

UNC NROTC Alumni Association

Minutes of the Board of Directors meeting, March 4, 2017

The Board of Directors of the UNC NROTC Alumni Association met in person at the Naval Armory in Chapel Hill and via telephone conference call on Saturday, March 4, 2017.

Members present in person:

Eric Schneider '86, President
Steve Fish '85, Secretary
Will Stubbs '85, Treasurer
Hon. S. Jay Plager '52
Rob Giodfriddo '86
Steve Levesque '89
James Collins '03

Members present via telephone conference call:

Pat Riordan '87
David Jackson '87
Christin Hayes '09

Members not present:

Pat Connelly '85
Debra Davis '83
Tim Nichols – Staff Alumnus
Steve Matts – Staff Alumnus

Additional persons present in person:

Chuck Carroll '87 – Member of the Membership Communications Committee

Additional persons present on the call for a portion of the meeting:

Bill Latham, '85 – Legal Counsel to the Board

Ten of fourteen directors were present either in person or by telephone, a quorum (5 required) was established and maintained throughout the meeting. A simple majority is 7, the number needed to amend the Bylaws is 8 (a simple majority of all duly elected and sworn) given five days' notice.

The meeting was called to order at 1130.

New Board Member – James Collins, Class of 2003

Just prior to the previous Board of Directors meeting held in Chapel Hill on October 8, 2016, Director Gerry Good resigned from the Board. Announced at the meeting and following the meeting via membership email, the Board solicited interest from the membership for a new Board member to fill the remainder of Gerry's term through

October 2017. James Collins '03 stepped forward and since that time, the Board reviewed his resumé and several members spoke to him by telephone. James was formally approved by the Board via electronic poll and he was welcomed and introduced to the Board at this meeting.

Secretary's Report

The Secretary reported that the Life Members list is inaccurate as to who are life members, their payments and member numbers. There are at least 3 databases where this information resides: 1) an old (circa 2007) Excel spreadsheet maintained by the Secretary, 2) a list maintained by the Treasurer in accordance with payments, and 3) a list on the Association website. Particularly since 2009, the reconciliation of all three has become inaccurate. The Secretary and Treasurer have taken this for action to reconcile by all means possible to make the list accurate and current. Once this has been done, the database on the website will be updated and maintained current.

The Secretary and Treasurer have identified a specific list of names that need to be addressed and updated. Each agreed to take some of these and pursue them to clarification.

Treasurer's Report

The Treasurer prepared and presented net worth and income statements for 2016 and 2017 YTD, as well as a budget proposal based on current income and investment returns.

Additionally, the Treasurer reported:

As a recap of last fall:

- **Created 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.

- **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 had been 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 was 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]

New Business Rules adopted by the Board last year

- **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: 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.
 - **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.**

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)

Suggested Way Ahead: Building Organization 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 savvy, USAA member
 - New Director James Collins was approved to serve as Assistant Treasurer.
- 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

Financial Statements

BALANCE SHEET (as of DECEMBER 31, 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)

Proposed Budget

Income Statement	2017 Budget Targets	Notes	2/28/2017	% committed	2016 Actuals
Income				17%	
Unrestricted Income					
Annual Dues	\$ 2,000.00	100 members join / renew	\$ 300.00	15%	\$ 460.00
Investment income life dues	\$ 1,823.84	based on 4.74% ROI APR	\$ 50.12	3%	\$ 836.38
General Fund	\$ 30.00	any gift here is bonus to plan	\$ 30.00	100%	\$ 280.00
Loan from life dues	\$ -		\$ -	0%	\$ 2,250.00
	\$ 3,853.84		\$ 380.12	10%	\$ 3,826.38
Restricted income					
Patrick K. Connor Award Fund inv income	\$ 670.79	based on 4.07% ROI APR	\$ 36.73	5%	\$ 364.41
Patrick K. Connor Award Fund gift	\$ -	not actively soliciting	\$ -		\$ 1,659.42
David P. Dawson Library Fund income	\$ 464.11	based on 4.07% ROI APR	\$ 22.57	5%	\$ 240.17
Midshipmen Scholarship Fund gifts & income	\$ 18,000.00	\$18,000 to endowment	\$ 3.27	0%	\$ 8,631.97
Life dues income	\$ 2,500.00	20 new / converted life members @4 125	\$ 350.00	14%	\$ 2,575.00
Life dues and gift income	\$ 21,634.90		\$ 412.57	2%	\$ 13,470.97
Total Income	\$ 25,488.74		\$ 792.69	3%	\$ 17,297.35
Operating Expenses					
Awards expense (DAA/DSA)	\$ 525.00	allow for \$175 for each award including item, tax, personalization & shipping, includes deferred 2016 award		0%	\$ 65.84
Bank Charges	\$ 943.08	PayPal pro-rata based on income, + Wells Fargo (modest)	\$ 8.88	1%	\$ 250.79
Midshipmen Support expense	\$ 37.50	Cable TV, reduced to 1 drop, reevaluate to discontinue March 2017	\$ 25.00	67%	\$ 250.00
Miscellaneous, Business	\$ 546.00	Constant contact (\$546) due in April 2017, considering other options	\$ -	0%	\$ 576.00
Postage & Shipping	\$ 50.00		\$ -	0%	\$ -
Supplies, Business	\$ 50.00		\$ -	0%	\$ 32.84
Website expenses	\$ 950.00	represents 36% of 2016 spending - this is a problem	\$ -	0%	\$ 2,635.04
Allocate to Life Dues payback	\$ 750.00		\$ -	0%	
Total Expenses	\$ 3,851.58		\$ 33.88	1%	\$ 3,810.51
Restricted Expenses					
Award- Connor Award expense	\$ 650.00	Connor Award	\$ -	0%	\$ 609.42
Midshipmen Scholarship expense	\$ 3,000.00		\$ 30.00	1%	\$ 3,000.00
Dawson Library expense	\$ 450.00	Based on estimated revenue of \$464.11 above	\$ -	0%	
	\$ 4,100.00		\$ 30.00	1%	\$ 3,609.42
Net Income	\$ 17,537.16	Includes projected 18K for Scholarship Funds	\$ 728.81	4%	\$ 9,877.42

