

***EXECUTIVE COMMITTEE
NEMA BOARD OF GOVERNORS
MEETING***

***PGA National Resort & Spa
400 Avenue of the Champions
Palm Beach Gardens, Florida
Location: Oakmont Room***

***Wednesday, November 3, 2021
8:00 AM – 10:00 AM***

***EXECUTIVE COMMITTEE
NEMA BOARD OF GOVERNORS MEETING***

***PGA National Resort & Spa
400 Avenue of the Champions
Palm Beach Gardens, Florida
Location: Oakmont Room***

***Wednesday, November 3, 2021
8:00 AM to 10:00 AM***

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TAB 1 – AGENDA

EXECUTIVE COMMITTEE NEMA BOARD OF GOVERNORS

***PGA National Resort & Spa
400 Avenue of the Champions
Palm Beach Gardens, Florida***

Location: Oakmont Room

***Wednesday, November 3, 2021
8:00 AM – 10:00 AM***

Attire for Executive Committee meeting is Business Casual (no tie required)

7:15 AM ***Breakfast served outside Oakmont room***

8:00 AM **CALL TO ORDER** ***Annette Clayton, Chair***

Expected Attendees:

Annette Clayton, Chair	Schneider Electric
Richard Stinson, Vice Chair	Southwire Company
Raj Batra, Immediate Past Chair	Digital Industries, Siemens USA
Jack Nehlig, Treasurer	Phoenix Contact
Brian Brickhouse	Eaton
Scott Hanna	Lutron
Daniel Jones	Encore Wire Corporation
John Selldorff	Legrand, North and Central America
Beth Wozniak	nVent
Guest: Frank Kulaszewicz	Rockwell Automation
Debra Phillips	NEMA President and CEO
Kevin Cosgriff	Retiring NEMA President and CEO

Tab 1 **AGENDA**

Tab 2 **FINANCIAL REPORT – Jack Nehlig / Jeffrey Tomitz (Action)**

- 2.1 Treasurer's Report
- 2.2 Financial Statements - September 30, 2021
- 2.3 Investment Report and Reserve Fund Status
- 2.4 2022 Budget Proposal

Action: Motion to approve addition to Investment Policy Statement requiring periodic competitive bidding of advisory services

Action: Motion to recommend 2022 budget to Board of Governors for consideration

Action: Motion to approve Treasurer's Report and forward to Board of Governors

AUDIT COMMITTEE REPORT – Beth Wozniak / Jeffrey Tomitz (Action)

2021 Audit

Approval of Aronson LLC to audit relevant records of NEMA for fiscal year 2021

Action: Motion to approve Aronson LLC as auditors for 2021 audit

Tab 3

**NOMINATING AND AWARDS COMMITTEE REPORT
*Raj Batra / Debra Phillips (Information)***

Nominations for the 2022 Board of Governors, Officers, Executive Committee, and Board Committee Chairs

Tab 4

MEMBERSHIP ITEMS – Debra Phillips (Action)

4.1 New Members since July Board meeting

4.2 New Member approvals

Action: motion to accept new Members

4.3 Member resignations since July Board meeting

Action: motion to accept Member resignations since July Board meeting

Tab 5

PRESIDENT'S REPORT – Debra Phillips (Action)

First impressions and future focus areas

NEMA deliverables, Member health and the value equation

Future investment strategy

5.1 July 14, 2021 Executive Committee meeting minutes

Action: Approval of minutes of July 14, 2021 Executive Committee meeting

BOARD AGENDA SUMMARY – *Annette Clayton, Chair*
(*Tab 1 in the Board book*)

*The **Board of Governors meeting** will begin today at **10:00 AM ET***

*The **Industry Future Forum** will begin today at **12:30 PM ET***

*The **Annual Business Meeting** will begin tomorrow at **8:00 AM ET***

TAB 2

FINANCIAL REPORT

Jack Nehlig / Jeffrey Tomitz

TAB 2.1

FINANCIAL REPORT

Treasurer's Report

TAB 2.1

FINANCIAL REPORT

Treasurer's Report

November 3, 2021

To: NEMA Board of Governors

From: Jack Nehlig, Treasurer

Re: Treasurer's Report

A comparative set of financial statements for the nine months ending September 30, 2021, and September 30, 2020, is presented in Tab 2.2. Investment performance related to the long-term reserve portfolio and management's analysis of operating reserves may be found in Tab 2.3. Noteworthy items included within the accompanying financial reports are described below and within the notes provided in Tab 2.2. As is customary at this time of the year, management's proposed 2022 budget is presented for approval in Tab 2.4. The proposed budget is comparatively presented together with projected 2021 year-end results and 2020 actual results of operations.

Financial Overview

As the attached financial statements through September 30, 2021 illustrate, the financial strength of NEMA remains sound. Net operating results (before investment returns and other non-operating items) outperformed the budgeted year-to-date deficit by \$334,971. Favorable variances arose among most operating expense categories led by savings from salaries, benefits and travel expenses. After considering the effects of unrealized market gains, including NEMA's portion of Industry Data Exchange Association's (IDEA) year-to-date net income, and other non-operating transactions, the Association generated net income of \$772,442.

Balance Sheet strength improved year-over-year with total assets rising \$1.9 million or 7.4 percent compared to a year earlier and is associated with improved liquidity arising from redemptions of appreciated long-term investments. Investments held generated \$1.2 million in gains during Q4 of FY20 and have posted year-to-date gains of \$891,621. Additionally, solid performance from IDEA over the previous 12-month period added \$909,689 in value to the Balance Sheet and represents a year-over-year increase of 59 percent in NEMA's equity interest as reported on the line *Investment in Affiliate*.

Treasurer's Report – Nine Months Ending September 30, 2021

Through September 30, 2021, NEMA has experienced 17 membership cancellations with an annual value of \$206,802, substantially better than a year earlier when cancellation values were \$367,974. Twenty-six new Members with a membership value of \$198,998 have been acquired, resulting in a net loss of annual membership fee value of \$7,800, well below prior losses in membership value of \$112,061. Through September 30, the Association's overall Member retention rate was 99 percent compared to 93 percent one year earlier.

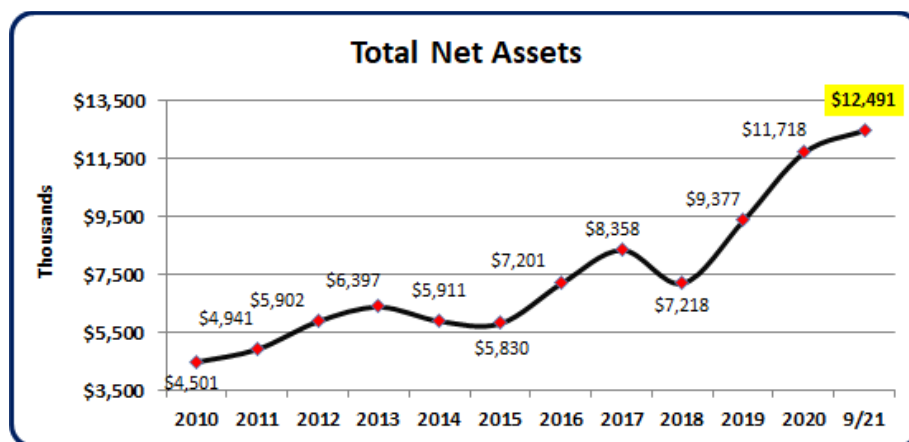
Balance Sheet

CONDENSED BALANCE SHEET			
AS OF SEPTEMBER 30, 2021			
	2021	2020	% Change
Current Assets	\$ 21,052,253	19,854,209	6%
Net Property and Equipment	1,659,704	2,067,428	-20%
Other Assets	5,377,034	4,243,414	27%
Total Assets	<u>\$ 28,088,991</u>	<u>26,165,051</u>	7%
Current Liabilities	\$ 1,696,156	1,572,913	8%
Deferred Revenue	9,282,081	8,838,861	5%
Long-Term Liabilities	4,619,822	4,709,748	-2%
	<u>15,598,059</u>	<u>15,121,522</u>	3%
Net Assets	<u>12,490,932</u>	<u>11,043,529</u>	13%
Total Liabilities and Net Assets	<u>\$ 28,088,991</u>	<u>26,165,051</u>	7%

Net Assets

The Association's net accumulated value since the inception of its operations is measured by the balance in reported Total Net Assets. Through September 30, 2021, the net worth of NEMA increased by \$772,435 from its audited December 31, 2020 balance of \$11,718,497 to \$12,490,932. The year-to-date change is principally the result of non-operating or below-the-line amounts stemming from income generated by investment gains and changes in the Association's ownership interest in IDEA. When aggregated, these transactions exceed other non-operating expenses arising from deferred compensation and retirement plans and executive transition costs. Over the course of the timeline shown on the chart below, increases in the fair market value of investments, acquisition of leasehold improvements, and the rise in the accumulated value of NEMA's interest in IDEA are principally responsible for the upward trend in the Association's net worth.

Treasurer's Report – Nine Months Ending September 30, 2021



Balance Sheet—Assets and Liabilities

Total assets of the organization increased \$1.9 million year-over-year, or 7.4 percent. The long-term investment portfolio, which serves as a Board-designated reserve, has experienced appreciation over an extended period, enabling the Board to approve a \$2 million drawdown last July for future reinvestments in the Association. Those assets, for which a spending plan is under development by new Association leadership, have been separately identified on the Balance Sheet as *Set-Aside for Board Projects (2021)*.

In 2018, \$1.9 million in long-term reserve investments was liquidated to finance new NEMA, Medical Imaging and Technology Alliance (MITA), and Digital Imaging and Communications in Medicine (DICOM) websites and the cost of executive transitions. To-date, \$1.4 million has been spent on the draw (\$880,000 million in website redesign-related costs, \$440,000 for executive transition expenses (General Counsel and Vice President of Government Relations turnover) and \$80,000 in projected website development savings used for labor rate reductions). The unspent balance of \$506,110 is reported on the Balance Sheet as *Set-Aside for Board Projects (2018)*.

During FY20, a draw from long-term reserves in the amount of \$800,000 was approved. Those funds were earmarked for use by management to lower the cost burden to Members via lower hourly labor rates in anticipation of challenges arising from the pandemic. In FY21, \$450,000 was deployed and the remaining balance, to be allocated \$200,000 in FY22 and \$150,000 in FY23, are disclosed on the Balance Sheet as *Set Aside – Labor Rate Reduction*.

Savings from reduced expense levels led to deferrals of revenue into FY21 and FY22. As reported within the Assets section as *Set-aside – Membership Enhancement*, \$638,902 in deferred revenue will be recognized in FY22. This amount includes \$538,902 in deferred revenue from travel-related savings from FY20 and a preliminary assessment of travel savings of \$100,000 from FY21.

Treasurer's Report – Nine Months Ending September 30, 2021

The Association maintains a 50 percent stake in Industry Data Exchange Association, a for-profit entity providing electronic exchange of standardized business information between business partners in the industrial sector. The asset is reported separately on the Balance Sheet as *Investment in Affiliate (IDEA)*. The value of this asset is maintained under the equity method of accounting, whereby 50 percent of the annual change in IDEA's retained earnings contributes to below-the-line income or loss for NEMA. Over the nine months ending September 30, 2021, Investment in Affiliate (IDEA) has grown \$746,093 or 44 percent from its December 31, 2020 audited value of \$1,697,867. Billings related to higher usage of IDEA's Exchange platform arising from a higher frequency of price-resetting by its customers and expense savings associated with consultants and reduced travel and meeting expenses are the key drivers of net income and related increases in NEMA's equity interest.

The total liabilities of the Association remained virtually unchanged year-over-year, increasing a modest 3 percent. Greater amounts of deferred revenue arising from the cancellation of the 2020 Annual Meeting and higher amounts of supplemental project funding by Members are the principal drivers behind the increase.

Statement of Activities

CONDENSED STATEMENT OF ACTIVITY				
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021				
	YTD Actual	YTD Budget	% Variance	Prior Year-to-Date Actual
Membership Fees, Royalties & Other	\$ 12,268,772	12,669,137	-3%	12,672,542
Special Assessments	2,197,528	2,402,040	-9%	2,340,349
Total Revenue	14,466,300	15,071,177	-4%	15,012,891
Operating Expenses	12,422,698	13,158,034	6%	11,853,972
Special Assessments	2,197,528	2,402,040	9%	2,340,349
Total Expenses	14,620,226	15,560,074	6%	14,194,321
Net Operating Income / (Loss)	\$ (153,926)	(488,897)	69%	818,570
Net Non-operating Transactions	926,368	(237,405)		848,358
Change in Net Assets	\$ 772,442	(726,302)		1,666,928

Total Operating Revenue Before Special Assessments of \$12.3 million performed largely according to expectations, off from the budgeted year-to-date revenue of \$12.7 million by only -3 percent. Membership fees, the Association's largest revenue source, was off four percent for the nine months due mainly to billing adjustments and management's deferral of anticipated savings from travel activities into FY22.

Treasurer's Report – Nine Months Ending September 30, 2021

Council Fees represent a relatively new revenue center for NEMA with the Association now maintaining eight active Councils funded by Members and non-Member fees and another four Councils funded exclusively by Members through annual membership fee assessments. Solid enrollment levels and fee write-offs below amounts initially estimated by program staff have led to actual collections performing approximately \$90,000 ahead of budget.

The Association experienced scattered savings from underspending on payroll, travel, meetings, and consultants. As a result, actual operating expenses were below budget by 6 percent or \$735,336:

- Salaries and fringe benefit savings occurred from delays related to recruiting a Webmaster within the Information Technology Department and a manager of Connectivity & Data Policy within the Government Relations Department. The positions were filled May and August 2021, respectively.
- The 2021 travel budget included an 18 percent reduction to travel expenses for a total budget of \$652,000, as Sections anticipated a gradual return to pre-pandemic activities in the second half of FY21. However, a variant of the virus caused companies to delay and scale-back returns to the office and business travel, slowing the rebound of travel momentum that began during the summer. This has led to a \$325,000 positive variance between budgeted and projected spending on travel and meetings through Q3.
- General office expenses performed favorably against budget with savings of \$115,513 and due largely to amortization expense occurring lower than budgeted from a change in the estimated useful life of NEMA's new websites (NEMA, MITA, and DICOM) and differences between estimated and actual dates the sites were completed and placed into service. Originally estimated to have a useful service life of 5 years in the FY21 budget, the useful life of the capitalized cost of \$1.1 million was increased to 8 years causing lower-than-budgeted levels of expense in FY21.

