

**Board of Trustees Meeting
2014 Fall Conference Meeting
New Orleans, LA**

**Thursday, October 23, 2014
8:00 a.m. – 10:00 a.m.**

Call to Order

The official Board of Trustees Meeting held during the NTMA Fall Conference in New Orleans, LA on Thursday, October 23, 2014 was called to order by Chairman, Ted Toth at 8:02am. Those in attendance were reminded the meeting was being audio recorded.

Announcement of Quorum

Secretary, Ken Seilkop, confirmed there was a quorum of the Board present at the meeting.

Approval of Minutes *(See "08-28-14 BOT 2014 Conf Call Minutes")*

The Board of Trustees minutes from the Board of Trustees conference call on August 28, 2014 were APPROVED as read.

Report of the Treasurer

Doug DeRose, CFO, presented the Treasurer's Report. Below are the results of that discussion.

August YTD Financials *(See "2014 Treasurer's Report 10-22")*

Balance Sheet

- ✓ At the end of August, NTMA's assets totaled \$2.4M, which has increased over the prior year by 14%
- ✓ Total liabilities equal \$1,147,000, a increase of 21% over prior year

Liabilities & Equity

- ✓ The decrease in accounts payable of \$42,000 over prior year is primarily due to the change in accounts payable trade
- ✓ Registration fees received to date for the Fall Conference appear in deferred revenue accounts. Deferred revenue in 2014 is higher compared to the prior year, due to timing with Fall Conference registrations as well as NTMA U tuition collected but not earned
- ✓ Members' equity from 2013 to 2014 increased by \$202,000 and this net amount reflects the Operating surplus since August of 2013

Promissory Note/Reserve Fund

- ✓ As of the end of September 2014, six quarterly payments of \$25,000 have been made from operations into the building fund, with the most recent payment made in September
- ✓ The outstanding balance on the promissory note related to the building proceeds is \$168,000
- ✓ The original note amount was \$318,000
- ✓ The next payment is due in December

Long-Term Investments

- ✓ On September 23, 2014 off shore insurance company reserves that were held by NTMA owned subsidiary TMHC were moved into a new account owned by NTMA
- ✓ Moving forward, those funds will appear on the NTMA financial statements
- ✓ The funds are currently being invested by Atlantic Trust and will be discussed in more detail later in the meeting

- ✓ While there are still funds in TMHC, it is expected that they will be required to wind up the operations of the entity over the next few years
- ✓ At September 30, those funds totaled \$2,674,000
- ✓ At the same date, the NTMA Building/Reserve Fund has a value of \$512,000
- ✓ This equals \$3,186,000 in long-term assets for NTMA
- ✓ NTMA is the parent company of TMHC and TMHC is the parent company of TMES and MWIL

Operating Statement

- ✓ Total revenue at year end was \$2,615,000, which was unfavorable to the budget by 3%, a decrease of \$83,000
- ✓ Actual expenses of \$2,679,000 was favorable to budget by 1%, or \$36,000
- ✓ YTD operating deficit was \$64,000 at the end of August This is unfavorable to budget by \$47,000, which had a deficit of \$17,000 through the same period

Major Changes in Revenue for 2014 YTD

- ✓ Textbooks sales were favorable to budget by 29% due to additional sales from NTMA U
- ✓ Non-textbooks were favorable to budget by 117% due to other merchandise sales and travel rewards programs through credit card providers; distribution from subsidiary totaled \$152,000, which was payment from MWIL for insurance program commissions
- ✓ Dues were unfavorable to budget by \$105,000 due to lagging membership
- ✓ Royalties and interest was under budget by \$63,000, or 8% due to lower than anticipated Grainger sales volume
- ✓ Contributions were unfavorable by 76% due to timing on contribution income
- ✓ Sponsorship was under budget by 39% due to a shortfall from the NRL competition
- ✓ Sponsorship is expected to exceed budget due to fall conference and contributions will improve by 85% between now and year end per the forecast; timing related with fall conference

Dues Revenue

- ✓ Dues revenues were just over \$1.2 million at the end of August, which was a 2% decrease over prior year
- ✓ This can be attributed to the decrease in members during 2014
- ✓ At the end of August there were 1,315 members, which was under the budgeted number of 1,368 by 4% and the prior year number of 1,343 by 1%

