Second Quarter Management Review
July 23, 2019

1. **Opening of meeting and call to order.** In attendance, Joe Schroedel, John Medeiros, Ann McLeod, Stephen Karl, Kathy Off, Jill Murphy and Will Hoffman

2. **Agenda**
   a. Second Quarter Financials (Mid-Year Assessment)
   b. Membership Revenue and review
   c. Conference revenue and budgeting review
   d. Other Business
   e. Closing

3. **Second quarter financials**
   a. Bottom Line: We assessed that we will meet or exceed fiscal year 2019 budget goals based on mid-year performance.
   b. Revenue: Conference revenue is up and projected to exceed budget expectations as a result of increases in attendance in the Transition Workshop, FM Workshop, and JETC. TME revenue from advertising grew after several years of being flat. We assessed that Johnny's experience and the economy are the main factors in this increase. Membership revenue is down and not projected to meet our targets, primarily due to a continued decline in small business sustaining membership. Revenue for Continuing Education and Post Ops are below budget as of the latest monthly close, but will be more accurate after the camps that are scheduled in July are included after the next close.
   c. Expenses: We continued a disciplined approach to expenses across the board. Conference expenses are slightly up due to attendance growth, but Ann’s team was able to control expenses well despite the growth. Overhead is slightly above budget and is being tracked closely as we complete the last hiring action for the year and closely manage summer temporary hires.
   d. Balance Sheet:
      i. Assets: Cash and investment accounts remain strong. Booth payments for SBC have begun which contributes to our cash position. Strong investment returns reflect the strong market. Accounts receivable remains too high as a result of two overdue partner payments.
      ii. Liabilities: No concerns. Deferred events revenue is much lower than this time last year, since SBC booth sales and registration opened later this year. Deferred advertising revenue is higher than last year, indicating that advertising will remain strong.

4. **Membership revenue and review:** One of our primary objectives for this QMR was to get the Comprehensive Membership Review (one of our top three priorities) started by reviewing the decline in small business sustaining membership.
   a. Observations: Based on the financial statements, membership continues to lag our budget projection, but overall membership remains up. Data shows that 70 percent of
all sustaining memberships are small companies (defined as 100 employees or less). Most of these companies only buy a membership for one post. Small businesses do not have the employee strength to purchase additional posts. We also observed that we have never clearly defined our business model or business rules. As a result of years of ad hoc decisions, we essentially cover the cost of individual membership through our sustaining member dues.

b. Issue: The question then is what is our objective, membership revenue or serving the small business members? Or both? We agreed that our main objectives are membership participation AND value to the small business sustaining member companies. We discussed our perception of sustaining member value and agreed that lower costs of event participation, brand recognition, and the member directory were key.

c. Solution: We concluded that a solution that meets these objectives must result in a value proposition (monetary and nonmonetary benefits) that motivates small businesses to opt for sustaining membership while providing SAME acceptable revenue (greater than the alternative of individual membership; cover costs of membership).

d. Action: The one major QMR action that resulted from this discussion was for the membership team to complete the analysis and develop options for the leadership team to consider. This will be the first progress toward meeting our obligation to complete the Comprehensive Membership Review. Suspense for the development of the options is 4 Oct 2019. Consideration of this analysis will be part of the National Office FY20 budget deliberations.

5. Conference revenue and budgeting: The 2018 Audit Team reported concerns about the year on year decline in event net revenue. The report specifically mentions catering management among other concerns. Melissa completed an initial analysis of the report which will be discussed next week. The intent is to establish detailed metrics and event financial reports that Will and Ann will use to determine the division of responsibility between Events and Finance. This is an important step in firmly establishing Will as the Financial Manager as well as providing Will with the scope of work he will then need to allocate between his senior and junior accountants.

6. Closing: We decided as a group that the first half of 2019 was successful, hence no budget changes are necessary.

Joseph Schroedel
Executive Director