

**Board of Trustees Meeting
2015 MFG Meeting
Orlando, FL**

**Thursday, March 5, 2015
4:00 p.m. – 5:30 p.m.**

Call to Order

The official Board of Trustees Meeting held during the NTMA MFG Conference in Orlando, FL on Thursday, March 5, 2015 was called to order by Chairman, Herb Homeyer at 4:07pm.

Announcement of Quorum

Secretary-Treasurer, Doug DeRose, confirmed there was a quorum of the Board present at the meeting.

Approval of Minutes *(See "BOT 2014 Fall Conference Meeting Minutes")*

The Board of Trustees minutes from the Board of Trustees meeting at the Fall Conference on Thursday, October 23, 2014 were APPROVED as read.

Chairman's Report

Chairman, Herb Homeyer updated the Board of Trustees on a few items the Executive Team has been working on. Below are the results of that discussion.

- The work that has been and will be done on the NTMA Mission/Vision and whether the current Mission/Vision is in line with how the NTMA operates not just today but also 5-10 years from now
- The Executive Team had a call with the Organizational Consulting Group, which was hired to check the compliance of compensation of senior executives and the findings show NTMA is in compliance
 - The report will be available in the next few weeks in the event any trustees would like to review it.

Report of the Treasurer

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

Balance Sheet

- At the end of December, NTMA assets totaled \$5,510,000 which has increased over prior year by 103%
- Total liabilities equal \$1,548,000, an increase of 3%

Assets

- Total cash and short-term investments were \$508,000
 - This balance exceeds prior year by 99%
 - This is due primarily to cash received from the Grainger bonus incentive in early 2014.
- Publications, Advertising and Other Accounts Receivable totaled \$1,137,000, a decrease from prior year of -18%
 - This is due to the decrease in the Grainger affinity income earned in 2014 versus the prior year. We will discuss that in more detail later in the presentation
- Prepaid expenses decreased by \$21,000 over the prior year, or -20%
 - This is due primarily to payments for the Tooling U program, which is no longer needed due to changes in NTMA U's course structure
 - There were also legal costs accrued last year that were not incurred in 2014
- Fixed assets declined by \$52,000, or -16% over prior year

- There were items capitalized for NTMA U courses of \$28,750, equipment of \$2,150 and work in progress for website changes of \$10,000, depreciation of \$93,500 exceeded those amounts leading to the decrease
- Total Long Term Investments increased by \$2,854,000 over 2013

Offshore

- September 2014 offshore insurance company reserves of \$2.64MM that were held by NTMA subsidiary TMHC were moved into a new account owned by NTMA
- From that date forward, the funds will now appear on NTMA financial statements, as presented to you today
- It was the board's desire to take those funds and the previously titled Building Fund and merge them together under the umbrella of "Emergency Reserve Funds."
- The building fund consisted of monies that NTMA earned from the sale of the office building in Fort Washington Maryland
 - It also includes funds being repaid to the building fund by operations under a promissory note.
- The Executive Team decided that it was important to protect these investments moving forward
- It was decided upon by the Executive Team and in conjunction with the Budget and Finance Team, to create three "Board Designated Funds" for specific purposes
 - At the 2014 Fall Conference the Board of Trustees unanimously approved the creation of:
 - Emergency Reserve Fund
 - Special Project Opportunity Fund
 - Operating Line of Credit Fund
 - Each fund was set up with specific uses, minimum or maximum balances as well as requirements for utilizing the funds
- Once the funds were brought on shore the Executive Team established an Investment Policy Action Team to review the existing investment policy and create new policies for investing and managing each of the funds
 - The team developed those policies and gave them to the Executive Team and Budget and Finance Team
 - Policies were approved and the Budget and Finance Team was given the responsibility to review the Investment Performance on a quarterly basis
- It was also decided that for the time being the funds would be co-mingled into an investment account that is being actively managed by Atlantic Trust, the same firm that managed the funds when they were with TMHC
- The building fund was in a savings account with Chase Bank prior to it being moved
- According to the Investment Policy, the Budget and Finance Team has the ability to ask for a bid on investment services by other firms as they see fit