Annual Member Retention (5-Years)

- ✓ NTMA has experienced an increase in member retention in 2014
- ✓ Through September, retention is at 89%, which is up 1 percent since last year.
- ✓ Since August, there has been an increase in membership, with the number of members up to 1,321 as of September 30
- ✓ It should also be noted that as of October 15, the number of members has increased by an additional 10.
- ✓ A few main reasons for the growth:
 - Membership sales efforts from earlier in 2014 are coming to fruition
 - The growth of the New Mexico chapter
 - Growth of both NAMs and education memberships

Royalty Revenue

- ✓ NTMA's affinity programs generated \$706,000 in revenue for the first eight months of this year, which is equal to the prior year
- ✓ While the Grainger program is virtually flat at a decrease of .7%, increases in Multiview of 13% and other programs such as APPI and FED-Ex are up 25%, making up the difference and then some
- ✓ Multiview has generated \$36,000 in revenue, making it the second largest program within NTMA, while other programs total \$20,000
- ✓ When adding in the MWIL dividend distribution of \$150,000, the total royalty revenue would equal \$856,000 for the first eight months of 2014, which would be a 22% increase over the prior year

Noteworthy Revenues

- ✓ 2014 advertising revenue of \$100,000 is unfavorable to budget by \$8,000. This is due primarily to a shortfall of \$15,000 for the record and \$3,000 for website ads offset by an increase in membership directory \$11,000.
- ✓ Meeting revenue is unfavorable to budget by \$11,000 due to a number of timing issues. Primarily, revenue increased due to the CFO roundtable in June, as well as MFG income exceeding budget by \$43,000 (which was offset by additional meeting expense). This was offset by an unfavorable variance in Legislative Conference of \$13,000, Purchasing Fairs of \$11,000 and Hannover of \$36,000.
- ✓ No grant income was budgeted in 2014. However the annual payment for NIMS started flowing through NTMA in 2014. While grants income is over budget, an offsetting expense is recorded in surveys and projects, as this is a pass through expense supported by NTMF.
- ✓ NTMA U tuition is under budget by \$14,038 due to lower enrollment in the 1st semester of 2014. This reduction was due primarily to open enrollment, which had a negative effect on continued student enrollment. This policy has been changed and tuition is expected finish near \$133,000 for 2014, just under the budget of \$144,000

Total Expenses

- ✓ Salaries are favorable to budget by \$33,000 and fringe benefits by \$60,000 due to lower than planned benefit costs year-to-date; also favorable are supplies & printing by 15% and travel costs by 36%, or \$92,000.
- ✓ Areas with an unfavorable variance to budget include professional fees of 15% due to legal fees and two NTMA U contractors not budgeted; bad debt by 70% related to the decline in membership; equipment costs of \$11,000 due to an increase in IT support costs; textbooks & other of 22% related to the increase in textbook sales as well as the cost of NTMA U LMS and meeting costs of 34%, or \$57,000. This unfavorable variance related to an additional purchasing fair at a cost of \$12,000, CFO roundtable of \$3,000, increase in MFG costs of \$63,000; offset by reductions in the NRL competition of \$15,000 and legislative conference of \$13,000

Total Revenue & Expenses

- ✓ Revenues in 2014 are slightly higher than prior year, up \$34,000, or 3%. This is due to the distribution from subsidiary and the increase in sponsorship
- ✓ Expenses have grown at a faster rate, up by \$263,000, or 11%; with increases coming across the board and inline with the budget.
- ✓ Net surplus/deficit—has taken a slight turn down in 2014, resulting in a deficit year to date of \$64,000
- ✓ While this is behind the 2013 surplus of \$167,000, it is more in line with the 2012 deficit of \$44,000
- ✓ The goal for year end is currently at breakeven even with one time expenses of \$117,000

One-Time Expenses

- ✓ YTD, the impact has been an additional \$34,000 in costs. The main categories are:
 - Legal and professional fees related to Board Structure and Governance
 - Chapter related issues
 - Residual 401k plan compliance costs that were not in the original operating budget
- ✓ By the end of the year it is expected that one-time costs that will exceed \$117,000, which include an increase in, Board restructure costs, the addition of branding costs for NTMA U, staff reorganization costs, manufacturing day sponsor costs and costs for students from NTMA U to attend the 2014 Fall Conference

