

UNC NROTC Alumni Association

Treasurer's Report


3 March 2018

Balance Sheet (31 Dec 2017)

	2017	2016	2015	2014	2013
Assets / Member's Equity	\$117,871.57	\$72,230.26	\$67,558.78	\$75,016.89	\$76,302.10
Year over year change	\$45,621.97	\$4,671.48	(\$ 7,458.11)	(\$ 1,285.21)	\$ 4,015.79
% change	+63.1%	+6.9%	-9.9%	-1.7%	+5.5%

- Asset/Equity as of this morning 2/27/2018: \$135,268.18
- Restricted portfolio performance for 2017: 12.7-16.2% (target was 5%)
- Very successful Scholarship Campaign: \$32,443.50 raised
- Increase to Life Dues corpus: \$7,750.00
 - 25 new life members + 16 new multi-year members

Income/ Expenses (cash basis)

		2016	2015	2014	2013
Income (Dues & Gifts)	\$45,643.50	\$13,553.22	\$1,715.87	\$ 3,760.74	\$ 2,788.58
Investment Income & Cap Gains	\$5,797.00	\$1,494.14	\$3,529.11	\$ 6,606.21	\$ 1,912.87
Total Income 	\$51,440.50	\$15,047.36	\$5,244.98	\$10,366.95	\$ 4,701.45
Expenses	\$11,100.68	\$7,419.93	\$8,291.69	\$11,878.27	\$10,352.95
Net Gain/Loss	\$40,339.82	\$7,627.43	(\$ 3,046.71)	(\$ 1,511.32)	(\$ 6,138.10)

- **Income from dues/gifts up smartly (3.4 x) in 2017 (mostly restricted gifts)**
- **Investment income up smartly (3.8 x); B&FO committee adopted a more contemporary asset allocation strategy.**
- **Expenses up 50% while maintaining \$3,000 in Scholarships, Connor Award and reinvesting in website, which is the largest expense line item (\$5,715.00 in 2017 vice \$2,635.04 in 2016).**
- **Borrowed \$3.300 from Life Dues Account to enable website recapitalization**

Expense Comparison Report

(expenses, cash basis)

Category	Expenses 2017	Expenses 2016
Awards expense (DAA/DSA)	\$502.03	\$65.84
Bank Charges	\$676.92	\$250.79
MIDN Support (cable TV drops)	\$62.50	\$250.00
Miscellaneous, Business*	\$542.50	\$576.00
Postage & Shipping	\$2.00	\$0.00
Supplies, Business	\$16.42	\$32.84
Website expenses	\$5,715.00	\$2,635.04
Award- Connor Award expense	\$404.28	\$609.42
Midshipmen Scholarship expense	\$3,000.00	\$3,000.00
Dawson Library expense	\$179.03	\$0.00
Total Expenses	\$11,100.68	\$7,419.93

*Constant Contact account (\$546) and NC Secretary of State (\$30) in 2016
Constant contact only (\$542.50) in 2017

Conditions Noted:

- **Annual membership was in steep decline, now stabilized.**
 - ~150 annual members 2000-2009 (\$3,000)
 - down to 23 (\$460 in revenue) in 2016;
 - Up to 53 (with multi-year option in 2017)
 - Already 45 multi-year members in 2018 (class of 2018 given as gift)
- **Life Dues Account Growing Again!**
 - \$7,750.00 in corpus growth
 - \$3,798.00 in future years dues retained for investment
- **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
 - 2017: \$32,423.50 raised, \$3,000 disbursed, net gain \$29,423.50
- **Operating income strained by membership numbers**
 - forced to borrow from life dues fund to balance operating funds
 - \$2,250 borrowed from life dues in 2016
 - \$3,300 borrowed (and \$750.00 paid back) from life dues in 2017
 - Need 100 annual/multi-year members + 20 new life members / conversions in 2018 to meet operating budget targets.

Business Rules Adopted by the Board in 2016 (refresher)

- **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.

Membership Goal: 120 for 2018

Annual Dues Paying Member Goal: 100

- 2018: 45 YTD
- 2017: 53
- 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 2017: 20

- 2018: 4 YTD
- 2017: 26
- 2016: 9

Why?

- 2000-2009: 5-10 conversions
- 2010: 4
- 2011: 6
- 2012: 7
- 2013: 4
- 2014: 6
- 2015: 1 (installment)

Goals: Scholarship Program

- **Scholarship Endowment established to raise funds for the perpetual award of three \$1000 scholarships annually**
 - The top fundraising goal of the Association
 - **~\$20,000** endowment minimum needed for EACH of three scholarships
 - Multi-year fundraising project (2016-2019)
 - First scholarship named in memory of the late CAPT Al Koster (Unit CO,1981-1985)
 - Second scholarship named in honor of the great Master Chief Ledford (Uniy Admin Officer and University Naval Science Dept, Administrator (1980-2003)
 - Naming rights for third 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
 - **2017: 32,423.50 raised, \$3,000.00 disbursed, net gain \$29,423.50**
 - **13 of 14 directors gave \$6,550.00**
 - **Smith Challenge raised in 2017 before match: \$20,708.50**
 - **Koster family gave \$2,000.00**
 - **2018 YTD: \$10,725.00;**
 - **2018 GOAL: \$28,000 to full funding of all 3 scholarships**
- **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.**

What was 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
 - Adding CPA Terry Cline, Former Pentagon Resource Sponsor Ann Phillips and past Treasurer (x2) Will Stubbs for 2017
 - 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 (3 x per year) , published in the meeting minutes, and posted on the website once approved.

Way Ahead (update to last year):

Build Organizational Strength and Member Trust

Successes:

- Profligate deficit spending reversed / budget process working.
- Scholarship Trust doing well: off to a good start: \$48,402 is market value as of 2/27/2018
 - Repeat of 2017 will achieve full funding of all three scholarships
- 26 Life Member conversions in 2017; 4 so far this year.
- 53 annual / multi-year members in 2017, 45 so far this year.
 - Master Chief Ledford was the first to renew for 2015-2017 in January and is now multi-year.

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.~~
 - 2017 update: 12-16% ROI
- ~~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~~
 - Welcome James C. Collins '03, Treasurer
- Need an audit:
 - Welcome Terry C. Cline, CPA to the Board
- Tax letters are out this week – need a more automated process. Mandraullic!

Treasurer Turnover

- James Collins is now the Treasurer!
 - Will Stubbs is serving as Assistant Treasurer until relieved; remains accountable for funds and financial execution under direction of Treasurer until James is satisfied.
 - Estimate completion by end of March, 2018
- Organizational letter generated to financial institutions documenting change.
- Quicken
 - Done: Software purchased and installed; Test file transferred for indoc / training.
 - To do: complete bookkeeping and reports generation training; turnover final Quicken file
- Wells Fargo
 - Done: Collins (and Schneider) added as account agents; Collins issued Debit Card
 - To do: Transfer account custodian to Collins; Stubbs relinquish Debit Card; turnover /change account passwords.
- USAA
 - To do: add Collins to account as custodian; change online alignment to Collins account;
 - Requires notarized documents by Collins, Schneider and Stubbs
- PayPal
 - To do: add Collins to account as custodian; change passwords