Liabilities & Equity

- Accounts Payables increased by \$59,700 over the prior year primarily due to the change in accounts payable trade, which is timing related
- Conversely, accrued expenses are down by \$43,400 due to decreases in payroll accruals, as a result of lower KPIs than the prior year, which is slightly offset by an increase in severance payable
- Member equity from 2013 to 2014 has increased significantly due to the long-term investments being moved to NTMA
 - Previously only the operating surplus or loss for the year is in this line item, like you see in 2013
 - In 2014 \$2.75MM of the Excess came from the transfer and performance of the board designated investments, with the difference being an operating loss of about (\$1,900)
- The Line of Credit with Chase Bank was not accessed in 2014
 - Due to NTMA's financial strength, the line is no longer collateralized by other NTMA assets
 - Previously the building fund was used for this purpose
 - It is also now automatically renewable
 - The line is for \$250,000

- KPI's were down (\$49K)
- Severance up \$6K
- Commissions up \$2K

Promissory Note

- As of January 31, 2015, the outstanding balance on the note is \$143,000
- The original amount of the note was \$318,000
- To date, seven (7) quarterly payments have been made on the note from operating funds totaling \$175,000
 - That's \$25,000 per payment
- The next payment is due in March 2015
- The note matures on June 1, 2016
- With the building fund no longer in existence, payments on the note are now designated to flow into the Emergency Reserve Fund

Operating Statement

- Total Revenue at year end was \$4,210,700, which was unfavorable to budget by -1%, a decrease of \$43,000
- Actual expenses of \$4,212,600 were favorable to budget by \$21,700, or a half of a %
- Year to date operating deficit is -\$1,864, or virtually a breakeven
 - This is -\$21,300 under the budgeted profit of \$19,400
 - The prior year resulted in a surplus of \$432,600.
- During the year, NTMA incurred \$99,000 in one-time expenses
 - Without those expenses NTMA would have had an operating surplus of \$97,200
 - NTMA incurred \$55,000 in one time fees in 2013
 - The one time expenses in 2014 are made up of legal expense for board restructuring and costs related to staffing changes

Revenue

- Revenues are down in 2014 versus 2013, however the trend is still upward when looking back over the six year period
- 2013 was significantly higher due to the Grainger bonus incentive
 - The bonus incentive was \$293,000 in 2013
 - If factored out of revenue, last year would have totaled \$4,185,000 or about \$26,000 less than 2014.
- While expenses have increased, they are up by only 4% over prior year
- Expenses in 2014 are the highest they have been over the 6 year look back period
- Very close to breakeven in 2014 in net surplus/deficit which includes the one time expenses of \$99,000 mentioned on the previous slide

Revenue Changes

- Textbook sales are favorable to budget by 38%
- Non-textbooks sales, which includes other merchandise sales and miscellaneous items are favorable by 181%
- Distribution from Subsidiary is favorable by \$154,000, of which \$150,000 is money received from the insurance program through NTMA subsidiary TMHC
- Grants are favorable by \$29,500 due to a grant for NIMS and the NRL
- Sponsorships are favorable by 30% due to an increase in Fall Conference sponsorship
- Meanwhile, dues are down 8% versus the budget, or \$164,500
- Meeting revenue was unfavorable by 7% based mostly on a budgeting error for the EMO event
- Royalties, interest and other was down 9% due to the decrease in Grainger as a result of not hitting the sales bonus incentive previously mentioned.
- Royalties decreased significantly from the prior year, down \$298,000 or 22%
- Grants also decreased by \$211,800, or 9%, increasing the burden on recurring operating revenue covering expenses for 2014