2015 Proposed Budget Summary

- ✓ Total revenue is budgeted to be \$4,449,000, which is an increase over the 2014 forecast of \$199,000, or 5%
- ✓ Expenses are expected to increase by 4%, which is \$157,000 greater than the 2014 year end forecast.
- ✓ The operating surplus is budgeted to be \$43,000 for 2015
- ✓ The 2014 forecast is expected to be a deficit of \$713 at the end of the year
- ✓ As a reminder, the 2014 budget was a surplus of \$19,000
- ✓ One-time costs for 2014 are factored into the summary, the bottom line for 2014 is an adjusted surplus of \$117,000

2015 Budget-Revenue

- ✓ The following areas of revenue are expected to see significant increases in 2015 over the 2014 forecast:
 - Dues \$70,000, 4%; meeting revenue, \$147,000, 31%, royalties, \$40,000, 4%, contributions of \$29,000, 52%; NTMA U tuition of \$26,000, 20%; and meeting revenue \$38,000, 19%
 - Member dues are not being increased in 2015
 - Royalty income is expected to increase slightly with Grainger to increase \$20,000 or 2% and Multiview \$19,000, 28%
 - NTMA U has budgeted 200 students per semester for 2015
 - Meetings are increasing due to the development of 11 new events, which includes 9 seminars, plus the growth of the purchasing fairs.
- ✓ The main areas showing a decrease for 2015 versus the 2014 forecast is non- textbook sales and distributions from subsidiaries and other
- ✓ Non-textbooks sales are estimated to decrease by 22% and no distribution is expected from TMHC, reducing that line item by 95% in 2015
- ✓ 2014 figures are full year of forecasted revenues of \$4.3 million
- ✓ The budgeted revenues for 2015 are \$4.4 million which reflects an increase of 5% over the 2014 forecast

2015 Budgeted Revenue

- ✓ Dues revenue = 43% - it should be noted that dues are below 50% of total revenues reflecting the efforts to reduce dependence on dues revenue to fund the activities of NTMA
- ✓ 2014 is trending at that same %, which is down from 2014's budget of 46%
- ✓ Royalties make up 25% of revenue with Grainger accounting for 91% of the total
- ✓ Meetings = 14% this reflects a 20% increase over the 2013 forecast
- ✓ Sponsors = 5%
- ✓ Tuition = 4% this reflects continued steady growth of NTMA U
- ✓ Advertising = 3%
- ✓ All other revenues = 3% (consists of textbooks, grants, report sales, and reimbursements from subsidiaries)
- ✓ Contributions = 2%
- ✓ From a non-profit "best practices" perspective, all revenue sources should be no higher than 35%. Only dues revenue exceeds this benchmark and as previously mentioned, there is a focus to reduce this moving forward

2015 Dues Revenue

- ✓ Dues revenues for 2014 are budgeted at \$1.90 million and are 4% higher than the 2014 forecast
- ✓ Member dues are not being increased, in fact the budget takes into consideration the dues structure changes made earlier in 2014
- ✓ Those changes reduced the majority of member dues, which has been accounted for in the budget—a negative impact of \$7,000
- ✓ The dues income increase for 2015 is attributed to a number of factors, including:
 - Restructuring of Membership Sales
 - Decentralized sales model that will focus on regional relationships
 - Continued commitment to reaching all chapters on a more frequent basis

- Reduction, or stabilization of member dues rates for the majority of members
- ✓ The budget assumes 1% growth and 10% attrition, for a net of 15 new members in 2015 added to a starting base of 1321