From the foregoing areas within the Statement of Activities, the Association had a *Change in Net Assets before Investment Income and Non-Operating Activities* of -\$153,926. After considering the effects of investment gains of \$891,621 and aggregated net gains of \$34,747 from other non-operating transactions, NEMA achieved a Q3 bottom-line surplus of \$772,442.

Treasurer's Report – Nine Months Ending September 30, 2021

Statement of Cash Flows

CONDENSED STATEMENT OF CASH FLOWS			
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021			
	2021	2020	% Change
Net Cash Provided by / (Used In) Operating Activities	\$ 1,963,674	2,919,628	-33%
Net Cash Provided by / (Used in) Investing Activities	2,127,404	4,613	NMF
Net Change in Cash and Cash Equivalents	\$ 4,091,078	2,924,241	40%
Cash Position - Beginning of Year	5,158,018	4,367,690	
Cash Position - End of Period	\$ 9,249,096	7,291,931	27%

As presented on the line Net Cash Provided by Operating Activities, the Association had \$955,554 less in positive cash flow than a year earlier. The decline is related to the unusual savings experienced due to expense curtailments as the 2020 pandemic worsened leading to \$818,570 in net income before non-recurring items a year earlier.

As shown on the line *Net Change in Cash and Cash Equivalents* on the Statement of Cash Flows, through September 30, 2021, NEMA generated \$4.1 million of cash compared to \$2.9 million a year earlier, a \$1.2 million increase. The increase in year-over-year change in cash flow was principally the net result of liquidating \$2 million of investments and transferring the proceeds to the Cash and Cash Equivalents section of the Balance Sheet while also including the effects of funding executive transition costs of \$593,572 through September 30, 2021.

Long-Term Investments / Operating Reserves

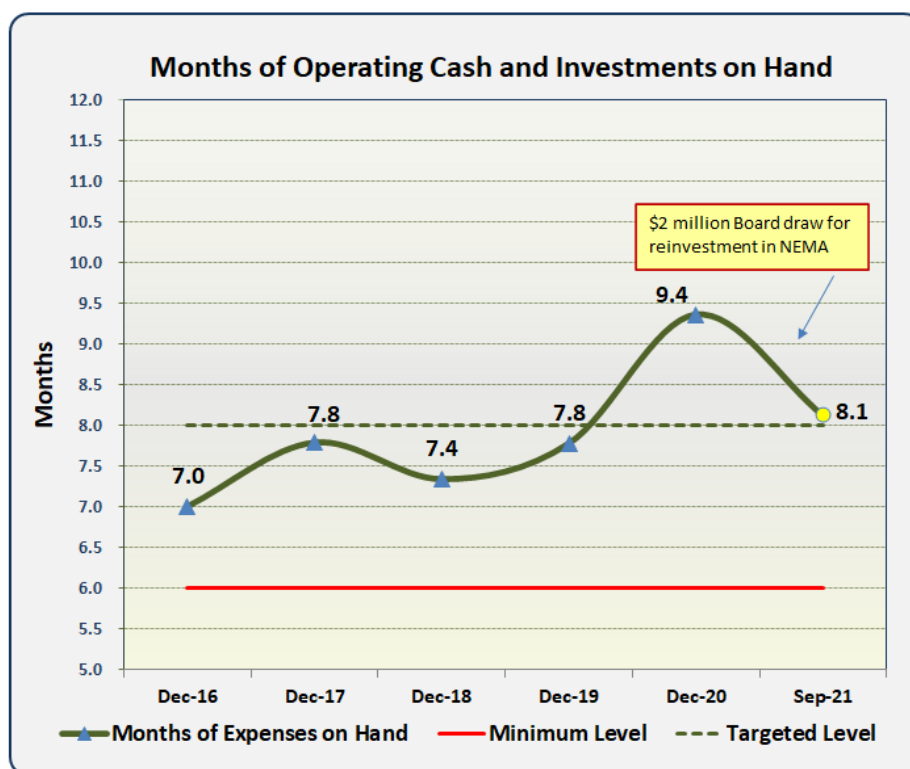
A description of specific investments held by NEMA may be found in the *Oppenheimer Client Performance Report* located in Tab 2.3. Through September 30, 2021, the \$11,033,996 portfolio¹ had a positive return of 7.97 percent, outperforming the blended benchmark's return of 6.55 percent.

¹ Note that the attached *Client Performance Review* prepared by Oppenheimer reflects September 30, 2021 portfolio value of \$11,033,996, an amount greater than what is reported on the Balance Sheet by \$14,363. The *Client Performance Review* report discloses market value as of a security's trade date. However, separate monthly Oppenheimer transaction reports used for internal reporting, reconciliation, audit, and Board reporting purposes reflect market values using settlement date data, which is the trade date plus three days. Thus, differences in methodologies used by Oppenheimer's investment reporting systems create variances in reported month-end values.

Treasurer's Report – Nine Months Ending September 30, 2021

From an extended period of robust returns, the Association now maintains 8.1 months of operating reserves. This represents a +2-month level above the six-month average for similarly sized organizations. The reserve value is calculated conservatively, reflecting amounts of cash and investments on hand to meet recurring operating expenses and to repay amounts of fees collected but not yet earned (deferred revenue).

Overall portfolio returns for the nine-month period ending September 30, 2021 was 7.97 and exceeded the blended benchmark's returns by 1.42 percent. The following chart reflects the historical trend in months of operating expenses on hand and excludes \$2.86 million in amounts set-aside for reinvestment in NEMA as directed by the Board at its July 2021 meeting plus unspent amounts from earlier Board-directed reserve draws in 2020 and 2018.



The stated goals of the long-term portfolio are (1) preservation of organization capital, (2) achievement of a real return from asset growth when measured over three years (i.e., net of fees and increases in the consumer price index), and (3) meeting or exceeding the rate of return of the reserve fund's blended benchmark, also measured over three years.

Actual performance measured over the three-year period ending September 30, 2021 has met all goals stated in the Investment Policy Statement: there has been no erosion of principal, the portfolio has

Treasurer's Report – Nine Months Ending September 30, 2021

generated a positive return of 11.17 percent whereas the Consumer Price Index has risen 2.81 percent over the same period, and the portfolio's 11.17 percent return (net of fees) has exceeded the blended benchmark's return of 9.87 percent.

Performance vs. Investment Policy Goals

	September 30, 2021	Prior 3 Years
TOTAL PORTFOLIO WEIGHTED RETURN	7.97%	11.17%
TOTAL PORTFOLIO BLENDED BENCHMARK RETURN	6.55%	9.87%
CPI INDEX	5.31%	2.81%

The current allocation of assets invested in the long-term portfolio is in accordance with Board-approved ranges as stated in the NEMA *Investment Policy and Guidelines* except for US Government Fixed and Alternative investments. The investment advisor recommends remaining slightly overweight in investment grade, high yield and international fixed income holdings relative to government bonds as a potential performance driver as the economic recovery progresses. Per discussions with Oppenheimer, the firm recommends maintaining these weightings as “strong-to-improving economic fundamentals and accommodative monetary and fiscal policy continue to support this strategy. The portfolio manager remains focused on producing income—not overreaching for yield—and taking advantage of opportunities presented by the market.”

The Board authorized a \$2 million redemption of funds during July 2021 after the first opportunity to redeem shares had closed earlier in the year. Tender offers to redeem shares of alternative investments generally occur twice per year at the discretion of the fund manager. Due to the inability to liquidate alternative shares, the proportion of alternative investments held is 2.8 percent higher than the upper end of the tactical range and will be adjusted downward when the next tender offer to sell shares is received from the fund.

Treasurer's Report – Nine Months Ending September 30, 2021

September 30, 2021

Asset Class and Subclass:	Target Allocation	Tactical Range	% Value - Total Portfolio	\$ Value
Equities	35.0%	10-50%	42.06%	\$ 4,640,648
U.S. Equities	22.5%	10-50%	34.0%	\$ 3,746,889
International (Developed)	10.0%	0-20%	3.7%	\$ 412,346
Emerging Markets	2.5%	0-5%	4.4%	\$ 481,413
Fixed Income	45.0%	30-70%	30.2%	\$ 3,326,281
U.S. Government Bonds	25.0%	20-80%	10.8%	\$ 1,186,448
Investment Grade (Domestic)	15.0%	0-50%	13.1%	\$ 1,444,327
International, High-Yield and Convertibles	5.0%	0-10%	6.3%	\$ 695,506
Alternative Investments	20.0%	0-25%	27.8%	\$ 3,065,498
			100%	\$11,032,427

TAB 2.2

FINANCIAL REPORT

Financial Statements as of September 30, 2021

National Electrical Manufacturers Association

Statements of Financial Position

<i>As of September 30,</i>	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents		
Operating	\$ 5,004,050	\$ 5,242,852
Short-term Operating Reserve	750,000	750,000
Set-aside - Board Projects (2018)	506,110	499,079
Set-aside - Board Projects (2021)	2,000,034	-
Set-aside - Labor Rate Reduction	350,000	800,000
Set-aside - Membership Enhancement	638,902	-
Total Cash and Cash Equivalents	9,249,096	7,291,931
Investments - Long-term Operating Reserve	11,019,633	11,451,597
Receivables:		
Trade	253,194	405,247
Royalties	285,303	308,755
Grants and Other	55,313	91,211
Net Receivables	593,810	805,213
Other Current Assets		
Prepaid Expenses	189,714	305,468
Total Current Assets	21,052,253	19,854,209
Property and Equipment (At Cost)		
Furniture and Equipment	1,556,313	1,524,856
Leasehold Improvements	2,197,970	2,189,944
Website Redesign	965,683	1,093,927
Accumulated Depreciation and Amortization	(3,060,262)	(2,741,299)
Net Property and Equipment	1,659,704	2,067,428
Other Assets		
Deferred Compensation Plan Holdings	2,140,149	1,916,218
Investment in Affiliate (IDEA)	2,443,960	1,534,271
Split-dollar Life Insurance	740,500	740,500
Deposits Given	52,425	52,425
Total Other Assets	5,377,034	4,243,414
Total Assets	\$ 28,088,991	\$ 26,165,051

National Electrical Manufacturers Association

Statements of Financial Position

<i>As of September 30,</i>	2021	2020
Liabilities		
Current Liabilities		
Accounts Payable	\$ 418,812	\$ 358,469
Accrued Expenses	1,254,577	1,201,875
Payroll Taxes and Benefits Payable	22,767	12,569
Total Current Liabilities	<u>1,696,156</u>	<u>1,572,913</u>
Deferred Revenue		
Membership Fees	4,036,155	4,207,302
Special Assessments	4,620,030	4,268,642
Annual Meeting Sponsorships and Registrations	395,190	149,945
Strategic Initiatives and Other Sunset Funds	230,706	212,972
Total Deferred Revenue	<u>9,282,081</u>	<u>8,838,861</u>
Long-term Liabilities		
Deferred Rent	1,982,558	2,251,614
Deferred Compensation Plan Holdings	2,126,983	1,998,493
Post-retirement Benefits	510,281	459,641
Total Long-term Liabilities	<u>4,619,822</u>	<u>4,709,748</u>
Total Liabilities	15,598,059	15,121,522
Net Assets		
Without Restriction - Undesignated	(1,807,287)	(2,882,894)
Board-designated Funds (2018 and 2021 Set-asides)	2,506,144	807,898
Board-designated Endowment	11,019,633	11,451,597
Year-to-Date Change in Net Assets	772,442	1,666,928
Total Net Assets	12,490,932	11,043,529
Total Liabilities and Net Assets	\$ 28,088,991	\$ 26,165,051

