after incorporation.
- Validate conditions, assumptions and policies adopted, recommend improvements
- Identify best practices and areas in non-compliance with GAAP, law, regulation.
- New plan: engaging School of Accounting, see if they will take us on as a project.

“Pay Pal Here”

- Able to accept membership and charitable contribution at Association gatherings.
- Process credit card / debit card payments with PayPal with secure chip reading capability.
- Stop by and try it out! Thank you for your membership and charitable support!

**Tax letters: will go out in December, really no kidding this time!**

Treasurer’s Notebook: available for inspection after the Annual Meeting.



Questions?