

**Board of Trustees Meeting
2015 Fall Conference Meeting
St. Louis, MO**

**Thursday, October 23, 2015
10:30 AM – 12:30 PM CDT**

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.

Report of the Treasurer

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

August YTD Financials *(See "2015 Treasurer's Report 10-23")*

Balance Sheet

- At the end of August, NTMA assets totaled \$5,456,000 which have increased over the prior year by 7%
- Total liabilities equal \$1,275,000, an increase of 2% over prior year
- Total equity equals \$4,180,000, which is an increase of 8% over 2014

Liabilities & Equity

- Total cash and short-term investments were \$452,000. This is down by \$55,000 versus the prior year.
- Receivables are higher in 2015, with member dues up by 23% and other than dues up 1% over the prior year
- As a result, the allowance for uncollectable accounts has increased by \$22,000

Expenses

- Expenses incurred to date for the Fall Conference and other future events appear in prepaid expenses
- In 2015 prepaid expense is higher because of the timing of upcoming seminars and the Supply Chain Network Fair versus the prior year

Long Term Investments

- Long-term investments have increased by \$418,000, which represents 100,000 in quarterly payments made on the promissory note from excess operating funds to the Emergency Reserve Fund and additional \$300,000 in excess reserves received from NTMA's off shore insurance program that is being dissolved
- When the insurance program is discussed, you will hear acronyms like TMES, MWIL and TMHC, which made up that program
- Fixed assets in property and equipment decreased 14%, or \$38,000 since 2014 primarily due to depreciation during the current year

2016 Proposed Budget *(See 2015 FC Treasurer's Report FINAL")*

Doug DeRose presented the proposed 2016 Budget to the Board of Trustees. Below are the results of that discussion.

- The objectives of the 2016 Budget that were developed as part of the process are as follows:
 - Engage Chapters and Chapter Leaders. Grow Membership. Improve Member and Chapter Relations. These objectives, which are self explanatory, are to be achieved through the creation of new sales executive positions as well as the upgrading of the Director of Membership and Business Development position. In addition regional sales executives are working closer with the chapters and members in their region to improve retention and generate member leads.
 - Next, Strengthening Programs. This objective can be achieved through improved marketing of everything NTMA. Adding a Marketing Content Writer and Publicist will support the objective, as will reduced pricing for 2016 seminars.
 - Grow the NRL. This objective was started in 2015 with the hiring of additional NRL staff. It will continue with the hiring of a grant writer to increase revenue, creation of an annual Workforce Development seminar in conjunction with the competition, as well as the creation of a 501(c)3 entity specifically for the workforce development program.
 - Expand NTMA U to Members. Adding a summer semester in 2015 and continuing it in 2016 is a major step. In addition discount programs have been developed and will be deployed to make the program more available to chapters and members in need.
 - Grow Emerging Leaders. Add another event to the program at the Legislative Conference in 2016 to build off of the momentum created in 2014-2015.

2016 Proposed Budget Summary

- Total Revenue is budgeted to be \$4,785,500, which is an increase over the 2015 forecast of \$229,300, or 5%
- Expenses are expected to increase by 6%, which is \$259,700 greater than the 2015 year end forecast
- The operating surplus is budgeted to be \$29,700 for 2016
- The 2015 forecast is expected to have a surplus of \$60,100 at the end of the year. As a reminder, the 2015 budget was a surplus of \$42,900
- If you recall from earlier in the presentation, when one-time costs for 2015 are factored into the summary, the bottom line for 2015 is an adjusted surplus of \$185,300