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
STATEMENT OF ACTIVITIES

Nine Months Ending September 30, 2021

			Variance				
	Year-to- Date Actual	Year-to- Date Budget	\$	%	Ref. #	Annual Budget	Prior Year- to-Date Actual
REVENUE							
Membership Fees	\$ 10,370,700	10,820,840	(450,140)	-4%		14,415,787	11,165,475
Royalties	965,097	994,102	(29,005)	-3%		1,326,952	973,180
Council Fees	408,183	318,289	89,894	28%	(1)	424,386	143,226
Other Management Services	276,408	292,823	(16,415)	-6%		390,431	306,920
Annual Meeting Registrations and Sponsorships	-	-	-	-		280,263	4,600
Grants and Contracts	153,488	155,361	(1,873)	-1%		207,148	-
Advertising	60,563	52,772	7,791	15%		60,000	53,643
Interest	8,434	11,250	(2,816)	-25%		15,000	24,400
Conference Center Rental and Other							
Miscellaneous Revenue	25,899	23,700	2,199	9%		31,600	1,098
Operating Revenue before Special Assessments							
Assessments	12,268,772	12,669,137	(400,365)	-3%		17,151,567	12,672,542
Special Assessments	2,197,528	2,402,040	(204,512)	-9%		3,202,720	2,340,349
Total Revenue							
	14,466,300	15,071,177	(604,877)	-4%		20,354,287	15,012,891
OPERATING EXPENSES							
Salaries and Benefits							
Salaries	7,076,699	7,183,901	107,202	1%		9,578,534	6,778,405
Retirement and Deferred Compensation Plans	851,714	851,598	(116)	0%		1,135,464	679,718
Payroll Taxes	478,746	473,610	(5,136)	-1%		631,480	454,772
Health Insurance	444,149	461,489	17,340	4%		615,318	420,305
Life and Accidental Death/Dismemberment	30,285	33,333	3,048	9%		44,444	31,856
Dental Insurance	30,370	27,623	(2,747)	-10%		36,830	25,853
Staff Public Transportation and Parking Subsidy	8,553	23,307	14,754	63%	(2)	31,076	23,484
Retiree Health Insurance	19,634	19,500	(134)	-1%		26,000	18,783
Employee Training and Development	6,610	17,606	10,996	62%	(3)	23,475	6,612
Long-term Disability Insurance	13,963	16,470	2,507	15%		21,960	14,825
Flexible Spending Program Administration	2,471	1,811	(660)	-36%		2,415	2,554
Total Salaries and Benefits							
	8,963,194	9,110,248	147,054	2%		12,146,996	8,457,167
Travel and Meetings							
Travel	124,232	370,485	246,253	66%		651,622	158,449
Member and Staff Meetings	33,753	112,522	78,769	70%		413,045	56,621
Officer and Board Meetings	11,080	25,000	13,920	56%		35,000	12,427
Total Travel and Meetings							
	169,065	508,007	338,942	67%	(4)	1,099,667	227,497
General Office							
Office Rent and Maintenance	1,053,039	1,051,837	(1,202)	0%		1,402,449	1,081,828
Depreciation and Amortization	253,346	316,661	63,315	20%	(5)	422,214	230,579
Website/Information Systems	137,312	150,223	12,911	9%		200,297	117,084
Business Insurance	84,379	94,912	10,533	11%	(6)	126,550	92,587
Business Service Fees	60,408	53,290	(7,118)	-13%		70,970	54,441
Telecommunications	33,397	50,486	17,089	34%	(7)	67,312	35,043
Supplies	19,642	24,000	4,358	18%		32,000	16,962
Equipment Rental and Maintenance	9,120	15,750	6,630	42%		21,000	8,641
Postage	7,066	14,817	7,751	52%		19,755	9,388
Business Taxes	18,861	11,850	(7,011)	-59%		15,800	14,050
Miscellaneous	5,189	9,300	4,111	44%		12,400	7,735
Employment Recruitment	1,154	7,875	6,721	85%		10,500	5,856
Printing	3,861	1,286	(2,575)	-200%		1,715	2,652
Total General Office							
	1,686,774	1,802,287	115,513	6%		2,402,962	1,676,846
Professional Services							
Consultants	1,421,870	1,521,672	99,802	7%		2,095,495	1,324,554

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
STATEMENT OF ACTIVITIES

Nine Months Ending September 30, 2021

	Year-to- Date Actual	Year-to- Date Budget	Variance		Ref. #	Annual Budget	Prior Year- to-Date Actual
			\$	%			
Audit	47,269	47,500	231	0%		56,000	47,523
Legal	6,052	8,025	1,973	25%		10,700	4,432
Total Professional Services	1,475,191	1,577,197	102,006	6%		2,162,195	1,376,509
Member Services - Labor Reimbursement	(248,218)	(241,882)	6,336	3%		(322,510)	(252,326)
<u><i>Memberships, Support and Subscriptions</i></u>							
Organizational and Staff Memberships	201,490	216,618	15,128	7%		288,823	226,598
Publications and Subscriptions	61,805	74,559	12,754	17%	(8)	99,412	66,711
Legislative Reporting Services	23,965	23,500	(465)	-2%		47,000	23,541
Contributions and Other Grants	25,600	6,750	(18,850)	-279%	(9)	9,000	725
Total Memberships, Support and Subscriptions	312,860	321,427	8,567	3%		444,235	317,575
<u><i>Publications</i></u>							
Design and Production	48,435	55,800	7,365	13%		78,200	31,668
Advertising and Public Relations	15,397	24,950	9,553	38%		44,599	19,036
Total Publication Expenses	63,832	80,750	16,918	21%		122,799	50,704
Total Expenses Before Special Assessments	12,422,698	13,158,034	735,336	6%		18,056,344	11,853,972
Special Assessments & Other Activities	2,197,528	2,402,040	204,512	9%		3,202,720	2,340,349
Total Operating Expenses	14,620,226	15,560,074	939,848	6%		21,259,064	14,194,321
Change in Net Assets before Investment Income and Non-Operating Activities	(153,926)	(488,897)	334,971	69%		(904,777)	818,570
Investments	891,621	-	891,621			-	690,709
Net Change before Non-Operating Items	737,695	(488,897)	1,226,592			(904,777)	1,509,279
<u><i>Non-Operating Activities:</i></u>							
Share of Affiliate Net Income	746,093	-	746,093			-	345,612
Increase in Deferred Retirement and Compensation Plans Costs from Related Investments	(117,774)	-	(117,774)			-	(29,951)
Executive Transition Costs	(593,572)	(237,405)	(356,167)			(316,540)	(158,012)
Change in Net Assets	\$ 772,442	(726,302)	1,498,744			(1,221,317)	1,666,928

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
STATEMENT OF ACTIVITIES
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

Budget versus Actual Performance Explanations - Accounts with Variances Over 10 Percent and \$10,000

Ref. #

Council Fees	(1)	Council Fees is a relatively new and growing revenue center resulting from the development and expansion of a variety of industry-related bodies managed by staff. New Councils, including the Materials Management (\$55,000), Imaging and Communications (25,000), Seismic Activity (\$7,500), and Industrial Control Panel (\$5,800) Councils were established in 2021.
Staff Public Transportation and Parking Subsidy	(2)	NEMA's transition to a predominately remote work environment continues to generate savings related to employer contributions to employee's public transportation costs. The FY21 budget assumed a mid-year rebound of on-site personnel. A continuation of the current trend of savings is expected and reflected in the FY22 budget.
Employee Training and Development	(3)	Staff participation in college level coursework and other forms of job-related training and education has been restrained and likely due to the pandemic. The expense level is not projected to change materially for the remainder of 2021.
Travel & Meetings	(4)	A revival of travel activity was anticipated in the second half of FY21 from the anticipated vaccine rollout. However, an earlier resurgence of the pandemic suppressed travel and meeting activities within Sections that used remote video-conferencing technology as a substitute. The Board's March 2021 in-person meeting, budgeted at \$12,000, was held virtually due to the pandemic.
Depreciation and Amortization	(5)	Website amortization expense for the 2021 budget was initially calculated based on a useful life of 5 years. However, management has determined that the new website's useful life will be closer to 8 years, generating lower annual expense levels.
Business Insurance	(6)	The combined effects of competitively rebidding insurance carriers in late FY20 and the receipt of a refund on workman's compensation insurance premiums as a result of employees working remotely, created year-to-date savings of \$10,533.
Telecommunications	(7)	Electrical and Medical Sections budgeted for traditional conference call resources however, savings have been achieved through staffs substitution of Microsoft Teams technology for conference call provider services.
Publications and Subscriptions	(8)	Savings within this expense category are attributable to two departments. NEMA Business Analytics ("NEMABis") budgeted \$7,400 for data acquisition and survey panel access subscriptions for related projects. As of September 30, the underlying Member demand for work to support purchasing the subscription was not requested and it remains uncertain if the projects will occur in Q4. Additionally, the Government Relations Department budgeted \$3,600 for a new Enerknol energy policy-tracking subscription. Activation of GR's Enerknol subscription has been indefinitely postponed because the information was considered duplicative of what was available in other subscriptions.
Contributions and Other Grants	(9)	A one-time charitable contribution of \$10,000 was authorized for an OnWord 2021 gala event hosted by The American Writers Museum, a charitable organization focused on educating underserved children in the greater Chicago area and founded by former NEMA CEO Malcolm O'Hagan. Additionally, a contribution of \$15,000 was authorized for sponsorship of the upcoming 2022 IEC General Assembly Meeting.

National Electrical Manufacturers Association

Statement of Cash Flows

<i>Nine Months Ending September 30,</i>	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 772,442	1,666,928
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) / Loss on Investments	(773,534)	(572,860)
Share of Affiliate Income	(746,093)	(345,612)
Depreciation and Amortization	253,346	230,579
(Increase) Decrease in:		
Receivables - Net	77,958	39,486
Prepaid Expenses and Other Assets	121,680	(63,267)
Deposits Given	-	(19,989)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(249,507)	(434,923)
Deferred Revenue	2,699,287	2,433,155
Deferred Rent	(203,206)	(170,521)
Deferred Compensation Plans	11,301	156,652
Net Cash Provided by Operating Activities	1,963,674	2,919,628
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(175,765)	(645,095)
Sales of Investments	6,248,052	4,079,108
Purchases of Investments	(3,944,884)	(3,429,400)
Net Cash Provided by Investing Activities	2,127,404	4,613
Net Change in Cash and Cash Equivalents	4,091,078	2,924,241
Cash and Cash Equivalents, Beginning of Year	5,158,018	4,367,690
Cash and Cash Equivalents, End of Period	\$ 9,249,096	7,291,931

TAB 2.3

FINANCIAL REPORT

Investment Report and Reserve Fund Status

Client Performance Review

NEMA

Program: Consolidated

Benchmark: NEMA Blended Benchmark

Report Run Date: October 18, 2021

Reporting Date: September 30, 2021

Account Summary

Asset Allocation

05/01/2013
- 09/30/2021

Beginning Market Value

\$ 7,694,993.22

Interest and Dividends*

\$ 2,336,732.70

Net Additions/Withdrawals*

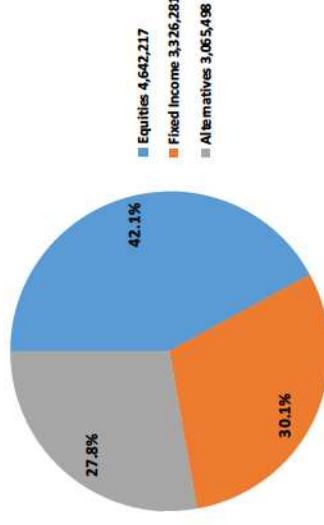
\$ -2,790,355.69

Gains/Losses*

\$ 3,792,625.71

Ending Market Value

\$ 11,033,995.93



* The data referenced in the table above is only calculated for the periods where Advent has been receiving transactions. If the Beginning Market Value is for a date prior to the Advent start date, there will be an adjustment for the difference between the Beginning Market Value and the market value as of the Advent Start Date.

Performance Returns

ACCOUNT NAME	MARKET VALUE 09-30-21	QUARTER TO DATE	YEAR TO DATE	LATEST 12 MONTHS	ANNUALIZED		
					LATEST 3 YEARS	LATEST 5 YEARS	05/01/2013 TO DATE
NEMA	\$ 11,033,996	0.50%	7.97%	17.50%	11.17%	9.44%	7.06%
NEMA Blended Benchmark		-0.57%	6.55%	16.91%	9.87%	8.67%	6.84%
CPI Index		0.96%	5.31%	5.39%	2.81%	2.64%	1.98%
MSCI ACWIF (TRG)		-0.95%	11.49%	27.98%	13.14%	13.77%	10.82%

Client Performance Review

NEMA

Program: Consolidated

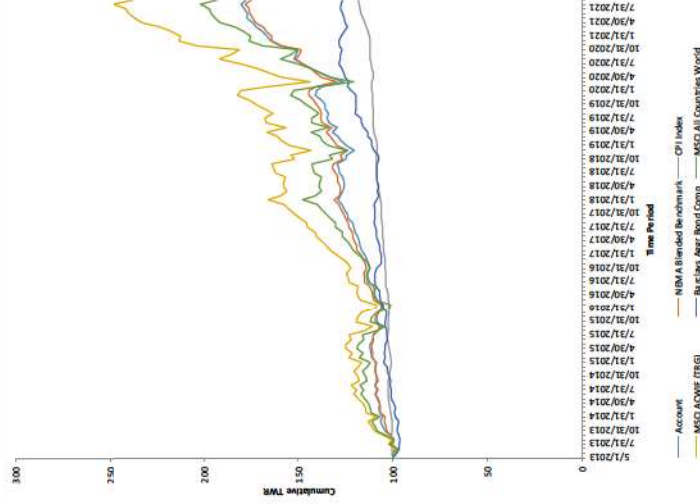
Benchmark: NEMA Blended Benchmark

Report Run Date: October 18, 2021
Reporting Date: September 30, 2021

Current Year Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021												
NEMA Blended	1.26%	1.47%	1.90%	1.04%	1.88%	-0.34%	1.00%	0.95%	-1.43%			
Benchmark	0.07%	1.79%	0.86%	2.56%	0.79%	0.90%	0.29%	1.15%	-1.98%			

Growth of \$100



Risk Statistics Since Inception

	Return & Standard Deviation	Annualized Standard Deviation	Annualized Period Return	Sharpe Ratio
NEMA		6.358%	7.061%	1.00
NEMA Blended Benchmark		6.370%	6.843%	0.96
CPI Index		1.075%	1.983%	1.19
MSCI ACWIF (TRG)		13.338%	10.817%	0.76
Barclays Aggr Bond Comp		3.140%	2.821%	0.67
MSCI All Countries World		13.360%	8.139%	0.56

