

FINANCE REPORT

September 2005

TDNA Board of Directors Meeting July 28, 2005 - Headliners Club, Austin

2005 YEAR-END BUDGET PROJECTION at end of May

TDNA's finances are on the path to new vitality. By the end of 2005, the -\$24,489 deficit balance that ended 2004 will become a surplus of over \$30,000.

If there is any disappointment in the projection detailed in this report, it is only that it looks as if we will end the year with a \$55,018 net profit instead of the \$56,856 net profit budgeted.

This good budget health is due to lowered expenses, of course, and not increased income. As a 501-(C)(6) not-for-profit corporation, TDNA's situation cannot be compared to a "business growth" scenario. The growing profit outlined here is based on staff and office space shrinkage.

Comparing this May's Y-T-D figures with prior years gives a good picture of the solid financial recovery underway. But first, to measure income and expense fluctuation fairly, three budget items have been removed. From income: convention costs/profit, and assessments to fund legislative work and special projects. From expense: the contingency fund which acted as an enforced savings plan in some years, wherein that "expensed" \$5,000 was transferred to the surplus fund at the end of the year.

With those three items removed, the true pattern of TDNA's income and expense can be better seen. The bare bones of TDNA's operating budget show this year's budget net profit to be the highest since 1994. Total expenses are the lowest since 1996.

Office rent, which in past years often included storage and parking fees, is the big winner. Rent for the first five months of this year is the second lowest since TDNA moved from Houston to Austin. Only 1989's May Y-T-D was lower. Salaries are the lowest since 1997.

Auditing/accounting cost is the one expense item that has shown a steady increase over the years. Insurance and pension premiums rise as staff members age and fall with staff changes. Other expenses such as automobiles, printing and supplies have stayed pretty much the same.

Total income (without convention profit and assessments) for May Y-T-D has not changed much over the past 12 years, going up and down, and growing by \$40,000 since 1994. Likewise, total expenses have grown by \$40,000 since 1994.

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Another good sign – TDNA’s checking and savings account balances totaled \$24,663 at the end of mid-July, 1994. In the middle of this month bank balances totaled \$55,777.

TDNA can now resume purchasing Treasury Bills, or whatever investments board members may advise. Color charts following this report show the history of Treasury Bill purchases over past years and interest earned.

A brief **2004 year-end report** with balance sheet (on blue paper) follows this 2005 report and its related spreadsheets.

2005 Budget Highlights

Income is projected to total **\$423,694** by the end of the year – \$868 less than the \$424,562 budgeted.

Expenses are projected to total **\$368,676** compared to \$367,706 budgeted for 2005, overspent by \$970.

This leaves a projected **net profit** of **\$55,018** – \$1,838 less than the \$56,856 profit budgeted.

Following are details on each 2005 budget item:

INCOME

Regular Dues...\$391,222 budgeted, \$225,602 to date...\$390,324 projected (\$898 under budget) There were 68 newspaper members starting the year and there are now 70.

The amount originally proposed for 2005 regular member income, including a 2% dues increase, was \$380,217. Circulation growth added another \$3,005, bringing the budgeted amount to \$391,222.

Dues for the *Texarkana Gazette* were reduced by \$1,684.60 to correct their billing to Texas circulation only. In the future, TDNA will calculate Texarkana’s dues on their Texas distribution rather than on their total Arkansas/Texas circulation.

Three papers have joined since the first of the year – *Taylor Daily Press*, *Rumbo de San Antonio* and *Mineral Wells Index*, each for \$698.12. The *Greenville Herald Banner* paid first quarter dues then dropped its membership, leaving \$1,308.01 of their 2005 dues unpaid.

[A “Regular Dues Adjustments” breakout is included in the separate Membership Status Report along with a list showing each member’s dues.]

Associate Dues...\$22,640 budgeted, \$12,160 to date...\$21,480 projected (\$1,160 under budget) The amount budgeted for associate dues was based on 22 firms at \$1,000 each and 4 colleges at \$160 each. There were actually 21 firms and 4 colleges at the beginning of the year.

So far during 2005, two members have joined – Haynes and Boone, LLP (\$1,000 gain) and the New York Times News Service and Syndicate – although the NY Times News Service has not yet paid its dues.