2016 Budget-Revenue

- The following areas of revenue are expected to see significant increases in 2016 over the 2015 forecast:
 - Dues \$119,300, 6.4%
 - Textbooks \$13,500, 15%
 - Advertising \$8,000, 6%
 - Grainger Affinity Income \$75,500, 8%
 - Other Royalties \$45,300, 56%
 - Grants \$70,000; Tuition \$7,700, 5%
- Member Dues are NOT being increase for 2016, however, significant growth is expected
- Grainger Royalty income is budgeted to increase by 8% which is a stretch for 2016
- Year to date Grainger is up 2% over prior year with the trend being closer to a breakeven
- Other Royalty income, which is expected to grow by \$45,000 is made up of interest off of the emergency reserve fund of \$30,000 (which is permitted as part of the fund policy put into place in 2015 and is based on a formula that uses the total portfolio return as a guide), plus growth from other programs including Multiview
- Grants are comprised of \$10,000 from the NTMF for NIMS (which is offset by related expense) and \$60,000 for the NRL that will be secured by a part-time grant writer
- NTMA U tuition has a conservative increase based on the added summer semester and the significant increase in module enrollment in 2015, plus the unknown impact of the member retention campaign
- Enrollment for 2015 totals over 1,600 modules year to date, with the summer semester totaling 509 modules and the fall semester totaling 530.

- Main areas showing a decrease for 2016 versus the forecast are:
 - Meeting Revenue of \$37,200, down 7% due to more conservative
 - Seminars and Supply Chain Network revenue
 - Distribution from Subsidiaries of \$26,500, 11% which is due to \$30,000 less in dividends related to the AIX insurance program; this was not budgeted in the past, but is now included in the budget as a line item
 - Contributions of \$26,400 or 28%, which is due to in-kind contribution from LoSasso in 2015 that will not occur in 2016
 - Sponsorship of \$24,200, 9% due to higher than normal Fall Conference sponsorship in 2015 that is not expected in 2016

2016 Budgeted Revenue

- 2015 figures are full year of forecasted revenues totaling \$4.56 million
- The budgeted revenues for 2016 are \$4.79 million, which reflects an increase of 5% over the 2015 forecast
- Other than the historically high year in 2013, the revenue trend for the association has been gradually increasing since 2011

2016 Dues Revenue

- Dues Revenue for 2016 is budgeted at \$1.99 million and is 6.4% higher than the 2015 forecast
- Builds on the 2015 forecast, that is currently trending toward a 4% increase over 2014
- Member dues rates are not being increased in 2016
 - This can be attributed to significant increases in sponsorship income
- The dues income increase for 2016 is attributed to a number of Key Factors:
 - Fully deployed, restructured and incentivized membership sales team (\$84K of at-risk revenue due to growth)
 - Decentralized sales model with four sales executives in the East, North Central, Midwest and West regions, with executives located in those regions; this will focus on regional relationships
 - Continued commitment to reaching all chapters on a more frequent basis
 - Engaging Chapters that have become detached from national
 - Keeping dues unchanged and stressing the value of NTMA membership
 - Developing dynamic pricing for NTMA U programs that engage members and chapters in workforce development
- The budget assumes 222 new members [net growth of 86 members] and an attrition rate of 10% in 2016 added to a starting base of 1,336 members; average general member dues rate of \$1,350. 12 new NAMs and 5 new education members during the year (Net 7 NAMS and 6 Education members)
- Dues Revenue = 42%
 - It should be noted that dues are below 50% of total revenues, reflecting the effort to reduce dependence on dues revenue to fund the activities of NTMA. 2015 is trending at about the same %, which is less than the 2015 budget of 43%.
- Grainger Royalties = 22% of total revenue and is the second largest category
 - As noted, this revenue category is expected to increase over the 2015 forecast by 8%
- Meeting = 11%, this reflects a 7% decrease over the 2015 forecast
- Sponsorships = 5%, this reflects a decrease of 9% over the 2015 forecast
- Distributions = 4%, which reflects a decrease of 11% over the 2015 forecast
- Tuition = 4%, which reflects a 5% increase over 2015 forecast
- Royalties, Interest & Other = 3%, which is 56% over the 2015 forecast
 - This category includes investment income which has been added to the budget for 2016 of \$30,000 as previously noted
- Merchandise Income = 3% which is 21% over 2015 forecast and includes textbooks, report sales
- Other areas not showing up on the chart are Contributions, Grants, and Chapter Support = a cum total of 3%