Client Performance Review

NEMA

Program: Consolidated

Benchmark: NEMA Blended Benchmark

Report Run Date: October 18, 2021
Reporting Date: September 30, 2021

Performance Returns

Equities	Asset Class	Market Value	% of Assets	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Latest 3 Year	Inception To Date
Intl/Global Equity		893,746	8.1%	-4.66%	-5.74%	0.00%	15.65%	10.43%	4.63%
NEMA - Thomburg		0	0.0%	-	-	-	-	-	-
Driehaus Emerging Markets Small Cap Gr		0	0.0%	0.00%	0.00%	0.00%	0.00%	2.67%	2.60%
MSCI Emerg Mkts (TRG)				-3.94%	-7.97%	-0.99%	18.58%	8.96%	12.17%
Invesco Advisers		412,333	3.7%	-4.53%	-4.61%	1.08%	14.41%	7.07%	3.70%
MSCI Developed EAFE (TRG)				-2.83%	-0.35%	8.79%	26.29%	8.13%	6.53%
Driehaus Emerging Markets Growth CI I		481,413	4.4%	-4.78%	-6.75%	-1.27%	16.13%	-	14.38%
MSCI Emerg Mkts (TRG)				-3.94%	-7.97%	-0.99%	18.58%	-	10.65%
US Equity All Cap		909,177	8.2%	-2.10%	-2.04%	20.20%	44.54%	12.30%	11.93%
ACR Equity Quality Return		909,177	8.2%	-2.10%	-2.04%	20.20%	44.54%	12.30%	11.93%
Russell 3000 w/ Div				-4.49%	-0.10%	14.99%	31.88%	16.00%	17.23%
US Equity Large Cap		2,312,098	21.0%	-3.87%	0.03%	21.60%	40.40%	15.60%	12.44%
Montag & Caldwell		0	0.0%	-	-	-	-	-	-
Russell 1000 Growth w/ Div				-1.74%	-1.59%	29.13%	59.28%	7.27%	9.66%
Poplar Forest Capital LLC		730,588	6.6%	-3.48%	-0.78%	16.14%	35.01%	10.07%	10.57%
Russell 1000 Value w/ Div				-3.77%	-1.81%	15.78%	32.86%	8.96%	9.36%
RNC Genter High Dividend		723,370	6.6%	-3.48%	-0.78%	16.14%	35.01%	10.07%	10.57%
Russell 1000 Value w/ Div				-5.78%	2.73%	18.00%	29.60%	23.46%	24.39%
Polen Capital Mgt Large Cap Growth		858,140	7.8%	-5.60%	1.16%	14.30%	27.32%	22.00%	22.88%
Russell 1000 Growth w/ Div				-	-	-	-	-	-
US Equity Sm/Mid Cap		0	0.0%	0.00%	0.00%	0.00%	0.00%	-3.57%	3.40%
SouthernSun Small/Mid Cap Equity		0	0.0%	0.00%	0.00%	0.00%	0.00%	-3.57%	3.40%
Russell 2500 Div Reinvest				-3.15%	-2.68%	13.83%	45.03%	12.47%	12.50%
US Equity Small Cap		527,196	4.8%	-3.32%	-0.06%	13.65%	44.16%	19.38%	27.24%
Wasatch Small Cap Core Growth		527,196	4.8%	-3.32%	-0.06%	13.65%	44.16%	-	27.24%
Russell 2000 w/ Div				-2.95%	-4.36%	12.41%	47.68%	-	18.76%
Fixed Income		3,326,281	30.1%	-0.75%	-0.25%	-1.00%	0.99%	4.41%	2.24%
Intl/Global Fixed Income				-1.76%	-2.02%	-4.71%	-4.28%	-2.70%	-0.96%
TGBAX - Templeton Global Bond Fund		432,506	3.9%	0.00%	0.00%	0.00%	0.52%	-1.09%	-0.38%
Citi Group WGBI Non-USD		0	0.0%	-3.08%	-1.98%	-7.87%	-3.29%	2.77%	0.91%
FBNRX - Templeton Global Bond Fd		432,506	3.9%	-1.76%	-2.02%	-4.71%	-	-	-4.42%
Citi Group WGBI Non-USD				-3.08%	-1.98%	-7.87%	-	-	-7.65%

Performance Returns

Asset Class	Market Value	% of Assets	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Latest 3 Year	Inception To Date
Taxable Fixed Income								
NEMA - OIA	2,893,775	26.2%	-0.60%	0.01%	-0.51%	1.67%	5.24%	2.57%
<i>Barclays Aggr Bond Comp</i>	2,893,775	26.2%	-0.60%	0.01%	-0.51%	1.67%	5.24%	2.57%
			-0.87%	0.05%	-1.55%	-0.90%	5.36%	2.82%
Alternatives	3,065,498	27.8%	1.14%	4.31%	3.19%	6.85%	11.61%	7.61%
Global Macro								
IVWAX - IVA Worldwide Fund A	0	0.0%	0.00%	0.00%	0.00%	2.57%	-1.93%	1.97%
<i>HFR Macro</i>	0	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	2.73%
IVWIX - IVA Worldwide	0	0.0%	0.54%	0.02%	8.36%	13.65%	5.92%	2.46%
<i>HFR Macro</i>	0	0.0%	0.00%	0.00%	0.00%	6.71%	-0.63%	0.16%
			0.54%	0.02%	8.36%	13.65%	5.92%	4.57%
Specialty								
NEMA - Alternatives	3,065,498	27.8%	1.14%	4.31%	3.19%	6.89%	13.80%	8.47%
<i>HFR FOF Cons</i>	3,065,498	27.8%	1.14%	4.31%	3.19%	6.89%	13.80%	8.82%
Absolute Return - Long Biased	0	0.0%	0.39%	0.71%	6.60%	12.83%	5.29%	3.78%
<i>HFR FOF</i>	0	0.0%	-	-	-	-	-	-
Absolute Return - Diversified	0	0.0%	-	-	-	-	-	-
<i>HFR Equity Market Neutral</i>	0	0.0%	-	-	-	-	-	-
Total Portfolio	11,033,996	100.0%	-1.43%	0.50%	7.97%	17.50%	11.17%	7.06%
<i>NEMA Blended Benchmark</i>			-1.98%	-0.57%	6.55%	16.91%	9.87%	6.84%



Client Performance Review

NEMA

Program: Consolidated

Benchmark: NEMA Blended Benchmark

Report Run Date: October 18, 2021
Reporting Date: September 30, 2021

Individual Account Returns

ACCOUNT NUMBER	ACCOUNT NAME	OPEN DATE	CLOSE DATE	MARKET VALUE 09-30-21	QUARTER TO DATE	YEAR TO DATE	LATEST 12 MONTHS	ANNUALIZED			
								LATEST 3 YEARS	LATEST 5 YEARS	LATEST 10 YEARS	05/01/2013 TO DATE
G781377366	Alternatives	05-01-13		3,065,498	4.31%	3.19%	6.89%	13.80%	12.36%	-	8.82%
G781377382	OIA Core Plus	05-01-13		2,893,775	0.01%	-0.51%	1.67%	5.24%	3.37%	-	2.57%
G781377390F	ACR Alpine Capital Res - All Cap Core	03-02-16		909,177	-2.04%	20.20%	44.54%	12.30%	11.62%	-	11.93%
G781377390K	Polen Capital Mgt Large Cap GrowthT Large Cap Growth	08-01-18		858,140	2.73%	18.00%	29.60%	23.46%	-	-	24.39%
G781377390B	Poplar Forest Capital	05-03-13		730,588	-1.59%	29.13%	59.28%	7.27%	8.45%	-	9.66%
G781377390H	RNC Genter - Large Cap	05-03-13		723,370	-1.81%	15.78%	32.86%	8.96%	10.56%	-	9.36%
G781377390L	Wasatch - Small Cap Core Growth	07-17-19		527,196	-0.06%	13.65%	44.16%	-	-	-	27.24%
G781377390m	DIEMX - DRIEHAUS EMERGING MKTS GR CL I	07-16-19		481,413	-6.75%	-1.27%	16.13%	-	-	-	14.38%
G781377390N	FBNRX - Templeton Global Bond Fd R6	12-18-20		432,506	-2.02%	-4.71%	-	-	-	-	-4.42%
G781377390G	Invesco Advisors Inc - Intl	11-21-14		412,333	-4.61%	1.08%	14.41%	7.07%	5.84%	-	3.70%
G781377390A	Montag & Caldwell - Large Cap Growth	05-03-13	08-02-18	0	0.00%	0.00%	0.00%	0.00%	15.26%	-	9.73%
G781377374	Thornburg - International Value	05-01-13	11-30-14	0	0.00%	0.00%	0.00%	0.00%	0.00%	-	8.39%
G781377390											
945498	Absolute Return - Long Biased	05-03-13	04-25-16	0	0.00%	0.00%	0.00%	0.00%	0.00%	-	-0.70%
957369	Absolute Return - Diversified	01-28-14	04-25-16	0	0.00%	0.00%	0.00%	0.00%	0.00%	-	-0.86%
G781377390C	DRESX - Driehaus Emerging Markets SC	03-02-16		0	0.00%	0.00%	0.00%	2.67%	1.46%	-	2.60%
G781377390D	IYWAX - IVA Worldwide Fund A	05-03-13		0	0.00%	0.00%	0.00%	0.00%	2.50%	-	2.73%
G781377390E	TGBAX - Templeton Global Bond	05-03-13		0	0.00%	0.00%	0.52%	-1.09%	1.02%	-	-0.38%
G781377390I	Southern Sun Asset Mgt - SMID Core	05-03-13		0	0.00%	0.00%	0.00%	-3.57%	0.70%	-	3.40%
G781377390J	IYWIX - IVA Worldwide	10-09-17		0	0.00%	0.00%	6.71%	-0.63%	-	-	0.16%
AGGREGATED WEIGHTED RETURN				\$ 11,033,996	0.50%	7.97%	17.50%	11.17%	9.44%	-	7.06%

IMPORTANT DISCLOSURES

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Performance is net of fees and margin interest. Interest Income includes both interest received on debt securities and interest expense paid on short positions. Cash flows are accounted for on a time-weighted basis. Performance for retail accounts (i.e. brokerage accounts) that hold one or more Alternative Investments will be based on the account's entire asset holdings.

Alternative Investment valuations are provided to Advent by Oppenheimer from the fund's administrator on a one-month lag and therefore, the corresponding performance calculated by Advent is also reported on a one month lag. Alternative Investments are not held at Oppenheimer and not reflected on the books and records of the firm.

Your report is prepared on a "trade date" basis, reflecting holdings as of the day transactions are executed. Your Oppenheimer account statement reports holdings on "settlement date" basis, which are typically three business days (or less) after the trade date. Market value in this report includes accrued income, which is not included in your Oppenheimer account statement.

INDEX COMPARISONS

An index is a hypothetical measure of performance of securities representative of a particular market. An index is unmanaged and its performance assumes reinvestment of dividends, does not factor in fees, expenses or taxes, which would lower performance. An index is not available for direct investment. An index should only be compared with a portfolio with similar investment objectives. The securities which comprise an index may differ significantly from the securities held in a portfolio. In certain cases, blended benchmarks have been prepared to assist in your review of performance. These blended benchmarks may consist of several broad and narrow based market indexes and are customized to reflect the specific allocation of assets in your account. The blended benchmarks may be adjusted accordingly upon any changes to the asset allocation of your portfolio. They are provided for informational purposes only. For a description of additional indices used for comparison purposes, please contact your Oppenheimer Financial Advisor.

Comparison Benchmark - A standard against which the performance of a security, asset class, portfolio, or portfolio group can be measured

IRR - The Modified Dietz Method is used to calculate monthly performance returns and weights individual cash flows according to when they occur within a given month. by the amount of time from when those cash flows occur until the end of the period. This methodology is used to calculate performance for single portfolios as well as portfolio groups. For portfolio groups, the market values and cash flows of each underlying account are aggregated and performance is then calculated as one unified account.

Average Capital - The capital held in a portfolio during a specified time period using the beginning of period market value including time-weighted capital flows within that period.

Cumulative TWR (Time Weighted Return) - Time Weighted Return (TWR) is a measure of the compound rate of growth in a portfolio, derived by geometrically linking the monthly returns, that eliminates the distorting effects created by capital flows. The TWR gives equal weight to each period included in the time horizon regardless of any differences in amounts invested in each period.

Net Returns (IRR + Fees)- The appreciation or depreciation in value of the portfolio holdings during the period specified after the deduction of investment management fees and transaction costs, if any, associated with managing the portfolio.

Gross Returns (IRR – Fees)- The appreciation or depreciation in value of the portfolio holdings during the period specified before the deduction of investment management fees and transaction costs, if any, associated with managing the portfolio.

Quarter to Date (QTD) – The cumulative return for the current calendar quarter.

Year to Date (YTD) – The cumulative return for the period beginning January 1st of the current year (or the portfolio's inception if after January 1st) through the most recent performance date

1-YR – The cumulative return for the trailing 12 months

3-YR – The annualized return for the trailing 36 months.

Inception to Date (ITD) - The cumulative return for the period of time from the account's start date through the most recent performance date. If the period is greater than 12 months, then the return is annualized.

Realized Gains/Losses (Short Term and Long Term) - Actual cash gain or loss resulting from the sale price of an asset compared to the cost or adjusted cost of purchasing that asset. **Short Term** - Gain or Loss on the asset if sold after a holding period of less than one year. **Long Term** - Gain or Loss on the asset if sold after a holding period of longer than one year.

Unrealized Gains and/or Losses are computed from the supplied cost basis data and may not be accurate for tax reporting purposes. Fixed income securities purchased at a premium or discount are accreted or amortized to par value using the straight-line method based on the maturity date of the security. The total cost of the security represents the adjusted basis as of the reporting date. Items for which a cost basis was not available as of the statement period ending date are indicated by the symbol N/A. The total gains and/or losses do not reflect positions which we do not have cost information. Please contact your Financial Advisor if you believe any cost basis related data is inaccurate or if you require additional information.

Alternative Investments - an investment product other than the traditional investments requiring that the investor meets stated suitability and capital requirements before they are eligible to participate in the investment.

Target Allocation - Percentage of each grouping by asset class, industry or security as mandated or desired by the client.

Ex-Date - The date on or after which a security is traded without a previously declared dividend or distribution. After the ex-date, a stock is said to trade ex-dividend.

Pay-Date - The date on which stockholders receive dividends.

Moody - A bond's credit rating from Moody's Investors Service, a credit rating agency which performs international financial research and analysis on commercial and government entities.

S&P - A bond's credit rating from Standard & Poor's, a credit rating agency which issues ratings for the debt of public and private corporations.

Fitch - A bond's credit rating from Fitch Ratings, an international rating agency for financial institutions, insurance companies, and corporate, sovereign, and municipal debt.

Weighted Averages

Average Yield - The weighted average of the dividend yield figures for each equity holding in the portfolio.

Average Maturity - The weighted average time to maturity for all the debt securities held in the portfolio.

Average Coupon (%) - The weighted average of the coupon rate for each fixed income holding in the portfolio.

