

TEXINS ASSOCIATION CLUBS
Board of Directors Meeting
September 5, 2002

Present (* Not Present):

Directors

Carl Skooglund
Kim Smith (*)
Ron Tabor
Alesia Carroll
Jeff Asmus
Eric VanDuivendyk
Mike Mignardi

Staff

Marcia Flowers
Monica Arnoult

Other

Bob Moran (TFC)
Dick Sandlin (TFC)

Old Business

Review of the Texins Flying Club Account System

Bob Moran and Dick Sandlin provided input on the remaining tasks for the TFC's accounting system. Due to an issue with their original accountant, they are about 2-3 months behind their original schedule. The data entry into the new system has been more tedious than expected. They may need to consider bringing someone on board just for the data entry. The targeted cut-over date for the new system is expected in Oct./Nov. of this year. To date, there is a balance difference between HFC and TFC – this needs to be reconciled. To date, the TFC is operating in a negative balance. Historically, they have maintained a buffer of ~\$20-30k for emergency funds (e.g., engine repair). Due to their previous accounting system and other short falls, the TFC failed to recognize that their burn rate was higher than their income – thus, they have been spending their reserve.

Although they raised membership rates last year by 2x, they are still not sure what their year-end balance will be. Obviously, the 9-11 tragedy shut them down for quite some time in 2001. In an effort to raise funds, the TFC has been trying to sell a plane – with little luck. They have 2 airplanes which are not paying for themselves. Passenger weight restrictions on these planes have limited their use. The TFC is considering selling these two planes to acquire another which is more capable of carrying heavier passengers. Although the club's membership has been steady, the usage of aircraft has been down 15% from 2 years ago. The TFC needs to be careful if they decide to increase rates again for fear of losing membership. Overall, the club's expenses have gone up ~20% per year during the last 3 years (particularly insurance and fuel).

In order to get one of their more profitable planes repaired (i.e., engine overhaul) the TFC needs ~\$20k and is seeking another loan from the board. The board reviewed their request and approved the loan with a provision regarding their receipts. The TFC is the only Texins Association Club that does not include

copies of expense receipts when requests are submitted for reimbursement. This is not a good practice and the Board cannot continue to provide financial reimbursement without the proper documentation. Beginning immediately, copies of expense receipts will be required when requests for reimbursements are submitted.

Actions:

1. (Skooglund) Communicate to TFC the approval of loan and issue with receipts
2. (Arnoult) Once the accounting system goes live, we need to resolve the balance differences with HFC

Financial Review

Monica reviewed the financial statement for period ending 7/31/02. To date, the clubs operating with a decrease in their balance from the beginning of the year are: Archery, Badminton, Bass-Sherman, Creative Expression, Flying, Outdoor, TI Alumni, and both Bowling clubs. For July, the net balance after taxes for the Association is (\$24k).

The golf club is not paying their insurance.

Actions:

1. (Arnoult) Request – can we track each clubs monthly balance delta from the beginning of the year? Send me (Mike) a balance sheet showing each club’s balance for each month of the year and I will provide a plot of this historical information.
2. (Skooglund) Communicate to the Golf Club the need to pay their insurance.

Status of 501-c-7 Incorporation

We were granted approval from the IRS for our application for 501-c-7 status. This relaxes the guest membership restriction. The clubs can now obtain up to 25% of outside of TI and affiliates membership. The down side for this is that the clubs now need to pay sales tax. Based on a previous board approved item, the Association will pay for the sales tax per the following schedule.

| <u>Year</u> | <u>Reimbursement</u> |
|--------------------|----------------------|
| 2002 after 8/29/02 | 100% |
| 2003 | 100% |
| 2004 | 75% |
| 2005 | 50% |
| 2006 | 25% |
| 2007 and after | 0% |

The board approved the above pay schedule via e-mail.

Actions:

1. (Skooglund) Message to club presidents indicating our club status change and the sales tax issue.
2. (Skooglund) Look into the issue of paying 15% on 1st \$50k of unrelated business income.
3. (Skooglund) Determine the exact date we became 501-c-7 (June or August).
4. (Skooglund) Do we need to get an auditor to check that we are in compliance with 501-c-7 guidelines/rules?

New Business

Health and Fitness Center Activities

HFC's Stacy Smith asked Carl whether we would continue to support the Monster Bash and Eggstravaganza at \$5k each. The board voted and agreed to support both events. Our one request – to provide an early announcement to us regarding volunteer help so we and our clubs can participate.

Dive Club Insurance

At the Annual Club-Board meeting, the Dive Club requested to carry their own insurance. We believe that any type of "Hold Harmless Agreement" will have little weight and fear that the Association can still be liable for Dive Club litigation issues. The board agreed that the Dive Club can carry separate insurance for property but needs to stay on the Association's insurance for general liability.

Action:

1. (Skooglund) Communicate to the Dive Club regarding general liability insurance coverage.
2. (Skooglund) Determine if we need to add a clause in our by-laws indicating that all clubs will carry general liability coverage as a minimum.

The Truck

I have been negligent in selling the truck. And, in the mean time, someone hit the truck with what we believe to be a boat trailer. Erik has agreed to help me sell the truck at Car Max.

2003 Budget

Action:

1. (Arnoult) Send out request for 2003 budget forecast to clubs. Inputs are needed by Oct. 15th.

The meeting started at 11:30am and adjourned at 1:31pm. Our next BOD meeting will be on Thursday, October 3rd.

Regards,
Mike Mignardi
Texins Association Clubs Board of Directors Secretary