The budget was approved as submitted.

COMMITTEE REPORTS

The established committees emailed summary reports to the Board and each committee chair reported to the Board and reviewed their activities as follows.

Budget and Financial Oversight Committee

The Treasurer reported that our conservative approach to investing the Association's funds during the 2016 Presidential Election cycle did not produce much growth in our accounts. The B&FO Committee continues to keep a close eye on the overall performance and trends in the stock market and will provide the Treasurer with an updated recommended portfolio. Overall, this committee is more optimistic with the market performance since the election, but remains somewhat cautious as the entire market has been "bullish" for over 8 years and may change directions.

Governance and By-Laws Committee

Over the last year, an extensive review of the organization's entire Bylaws was completed and presented to the Board via email one week prior to this meeting. During the meeting, all changes were reviewed and discussed by the Board. The Secretary placed the following motion on the floor: "That the Board approve and adopt the Bylaws as presented and delete Article VIII in total, subject to the edits by the Style Committee (the Governance & Bylaws Committee)." (The Style Committee is allowed to make further grammar or spelling changes that do not change the Bylaws intent.) The updates and changes were approved unanimously by the Board, and having a majority of the members present, were adopted as changed. A full copy of the amended Bylaws is attached to these minutes.

Awards Committee

Master Chief Don Ledford was selected to receive The Distinguished Service Award for 2016 but was not able to attend the Fall Membership Meeting, so it is the Board's intention to present Master Chief Ledford with the award at the Midshipmen Award's Day Ceremony.

Scholarship Committee

Nothing to report.

Membership Communications Committee

The Board spent much time in significant discussion on the topic of communications to the members and potential members. Over the entirety of 2016, we made a lot of updates, changes, improvements and overall upgrades to all databases, the Constant Contact account and the Association's website. Although there was much progress, the Committee deems this to have not been enough and has much additional work to do to bring our systems up-to-date and make better use of them.

Committee member Chuck Carroll '87 has spent an enormous amount of time working with the current website vendor, Goosedown Graphics, to make important upgrades and enhancements to the website. Again, we've made great progress, but there is still more to be done.

Additionally, Chuck spent much time getting to know the Constant Contact account and its use and capabilities. We have begun to send more and increasingly specific information to all persons in the database as well as dues-paying members. Chuck and Pat Connelly communicated constantly in preparation for and then after the recent Alumni Panel Discussion to get the invitations out, communicate with participants and then report to the after action report to all members. The more we do these things, the more the system will become user friendly and able to perform better.

Chuck recommended to the Board that we consider formally (or informally) forming 2 "teams" or sub-committees to approach the Communications issues. One team to work primarily on the systems and mechanics of what we have and how to improve and make them better. This would include, but not be limited to, the actual website and it's look, feel and inner workings; the Constant Contact account; the administration of "the database" and maintain it appropriately; review, improve and educate the Board on electronic security measures to protect private information that may be contained inside the electronic accounts the Association maintains, etc.

The second team would be more focused on the USES of said systems. This group would put together the messages and information to be disseminated to the members, use the systems in place, and create a timeline or template for the strategy of communicating to the members. Over the last several years, not only have the systems degraded in their upkeep, but the information going out to the membership has not reflected the overall purpose of the entire organization and what we hope to accomplish for both alumni and current midshipmen. This second group would focus primarily on appropriately 'getting the word out' in any way possible way our overall message of support to alumni and midshipmen.