Average Duration - A time measure of a bond's interest rate sensitivity. It is based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Average Moody - The weighted average of each underlying fixed income Moody credit rating.

Average S&P - The weighted average of each underlying fixed income S&P credit rating.

Average Fitch - The weighted average of each underlying fixed income Fitch credit rating.

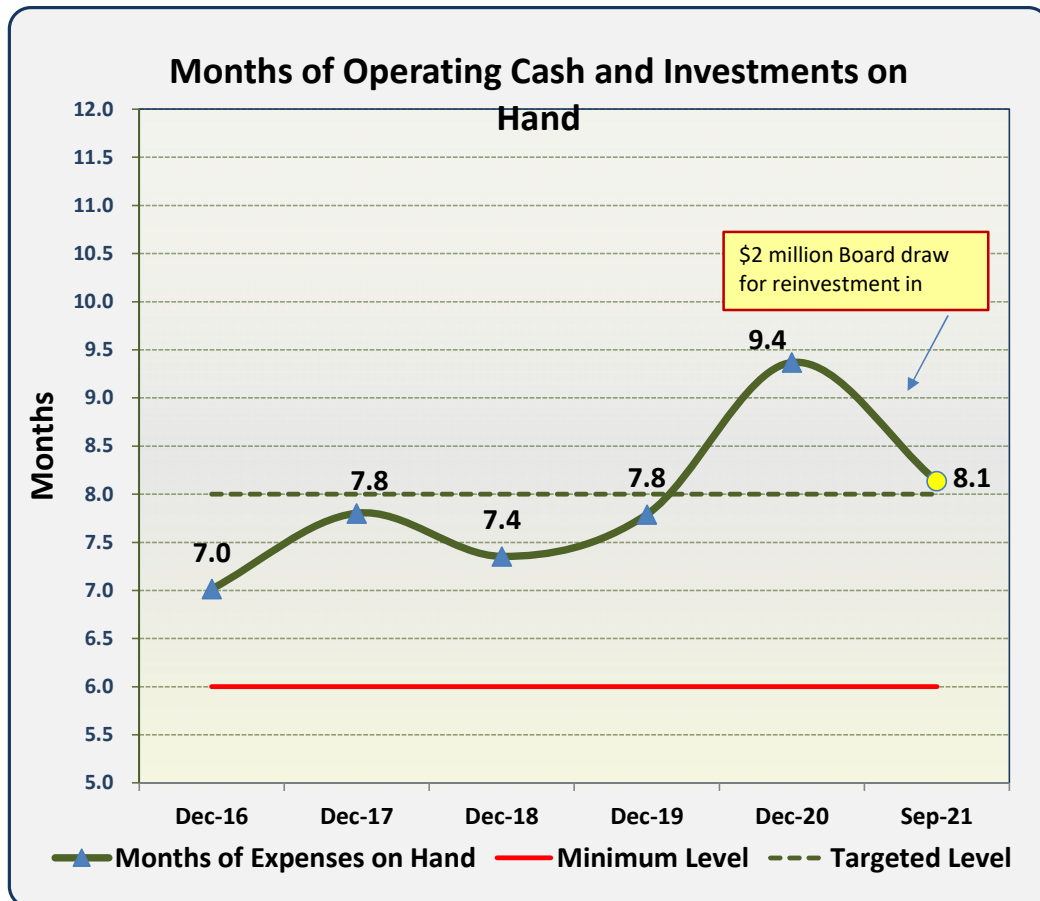
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OPCO101712SB1

National Electrical Manufacturers Association

Operating Reserves

		Sept. 30, 2021
Fair Market Value of Long-term Investments	\$	11,019,633
Cash and Cash Equivalents Less Deferred Membership Fees		2,614,602
Other Assets		783,523
Current Assets Available to Meet Obligations	\$	<u>14,417,758</u> (1)
Current Cost of Funding Operations and Liquidating Current Liabilities and Deferred Revenue	\$	21,281,681
Portion of Year Covered by Liquid Assets		68%
Targeted Portion of Year in Reserves (6 Months)		50%



(1) Months of reserves on hand exclude the unspent portion of Board-designated funds set-aside in 2018, 2020, and 2021.

TAB 2.4

FINANCIAL REPORT

2022 Budget Proposal



TAB 2.4

FINANCIAL REPORT

2022 Budget Proposal

Date: November 3, 2021

To: Executive Committee of the Board of Governors

From: Jeff Tomitz, Chief Financial Officer

Re: 2022 Budget Proposal

Budget Overview

The Association's proposed 2022 budget and explanatory notes are provided in the accompanying attachments. The budget was developed in a manner consistent with past practice using a two-step process. Beginning with the development of Departmental budgets that, when taken together reflect the cost of managing the Association, an hourly labor rate was calculated based on the estimated number of labor hours required by the Members of the Electrical Products and Medical Imaging Sections. Next, using Board-approved labor rates, the Sections proceeded to prepare more than 50 individual operating budgets that included 69,000 hours of NEMA staff time. Those Section budgets, when added to the administrative budgets developed in the first phase, form the Association's total FY22 budget subject to approval by the general membership.

The budget reflects a break-even outcome from operations utilizing an accrual-to-cash basis conversion. As a result, the budget is adjusted by the effects of non-cash expenses (e.g., depreciation, amortization), cash versus audit-basis differences (i.e., deferred rent expense), and the cash impact from year-over-year timing differences between the recognition and payment of expenses. Additionally, Members are invoiced using cost pools that have been netted against non-membership fee income assumptions to achieve the lowest cost basis for invoicing. Finally, the budget does not rely on any assumptions relating to gains and distributions that may be produced by its investment portfolio to achieve its cash-neutral outcome.

The Association presently maintains 8.1 months of reserves or just above the upper end of the goal of holding between six and eight months. The reserve calculation excludes \$2 million in funds set aside at the July 2021 board meeting for future reinvestments in the Association. If included, total reserves would cover approximately 9.3 months of operating costs. While many not-for-profit entities will include a budget

Proposed Budget – Fiscal Year 2022

provision or charge to their Members for the establishment, growth, or replenishment of an operating reserve, the financial health of NEMA eliminates the need for such additional invoicing.

The notes provided to the 2022 budget provide supporting information concerning assumptions embedded in the budget and how a cash-neutral outcome was achieved. The following sections describe key factors affecting the budget.

2022 Membership Fees and Labor Rates

At \$14.9 million, budgeted fees from Members constitute the single largest source of revenue for the Association and is largely derived by aggregating Section budgets approved by Members. Annual fees are collected from billings to Electrical and Medical Imaging Sections for direct programmatic spending. That spending includes the application of Board-approved hourly labor rates to NEMA staff hours requested by Sections. Hourly labor rates, which enable the recovery of general, administrative and indirect program support costs, increased from \$164 to \$171 (4 percent) and from \$157 to \$160 (2 percent) in FY22 for Electrical and Medical Imaging Section Members, respectively.

The accompanying budget includes fees that are \$967,000 above projected FY21 fee levels and is accounted for principally from the follow items:

- | | |
|--|-----------|
| • Year-over-year change in labor rates x hours required by Sections: | \$360,000 |
| • Decline in provision for uncollectable fee write-offs | \$100,000 |
| • Increase in direct Section spending | \$115,000 |
| • Decline in year-over-year credits applied to labor rate | \$330,000 |
| • Increase to budgeted base annual fees and split-payment fees | \$55,000 |

Salaries and Fringe Benefits

The cost of supporting the Association's Members is comprised principally of salaries, payroll taxes, and fringe benefit expenses. At \$12.8 million, this expense category accounts for 59 percent of total budgeted expenses in FY22 compared to 57 percent of the FY21 budget. The FY22 budget includes a provision for a 3.5 percent increase in salaries and is based on regional compensation trends observed by the Bureau of Labor Statistics and surveys conducted by Willis Towers Watson, the Society for Human Resource Managers, and the Conference Board. These studies indicate employers are anticipating salary increases in the 3 to 3.3 range in 2022. In addition, to keep pace with the rise in inflation, the 3.5 percent increase includes a cost-of-living adjustment of .50 percent planned for 2022 by the Office of Management and Budget affecting DC-area federal workers.

To contend with challenges associated with retaining and recruiting staff due to a shortage of qualified individuals in an increasingly competitive labor market, management has begun the process of establishing a new compensation management system. Formerly, employee compensation levels were determined using an external advisory firm to establish base wages for each position based on NEMA's peer group. However, some time has passed since a market-based salary survey has been performed. With its new in-house resource, management can now ascertain real-time market-based compensation levels, ensuring compensation-related decisions are based on current market pricing. NEMA's recent evaluation of market salary data has revealed a gap between current compensation levels and market-competitive rates. Management anticipates a phased-in approach to close the gap between and current market compensation

Proposed Budget – Fiscal Year 2022

levels. As such, a provision of \$317,500 has been included in the FY22 budget within the salaries, tax, and fringe benefit expense lines. Due to timing of the implementation, funding from in-house reserves is anticipated for FY22.

To maintain its competitiveness with other employers, the Association's budget for fringe benefits includes a discretionary, non-matching contribution to the NEMA Employee Retirement Plan equal to 4 percent of compensation, or a maximum potential employer contribution of 8.5 percent, and is consistent with historical and market-competitive levels of contributions.

The salary budget reflects a roster of 67 employees, 1 less position than FTE levels included in the 2021 budget. The position of Concierge has been eliminated due to low demand for on-site meetings in the NEMA headquarters building. However, under the direction of the new NEMA President and CEO, an evaluation of member needs, existing competencies and resource gaps will be conducted with any associated recommendations surfacing in 2022.

Travel Expense

Historical spending on Section-related travel averaged \$794,000/year for the 5-year period leading up the Covid-19 pandemic. The 2021 budget included an 18 percent reduction to travel expenses, or a total budget of \$652,000, as Sections anticipated a gradual return to pre-pandemic activities in the second half of FY21. However, a variant of the virus caused companies to delay and scale-back returns to the office and business travel, slowing the rebound of travel momentum that began during the summer. With workers returning the office, albeit gradually, and a slow but steady rebound in domestic and international travel expected in 2022, a greater volume of travel is anticipated in the FY22 budget, but at a level equal to two-thirds of the pre-pandemic average or \$481,600.

FY22 Fee Reduction from FY20 Expense Savings

The Association experienced cost savings of \$1.1 million during FY20 principally because of eliminated travel and meeting activities. Collections from those savings have been returned to Members via application of reduced lower labor rates. In FY21 and FY22, credits of \$606,000 and \$538,902 were applied respectively.

FY22 Fee Reduction from Reserve Funds

At its July 2020 meeting, the Executive Committee of the Board of Governors agreed that providing fee relief to Members given the uneven economic environment was an important consideration. Therefore, the Board authorized the use of \$800,000, or approximately one-half of one month's operating costs, to reduce membership costs with deployment of amounts to be determined by management. The cost of membership in 2021 was credited by \$450,000 of the reserve draw. Of the remaining \$350,000 balance, \$200,000 and \$150,000 will be applied in FY22 and FY23, respectively.

Capital Expense Budget

The budget anticipates staff will continue to work in a predominantly remote work environment necessitating purchases and upgrades of information technology and peripherals. An amount of \$54,000 in capital expenditures has been budgeted for this purpose and includes \$30,000 for the cyclical replacement of aging laptops.

Proposed Budget – Fiscal Year 2022

Summary

A balanced budget is presented for approval by the general membership body. The budget's basis for membership fee revenue was based preliminarily on an estimated demand of 69,285 hours of labor with final, Section-approved demand within .4 percent of target, helping to ensure budgeted Association infrastructure costs will be recovered. The budget contains a market-based provision for salary adjustments that will help ensure a stable workforce during a period when competition for personnel resources by companies operating within the DC-Metro market is unusually high, and projected to increase. Finally, and consistent with past methods of budget presentations, the proposed budget has been conservatively prepared using a modified cash basis and does not rely on investment earnings as a source of funding.



2022 BUDGET

	2020 ACTUAL RESULTS	2021 BUDGET	2021 PROJECTED RESULTS	2022 PROPOSED BUDGET	2022 BUDGET vs. 2021 PROJECTED RESULTS - \$	2022 BUDGET vs. 2021 PROJECTED RESULTS - %	Ref. #
REVENUE							
Membership Fees	\$ 14,313,171	14,415,700	13,960,700	14,927,900	967,200	7%	(1)
Royalties	1,235,099	1,327,000	1,232,500	1,233,900	1,400	0%	
Council Fees	200,918	424,400	507,900	606,800	98,900	19%	(2)
Management and Secretariat Services	409,458	390,400	439,000	430,000	(9,000)	-2%	
Annual Meeting Registrations & Sponsorships	12,100	280,300	457,700	346,000	(111,700)	-24%	(3)
Federal Contracts	37,629	207,100	207,100	191,200	(15,900)	-8%	
Miscellaneous	1,345	31,600	46,800	106,500	59,700	128%	(4)
Advertising	55,498	60,000	79,900	30,000	(49,900)	-62%	(5)
Interest	25,254	15,000	13,000	15,000	2,000	15%	
Operating Revenue before Special Assessments	16,290,472	17,151,500	16,944,600	17,887,300	942,700	6%	
Special Assessments	3,236,508	3,202,700	2,900,000	3,066,100	166,100	6%	
Total Revenue and Support	19,526,980	20,354,200	19,844,600	20,953,400	1,108,800	6%	
EXPENSES							
<u>Salaries and Fringe Benefits</u>							
Employee Salaries	9,097,332	9,578,500	9,501,600	10,112,400	610,800	6%	(6)
Retirement and Deferred Compensation Plans	1,041,803	1,135,500	1,116,200	1,128,600	12,400	1%	
Health Insurance	579,051	615,300	602,400	689,100	86,700	14%	(6)
Payroll Taxes	570,422	631,500	612,600	684,200	71,600	12%	(6)
Dismemberment Insurance	42,957	44,400	45,400	46,500	1,100	2%	
Dental Insurance	35,387	36,800	40,500	44,800	4,300	11%	
Long-Term Disability Insurance	20,522	22,000	19,100	24,600	5,500	29%	
Public Transportation and Parking Subsidies	26,536	31,100	9,800	10,600	800	8%	
Employee Development / Training	12,257	23,500	7,000	10,100	3,100	44%	
Retiree Health Insurance	23,348	26,000	26,000	4,200	(21,800)	-84%	(7)
Flexible Spending Account Program	1,693	2,400	3,600	3,300	(300)	-8%	
Total Salaries and Related	11,451,308	12,147,000	11,984,200	12,758,400	774,200	6%	
<u>Travel and Meetings</u>							
Domestic / International Travel	157,750	651,600	186,500	481,600	295,100	158%	
Department and Section Meetings	66,152	413,000	267,400	418,200	150,800	56%	
Officer and Board Meetings	12,648	35,000	12,000	35,000	23,000	192%	
Total Travel and Meetings	236,550	1,099,600	465,900	934,800	468,900	101%	(8)
<u>General Office</u>							
Office Rent and Maintenance	1,431,645	1,402,400	1,409,000	1,355,900	(53,100)	-4%	
Depreciation and Amortization	299,078	422,200	303,700	337,800	34,100	11%	(9)
Website / Information Systems and Software	151,666	200,300	183,100	243,300	60,200	33%	(10)
Business Insurance	125,537	126,600	112,700	118,600	5,900	5%	
Business Service Fees	70,165	71,000	70,800	69,100	(1,700)	-2%	



