

2006 YEAR-END BUDGET PROJECTION AS OF MAY 31, 2006

The 2006 budget will produce a net profit well beyond the \$56,706 budgeted, and TDNA's accumulating surplus will reach \$100,000 by year's end.

Income will come close to the amount budgeted, and there will be substantial savings in expenses.

Staff benefits will see the greatest savings with less cost than expected in health insurance and the pension plan.

Despite the fact that the revamped *2006 Directory of Texas Daily Newspapers* put printing costs over budget and rent was inadvertently underbudgeted, total expenses will see about \$20,000 in savings.

Budget Highlights:

Total **income** of \$414,874 is projected to be close to the \$414,405 budgeted, falling short by \$7,328.

Expenses are projected to total \$465,961 compared to \$476,200 budgeted, underspent by \$10,239.

This leaves a **net deficit** of \$-1,141, instead of the \$-4,051 deficit that was budgeted.

Income: Of the 7 income budget categories, none will show a profit, 2 are likely to end as budgeted, and 5 will be less than budgeted.

Regular Dues will fall short of budget by \$1,704 with the loss of three memberships.

Associate Dues will fall short by \$3,000, with five lost members and a gain of two new members.

The 2004 Annual Meeting will bring in \$1,974 less than budgeted.

Interest Earned will be short by \$151, and there is no Miscellaneous Income in sight at this time.

Both Sale of Materials and the Legislative Assessment should bring in their budgeted amounts.

Expenses: Of this year's 22 expense categories, 9 are underspent, 5 are as budgeted, and 8 will be overspent.

Savings will be the greatest in Insurance due primarily to age-related reductions in health insurance premiums, which will benefit this year's budget by \$4,811.

Pension premiums are also expected to be less than budgeted by \$4,435. If a refund of overpayments from the prior year materializes there will be an even greater savings in pension costs.

Other underspent line items are Dues & Subscriptions, Legal/Legislative, Postage, Printing, Promotion/Sales, Salaries and Supplies.

The greatest overspending will be an overage of \$1,065 in Office Equipment & Repairs because outside maintenance costs for the TDNA website were continued longer than expected.

Overspending of less than \$1,000 will occur in each of the following categories: Auditing/Accounting, Automobiles, Miscellaneous, Payroll Taxes, Taxes-Other, Telephone and Travel & Meetings.

Board Meetings, Murphy Award, Office Rent, Contingency Fund and Moving costs are expected to be as budgeted.

Surplus/Deficit:

The accumulated cash balance at the end of 2003 was a \$-21,175 deficit. With this year's projected budget deficit of \$-1,141, that balance will become a \$-22,316 deficit by the end of 2004.

Details on individual 2004 budget item details are as follows:

INCOME

Regular Dues...\$384,309 budgeted, \$230,085 to date...\$382,605 projected (\$1,704 under budget) There were 73 newspaper members starting the year and there are now 70, with three memberships lost.

The *Athens Daily Review* dropped its membership after paying first quarter dues this year (a \$769.98 loss). Two other papers are being considered as dropped for not paying their dues. The *Mineral Wells Index* has not paid annual dues (\$684.43), and the *Kilgore News Herald* has not paid dues since the middle of 2003 (\$798.50 this year).

There was an increase of \$2,522.52 due to circulation increases after the 2004 budget was set. But \$310.09 was lost because the *Houston Chronicle* was accidentally billed at last year's rate, and the *Texarkana Gazette* asked that its dues not be raised which further reduced dues by \$1,663.78.

[Dues adjustment breakout attached to budget sheet.]

Associate Dues...\$25,640 budgeted, \$13,000 to date...\$22,640 projected (\$3,000 under budget) Two companies joined this year: Spanish language news agency EFE News Services (U.S.) Inc. of Coral Gables, Florida, and American Profile Magazine which is a part of the Publishing Group of America in Franklin, Tennessee.

King Features Syndicate and the law firm Ogden, Gibson, White Broocks & Langoria dropped their memberships. Another three firms, which had been kept on the

roster despite non-payment of last year's dues, were also dropped: Flint Ink Corporation, Tech-Energy Co. and Web Press Corporation.

[Dues adjustment breakout attached to budget sheet.]

Interest Earned...\$200 budgeted, \$30 to date...\$50 projected (\$151 under budget) Interest rates are low and this year's cash flow does not allow the purchase of a Treasury Bill.

Sale of Materials...\$4,500 budgeted, \$3,192 to date...\$4,500 projected (as budgeted) The sale of directories, mailing labels, reporters handbooks and other materials should be close to budget. Directory sales have been decreasing gradually over the past few years since much of that information is available at no charge on the TDNA website.