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Two members dropped – VISTA Magazine (\$1,000 loss) and UT System-News & Information (\$160 loss). VISTA has not paid dues in a couple of years and should have been dropped before now. UT System has been a member for quite a few years but that office has not responded to 2005 dues invoices (TDNA staff will contact them again.)

As of the end of May, 13 members had paid dues and 12 had not. Of those 12 still due, 7 had been billed early in the year and were past due and the remaining 5 would not be billed until later in the year on the anniversary date of their joining.

[An “Associate Dues Adjustments” breakout is included in the separate Membership Status Report along with a list showing each member’s dues.]

Interest Earned...\$200 budgeted, \$55 to date...\$155 projected (\$45 under budget)

For the past few years interest rates for savings accounts have been low and there was not enough cash flow to allow the purchase of Treasury Bills. This year TDNA’s bank accounts are growing and there will be surplus funds for other investments.

The Banc One Securities Corporation through which TDNA formerly purchased Treasury Bills has notified us that they are now a part of JPMorgan Chase & Co. and have transferred TDNA’s account (empty) to their affiliated brokerage firm Chase Investment Services Corp. Before purchasing any securities this year, TDNA staff will seek recommendations on whether or not to stay with this firm or go with a different one.

Sale of Materials...\$4,500 budgeted, \$2,710 to date...\$3,910 projected (\$590 under budget) The sale of directories, mailing labels, reporter’s handbooks and other materials will fall short of the budgeted goal this year.

Earlier in the year staff wrongly reported to the board that directory sales were strong, which was a bookkeeping error.

Annual Meeting...\$1,000 budgeted, \$-21,182 net loss to date...\$1,824 net profit projected (\$590 over budget) Beginning with 2005, convention profit was reduced from \$10,000 to \$1,000 in order to give members a break in attendance costs. This alone did not result in the lowered costs hoped for, but it did make it easier for TDNA to meet its budget goal.

Although costs to produce the Annual Meeting this year were reduced somewhat, we were done in by over \$4,000 in hotel room attrition penalties.

Lower attendance costs were touted this year to increase attendance ... but the promotion did not entice more members to attend, so there were fewer people among which to divide up the total expense, thus the per-person costs were not as low as we believed they would be.

Attendees are paying their not-so-low invoices nonetheless. By the end of May, 17 of 50 billings had been paid. By the middle of July, all but 6 billings had been paid. This \$1,824 net profit is based on receiving all of the remaining invoices due, which may or may not happen.

There were 100 attendees. Of those, 61 were fully billed, 21 were billed as guests for specific meals or events, and 9 were non-paying guests or award winners. A total of 110 people were actually present during the convention including staff, speakers and entertainers.

[Convention income and expense breakouts are detailed in the separate Annual Meeting Report.]

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Special Assessments...\$5,000 budgeted, \$6,000 paid to date...\$6,000 projected...(\$1,000 over budget) This 2005 special assessment covered the cost of Phil Berkebile's December retirement party at the Headliners Club. The assessment was totally paid late in 2004 and posted to this year's budget.

Only the five metro papers were asked to pay this assessment. In dividing the budgeted \$5,000 among the five papers, weighting the amounts to each paper's circulation size, an extra thousand was inadvertently billed. Thus the profit.

Miscellaneous Income...nothing budgeted for 2005

This income, when it appears, results from any bad debts that may be collected from the prior year. Job placement service fees are no longer received since job seekers can access information from the TDNA website and submit resumes directly to their targeted newspapers.

EXPENSES

Auditing & Accounting...\$4,000 budgeted, \$1,539 to date...\$4,489 projected (\$489 over budget) PayChex monthly fees will cost about \$1,800 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. Additional accounting costs are \$690 for the 2004 sales tax report and about \$2,0400 anticipated for the 2004 income tax report, both prepared by Threadgill, Ryan & Associates.

Automobiles...\$13,000 budgeted, \$4,446 to date...\$11,216 projected (\$1,784 under budget) The auto lease is \$685.00 a month. Gasoline, tires, repairs, registration and all other related expenses should cost just under \$3,000 for the year.

Awards...nothing budgeted, 2,392 to date...\$1,792 projected (\$1,792 overspent)

Although this expense account has always existed, it has not been used in recent years, so nothing was budgeted for Awards in 2005. These awards costs were previously posted to the Convention, to Printing (for production of plaques), and to Promotion/Sales (where payments to winners and reimbursements from award sponsors were shown).