2022 BUDGET

	2020 ACTUAL RESULTS	2021 BUDGET	2021 PROJECTED RESULTS	2022 PROPOSED BUDGET	2022 BUDGET vs. 2021 PROJECTED RESULTS - \$	2022 BUDGET vs. 2021 PROJECTED RESULTS - %	Ref. #
Telecommunications	48,897	67,300	51,700	49,800	(1,900)	-4%	
Supplies	20,580	32,000	31,200	26,200	(5,000)	-16%	
Miscellaneous	12,017	12,400	7,400	14,300	6,900	93%	
Equipment Rental and Maintenance	11,432	21,000	11,600	13,600	2,000	17%	
Property and Other Taxes	14,182	15,800	17,300	12,800	(4,500)	-26%	
Postage	11,455	19,800	11,400	10,300	(1,100)	-10%	
Employment Recruitment	5,856	10,500	500	10,200	9,700	1940%	
Printing	2,775	1,700	6,000	5,600	(400)	-7%	
Total General Office	2,205,285	2,403,000	2,216,400	2,267,500	51,100	2%	
<u>Professional Services</u>							
Consultants	1,886,142	2,095,500	2,318,800	2,283,100	(35,700)	-2%	
Audit	59,023	56,000	58,800	58,000	(800)	-1%	
Legal	7,373	10,700	6,500	10,700	4,200	65%	
Total Professional Services	1,952,538	2,162,200	2,384,100	2,351,800	(32,300)	-1%	
Fee-for-Services - Labor Reimbursements	(333,046)	(322,500)	(322,600)	(343,200)	(20,600)	6%	
<u>Memberships, Support and Subscriptions</u>							
Organizational and Staff Memberships	280,413	288,800	211,000	256,200	45,200	21%	(11)
Publications and Subscriptions	90,305	99,400	88,200	91,600	3,400	4%	
Legislative Reporting Services	47,082	47,000	47,000	47,000	-	0%	
Grants and Sponsorships	2,420	9,000	25,500	46,500	21,000	82%	(12)
Total Memberships, Support and Subscriptions	420,220	444,200	371,700	441,300	69,600	19%	
<u>Publications</u>							
Advertising and Public Outreach	30,013	44,600	41,900	51,800	9,900	24%	
Design and Production	49,792	78,200	77,100	18,800	(58,300)	-76%	(5)
Total Publication Expenses	79,805	122,800	119,000	70,600	(48,400)	-41%	
<u>Other</u>							
Special Projects and Assessments	3,236,508	3,202,700	2,912,500	3,066,100	153,600	5%	
Miscellaneous	5,018	-	-	-	-	-	
Total Other Expenses	3,241,526	3,202,700	2,912,500	3,066,100	153,600	5%	
Total Operating Expenses	19,254,186	21,259,000	20,131,200	21,547,300	1,416,100	7%	
Change in Net Assets Before Non-Operating Items	272,794	(904,800)	(286,600)	(593,900)	(307,300)	107%	
<u>Non-Recurring / Non-Operating Items:</u>							
Executive Transition Costs	(158,012)	(316,540)	(860,000)	-	860,000	-100%	(13)



2022 BUDGET

	2020 ACTUAL RESULTS	2021 BUDGET	2021 PROJECTED RESULTS	2022 PROPOSED BUDGET	2022 BUDGET vs. 2021 PROJECTED RESULTS - \$	2022 BUDGET vs. 2021 PROJECTED RESULTS - %	Ref. #
Change in Net Assets	114,782	(1,221,340)	(1,146,600)	(593,900)	552,700	-48%	
Conversion to Cash Basis							
Add:							
Depreciation / Amortization	299,078	422,200	303,700	337,800	34,100		(14)
Compensation Gap Adjustments Funded Internally				316,500			(6)
Year-Over-Year Timing Effects - Incentive Pay Distributions	55,407	90,700	97,200	(61,600)	(158,800)		(15)
Reserve Funding for Executive Transition Expense	-	316,500	316,500	-	(316,500)		(13)
Amounts of FY20 \$800,000 Reserve Draw Approved to Reduce Section Labor Rates	-	450,000	450,000	200,000	(250,000)		(16)
Savings from Website Development Project Used to Reduce Section Labor Rates	-	80,000	80,000	-	(80,000)		(17)
Savings from FY20 applied to Subsequent Year Expenses	-	200,000	200,000	200,000	-		(18)
Revenue Collected and Derecognized, Set-Aside for Future Membership Enhancement	1,144,902	-		-	-		
Prepaid Section Fees	63,022	-	-	-	-		
Reserve Funding Used for Website Redesign	-	-	264,100	-	(264,100)		(19)
Deduct:							
Prepaid Section Fees	-	(26,100)	(26,100)	(19,400)	6,700		
Year-Over-Year Timing Effects - Excise Tax	(104,714)	-	-	-	-		
Deferred Rent Amortization	(236,341)	(280,200)	(280,200)	(325,400)	(45,200)		(20)
Capital Expenditures	(29,670)	(25,000)	(294,000)	(54,000)	240,000		(21)
Approximate Cash Flow	\$ 1,306,466	6,760	(35,400)	-	(281,100)		



2022 BUDGET & 2021 PROJECTION NOTES

(For Items With a \$10,000 and 10% Budget vs. Projection Variance)

Ref. #

- (1) Revenue levels to be recognized in FY22 are \$967,200 greater than FY21 projected results with the majority of the variance due to the following:

The result of higher expenses being budgeted among Sections and increases of 4 percent and 2 percent to the labor rates used by Electrical and Medical Imaging Sections accounts for 49 percent of the variance or \$475,000.

The annual provision for fee write-offs was reduced from \$300,000 to \$200,000 in FY22 increasing net fee revenue by \$100,000; higher anticipated write-offs from the pandemic did not materialize in FY21.

During FY21, Members' fees were credited by \$530,000 from the effects of a \$450,000 draw on reserves as part of a 2020 overall \$800,000 draw and from an estimated \$80,000 in savings on amounts spent to develop new NEMA and MITA websites. As a result, the \$200,000 labor rate credit in FY22 is \$330,000 less than in FY21 having the effect of increasing fee revenue.

Increase in collections for base-fees and split-payment charges of \$55,000.

- (2) FY21 revenue from Councils is expected to outperform by \$83,000 amounts originally budgeted. Strong enrollment and fewer write-offs than expected by the allowance provision are the cause for higher-than-budgeted revenue levels. In FY22, additional Councils have been budgeted that, when combined with existing activities, will generate an expected \$753,000 in gross revenue. Amounts presented in the budget are net of a 20 percent allowance for possibly lower enrollment levels.
- (3) The Annual Meeting, which was cancelled in FY20, is the sole revenue generator for registration and sponsorship fees for the Association. The majority of companies that paid their FY20 sponsorships elected to apply them to the FY21 meeting providing NEMA's contracted fundraiser with a \$140,000 head start on its FY22 sponsorship goal. The FY21 revenue level is greater than the FY22 budget, which reflects a historical level of funding, due to the additional time fundraisers were engaged to secure commitments for the FY22 meeting and from a new menu of offerings for sponsorship opportunities.
- (4) The budget for FY22 includes a provision for \$85,000 in billings within NEMA-wide activities to offset the deficit generated by the Annual Meeting.
- (5) The paper-based publication of ei Magazine will be discontinued beginning FY22 causing a reduction in ad revenue and publication production-related expenses. Advertising revenue in FY22 will be comprised of on-line ad sales hosted on the new NEMA website and from placements in the annual Electrical Standards & Products Guide publication.
- (6) The FY22 budget includes a provision for a 3.5 percent increase in salaries and is based on regional compensation trends observed by the Bureau of Labor Statistics and surveys conducted by Willis Towers Watson, the Society for Human Resource Managers, and the Conference Board. These studies indicate employers are anticipating salary increases in the 3 to 3.3 range in 2022. In addition, to keep pace with the rise in inflation, the 3.5 percent budgeted increase includes a cost-of-living adjustment of .50 percent.

Historically, the Association established employee compensation levels based on independent studies from its consulting firm based surveys of NEMA's peer group of trade associations. During FY21, with the use of new, in-house software licensed from CompAnalyst, NEMA management began the process of restructuring its compensation management process, ending the use of a fixed system of employee classifications based on levels of organizational responsibility to a position-specific approach. The change includes phasing-in market-based compensation over approximately a three-year period that reflects live salary and total cash compensation data using a broader database from all not-for-profit entities of similar size in the DC-Metro area. The current budget incorporates a provision of \$250,000, plus taxes and benefits, as a first step towards narrowing the gap between market-based compensation data and current levels of employee compensation.



2022 BUDGET & 2021 PROJECTION NOTES

(For Items With a \$10,000 and 10% Budget vs. Projection Variance)

Ref. #

- (7) Savings will be generated from a retired employee who is currently covered under NEMA's discontinued postretirement health plan and must convert to Medicare-based health care coverage effective January 2022.
- (8) The 2021 budget included an 18 percent reduction to travel expenses, or a total budget of \$652,000, as Sections anticipated a gradual return to pre-pandemic activities in the second half of FY21. However, a variant of the virus caused companies to delay and scale-back returns to the office and business travel, slowing the rebound of travel momentum that began during the summer creating a \$465,100 positive variance between budgeted and projected spending on travel in 2021. With workers returning the office, albeit gradually, and a slow but steady rebound in domestic and international travel expected in 2022, a greater volume of travel is anticipated in the FY22 budget, but at a level equal to two-thirds of the pre-pandemic average or \$494,200. Additionally, Sections have budgeted resources to hold meetings at a level slightly above the \$127,000 budgeted in FY21 and \$69,000 above projected levels of FY21 meeting expenses. Amounts budgeted for Board meetings assume a reversion back to 3 in-person meetings per year.
- (9) Variances among budgeted provisions for depreciation and amortization versus projected FY21 expenses and the increase in budgeted FY22 provisions are related to a change in the estimated useful life for NEMA's new websites (i.e., NEMA, MITA and DICOM) and differences between estimated and actual dates the sites were completed and placed into service. Originally estimated to have a useful service life of 5 years in the FY21 budget, the useful life of the capitalized cost of \$1.1 million was increased to 8 years causing lower-than-budgeted levels of expense in FY21.
- (10) Increases to budgeted technology systems and software expenses are principally associated with NEMA's new websites. Subscription services related to the websites' new content management platform provided by Sitefinity are a new component of the budget. Increased expense levels reflect new upgrade, support, personalization, and marketing features within the Sitefinity product with an annual cost of approximately \$34,000.
- (11) Budgeted staff and Section membership fees appear greater in FY22 due to Sections electing not to spend budgeted amounts in FY21 and to resume and/or include higher provisions for memberships in their FY22 operating budgets. Additionally, the FY21 projected expense level reflects the effect of Sections that inadvertently included a duplicate provision for ANSI fee membership in their budgets.
- (12) FY21 projected results include a one-time charitable contribution of \$10,000 that was authorized for an OnWord 2021 gala event hosted by The American Writers Museum, a charitable organization focused on educating underserved children in the greater Chicago area and founded by former NEMA CEO Malcolm O'Hagan. Additionally, a contribution of \$15,000 was authorized for sponsorship of the upcoming 2022 IEC General Assembly Meeting. A greater expense level is budgeted in FY22 and is related to federal program work. NEMA was awarded a three year grant to help expand exports of NEMA Member products in the areas of Advanced Manufacturing. The grant covers two main activities: increasing international standards participation to ensure US interests are incorporated into international standards in the area of advanced manufacturing and engaging with business leaders from countries (Mexico, Turkey, Indonesia, and India) that represent large market opportunities for these products. The budget includes a \$37,000 provision for sponsorship of a FY22 plenary meeting for IEC SyC SM Smart Manufacturing System Committee.
- (13) The FY21 budget reflects known costs to retain an executive search firm to secure a new CEO. Search firm costs were approved for reserve funding at the November 2020 Board meeting as part of the FY21 budget approval process. Projected expenses incorporate the effects of overlapping CEOs for Q4 and other employment-related factors that were finalized in Q3 of FY21.
- (14) Depreciation and amortization expenses are routinely greater than actual outlays for capital equipment. In arriving at the most cost effective budget for Members, budgeted capital outlays are used instead of non-cash expenses generated from depreciation and amortization on capitalized assets.