Annual Meeting...\$10,000 budgeted, \$3,803 net profit to date...\$8,026 net profit projected (\$1,974 under budget) The per-person rate was lowered slightly to make the convention cost a little more palatable to members. The ratio of full-bill attendees to guests was not favorable to TDNA's profit since many people were paying only for a meal or two. To divide up convention expenses among the number of people paying a full share of the cost would have made that per-person cost higher than desirable ... thus the reduction, and thus the lowered profit.

By the end of May all but 7 people had paid their bills. This \$8,026 net profit is based on all remaining invoices being paid. Two are in question, and if those two are not paid the net profit would be reduced to \$6,755.

There were 94 attendees. Of those, 64 were fully billed, 24 were billed as guests for specific meals or events, and 6 were non-paying guests or award winners. A total of 131 people were actually present including staff, speakers and entertainers.

[Convention income and expense breakouts attached to budget sheet.]

Special Assessments...\$47,000 budgeted, \$117 paid to date...\$47,000 projected...(as budgeted) The 2004 legislative assessment has not yet been billed. But when a letter was mailed to members last year notifying them of the amount they would be billed this year, one paper paid its assessment early without receiving an invoice.

The assessment will be billed later this year, probably late summer.

Miscellaneous Income...\$500 budgeted, \$0 to date...\$0 projected (\$500 under budget) This income results primarily from any bad debts that may be collected from the prior year and from job placement service fees, which have dwindled because job seekers can access information directly from the TDNA website and submit resumes directly to their targeted newspapers. There is no miscellaneous income in sight.

EXPENSES

Auditing & Accounting...\$4,000 budgeted, \$1,067 to date...\$4,467 projected (\$467 overspent) PayChex monthly fees are estimated to be about \$1,700 for the year. PayChex services include calculating payroll, issuing checks and making direct deposits, depositing all payroll taxes and preparing quarterly 941 payroll tax reports and year-end W-2 forms. PayChex has cost just over \$700 so far this year and should cost about \$1,000 for the remainder of the year. Additional accounting costs are \$355 for the 2003 sales tax report and about \$2,400 anticipated for the 2003 income tax report, both prepared by Threadgill, Ryan & Associates.

Automobiles...\$12,000 budgeted, \$4,859 to date...\$12,342 projected (\$342 overspent) The auto lease is \$644.25 a month but will total \$8,375 for the year because an extra payment was inadvertently made. Gasoline is estimated to cost around \$3,750 and about \$1,200 will be spent for oil changes, washes, repairs, AAA membership, license and registration. \$1,000 in auto expense has been charged to the 2004 Annual Meeting planning and travel.

[Automobile expense breakout attached to budget sheet.]

Board Meetings...\$600 budgeted, nothing spent so far...\$600 projected (as budgeted) This item covers the approximate cost of a meeting room, continental breakfast, and lunch for two board meetings at the Headliners Club in Austin.

Dues & Subscriptions...\$3,450 budgeted, 1,395 to date...\$3,365 projected (\$85 underspent) Includes memberships to Headliners Club, Nebraska Press Association (for disability insurance), NAM, and American Express. Subscriptions include *Austin American-Statesman*, *Editor & Publisher*, *E&P Yearbook*, *Time* and *Newsweek* magazines and cable TV.

Insurance...\$46,950 budgeted, \$22,253 to date...\$42,139 projected, (\$4,811 underspent) A 15% rate increase was figured into the 2004 budget for health insurance provided by United HealthCare and for dental insurance provided by Guardian. As expected, there was a 15% rate increase for Ken Whalen and Darla Thompson, but Phil Berkebile's family coverage was decreased by 36% presumably because his wife reached age 65 ... which produced a 6% reduction in total monthly premiums. Guardian dental premiums increased by only 4%.

Other insurance costs will be nearly as budgeted. Those items include workers comp, commercial and liability coverage, auto insurance, partial payment of an AARP policy for John Murphy, disability, and other life and accident policies.

Legal/Legislative...\$10,500 budgeted, \$3,837 to date...\$8,384 projected (\$2,116 underspent) This category includes lobbyist registrations, law book updates, cell phones, travel and meals related to legislative work, and attorney fees. Costs have been reduced slightly by eliminating the cost of car phones.

Unless unforeseen special session expenses occur this budget category should be underspent this year. LAC meetings held late in the year in preparation for the 79th Regular Legislative Session will be expensed to the 2005 budget.