Actual Revenue Percentages

- Dues Revenue = 43%
 - Dues are below 50% of total revenues reflecting the efforts to reduce dependence on dues revenue to fund the activities of NTMA
 - Last year dues were 46% of total revenues
- Royalties make up 29% of revenues, with Grainger accounting for 80%
 - This has increased from prior year, when royalties made up 23% of revenue
 - Dependence on Grainger has decreased, as it makes up only 80% of royalty income
- Meetings = 10%
- Sponsors = 5%
- Advertising = 3%, and is down from 5% last year
- Tuition = 3%, which reflects 1% growth over last year
- Contributions = 1%
- Grants = 1%
- All Other Revenues = 4% (Consists of textbooks, report sales and reimbursement from subsidiaries)
- From a non-profit "BEST PRACTICES" perspective, all revenue sources should be no higher than 35%
 - Only dues exceed this benchmark and there has been a concerted effort to reduce this as noted by the 3% decline year over year

Revenue Historically

- Dues revenues are \$1,805,500, which is a -1.6% decrease over the prior year total of \$1,835,400, or - \$48,000
- This can be attributed to the decrease in membership that started in 2013 that has carried over to 2014
- Looking at the past four years, 2014 is the first decline in dues revenue since 2011, when dues declined over the prior year by \$72,000
- It also ranks behind only 2013 and 2009 in terms of highest dues revenue producing year in the last six years

Member Retention

- NTMA has experienced an increase in member retention in 2014
- For the year, retention at 90%, which is an increase of 2% since last year end, the highest since 2012
- Membership is down from 1,343 members in 2013 to 1,328 members in 2014, which is a decline for the second consecutive year
- The profile of most resigned members of NTMA are:
 - Companies not active in chapters or at-large
 - Many smaller companies still facing tough economic conditions
 - Companies who have been sold or have gone out of business

Affinity Programs

- Affinity programs generated \$1,051,700 in 2014, compared to \$1,350,000 in 2013, a decrease of 22%
- NTMA hit a 5% growth incentive for Grainger for the first time in 2013, which led to an additional \$293,000
- The Insurance program, which is run through AIX, was turned into an affinity program in 2013, and income is earned based on gross written premiums
 - The funds cannot flow directly to NTMA without it being considered a taxable event
 - Therefore the funds were paid directly to a subsidiary, TMHC, and distributed to NTMA as a dividend in 2014
 - Including the distribution for subsidiary, total royalty revenue was \$1,201,700, which, when compared to 2013 is down by 11%
- Although Grainger purchases by NTMA partners increased by 2% in 2014, Grainger royalty income decreased by 24% year-over-year due to missing the 5% growth incentive as previously mentioned
- Other affinity programs continue to grow, but at a much smaller dollar level
- The largest remaining programs are Multiview at \$46,000 and Partnership at \$24,000 for 2014
- Insurance contributed \$150,000 in 2014, becoming the second largest affinity program for NTMA

Other Noteworthy Revenues

- In 2014, textbook sales of \$103,300 is favorable to the budget by \$28,000, which is due to an increase in NTMA U enrollment and the development of new textbooks
 - Textbooks are favorable to the prior year by 26%
 - Non-textbook sales increased by 181% over the budget due to an increase in non-textbook sales, revenue recognized from the dissolution of two chapters and credit card points utilized during the year
- NTMA received grant income of \$29,500 for the year from NTMF, which is favorable to budget by 100%
 - \$10,000 was for NIMS and was offset by expense in Surveys and Projects
 - The remaining amount was for the National Robotics League and was derived from member contributions made at the Fall Conference through the 50/50 raffle and a portion of the auction
 - That \$19,500 was originally budgeted as contribution income for 2014, however funds came through the foundation, who acted as a fiscal agent on behalf of NTMA so the donor contribution to the NRL could be tax deductible
- Grants are down by \$211,800 versus the prior year
- Contributions are unfavorable to the budget by \$16,600 for 2014
 - Offset by the increase in Grants
 - Contributions are also down versus the prior year, by \$10,600
- Sponsorship is favorable to the budget by \$50,800, primarily due to the Fall Conference, versus the prior year sponsorship is also favorable by \$46,800