2022 BUDGET & 2021 PROJECTION NOTES

(For Items With a \$10,000 and 10% Budget vs. Projection Variance)

Ref. #

- (15) Amounts of performance incentive payments to staff in FY21 for FY20 performance are below amounts of expenses accrued per the FY21 budget creating a positive cash flow effect. Conversely, amounts estimated to become payable in January 2022 for FY21 performance are expected to be greater than amounts of expenses accrued in the FY21 budget, creating a net use of funds in FY22.
- (16) During FY20, a draw from long-term reserves in the amount of \$800,000 was approved. Those funds were earmarked for use by management to lower the cost burden to Members via a lower labor rate in anticipation of challenges arising from the pandemic. In FY21, \$450,000 was deployed; the FY22 budget incorporates \$300,000 use of the draw with the remainder to be used in FY23.
- (17) Represents estimated unspent reserve draws approved in FY18 to fund website development costs. Amounts reflect anticipated savings after the final stages of implementation are complete in FY21 and have been used to offset budgeted FY21 expenses.
- (18) Due to uncertainties related to fee collections arising from the pandemic while the FY21 budget was under development, surplus funds from FY20 were applied to FY21 expenses to cover an increase to management's provision for membership fee write-off and to credit Members for unspent Strategic Initiative work that will be applied in FY22.
- (19) Amount of website development costs incurred during FY21 covered by resources provided by reserve funds drawn in FY18.
- (20) Under the remaining term of NEMA's office lease agreement that expires August 2026, annual payments of cash to the landlord will exceed the amount of expense required to be presented in the audited financial statements under Generally Accepted Accounting Principles (GAAP). The difference between expenses recorded for audit purposes (using the straight line method which results in an even monthly expensing of the total lease cost) and actual, contractually-based annual lease payments, is shown here as a use of funds.
- (21) Total amount of expenditures for website development and other outlays capitalized in FY21.

TAB 3

NOMINATING AND AWARDS COMMITTEE

Raj Batra / Debra Phillips

TAB 3

NOMINATING AND AWARDS COMMITTEE

On October 18, 2021, the Nominating and Awards Committee met to consider and approve nominations for the Board of Governors, Board Officers, the Executive Committee, and Board Committee Chairs.

Nominations for the Board of Governors must be approved by the Board of Governors at its meeting on November 3 and by the NEMA membership at the annual meeting on November 4. The other nomination categories—for Board Officers, the Executive Committee, and Board Committee Chairs, must be approved by the Board on November 3 but do not also require membership approval at the annual meeting.

The following Board Member terms expire in November of 2021. The Nominating Committee nominated each Board Member for a new three-year term to end in November of 2024.

- Manish Bhandari, GE Current
- John Galyen, Danfoss
- Gabriel Garza Herrera, Xignux Corporativo
- Jay Hill, GE Healthcare
- Frank Kulaszewicz, Rockwell Automation
- Bryan Mulligan, Applied Information, Inc.
- John Selldorff, Legrand, North and Central America
- Bill Waltz, Atkore Inc.

In 2021, the following individuals resigned from the Board.

- David Buckley, Nidec Motor Corporation; term expires November 2022, resigned September 2021
- Jerry Long, Rea Magnet Wire; term expires November 2023, resigned May 2021
- David Pacitti, Siemens Healthineers; term expires November 2021, resigned June 2021
- Richard Reece, Acuity Brands; term expires November 2021, resigned effective November 2021

These resignations created four vacancies on the Board. To fill three of the vacancies, the Nominating Committee considered and approved the following nominees. Additional detail on each nominee appears at the end of this tab. The fourth vacancy will remain open until early spring of 2022 to allow time to consider additional possible candidates.

- Anthony Allard, Executive Vice President, United States Country Managing Director and Head of Hitachi Energy's North America business
- Tom Deitrich, President and Chief Executive Officer, Itron
- Trevor Palmer, President, Acuity Brands Lighting and Lighting Controls

The Nominating Committee approved the renomination of the current Board Officers for another one-year term, to expire in November of 2022.

- Chair: Annette Clayton, Schneider Electric
- Vice-Chair: Richard Stinson, Southwire Company
- Immediate Past Chair:¹ Raj Batra, Siemens Digital Industries
- Treasurer: Jack Nehlig, Phoenix Contact

The Nominating and Awards Committee approved the renomination of the current members of the Executive Committee of the Board of Governors and nominated Frank Kulaszewicz of Rockwell Automation to join the Executive Committee. The full slate of nominees for the 2022 Executive Committee is:

- Annette Clayton, Schneider Electric
- Richard Stinson, Southwire Company
- Jack Nehlig, Phoenix Contact
- Raj Batra, Siemens Digital Industries
- Brian Brickhouse, Eaton
- Scott Hanna, Lutron
- Daniel Jones, Encore Wire
- Frank Kulaszewicz, Rockwell Automation
- John Selldorff, Legrand North and Central America
- Beth Wozniak, nVent

The committee also considered and approved the continuation of the Chairs of each committee of the Board of Governors. The nominated 2022 committee chairs are:

- Government Relations and Communications Policy Committee Chair: Richard Stinson, Southwire Company
- Standards and Conformity Assessment Policy Committee Chair: Annette Clayton, Schneider Electric

¹ Under the NEMA bylaws, the Immediate Past Chair is not a Board Officer, although through NEMA custom the Immediate Past Chair is listed together with NEMA Officers and holds an ex-officio position on the Executive Committee.

- Section Affairs Policy Committee Chair: John Selldorff, Legrand North and Central America
- Nominating and Awards Committee Chair: Raj Batra, Siemens Digital Industries
- Audit Committee Chair: Beth Wozniak, nVent
- Strategic Initiatives and Councils Committee Chair: Frank Kulaszewicz, Rockwell Automation
- Compensation Subcommittee Chair: John Selldorff, Legrand North and Central America

Nominated New Board Members

Tom Deitrich, President and Chief Executive Officer, Itron

Itron provides metering solutions for electric, water, and gas utilities. Its services include advanced metering infrastructure, automated meter reading, analytics, distributed energy management, distributed intelligence, distribution automation, meter data management, smart city solutions, and industrial IoT solutions.

Tom Deitrich was appointed president and chief executive officer and named to Itron's board of directors in August 2019. He joined Itron in 2015 as executive vice president and chief operating officer and has played a major role in shaping the company's strategy to partner with cities and utilities to deliver industrial IoT solutions.

Tom has more than 25 years of experience in global operations at leading technology firms and has held numerous executive management positions where he led business-level strategies that transformed and significantly improved business results. He has extensive experience in product management, research and development, supply chain management and business development in several industries, including industrial equipment, telecommunications, and semiconductors. Tom is a member of the GridWise Alliance Grid Infrastructure Advisory Council.

Before joining Itron, Tom was senior vice president and general manager for Digital Networking at Freescale Semiconductor. Prior to Freescale, Tom worked for Flextronics International, Ericsson Mobile Communications and General Electric Corporation.

Tom earned a Bachelor's degree in electrical and mechanical engineering from Widener University and Master's degree in electronics engineering from the University of Pennsylvania. He also holds an MBA from Marquette University.

Anthony Allard, Executive Vice President, United States Country Managing Director and Head of Hitachi Energy's North America business

Hitachi Energy (formerly Hitachi ABB Power Grids) offers a broad range of electrical products and systems, including communication networks, energy planning and trading, energy storage, generator circuit-breakers, grid edge solutions, high voltage switchgear and breakers, instrument transformers, SCADA and control systems, substations and related automation and protection, surge arresters, and transformers.

Before he began his current role at Hitachi Energy in November of 2020, Anthony was Chief Operating Officer of BECIS, a leading distributed energy solution provider in Singapore. Having spent most of his career in the power sector at GE and Alstom in the U.S., he held several executive-level positions, including General Manager and Board Member for GE Prolec Transformers in the U.S. He was also General Manager for the GE-XD High Voltage Products joint venture and spent 10 years working for Alstom Grid in both North America and the Americas in Strategy and Operations management roles.

Anthony holds an MBA from Yale University and a Masters in electrical engineering and telecommunications from the Institut Polytechnique de Grenoble, France.

Trevor Palmer, President, Acuity Brands Lighting and Lighting Controls

Trevor Palmer has served as President of Acuity Brands Lighting and Lighting Controls since March of 2021. He has over 27 years of experience in the building technology industry. Previously, Trevor served as the Senior Vice President of Digital Lighting Networks at Acuity and as Vice President of Products and Marketing. He also formerly served as Managing Director for Sontay Limited, a leader in providing sensing and peripheral building controls applications to promote building energy efficiency and the indoor environment.

Trevor holds an undergraduate degree in Business from St. Anne de Belle Vue in Quebec, Canada, and a degree in Essential Management Skills from the McGill Executive Institute in Montreal, Quebec.

TAB 4

MEMBERSHIP ITEMS

Debra Phillips

TAB 4.1

MEMBERSHIP ITEMS

New Members since July Board meeting

TAB 4

MEMBERSHIP ITEMS

Tab 4.1 - New Full Members Approved Since July 2021 Board Meeting

Butterfly Network, Inc.
530 Old Whitfield St
Guilford, CT 06437-3441
USA

Section Affiliation: Ultrasound Imaging

Dicom Systems, Inc.
1999 S Bascom Ave Ste 700
Campbell, CA 95008-2205
USA

Section Affiliation: Medical Imaging Informatics

JIE USA, INC.
493 Mission St
Carol Stream, IL 60188-9431
USA

Section Affiliation: Industrial Automation Control Products & Systems

Section Affiliation: Motor & Generator: Small Machine Group

Lenze Americas Corporation
630 Douglas St
Uxbridge, MA 01569
USA

Section Affiliation: Industrial Automation Control Products & Systems

Section Affiliation: Motor & Generator

Section Affiliation: Motor & Generator: Small Machine Group

TAB 4

MEMBERSHIP ITEMS

Tab 4.1 – Associate Members Approved Since July 2021 Board Meeting

Safer Buildings Coalition
950 SE Oak Ave
Roseburg, OR 97470
USA

TAB 4.2

MEMBERSHIP ITEMS

New Members Approvals

TAB 4

MEMBERSHIP ITEMS

Tab 4.2 - New Member Candidates for Approval

Presented for your approval is the following Full Memberships, the applicants have accepted and agreed to abide by the Certification of Incorporation and bylaws of NEMA as they now exist and as they may be amended.

Action Requested: Will the Board accept the staff recommendation to approve these applications for membership?

FULL MEMBERSHIP

Comtran Cable LLC
330A Turner St
Attleboro, MA 02703-7714
USA

Membership Type: Regular Membership

Section Affiliation: Fire, Life Safety, Security & Emergency Communication

Section Affiliation: Wire and Cable: Advanced Technology Wire and Cable Product Group

Qualifying Facility Location: Attleboro, MA

Year Founded: 1985

Company Size: Medium

Estimated Sales Revenue: 50.35M USD (D&B Hoovers)

Ownership Type: Private Subsidiary / Domestic

Parent & Location: Marmon Holdings, Inc. Chicago, IL

No. of Employees: 130

Description: Since being founded in 1985, Comtran has gained a solid reputation for being a customer-oriented and reliable business partner. Our highly regarded sales team is considered to be one of the most responsive, knowledgeable, and trustworthy in the industry, while our engineers are recognized for their technical expertise and innovative product development. Comtran products are proudly made in the USA.

Reason for Recruiting: Former Member that wants to be a NEMA Representative on NFPA CMP 16.

TAB 4

MEMBERSHIP ITEMS

Tab 4.2 - New Member Candidates for Approval

FULL MEMBERSHIP

Kheiron Medical Technologies Limited
2nd Floor, Stylus Building
112-116 Old St
London EC1V 9BG
United Kingdom

Membership Type: Small Company Membership
Section Affiliation: Medical Imaging Informatics Section
Qualifying Facility Location: None
Year Founded: 2016
Company Size: Small
Estimated Sales Revenue: 10M USD (D&B Hoovers.com)
Ownership Type: Private / Foreign
No. of Employees: 32

Description: At Kheiron, we believe that by combining human intelligence with the power of AI, we can help transform cancer diagnostics. Detecting cancer and tracking it accurately is challenging and time-consuming for even the most experienced radiologists. We believe artificial intelligence (AI) can help. Adding AI into imaging workflows can achieve better outcomes for patients. That's because combining radiologists' knowledge with modern machine learning can greatly improve detection efficiency and effectiveness – and ultimately, patient outcomes. It's a revolutionary AI approach to solve real-world problems. And that, in short, is what we're about.

Reason for Recruiting: Company with innovative products within AI. Company has US sales.

TAB 4

MEMBERSHIP ITEMS

Tab 4.2 - New Member Candidates for Approval

FULL MEMBERSHIP

W.L. Gore & Associates, Inc.
555 Paper Mill Rd
Newark, DE 19711-7513
USA

Membership Type: Regular Membership

Section Affiliation: Wire and Cable: Advanced Technology Wire and Cable Product Group

Qualifying Facility Location: Elkton, MD

Year Founded: 1958

Company Size: Very Large

Estimated Sales Revenue: 3.8B USD (D&B Hoovers)

Ownership Type: Private / Domestic

No. of Employees: 9.8k

Description: W. L. Gore & Associates is a global materials science company dedicated to transforming industries and improving lives. Since 1958, Gore has solved complex technical challenges in demanding environments — from outer space to the world’s highest peaks to the inner workings of the human body. With more than 11,000 Associates and a strong, team-oriented culture, Gore generates annual revenues of \$3.8 billion.

Reason for Recruiting: W.L. Gore is a manufacturer of products in the Advanced Technology Wire and Cable Space. They work with government agencies like NAVAIR and NAVSEA and can contribute to the further development of new technologies used in aerospace applications.

TAB 4.3

MEMBERSHIP ITEMS

Members Resignations since July Board meeting

TAB 4.3

MEMBERSHIP ITEMS

Resignations Since July 2021 Board Meeting

FULL MEMBERSHIP

Westgate MFG Inc.
2462 E 28th St
Vernon, CA 90058-1402
USA

Join Date: Oct 2017

Section Affiliation: Luminaire

Reason: Terminated for non-payment

Setra Systems, Inc.
159 Swanson Rd
Boxborough, MA 01719
USA

Join Date: June 2019

Section Affiliation: Electrical Submeter

Reason: Terminated for non-payment

TAB 5

PRESIDENT'S REPORT

Debra Phillips, NEMA President & CEO

TAB 5.1

PRESIDENT'S REPORT

Approval of July 14, 2021 Executive Committee Minutes

MINUTES:

NEMA Executive Committee Meeting

PLACE OF MEETING:

NEMA Headquarters, Rosslyn, Virginia

DATE AND TIME:

July 14, 2021, 1:00-4:00 p.m.