- Since we now breakout Grainger as a separate line item, we need to combine all Royalty Income (Grainger, Multiview, APPI, etc.) to get a total for the category = 25% of total revenue for 2016 compared to 24% for the 2015 forecast
- 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

2016 Budget-Expenditures

- Expense increases for 2016 are in the following areas:
 - Salaries \$122,600, 9%
 - Fringe Benefits \$81,100, 36%
 - Supplies & Printing, \$6,700, 8%
 - Travel \$19,000, 7%
 - Professional Fees \$25,000, 3%
- Salaries are related to three regional sales reps and the Director of Membership and Business Development included for the entire year, marketing content and publicist position, 4% discretionary increase and fully loaded commissions for sales reps
- 15 FTEs are in the payroll budget
- Benefits are a result of an estimated 12% cost increase and tax increases due to additional salary expense
- Supply costs are up due to:
 - NRL and Fall Conference
 - Travel is related to a fully staffed sales department for entire year
 - Professional Fees are up due to addition of grant writer for NRL, tech team liaison for entire year, NRL support for the entire year, board member honorarium fee and fully loaded commissions for the fourth sales rep, 7 contractors (4 full time, 3 part time)
- Expense reductions are in:
 - Telephone and Postage, 4% and 3%
 - Telephone is related to operations
 - Postage is down due to the Record
 - Bad Debt \$37,000, 31%
 - Bad debt is 4% of membership sales for 2016
 - In 2014 it was 5% and it is forecast to be 6% in 2015
- Expenses that have increased for 2016 budget include:
 - Equipment Costs 51%
 - Equipment cost is related to adding a new copier lease for 2016
 - Affinity Program Expense \$12,500, 4%
 - Affinity Program Expense is partner rebate expense and is due to the increase in Grainger royalty income
 - Surveys & Projects \$13,700, 20%
 - Surveys & Projects is related to NIMS membership offset by grant income
 - Awards, Dues & Other \$8,300, or 15%
 - Awards, Dues & Other is increased due to NRL and requested board team expenses, specifically MFG Day sponsorship
 - Textbooks & Other Sales \$24,500, 36% and income tax, \$9,000, 13%
 - Textbooks & Other Sales Expense have grown related to an increase in textbook sales and the Fall Conference; income taxes are based on budgeted increases to unrelated business income
- Expense decreases for 2016 are for Meeting Costs of \$31,000, or 5%
 - Reductions in Meeting Costs are related to a decrease in Fall Conference and Supply Chain Network

2016 Budgeted Expenses

- NTMA total expenses from 2010 through 2016
- Total expenses are budgeted at \$4.76 million in 2016, 6% higher than the 2015 forecast of \$4.50 million, and 14% higher than the 2014 actual of \$4.21 million

Budgeted & Actual Operating Surplus/Loss (2010-2016)

- The revised 2015 forecast reflects an operating surplus of \$60,100
- The 2016 budget calls for an operating surplus of \$29,700
 - If these results are attained, NTMA will have achieved a surplus each year since 2012—which is quite a turnaround for the association
- 2014 had one time expenses of \$99,000 and would have resulted in a surplus of \$142,000; the 2015 forecast has one time costs of \$125,200 as previously mentioned and would have an adjusted surplus of \$185,300

Mark Lashinske moved to approve the 2016 budget as presented. Pat Walsh seconded the motion and with no discussion, the 2016 budget was APPROVED unanimously

Team Reports

Budget & Finance Team (Report provided by Team Leader, Ron Overton)

- Reviewed team's Scope & Purpose
- Happy to report all questions were answered during the budget review process
- The 2016 budget was approved by the Budget & Finance Team on August 12, 2015
- Alan Ortner will be the new Budget & Finance Team Leader effective January 1, 2016