Expenses

- Salaries are favorable to the budget by \$102,400 and Fringe Benefits by \$110,900 due to:
 - Restructuring of the sales department and lower KPI's than the prior year
 - Supplies and printing were favorable to budget by 13%, due to a reduction in costs for NTMA U and the Directory
 - Travel was favorable to budget by 36%, once again due to the restructure of the sales department, reduction of the management team and focus by management to keep costs under budget
 - Awards, Dues & Other favorable to budget by \$16,400 due to savings on award purchases in 2014.
- Professional fees were higher than budget by 20%, or \$101,600 due to:
 - A budgeting error that excluded operations and NTMA U support, plus one time expenses for legal fees related to the 401K plan and board restructuring
 - Bad Debt was unfavorable to budget by 62% due to an increase in membership dues delinquency and write offs
 - Equipment Costs were unfavorable due to an increase in IT support costs and additional software costs for membership CRM software
 - Affinity Program Expense increased by 35% due to an increase in chapter and association sales volumes, which led to a higher rebate payment
 - Textbooks and Other Sales were unfavorable to budget by 36% due to an increase in book volume and higher NTMA U LMS costs
 - Meeting costs were unfavorable by 21% related to an increase in Fall Conference costs, a second Purchasing Fair that was not budgeted and two new seminars introduced in 2014 that were not budgeted—CFO Roundtable

Affinity Program Expenses

- Grainger sales increase 2.3% YOY
- Rebates increased by 18%
- Chapter sales increased by 51%
- Chapter rebates increased by 236% from \$15,000 to \$51,000
- Association sales and rebate increased by 7%
- San Francisco Chapter increased by 2748% YOY
- St. Louis Chapter earned \$4,995 in rebate—their sales volume was \$458,000

Operating Expenses

- Expense categories that have unfavorable variances to the prior year include travel of 90% which is related to a reclassification of expense from:
 - Meetings
 - Professional fees of 13% which is related to one-time legal costs in 2014
 - Affinity expense of 18%
 - Textbooks and other of 43% due to the increase in textbook sales and NTMA U LMS costs
 - These were offset by favorable variances in salaries and benefits of 13% related to staffing changes, meetings of 19% which offsets the increase realized in travel and supplies of 15%

Actual Operating Surplus/Loss

- One-time costs were \$55,000 in 2013 and \$99,000 in 2014, which would lead to an adjusted surplus of \$487,600 in 2013 and \$97,200 in 2014
- Over the past three years, NTMA operations has been near breakeven, or better, which is a significant change from 2009-2011
- During the period of 2009-2011 NTMA lost a total of \$1,065,200
- In the past three years the association has had an aggregate surplus of \$507,700

Non-Operating Activity

- During 2014 NTMA received \$2,680,000 as dividend income from subsidiary TMHC
- During the year investment performance added another \$74,000, for a total of \$2,753,700 of income on non-operating activity
- Added to the operating deficit of (\$1,864), the net surplus equals \$2,751,800
- This represents the addition to members equity on the balance sheet

Cash Reserves

- As pf January 31st, the total long-term and short term cash reserves total approximately \$3.5MM
 - Emergency Reserve Fund is at \$2,252,700
 - Special Project/Opportunity Fund is at \$600,800
 - Operating Line of Credit is at \$449,800
- The portfolio performance is being monitored by the Budget & Finance Team quarterly to ensure it is invested in accordance with the Investment Policy
- Since 2014 year end, Investment Performance led to a slight decline in portfolio value
- Assets are still being aligned to the new investment policy which was put into place in December 2013
- The short term savings of \$220,800 represents extra cash on hand in a savings account
 - Those funds are readily available and used for operations when needed

NTMA Mission/Vision Update

Executive Team Member, Matt Wardle provided an update to the Board of Trustees on the work that has been done regarding the NTMA Mission/Vision statements. Below are the results of that discussion.

Our Vision *(Current)*

NTMA is the voice of the precision manufacturing industry. We unite to create prosperous, competitive companies for our families and employees.

Mission *(Suggested)*

The NTMA is the advocate for our industry. We help our members:

- CONNECT
- LEARN
- ADVOCATE

Education has three supporting areas of concentration, which are:

- Business skills
- Workforce capability
- Technology application

Advocacy is active, driven communications with constituencies vital to every NTMA business.