Partly due to the need to keep convention costs down, award costs and transactions are now being shown in their own account. The amount expensed to this account will relieve other accounts where they were previously shown, so there is no overall affect on the year's outcome.

The end balance is projected to be less than the current total (as of May 31) since the Hartman award reimbursement was received after May. In addition to plaques for all award winners, this account includes gifts to judges. Cash awards to the Hartman and Fentress winners are funded by Hartman Newspapers and Cox Newspapers. The Murphy Award cash prize has its own budget account.

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.

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Dues & Subscriptions...\$3,300 budgeted, 704 to date...\$2,803 projected (\$497 underspent) Includes memberships to Headliners Club, Nebraska Press Association (for disability insurance), NAM, and this year to the U.S. Chamber of Commerce in order to receive the member price for Ken Whalen's management training course.

Subscriptions include *Austin American-Statesman*, *Editor & Publisher*, *E&P Yearbook*, *American Journalism Review* and *Texas Monthly*. TDNA no longer pays cable TV monthly fees since cable is provided in the TPA building.

Insurance...\$51,956 budgeted, \$18,483 to date...\$51,425 projected, (\$531 underspent)

This account covers full insurance coverage for Ken Whalen and his family and for Darla Thompson. Health and dental insurance are included for Phil Berkebile and his spouse for the year as part of his consulting package for handling the 2005 Annual Meeting, but he is no longer provided with disability, AD&D or any other policies.

Total employee health coverage, including a portion of John Murphy's AARP supplemental policy, amounts to 86% of 2005 insurance costs. The remaining 14% is the cost of workers compensation insurance as well as commercial and auto insurance.

Legal/Legislative...\$11,850 budgeted, \$4,201 to date...\$9,856 projected (\$1,994 underspent) This expense category includes lobbyist registrations, Texas Statute book updates and CD-ROM, subscriptions to *Quorum Report* and *Texas Weekly*, Ken Whalen's cell phone, the annual NAM governmental affairs conference, Legislative Advisory Committee meeting costs (TDNA and TPA each pay half of LAC costs), and other travel and meals related to legislative work. Legislative expenses are within budget so far this year.

Miscellaneous...\$2,000 budgeted, \$1,836 to date...\$2,706 projected (\$706 overspent)

Pension plan administration costs are \$250 per quarter. Other expenses include flowers and memorials, bank service fees, annual bulk mailing permit renewal, and contract labor (clerical assistance) when needed.

Additional costs this year were Darla Thompson's spa gift presented at the March convention and additional contract labor to assist with unpacking after the office move.

Murphy Award...\$1,000 budgeted, \$1,000 to date...\$1,000 projected (as budgeted)

The winner of the 2004 Murphy Award, presented at this year's convention, was Chris Borniger of *The Dallas Morning News*.

Office Equipment & Repairs...\$6,000 budgeted, \$3,307 to date...\$11,242 projected (\$5,242 overspent) Office equipment costs will go over budget by \$5,000 or more this year due to the purchase of new computer equipment, new software, and additional on-site assistance to network TDNA's computers after the office move and to solve problems.

Unbudgeted expenses were: Dell desktop computer (\$531.50); two Texas Legislature office chairs (\$472.08); a new TDNA laptop (\$1,000) to be purchased sometime this year; and about \$500 in software to upgrade one computer to Windows XL and to upgrade QuickBooks and Norton on two computers.

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An additional \$1,000 has been added to purchase credit card merchant service software for two computers, and the *tdna.org* domain name was renewed for five years (\$99.95).

On-site troubleshooting and website maintenance is estimated to cost about \$1,600 by the end of the year.

Usual costs for this budget category include the postage machine lease (\$3,500), copier maintenance agreement and quarterly charges (\$2,300), and e-mail hosting (\$230).

Office Rent...\$28,800 budgeted, \$12,000 to date...\$28,800 projected (as budgeted)

Office rent is half of last year's rent expense and will be exactly as budgeted. It was erroneously reported to the board earlier this year that 2005 rent expense would be under budget due to the return of the \$4,000 deposit from the Bee Cave Road office. That deposit had already been included in the 2004 budget so did not affect this year's budget.