Audit Team

- Received a clean audit report for year ending December 4, 2014

Tim Martens moved to approve the 2015 Audit, which was conducted by Mayer Hoffman McCann on June 25, 2015. Shannon Sweatman seconded the motion and with no discussion, the 2015 Audit was APPROVED unanimously

Nominating Team (Report provided by Team Leader, Bob Mosey)

- The Nominating Team as approved the following, which will be distributed to new team members and/or potential Executive Team members:
 - Board Recruitment Book
 - Nominating Team Guidelines
 - Nominating Team SOP
- The Board of Trustees were provided these books prior to the update call on July 23, 2015 and are still open for revisions in the event the board feels there should be any changes
- The Nominating Team has encountered some challenges in finding an External Executive Team Member
 - There are currently two (2) prospective candidates
 - Both with have the DISC and Strengths Finders completed
 - A face to face interview with Dave Tilstone and Bonnie Kuhn has been scheduled for one of the candidates
- Need referrals for external candidates, which should be forwarded over to Kelly LaMarca so she can present them to the team

Pursuant to the Code of Regulations that were last approved by the Board of Trustees on October 23, 2014, the following motions were put before the Board of Trustees in order to stag the terms of each Executive Team Member.

Mark DiLorenzo moved to accept the nomination of Herb Homeyer to the Executive Team as a Regular Executive Team member. Herb Homeyer's term will be for three (3) years and will be effective as of January 1, 2016. Reid LeLand seconded the motion and with no discussion, the motion was APPROVED unanimously.

AJ Schaeper moved to accept the nomination of Ken Seilkop to the Executive Team as a Regular Executive Team member. Ken Seilkop's term will be for two (2) years and will be effective as of January 1, 2016. Mike Retzer seconded the motion and with no discussion, the motion was APPROVED unanimously.

AJ Schaeper moved to accept the nomination of Matt Wardle to the Executive Team as a Regular Executive Team member. Matt Wardle's term will be for one (1) year and will be effective as of January 1, 2016. Shannon Sweatman seconded the motion and with no discussion, the motion was APPROVED unanimously.

Kevin Ahaus moved to accept the nomination of Mark Lashinske to the Executive Team as a Regular Executive Team member. Mark Lashinske term will be for three (3) years and will be effective as of January 1, 2016. Kimberly Arrigoni seconded the motion and with no discussion, the motion was APPROVED unanimously.

NTMF Board Report *(Report provided by NTMF Board Chairman, Jeff Kelly)*

- Mike Mittler will be the new Foundation Chairman, effective January 1, 2016
- Jeff Kelly reminded the Executive Team there are three (3) positions needing to be filled on the board prior to January 1, 2016

AJ Schaeper moved to adopt the proposed changes to the Code of Regulations that were emailed to the Trustees on September 23, 2015. Kimberly Arrigoni seconded the motion and with discussion from Shannon Sweatman, the motion was APPROVED by majority vote (yes-25/no-5)

New Business

AJ Schaeper moved to adopt the proposed changes to the Code of Regulations that were emailed to the Trustees on September 23, 2015. Kimberly Arrigoni seconded the motion and with discussion from Shannon Sweatman, the motion was APPROVED unanimously.

Kevin Ahaus moved to approve and ratify of all actions by the Executive Committee and Officers since the since the last Board of Trustee meeting held on Thursday, October 23, 2015 at the Fall Conference in St. Louis, MO. Pat Walsh seconded the motion and with no discussion, the motion was APPROVED unanimously.

Reid Leland moved to create a Standing Bylaw Team that will work with Jerry Chattman to ensure the bylaws are reviewed to avoid conflicts and ensure there is a checks and balance in each section of the bylaws. Tom Busse seconded the motion and with no discussion, the motion was APPROVED unanimously.

Adjournment

The Board of Trustees meeting was adjourned by Chairman, Herb Homeyer, at 12:28pm CDT.