

CEO Report
Board of Governors
2021 Winter Virtual Board Meeting

COVID-19. I begin my Winter 2021 report the same as I did last Summer's meeting, by talking about COVID-19. Specifically, the pandemic's impact on our organization, both on our individual employees, and our overall MCA operations. Even with our mandated wearing of masks in MCA facilities, frequent cleaning of facilities, positioning of hand sanitizers throughout buildings including conference rooms, bathrooms, etc., and maximizing the use of telework wherever feasible, we still had employees become sick with the virus. Even though a couple in particular became very ill, I am happy to report that all of these have since fully recovered and are back at work. We currently have one employee who is ill with the virus and he appears to be on the mend. With the vaccine rollout, there is room for optimism. That said, I believe the first half of 2021 will continue to be challenging as we move closer to normal operations.

Financial Overview. In 2020, The Marine Corps Association's financial results benefitted from resilient staff leadership, diversified operations and the CARES Act. 2020 revenue exceeded expenses by \$2 million and net assets increased to \$14.7million. Revenue from operations was \$1.75 million less than plan due almost entirely to COVID-19 impacts on retail sales, memberships and professional dinner events. This 16% operating revenue decrease forced significant changes including furloughs, hiring freezes and reduced and deferred administrative overhead expenditures. However, in April, the CARES Act provided \$827,600 in funds to help sustain workforce compensation which allowed full return of furloughed employees. Additional unplanned revenue was received in the fourth quarter when retail sales rebounded because of the launch of our new ecommerce website and the return of OCS students to Quantico, revenue from the Modern Day Marine Virtual Experience surpassed expectations yielding \$150k, corporations provided unexpected support for the modified 2020 events and committed to supporting 2021 professional dinners, and despite the uncertainty, and presidential election, the investment portfolio returned 11.48%.

Membership. Membership remains off-track and not where desired in terms of total number of MCA members. It remains a challenge due to lower than historic renewals of current members. 2020 was a tough year due to two primary challenges: First was lack of access to entry level Marines due to COVID-19 restrictions related to gatherings. There were several months where our area representatives could not even get in front of units and Marines at places like the Schools of Infantry on both coasts and NCO and Staff Academies, in order to give their professional development and membership presentations. Also, although not new to 2020, was the strict interpretation of Joint Ethics Regulations across the Corps by active duty Marine Corps leaders which continues to serve as an impediment for command endorsement of non-federal entities like MCA. We began the year just over 56,000 memberships and finished about the same place. Of this number, just over 8,000 are on "COVID Extensions" which extended

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paid memberships an additional nine months. The Professional Development Membership Awards Program, or PDMAP, got off to a decent start in 2020, albeit not yet where we want it to be in terms of numbers. Our Strategic Plan calls for a renewed effort against Membership and this is also a topic of conversation when I meet with the Commandant in the Pentagon laer this month on the 22nd.

Publisher. In the Spring of 2020, LSC Communications, our magazine printer and distributor, filed for Chapter 11 and was subsequently acquired by Atlas Holdings. These business moves have been almost totally transparent to us and printing distribution and customer service remains at our high standards consistent with out long-standing relationship.

Marine Corps Gazette and Leatherneck Magazine of the Marines. Of all the areas of MCA operations the monthly preparation and publication of our iconic magazines remains least impacted by COVID-19 related restrictions. 2020 Gazette monthly themes or focus areas highlighted our coordinated support for the Deputy Commandant's and senior leader advocacy across the Corps. This will continue during 2021 with a first-ever edition on Recruiting in the July edition. Other Gazette successes in 2020 include the Gazette blog fulfilling a need in the digital space providing a forum for potentially divisive "hot button" issues as well as new columns such as the "Maneuverist Papers" and various Force Design 2030 articles each month. The Leatherneck continued to receive rave reviews from members and readers across the globe for the ideal combination of articles of historic battles of the past together with updates on Today's Marines. Leatherneck Departments like "Sound Off" and "Sea Stories" remain very popular. We are also excited about 2021 and a renewed engagement by the Sergeant Major of the Marine Corps as well as our revival of the Leatherneck Writing Contest.

Retail Operations. Retail sales and performance in 2020 fell off notably as a result of COVID-19 impacts. Historically strong areas of retail sales such as Evening Dress uniforms in advance of Marine Corps Ball season were down as were dress uniforms sales with less overall OCS candidate throughput and lieutenant graduations. Marine students working from home drove down demand that normally comes with various Marine Corps University schools aboard Marine Corps Base Quantico. The other areas of retail including on-line ecommerce and business to business sales were close to budget and performed better than anticipated given COVID. We have worked hard to add stability to The Marine Shop staff and are pleased with the new management team now in place. For 2021, we hope to see improvement in retail sales as foot traffic in our stores returns to normal and students return to various schools. On the ecommerce side, we predict that sales will continue to grow with the continued popularity of our newly designed website together with more aggressive and targeted marketing and advertising and increased emphasis on search engine optimization.