- Customer market segments
- Government regulators and legislators
- Education curriculum leaders

Networking builds trusting relationships between peers, specialists, and industry contacts that provide firms competitive advantage. Members and staff have experience and relationships that can be shared for benchmarking, customer introductions, production resources, and other vital capabilities that mid-sized firms often do not have alone.

The Values of NTMA *(Suggested)*

Integrity in all we do.

Stewardship of the lives and assets in our charge

Learning as individuals and working teams

Prosperity is earned and requires competitiveness

Families are first priorities.

Suppliers and customers are vital partners. And we are both.

Implementation Team Update

Dave Dysinger, Team Leader of the Implementation Team, presented an update on the work that has been done by the Implementation Team. Below are the results of that discussion.

- Currently, the Executive Team designates 20 days per year to attend NTMA meetings
- The Implementation Team agrees that is too many days to require an outside board member to commit to
- The Implementation Team is currently working on what the roles and responsibilities of the internal and external Executive Team members should entail

NTMF Update

NTMF Chairman, Jeff Kelly provided an update to the Board of Trustees. Below are the results of that discussion.

- Foundation is now up to nine (9) new members, including Paul Bonin and Gary McAfee who were voted on during the 2014 Fall Conference Board of Trustees meeting
- 2015 – Goal was to increase fundraising efforts
- \$215,500 were raised last year (2014)
 - Mike Kartsonis – Donated \$100,000
 - Jeff Kelly – Donated \$100,000
 - Ted & Mickey donated \$10,000 for the next 10 years
- Supported the original BotsIQ, NTMA U, NRL
- NTMF needs to more vibrant and better funded than it already is
- Jeff Kelly asked for the Board of Trustees to donate to the Foundation
- Dave Sansone is Executive Director of Foundation
- Approved \$20,000 to the PA Chapter BotsIQ program
- A tool kit will be developed to help with other chapters participating in the NRL & BotsIQ

Review of the NTMA Strategic Plan

Chairman, Herb Homeyer, updated the Board of Trustees on the work that has been done on the NTMA Strategic Plan. Below are the results of that discussion.

- Executive Team formed a Strategic Plan Action team to review the current Strategic Plan and determine if it's in line with how we envision the NTMA
- Strategic Plan Action Team met in January in Miami for a one-day conference

NTMA Updates

- The Executive Team approved a one time unbudgeted expense in 2015 of \$10,000
 - These monies will go towards recruiting fees and personal development plans for the promotional/branding of NTMA U

Motions

Herb Homeyer moved to accept the nomination of Mark Vaughn to the Executive Team as a Regular Executive Team member. Mark Vaughn's term will be for three (3) years and will be effective as of March 5, 2015. Donald Lloyd seconded the motion and with no discussion, the motion was APPROVED unanimously.

- Immediately following approving the nomination Mark Vaughn to the Executive Team, Chairman Herb Homeyer asked Mark Vaughn to join him up at the podium and sworn him into office.

Shannon Sweatman moved to withdraw the SE Florida Chapter from the National Tooling & Machining Association due to extended periods of inactivity. Frank Burch seconded the motion and with no discussion, the motion was APPROVED unanimously.

Shannon Sweatman moved to adopt the proposed changes to the Code of Regulations which will allow the Board of Trustees to attend and vote during all annual, fall and special meetings via web presentations. . Mark DiLorenzo seconded the motion and with discussion (listed below), the motion was APPROVED unanimously.

- Ken Kuhn voiced concerns there may be issues with policing the GoToMeeting
- Pat Walsh has concern the process may get diluted if trustees aren't required to attend the Board of Trustees meetings.

Herb Homeyer moved to approve and ratify of all actions by the Executive Team and Officers since the last Board of Trustee meeting held on Thursday, October 23, 2014 at the Fall Conference in New Orleans, LA. Ken Kuhn seconded the motion and with no discussion, the motion was APPROVED unanimously.

Adjournment

The Board of Trustee meeting was adjourned by Chairman, Herb Homeyer, at 5:23pm EDT.