

Executive Director Report NCSG Board of Directors Meeting May 2009

It's only been a couple of months since our meeting in late February. As the March financial statements indicate, despite lower attendance than we've become accustomed to over recent years, the convention in Winston-Salem was a success for NCSG both financially as well as experientially (that is, the feedback from the attendees has been very positive). With just shy of 500 total attendees, our numbers were lower than we've seen the past three times we've been out East (2003, 2004 and 2007). However, we did anticipate that when budgeting last year and we continued to make adjustments this past fall relative to expenses, which enabled a favorable end result all around.

The financial success of this year's convention is timely. As you seen and heard, like most trade associations across the country, NCSG's membership income is down this fiscal year. We typically budget for an anticipated 15% gross attrition rate each year. This year we are trending at closer to 25% attrition. While we've made the necessary adjustments to ensure the financial stability of the organization for the remainder of the year and heading into the next fiscal year, I have expressed to our treasurer that the association's level of preparedness for the current economic climate is troublesome. Again, our resources have been managed well so we are not experiencing a financial crisis. However, recent budgetary conversations could have been framed differently had we been better prepared.

The economy will eventually turn positive again. That's the good news. But some day, assuming history continues to repeat itself in the world, the economy will eventually struggle again as well. For this reason, I'd like to keep the conversation at the forefront (prior to preparing the budget for FY '10) relative to the need to determine a strategy for establishing a financial "reserve" for the association. I've been mentioning this each year we budget, and while there's general support in the logic we've yet to make it happen. The association world does not necessarily have an established standard/benchmark for the relative amount of cash to have on reserve...in fact the exact mathematical calculation of reserves has been an actively debated subject over the years amongst associations. Last fall I attended a financial seminar in Washington targeted at association CEOs. While it was reiterated that for a variety of reasons there is no set benchmark in the association world for an absolute determination of an appropriate level of reserves, it was expressed that "most" associations that are 20+ years old typically have roughly 40% of their annual operating expenses in reserve. It seems that more often than not, they have a goal of having 100% in reserve, but few are there. Newer associations who are just starting to strategize a reserve report putting away 3-5% (on the low end) to 8-10% (on the high end) each year.

There are a number of factors to consider in establishing a reserve, so I don't advocate just coming up with an arbitrary goal. I do advocate, however, that the finance committee as treasurer begin working on this as a core fiduciary responsibility, and perhaps even offer a recommendation for action at the August budget meeting. Our current situation is as good an example for the need for this as any. Our financial shortfall in membership

and other income streams is not remotely unique to NCSG. It's a hot topic among the association world. One glaring difference I see though is that many associations are talking about whether or not the economy has triggered them to dip into their reserves, and if so by how much, rather than cutting programs or services. Unfortunately, NCSG does not have that option for consideration. As stewards of the association, we ought to be taking steps today that can ensure improved stability for NCSG long after we have moved beyond our current positions.

Beyond finances, I look forward to spending some time in joint work session with the CSIA Board of Directors discussing some of the potential future logistics relative to the more formalized separation of NCSG and CSIA. After the official bylaws separation last year, the two boards engaged in completely independent planning meetings. While this was a very good start which allowed the organizations to have more in depth planning conversations, with a common president and shared staff our productivity was still limited. Of course, the benefit of some degree of common leadership between the organizations is that there is an ongoing appreciation for the resource demands as each organization begins working its respective plans over the course of the year.

Next year it is conceivable that NCSG and CSIA could have independent volunteer leadership with little to no common directors between them. As time goes on, it is likely that the two organizations' needs will continue to grow independently. To limit tension over potential resource "turf wars," it will be behoove both boards to spend some time now talking through these potential scenarios and strategizing a long term mutually beneficial co-existence.

The annual planning meeting is always an exciting and energetic time for the Guild. It is clear that we are charged with the need to continue to ensure that there is real value in membership in NCSG. There were some great conversations last year relative to this topic, and I look forward to talking about how to take this all to the next level.

Respectfully submitted,

Mark T. McSweeney, CAE
Executive Director