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Strategic Plan Development. We have completed the final draft of our Strategic Plan and I want to thank all board members for your review, comments and recommendations. Without question, the strategic plan is a better document with your assistance and input. The new strategic plan includes a revised vision and mission statement and nine goals and supporting objectives which cover the entire MCA organization. The plan is forward looking, aggressive, and lays out a roadmap for the next five years. It is closely aligned with the 2021 budget and includes guidance for periodic assessments and status reports to include during board meetings such as this. Finally, it is in line with where we believe the Commandant and the Marine Corps is going in the future which we believe is vitally important. There will be more time to talk about it during board meeting discussions.

Events. The Events Team worked hard to produce events in the COVID-19 environment which included providing every guest with hand sanitizer and KN-95 masks at our contactless registration tables. Individual event programs and commemorative coins were also packed in the registration packs for the attendees to pick up as they arrived. With the exception of the Acquisition Awards, all 45 of the premier award presentations were made in-person with audiences ranging from 25-100. These included the Wounded Warrior Leadership Awards, Ammo Tech Awards, Ground Awards, Information Awards, and the Logistics Awards. The Commandant's support of these rescheduled events, both through his presence as guest speaker and his guidance to his senior leadership, was outstanding and without which there would have been zero events in 2020.

Corporate Sponsorship. Of our total 166 industry/corporate sponsors in 2019, we missed having 55 of them support our 2020 events either because we did not have space at the reduced attendance functions, or we didn't host the event at all. There were an additional 16 who paid in 2020 and deferred their seats to 2021 and we maintained them at 2019 level of sponsorship. We did gain 9 new sponsors in 2020! We were also able to host our inaugural "Annual Meeting" in support of what we hope is our future National Military Association designation. General Berger was our guest of honor at the 22 September Annual Meeting in Alexandria VA and we plan to host our 2nd Annual Meeting this September aboard Marine Corps Base Quantico on the front end of the Modern Day Marine Expo. We will work to have the Commandant again be our guest and speaker at this event. For 2021, our first scheduled event is the Ground Awards Dinner in May.

Modern Day Marine. As you know we entered into a Teaming Agreement with the Marine Corps League (MCL). Together, we are equal co-sponsors of the Marine Expo Series and Modern Day Marine. The MCL and MCA also entered into a contract with Emerald Expositions (EX) through 2022. We now have the most official commitment to date from CMC and HQMC

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regarding the future of the Expos series and MDM in particular. The Corps intends to continue to use the expo as a platform to educate important audiences concerning Marine programs, and to allow exhibitors to demonstrate their wares and services to the Marine audience. Headquarters, Marine Corps believes the event mutually benefits the Marine Corps, the sponsors, i.e., the Association and the League, and those visiting to inform themselves concerning Marine Corps programs and opportunities.” Even in the COVID environment we developed and executed a Virtual Modern Day Marine Expo in 2020 that exceeded all expectatins. We felt that this was critically important to demonstrate the significant value of MCA’s addition to this relationship. Participation by the Commandant, his Deputy Commandants and other senior Marine and civilian leadership was greater than it had been in any previous Modern Day Marine Expo which demonstated his commitment to the future. For 2021 the Expo is scheduled to be held aboard MCB Quantico in September. For 2022 together with the Marine Corps, we will completely shift both time and place to meet the Marine Corps vision for the event in May at the Washington Convention Center.

Relationships and Partnerships. Relationships with our sister service professional associations including AUSA, AFA, USNI and Navy League continue to get stronger and will be particularly important this year as we ramp up efforts to build our knowledge base related to the conduct of expositions. My counterparts at these organizations have already offered to share their lessons learned and recommendations.

Outlook. In closing, although their still remains much uncertainty this year due to continued fallout from COVID-19, we believe the worst is behind us. It is my personal belief that MCA’s longer-term, strategic picture shows considerable promise and opportunity for financial stability, growth, strengthened relationships with HQMC and other organizations and most importantly, support to more Marines and other Friends of the Corps. This is on the backs of our amazingly talented and dedicated MCA&F team and supportive board members.

Semper Fidelis,

William M. Faulkner
LtGen USMC (Ret)
President & CEO MCA

Motion: That the CEO Report be accepted as written and presented.

Approved: _____ Date: _____

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