2015 Budget-Expenditures

- ✓ Expense increases for 2015 are in the following areas:
 - Salaries \$93,000, 6%
 - Fringe benefits, \$72,000, 27%
 - Supplies & printing \$15,000, 17%
 - Travel, \$73,000, 28%
 - Affinity program expense \$17,000, 6%
 - Meeting costs, \$12,000, 2%
- ✓ Salaries and wages is related to the hiring of a full NTMA U support person, incorporating the chapter support position in to the restructured membership sales staff and a 2% merit pool
- ✓ This will lead to an offset of expenses in professional fees that i will discuss shortly
- ✓ The increase in fringe benefits is due to the increase in wages and anticipated increases in health insurance premiums; supplies & printing increases are related to new events added in 2015; travel includes additional staff travel primarily to chapters and members' shops for 2015; affinity program expense is the result of the Grainger revenue share for partners that is related to the increase in Grainger royalty income; meeting costs reflect the increase in new events, the NRL and other events/conferences that are offset by registration income
- ✓ Expense reductions for 2015 are in professional fees 5%; bad debt 16%; equipment costs 90%; textbooks and other 37%
- ✓ Professional fees decrease due to the allocation of contract labor to salaries as previously mentioned, but also increases due to IT services being moved to this category from equipment costs in 2015

2015 Budgeted Expenses

- ✓ Total expenses are budgeted at \$4.4 million in 2015 and are 4% higher than the 2014 projection of \$4.3 million

2015 Budget-New Events Impact

- ✓ 11 new events have on the 2015 budget
- ✓ 8 of the new events are in the new group titled seminars, that was kicked off with inaugural CFO roundtable in Cleveland in June and will be followed up with a second event in St. Louis next month
- ✓ Other events added include:
 - Emerging Leaders Conference
 - AMT Tech Meeting
 - A European Tech Tour
- ✓ These events have impacted meeting registration, sponsorship, printing and meeting expenses
- ✓ These events will be managed closely by an individual in the restructured membership sales department

Budgeted & Actual Operating Surplus/Loss (2009-2015)

- ✓ The revised 2014 forecast reflects an Operating deficit of \$713
- ✓ The 2015 budget calls for an Operating surplus of \$43,000

Motions

Ted Toth moved to approve the 2015 budget as presented. Mike Retzer seconded the motion and with no discussion, the motion was APPROVED unanimously.

Ted Toth moved to approve the CPA firm recommended by the Audit Team for a three (3) year contract period beginning with the 2015 year. Pat Walsh seconded the motion and with no discussion, the motion was APPROVED unanimously.

Ted Toth moved to adopt the proposed changes to the Code of Regulations that were emailed to the Trustees on September 22, 2014. Tim Martens seconded the motion and with discussion from Roy Sweatman, the motion was APPROVED unanimously.

unanimously was APPROVED unanimously.

Ted Toth moved to approve and ratify all actions by the Executive Team and Officers since the last Board of Trustees meeting held on Saturday, March 8, 2014 at the MFG Meeting in Phoenix, AZ. AJ Schaeper seconded the motion and with no discussion, the motion was APPROVED unanimously.

unanimously shown here and marked "Exhibit B". Steve Grande seconded the motion and with no discussion, the motion was APPROVED unanimously.

Ted Toth moved to nominate Paul Bonin and Gary McAfee for the Board of Directors of the National Tooling and January 1, 20

Ted Toth moved that the NTMA create a Special Projects/Opportunity Fund based on the terms and conditions shown here and marked "Exhibit C". Matt Wardle seconded the motion and with no discussion, the motion was APPROVED unanimously.

Ted Toth moved to accept the nominations that were presented by the Nominating Team (Herb Homever - Chairman, DA Schaeper seconded the motion and with no discussion, the motion was APPROVED unanimously.

Ted Toth moved to approve the withdrawal of the following chapters from the National Tooling & Machining Association:

- Puget Sound
- Fort Wayne
- Saginaw Valley
- PA Dutch

AJ Schaeper seconded the motion and with no discussion, the motion was APPROVED unanimously.

Shannon Sweatman moved to instruct the Executive Team to form an Implementation Action Team that includes at least two (2) members of the Board Structure Review Action Team and a member of the Nominating Team. In addition, The Executive Team shall instruct the Implementation Action Team to create and work through a timeline and to work out any additional details, including:

- Tradition changes
- Changes to the nominating process
- Ensuring accountability through a system of checks and balances

The timeline should be such that the updated Code of Regulations are fully implemented by the 2015 NTMA Fall Conference and the first candidates for the new structure of the Executive Team would be installed during the 2015 MFG Meeting. AJ Schaeper seconded the motion and with no discussion, the motion was APPROVED unanimously.

Adjournment

The Board of Trustees meeting was adjourned at 9:46am.