During this discussion, Director Plager suggested that the Board consider developing a "Long Term Plan" or "5 Year Strategy" so the continuity of the Board and overall organization has a continuous goal to strive and work toward. We have focused primarily on "turning the ship" in the right direction to make very necessary short term improvements with great success. In addition to this, we should consider our longer-term strategy and goals and put these in writing for the Board and the Association so that all members will know what we are working toward. This was received very favorably and all Board members agreed to work on putting this together.

Additionally, during this discussion, it was proposed and a motion placed on the floor to make Director Will Stubbs the overall Communications Director for the Association

and he will develop and propose an overall strategy for going forward. This motion was approved unanimously.

Alumni Association Events Committee

Alumni Panel Discussion (Reported by Pat Connelly, Committee Chairman, who created and facilitated the event).

On Thursday, February 23rd, the Alumni Association, in conjunction with the Midshipmen from the NROTC Unit, conducted an "Alumni Panel Discussion" at the Naval Armory. 27 Attendees. Given the energy level of the Association in recent past, I felt that was a remarkable number. Senior alums represented the class of '57, junior, class of '05. Requested and rec'd bios from registrants and provided those in a read-ahead package for the MIDN and Staff.

1345: In-brief

1400: Kickoff with introductions and overview as well as a short brief given by Jim Cheatham '57 on the history of the Pre-flight program on campus in the 1940's.

Alumni were divided up into 4 groups of 6-7 and assigned a room in the Armory. MIDN were divided into four squads and the squads rotated through the Alumni rooms. 25-30 min sessions. Q & A, sea stories, leadership discussions, etc.

1620: Collective muster on drill deck where Vietnam-era Alumni were recognized with a certificate commemorating the 50th anniversary of the conflict (signed by president Obama) and a lapel pin. That was actually pretty cool.

1630: Adjourned to happy hour/social at the R&R Grill on Franklin St. Social was followed by dinner where Alumni mingled with the MIDN. Very good time.

Bottom line: **Exceptional response.** We could enhance the format somewhat as we had a lot of participants and the time was a bit limited in allowing everyone ample opportunity to provide insight. It did provide an ice-breaker for follow-on exchanges of contact info, etc.

Dawson Library Committee

Director Rob Gionfriddo delivered a new and updated / upgraded plaque honoring Dave Dawson which will be mounted outside the Library. Rob and others are working with the unit to determine what is the best way to support the current midshipmen with books, readings and/or spaces that will enhance their education and experience while in the program. Are the current provisions of the Library being used? Is there a better way to honor Dave Dawson's memory within the current provisions of the Naval Armory and the Battalion of Midshipmen? Rob is working on a way to make the entire experience more active so that all midshipmen who enter the program will be educated on who Dave Dawson was and what his educational and professional values

of excellence were. Like other programs within the organization, the Dawson Library has been somewhat neglected and we hope to improve it not only practically, but as part of a truly enhanced midshipmen experience.

Director James Collins, a USMC graduate, was added to this committee.

Nomination Committee

Nothing to report.

Business from previous meeting

Nothing to report.

New Business

Director/President Schneider invited Beth Braxton, Director of Development for the UNC Department of Medicine within the Medical Foundation of North Carolina to visit the Board. She had previously worked for the UNC Development Office. Beth gave the Board an excellent briefing on the potential advantages of our Alumni Association partnering with the UNC Development Office and highlighted how the program works.

One of the chief advantages would be when they (UNC Development) does their annual Call-A-Thon telephone fund raiser, we could participate and they would make the calls for us. We would provide them with the names of all our graduates and when they are called, we could be among the primary offerings for donations. She felt like this could raise more money for our scholarship funds and would be less work for us.

Additionally, if we were interested, all or part of our monetary funds (Scholarship and Memorial Funds) could be transferred to the management of the UNC Investment Fund, LLC which is the financial management fund for the UNC Endowment Fund. This company manages over \$2.88 billion for UNC and showed an average annual return for the last 10 years of 6%. The advantage here is the professional management and an outstanding track record of returns. However, the downside is that once those funds are transferred to their main account, while being "earmarked" for us (the Alumni Association), we would lose control over those monies to a large extent.

It was an outstanding briefing and should be considered further. This will be a topic for discussion at our meetings going forward.

Next Scheduled Board of Directors Meeting

A date is being solicited in the month of June for a telephone conference call meeting of the Board.

2017 Annual Meeting

The date of October 7, 2017 was chosen for the Annual Membership Meeting to be held in Chapel Hill. This is the weekend of the UNC v. Notre Dame football game and is during the Columbus Day holiday weekend. The weekend was chosen due to the federal holiday. As in years past, we try to have our reunion this weekend each year because of the added time allowed for travel on a federal holiday and most Reserve Units do not drill on this weekend.

The Events and Communications Committees will immediately begin to solicit and secure a block of football tickets as well as a reasonable rate for a block of hotel rooms for the weekend. Comms to the membership will go out ASAP via Constant Contact.

The meeting adjourned at approximately 1700.