

Dues Review and Recommendation

Since 2001, we have operated on a dues cycle of five years. There have been two fixed dollar increases in that time. To manage the effects of inflation and a decrease in membership, we set aside a portion of the dues in the first three years of each five-year period, using those dues reserves to assure the ability to manage the budget through years four and five of each dues period.

We have completed the budget for 2010-2011, and have dues revenues (dues plus the reserves as noted above) sufficient to meet the requirements of the organization as projected. There will still be a small dues reserve, but without a dues increase starting in 2011, we will have some risk to our current level of operation.

During the past ten years, we have managed a decreasing membership, increasing costs and two of the worst market collapses in history. Yet we have still maintained a strong financial position, while making improvements in services and programs. For example:

- Balanced annual budgets, and maintained full funding of all required cash reserves
- Made needed capital improvements/repairs to headquarters facility
- Maintained a strong core of the headquarters staff
- Capital investments in updated technology and software
- Developed new training and support materials – including free webinar training for clubs (starting in 2010)
- Developed new hearing health mission activities – **SAFE**Ears!, A Sound Investment, and expanded scholarship and grants programs

A modest increase starting in the 2011-2012 year will ensure we continue to have the ability to improve services to our members and expand our service to mankind as we have for the past two dues periods.

2011 – 2016 Dues Recommendation

Key Assumptions

- 3% inflation rate ¹(not representative of our cost increases)
- Membership decrease no more than 5% annually (currently 5.4%)
- Dues revenue to be no more than 50% of budgeted need ² (currently 51%)
- Does not include any dues increase for the club only the individuals

Notes:

1. There are serious concerns of the risk due to inflation in the coming years with a large government debt, and slowly recovering economy. Our actual costs are also going up much faster than 3%. However, we used similar conservative calculations for the combination of inflation and changes in membership for the past two increases, and that proved manageable.
2. It should be noted that the projections take into consideration that non-dues revenues will also increase during the coming five years, as dues represent only 50 percent of the projected total

Club Dues

- Currently \$175, no change recommended at this time

Individual Dues

- Recommended increase \$20 a year (\$5 a quarter) – currently dues are \$60 a year
- The increase is 6 percent greater than the last increases (27% vs 33%)
- This is a \$0.38 a week increase

Note:

Following the merger in 2008, Sertoma as a 501(c)(3) is now a qualified organization, and as members do not receive any direct financial benefit – depending on the individual's tax situation, the individual member dues to Sertoma may be considered tax deductible. IRS Publication 526 (page4) – As with all deductions for charitable giving, consult with your tax advisor on your situation.

Net Result of Dues Increase

Based on the proposed increase and the key assumptions, the net result in five-years (period ending June 2016) is a projected surplus of \$37,500. This represents a less than 1/2% margin for error in the revenue and expense projections for each of the next five years.

Resolution

Whereas the Board has an obligation to maintain the future financial stability of Sertoma and as the current dues level have sustained the organization for five years as projected, and as the commitment was to address dues level at the end of that five-year period.

Be it moved that Article VI Section A.1.a of the Sertoma Bylaws be amended to read

Current dues for individuals as of July 1, 2011 are \$80 per year, and for clubs as of July 1, 2008 are \$175 per year. As adopted July 21, 2010.