MEMBERS PRESENT:

Annette Clayton, Chair
Richard Stinson, Vice-Chair
Raj Batra, Immediate Past Chair
Jack Nehlig, Treasurer
Brian Brickhouse
Daniel Jones
John Selldorff
Scott Hanna
Beth Wozniak
Kevin Cosgriff

Schneider Electric
Southwire Company
Digital Industries, Siemens USA
Phoenix Contact
Eaton
Encore Wire
Legrand, North and Central America
Lutron
nVent
NEMA, President and CEO

MEMBERS ABSENT:

None

ALSO PRESENT:

Peter Tolsdorf
Jeff Tomitz

Dr. Donald Leavens

General Counsel and Corporate Secretary
Chief Financial Officer & Vice President, Finance
and Administration
Vice President and Chief Economist

PRESIDING OFFICER:

Annette Clayton, Chair

1. CALL TO ORDER AND AGENDA

Chair Clayton called the meeting to order, welcomed the Members to the meeting, and presented the agenda. A quorum was present.

2. TREASURER'S REPORT

Mr. Nehlig, Treasurer, presented the Treasurer's report. Collections are down slightly year-over-year at this point but are much stronger than they were two years ago, and there is no reason to be concerned. NEMA continues to save money on meeting and travel expenses. "Non-membership fee revenue" is strong, and the investment reserve fund portfolio has performed very well.

Mr. Tomitz summarized the NEMA financial performance, membership statistics, the investment report, the reserve fund status, and the proposed 2022 hourly labor rates. On the May 31, 2021 financial statements, Mr. Tomitz presented the NEMA total revenue, total expenses, net operating income, and change in net assets. Investment gains were strong in 2021. The share of affiliate income was higher than in typical years because of strong performance from the EDI platform from the Industry Data Exchange Association (IDEA)—of which NEMA is a 50 percent owner—and due to debt forgiveness from a federal loan received under the COVID-19 Paycheck Protection Program.

In the condensed statement of activity for the five-month period ending May 31, 2021, Mr. Tomitz discussed variances from budget on total revenue, total expenses, net operating income, and change in net assets. The change in net assets has been favorable by \$1,090,572 year-to-date. The condensed balance sheet shows a large increase in total assets year-over-year, due to strong portfolio performance and improved financial performance of IDEA, contributing to an increase of net assets of over \$3 million from 2020 to 2021. On the condensed statement of cash flows, Members received an invoice credit from 2020 expense savings. The delinquency rate is somewhat higher than desired but cash on hand is more than adequate.

Membership statistics show a very high Member retention rate of 98.7 percent, which is above the target rate and substantially higher than this time last year (93.2 percent). In response to a Member question, Mr. Tomitz explained that the trend for the remainder of the year looks positive for Member retention. Mr. Cosgriff noted that Member retention is 40 percent of the senior staff team's annual shared performance goal. Mr. Tomitz added that the companies that have not yet paid have been communicative with NEMA about the reasons. The 15 Member companies that have left membership have been distributed among Sections rather than being concentrated in a single Section or small group of Sections.

Mr. Tomitz then presented the investment report and reserve fund status as of May 31, 2021. Total asset allocations among the three major asset "sleeves" (equities, fixed income, and alternative investments) are consistent in aggregate with targets set by the NEMA investment policy statement. Portfolio performance has met or exceeded the three goals of the NEMA investment policy: capital preservation; outperforming the benchmark return; and outpacing inflation. NEMA now has 10 months of operating cash on hand from the reserve fund. Mr. Tomitz stated that at the present time, the replacement of NEMA's customer relationship management software represents a potential near-term need for reserve fund usage. Mr. Tomitz noted that NEMA has retained the company RSM to evaluate possible options that could be presented to the committee in November.

Representatives from The Verity Group of Oppenheimer & Co., Inc., Austin W. Verity, IV and Jay Schiff then presented to the committee. Mr. Verity and Mr. Schiff explained their history of managing the reserve fund for NEMA since 2013. They implemented the committee's

investment policy objectives of preserving capital, outperforming the relevant benchmarks, and keeping ahead of inflation. Since inception the fund has returned 7.35 percent annually, net of fees, and the benchmark index has returned 7.1 percent annually. In addition to stocks and bonds, the fund also owns alternative investments that have different performance characteristics from stocks and bonds, and which help contribute to fund performance. For example, when stocks were down drastically in early 2020, the alternative investments were slightly positive, and have performed very well since then. Asset management is active rather than passive. Managers tend to come from smaller firms with 20-30 stocks in their holdings.

In response to a Member question about how the blended benchmark is constructed and how and why it changes, Mr. Schiff explained that each fund selects the benchmark to compare themselves to. The benchmark changes only if there is a change in the manager or a change in asset allocation. Another Member then asked how often the subclasses are rebalanced. Mr. Schiff replied that rebalancing is not done at a set periodicity; rather, rebalancing has been driven by manager change and in discussions with NEMA. Asset managers are typically given 12-18 months before rebalancing is considered.

A Member asked what perspective they have gained from the past 12-14 months as they look to the future. Mr. Verity noted that inflation is a real concern. NEMA is 31 percent in bonds, which is at the lower end of the range for the NEMA investment allocation bands. The biggest risk to the portfolio is the Federal Reserve tightening monetary policy too quickly or too severely. Other risks include inflation, artificial intelligence, possible higher taxes and regulation, and how the U.S. relationship with the government of China will proceed. Mr. Verity and Mr. Schiff closed their presentation by noting that the NEMA portfolio has weathered several financial downturns and has performed very well over many years. Chair Clayton thanked them for their presentation, and they departed the meeting.

A Member noted that NEMA previously had a more conservative investment strategy. Given that the purpose of a reserve fund is to protect NEMA against a period where revenues are impaired, is now the time to sell some positions and put them in a safer asset class or use for other NEMA purposes? The committee then had a robust discussion about the reserve fund and whether to sell some of the holdings (the amount of \$2 million was discussed) and what to do with the proceeds. Ideas discussed included a new CRM system, more investment in Strategic Initiatives, investing more in our government relations and regulatory advocacy capacity, or returning money to Members in the form of lower membership fees. The group discussed the merits and challenges of the different options and ultimately concluded that a recommendation from management would be helpful. NEMA management took as an action item developing a menu of reinvestment options for the committee to consider. As directed by the committee, management will also ask Oppenheimer to liquidate \$2 million in holdings while leaving the fundamental investment strategy in place.

Mr. Tomitz then returned to his presentation, discussing the long-term cost trend (2016 to 2024, projected) of NEMA. The average rate of expense growth is projected to be only 3 percent per year from 2021 to 2024. NEMA is very efficiently staffed after downsizing over the past few years, and there may be additional significant cost savings from reducing the NEMA office space needs. The hours purchased by electrical and medical imaging Sections and other programs is expected to remain flat until 2023, at which point there is a minor projected increase due to deferred Section work. The NEMA-wide and Strategic Initiative (SI) budget trend has been downward since 2013 with only a slight increase forecast for 2022.

Mr. Tomitz then presented the proposed annual labor rate for electrical Sections for 2022 and projections for 2023 and 2024. Without the credit to members in 2021 that resulted from cost savings in 2020, the labor rate would have been in the \$180s for 2021 and 2022. The proposed labor rate for the electrical sections is \$171 in 2022. The MITA proposed labor rate is \$160 for 2022.

A motion to approve the Treasurer's Report with a 2022 hourly rate of \$171 for electrical Sections and \$160 for MITA was made, seconded, and unanimously approved. Mr. Cosgriff noted that the risk of MITA leaving has not passed, although the alignment between MITA and the electrical Sections on the right-to-repair issue has helped with cohesion. In response to a Member question, Mr. Tomitz replied that the financial impact to NEMA would be about \$1.5 million per year if MITA were to separate.

A Member raised a concern about how NEMA Members value the SIs, noting that only about half of Members view the return on investment as positive. The committee then discussed how the SIs are developed, reviewed, approved, and how the return on investment is measured. There was a suggestion the better communication of the value of the SIs to smaller members could result in more understanding of their value.

3. AUDIT COMMITTEE REPORT

Mr. Tomitz then summarized the 2020 IRS Form 990, explaining its purpose and the NEMA compliance with the form's requirements. He then discussed an RFP process for audit firms, which led the Audit Committee to conclude that the existing auditor for NEMA, Aronson LLC, continues to provide the best value. A motion to recommend Board acceptance of 990 return for filing was made, seconded, and unanimously approved. A motion to recommend Aronson LLC to the Board for the 2021 audit was made, seconded, and unanimously approved.

4. PRESIDENT'S REPORT

Mr. Cosgriff presented the winners of the 2021 NEMA and MITA awards. Mr. Donald H. Hendler, CEO of Leviton Manufacturing Company, Inc., won the 2021 Bernard H. Falk Award.

George Straniero of Atkore Inc. received one of two 2021 Kite & Key Awards. There was a tie vote for the second Kite & Key Award, which is undergoing a runoff with the Nominating Committee. Elisabeth M. George of Philips Healthcare won the 2021 MITA Röntgen Award. Robroy Industries, Inc., won the 2021 Illuminations Award for Business Innovation. The Nominating Committee approved the Electroindustry Emerging Leader Recognition Award for 2022.

Dr. Leavens then presented his economic outlook. Like a poorly-poured glass of beer, there is a lot of froth above the surface in this economy. Three economic scenarios were presented: baseline, optimistic, and pessimistic. The presentation discussed the economic characteristics to expect from each scenario. The current economic realities are shaped by massive government spending and rock bottom interest rates. The greatest risk of a recession would come from the Federal Reserve tightening monetary policy too quickly or too severely. In response to a Member question, Dr. Leavens explained that with the debt at \$28 trillion, there is a risk that higher inflation could be attractive to the federal government to reduce the real cost of the debt. Higher inflation is being felt by NEMA Member companies in the form of higher costs for labor and input materials, generally. Dr. Leavens then continued to present a variety of economic measures under the three possible economic scenarios.

In response to the data showing manufacturing job openings far outpacing hiring, several committee Members noted the difficulty in finding skilled workers and remarked on the significant wage pressures facing them during this recovery. Another Member asked to see a model for continued inflation paired with high economic growth. Mr. Cosgriff offered that analysis at the next meeting and the Member replied that an email explaining the projection would be sufficient. The committee discussed the supply constraints and inflation facing their businesses every day. In response to a Member question, Dr. Leavens explained that China is likely to be a strong and positive economic force in the near term, but there is some concern about how the tariffs will develop. Dr. Leavens then concluded his presentation.

Mr. Cosgriff stated the names of new and resigned Members.

Turning to governance items, Mr. Cosgriff presented three questions from the SCAPC Executive Committee: (1) Should the chair of the NEMA Board of Governors be eligible to simultaneously serve as chair of a Board committee; (2) should Board committee vice chair positions be filled only by sitting Board Members; and (3) should SCAPC have a standalone charter that is separate from its existing charter within the Standardization Policies and Procedures (SP&P)? On the first question, management's position is that the governance policies allow holding both positions. On the second question, management believes that each committee is in the best position to make those determinations. And on the third question, the charter requirements are already embodied in the SP&P so there is no need for a separate and standalone charter because it would duplicate what is already in the SP&P.

The committee discussed the first question and concluded that it does not see a problem with the current practice and therefore no need to recommend any action to the Board. On the second question, the committee also saw no reason to recommend a change in practice or procedure to the Board. On the third question, there was some uncertainty about what exact concern motivated this request. Mr. Cosgriff replied that NEMA would make further inquiry about the concerns animating this request.

Mr. Cosgriff then transitioned to summarizing the hybrid office transition. He recognized that Members have many employees who come to a physical location every day. Most of the NEMA work can be performed remotely most of the time, but meetings are often best done in person. For that reason, NEMA will continue to allow staff to work remotely most of the time but departments will bring in staff regularly for in-person meetings. NEMA will continue to experiment with this model in the short term and will evaluate whether and how to reduce the NEMA office space needs to save money on office space costs.

Mr. Tolsdorf then summarized a series of proposed bylaw changes for discussion and consideration, noting that all but one of the topics were thoroughly discussed and supported at the March meeting of the committee. The proposals were: setting the default voting period for letter ballots to 10 business days; removing the requirement for Board approval for extension of Product Group chair terms; limiting alternative fee allocations within Product Groups to three years and requiring Board re-approval beyond three years; removing Board approval for voluntary Member contributions to Product Groups for special projects; cleaning up internal cross-references and formatting and gender-neutral pronouns; and extending the term limit for Board officers from two years to three years. A motion was made to recommend to the Board to approve the proposed bylaw changes, which was seconded and unanimously approved.

Chair Clayton then summarized the agenda for the Board of Governors meeting.

5. EXECUTIVE SESSION

The Executive Committee held an executive session. Chair Clayton summarized the extensive work of the CEO Search Committee over the past nine months. The committee, composed of Chair Clayton and Messrs. Batra, Stinson, Selldorff, and Hanna, conducted an extensive search and interview process to identify a new President and CEO for NEMA to succeed Mr. Cosgriff upon his retirement later this year. After a thorough search and interview process, the committee unanimously selected a candidate to recommend to the Executive Committee: Debra Phillips. Chair Clayton shared her views on the value that Ms. Phillips would bring to NEMA. Others search committee members also expressed their enthusiastic support for Ms. Phillips. On a motion made, seconded, and unanimously approved, the Executive Committee voted to recommend Ms. Phillips to the Board.

6. ADJOURNMENT

Chair Clayton thanked the committee for its continued contributions to NEMA and the industry and adjourned the meeting.

Respectfully submitted,

Peter Tolsdorf, Secretary
July 30, 2021