[Legal/Legislative expense breakout attached to budget sheet.]

Miscellaneous...\$1,600 budgeted, \$1,499 to date...\$2,185 projected (\$585 overspent) Pension plan administration costs are \$250 per quarter. Other expenses include flowers and memorials, bank service fees and contract labor (clerical assistance) when needed.

Murphy Award...\$1,000 budgeted, \$1,000 to date...\$1,000 projected (as budgeted) This year's winner was Vic Odegar of the *Beaumont Enterprise*.

Office Equipment & Repairs...\$6,300 budgeted, \$2,817 to date...\$7,365 projected (\$1,065 overspent) Usual costs for this budget category include the postage machine lease, copier maintenance agreement and quarterly charges, website hosting, computer software, and onsite technical assistance when there are problems with the TDNA office computers.

Additional expense has been the maintenance and updating of **Error! Bookmark not defined..** Since the redesigned TDNA website has just been moved to *The Dallas Morning News* and TDNA staff once more has access to the site, those extra outside technician costs will now be eliminated.

Office Rent...\$48,300 budgeted, \$24,075 to date...\$48,300 projected (as budgeted) No surprises in rent this year. Monthly rent is \$4,000 during this last year of TDNA's sublease in the Centre II Building. Another \$25 per month is spent for outside storage.

Payroll Taxes...\$18,000 budgeted, \$8,414 to date...\$18,026 projected (\$26 over budget) This expense category will be nearly as budgeted. It covers Social Security, Medicare, Federal Unemployment and Texas Workforce Compensation payroll taxes for staff salaries and bonuses.

Pension Trust...\$12,000 budgeted, \$3,133 to date...\$7,566 projected (\$4,435 underspent) If current monthly premium payments are continued, the 2004 pension budget will be underspent by \$4,435. Since no adjustments have been made yet this year for prior year underpayments for some employees and overpayments for others, an exact estimate cannot be determined. It is anticipated, though, that pending adjustments will add even greater savings to this expense item.

Postage/Freight/Mailing...\$8,000 budgeted, \$6,677 to date...\$7,677 projected (\$323 underspent) Costs for metered mailings, bulk mailings and overnight mail should remain within budget this year.

Printing...\$6,700 budgeted, \$5,435 to date...\$6,635 projected (\$65 under budget) Nearly as budgeted. Includes annual newspaper and associate member

directories, directory order form flyers, intern posters, and all other miscellaneous printing.

Late in the year all of TDNA's letterhead stationery, business cards, and other forms will be reprinted in preparation for the move to a new office and new address. That cost will be at least \$6,000 but will be posted to the 2005 budget.

Promotion/Sales...\$2,000 budgeted, \$266 to date...\$866 projected (\$1,134 under budget) This account fluctuates with special projects and includes the transfer of Fentress Award funds and any special gifts.

Salaries...\$270,900 budgeted, \$104,857 to date...\$269,982 projected (\$918 under budget) Includes all salaries and bonuses for three full-time employees and one part-time employee.

Supplies...\$8,000 budgeted, \$2,431 to date...\$7,131 projected (\$869 under budget) Usual expenses include all paper, copier toner, printer ink and toner, Ozarka drinking water, coffee, computer supplies, etc. Additional purchases so far this year have been a plastic chair mat and a directory of Hispanic newspapers.

[Supplies expense breakout attached to budget sheet.]

Taxes-Other...\$900 budgeted, \$602 to date...\$1,152 projected (\$252 overspent) This budget category covers property taxes on the leased car, on the leased postage machine, and on office equipment and furniture. Property taxes on the car have been a bit higher than budgeted.

Telephone...\$7,000 budgeted, \$3,271 to date...\$7,821 projected (\$821 over budget) Includes TDNA's local and long distance service as well as a DSL line. Telephone service is provided by Logix Communications. Telephone costs have risen slightly over the past couple of years.

Travel & Meetings...\$5,000 budgeted, \$2,808 to date...\$5,958 projected (\$958 overspent) This category includes expenses for miscellaneous meals and travel, publisher visit costs, special meetings, and NAM conferences. These expenses are hard to anticipate and the estimate is based only monthly average spending so far this year.

[Travel & Meetings expense breakout attached to budget sheet.]

Contingency Fund...nothing budgeted this year
No transfer of funds to Surplus was budgeted for 2004.

Moving...\$3,000 budgeted, nothing to date...\$3,000 projected (as budgeted)
This money was included in the 2004 budget to cover the cost of trucks and movers when TDNA moves its offices to the TPA building at the end of the year.