Payroll Taxes...\$14,400 budgeted, \$6,778 to date...\$14,278 projected (\$122 under budget) This expense category will be within budget. It covers Social Security, Medicare, Federal Unemployment and Texas Workforce Compensation payroll taxes for staff salaries and bonuses.

Pension Trust...\$13,000 budgeted, \$7,523 to date...\$12,694 projected (\$306 underspent) Pension plan premiums will be within budget if there are no changes or adjustments for the rest of the year. Monthly contributions for Darla Thompson and Ken Whalen have not changed from last year, although additional money was put in the plan to bring the 2004 plan year up to date for Darla Thompson, Ken Whalen and Helen Turrentine.

Phil Berkebile's accounts were closed when he retired at the end of 2004. Whenever a member of TDNA's staff terminates employment, Jefferson-Pilot pays out the closed account to TDNA and TDNA then issues checks to the employees. The transfer of Phil's pension money flowed through TDNA but did not affect the pension budget's end balance.

Postage/Freight/Mailing...\$7,500 budgeted, \$7,279 to date...\$8,179 projected (\$670 overspent) Metered mailings, bulk mail, overnight mail and the cost to have directory order forms labeled, sorted and bulk mailed will go over budget this year. The \$8,179 projected for this year, however, is almost the same amount spent for postage in 2004.

Printing...\$11,000 budgeted, \$10,219 to date...\$10,869 projected (\$131 under budget) Almost all of each year's printing budget is spent in the first two or three months of the year when the annual directories are revised, directory order form flyers printed, and award plaques are produced. This budget item also includes intern program posters distributed to Texas universities, auto window decals, photos, revisions of reporters' handbooks and other media law booklets, and other miscellaneous printing.

Just under \$5,000 of this year's printing cost was associated with the office move, when all of TDNA's letterhead stationery, business cards, checks, invoices, pre-printed mailing labels and other forms were reprinted.

Promotion/Sales...\$2,000 budgeted, nothing to date...\$500 projected (\$1,500 under budget) This account fluctuates with special projects and sometimes includes donations or gifts.

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It formerly included the transfer of Fentress Award funds and other award costs now expensed to the Awards budget account.

Salaries...\$181,100 budgeted, \$83,718 to date...\$181,100 projected (as budgeted)

Includes all salaries and bonuses for two full-time employees and one part-time employee. Also included this year were Phil Berkebile's retirement bonus, his 2004 salary bonus, and a consulting fee for handling the 2005 Annual Meeting.

Supplies...\$7,000 budgeted, \$2,161 to date...\$4,661 projected (\$2,339 under budget)

Usual expenses include paper, copier toner, printer ink and toner, computer supplies, large envelopes, coffee, soft drinks and kitchen supplies. Also includes odds and ends of shelving hardware, picture hanging items, wastebaskets, and small appliances such as adding machines and staplers. So far it looks like an easy year for supplies.

Taxes-Other...\$1,000 budgeted, nothing to date...\$1,000 projected (as budgeted)

This budget category covers property taxes on the leased car, on the leased postage machine, and on office equipment and furniture. TDNA has moved from the Rollingwood taxing district back to downtown Austin, but this expense is not expected to go over budget.

Telephone...\$1,200 budgeted, \$1,298 to date...\$1,938 projected (\$738 over budget)

The just-under-\$2,000 projected for this year's telephone cost compares to \$7,000 in past years. Now that TPA is providing local, long distance and DSL service as part of TDNA's rent, overall telephone costs have been more than cut in half.

This year was a bit underbudgeted, not taking into account the last phone bill from TDNA's former provider and the cell phone and home fax line provided to Phil Berkebile for the first few months of 2005 as part of his consulting package.

This account pays for conference calls and for Darla Thompson's cell phone (Ken Whalen's cell phone is expensed to the Legal/Legislative account).

Travel & Meetings...\$7,000 budgeted, \$4,329 to date...\$7,529 projected (\$529 overspent) This category includes expenses for travel, meals, parking, special meetings, and conference attendance (TPA convention, NAM conferences). Includes Ken Whalen's management training course and his attendance at the NAM Summer Conference.

Contingency Fund...nothing budgeted this year

No transfer of funds to Surplus was budgeted for 2005.