

REPORT OF THE TREASURER

For the last several years the financial report for MLPA has been one of continuous growth in revenue. We are in different times, however, and growth slowed last year. This year's report to date shows revenue declining somewhat from its 2015 peak, and we will need to monitor expenditures accordingly.

Over the course of 2015 MLPA continued to grow financially, although the growth rate was not as rapid as in the previous year or two. Association income increased by 8% from 2014 to 2015, compared to 11% between 2013 and 2014 and 15% between 2012 and 2013. This year, however, income through August 31, (and most of our income is concentrated in the first half of the year), is 8% less than at the same time last year. Total income for 2015 was \$2.72 million, compared with \$2.51 million for 2014. 2016 income through August 31 is \$2.47 million, compared with 2.69 million through third quarter 2014.

In past years, growth in revenue has come partly from an increase in membership and partly from the MLP Investor Conference. Recently, however growth in dues income has slowed considerably, if not halted altogether. Dues income increased by 15% from 2013 to 2014; for 2015 it rose only 3.6% over the 2014 total. Dues income through August 31 was only about \$1,000 (0.06%) higher than at this time last year, and some of the dues shown as receivable will not be collected. Total membership is now 155 companies, compared with 167 at this time in 2015; we have added seven new members and lost 19. That dues income this year is projected to be about the same as last year's despite the membership drop is due to the fact that last year's new members are paying the full dues rate rather than the discounted member rate

In past years the broad popularity of the MLP Investor Conference, combined with the growing number of MLPs wishing to participate and increases in sponsorship, has fueled ongoing growth in revenue from this event, in terms of both gross revenue and net income after expenses. Investor Conference revenue grew by 6% from 2013 to 2014, and by 17% from 2014 to 2015. This year, with fewer MLPs participating, a drop in sponsorships, and lower attendance, revenue dropped by 23% from last year's. Anticipating this, the event planners worked to cut expenses (which also peaked in 2015) and succeeded in reducing them by 24%. The conference still earned a profit, but it was 23% less than last year's. Because participation is also lower for the Annual Meeting this year, we expect total conference income for 2016 to be substantially lower than for 2015.

Between 2014 and 2015, total Association expenditures increased by 35%, from 1.9 million to \$2.5 million, as it was an extraordinarily active year in which we retained for the first time a Director of Federal Affairs, responded exhaustively to the proposed regulations under section 7704(d)(1)(E) and to the partnership audit legislation on Capitol Hill, and underwent a rebranding. Income was sufficient to accommodate this growth, however, and the Association ended 2015 with a surplus of \$180,469. We entered 2016 with a strong balance sheet, with \$3.2 million in the bank and few liabilities.

Expenditures through August 31, 2016 are \$1.5 million, which is a little less than 2015 expenditures during the same period and are on track with projections for this point in the year. If expenditures stay on track for the rest of 2016, we should stay within the projected \$2.5 million for the full year.

As noted earlier, however, revenue for the first two-thirds of 2016 is 8% below the revenue at this point in 2015, and 9% lower than the level projected for the full year 2016. Moreover, at least \$11,667¹ (representing dues from companies that have declined to renew since August 31) and possibly as much as \$55,667 of the dues still owed on August 31 will not be collected. Conference income is also below projections. It is possible that MLPA's income will not rise to the level of expenditures this year and we will incur our first deficit since 2001. We will monitor spending carefully for the remainder of the year in an effort to keep the year in the black. The funds built up over several years' worth of surpluses, however, will provide a cushion if that is not possible.

The Association's balance sheet as of August 31 remains strong, with cash on hand of \$3.9 million. As noted, we do not expect to collect all of the \$116,667 in receivables shown as of that date, but we have received \$11,000 since August 31 and anticipate receiving at least half of the rest. Total assets are similar to this time last year, about 4 million.

In sum, the Association, like many of its members, is feeling the effect of the changes in the MLP markets. Even if expenditures exceed income, we are currently sufficiently covered by our cash reserves. In this period of unstable markets, low oil prices, and consolidation, however, we may not be able to count on the kind of membership growth that has sustained us in past years and should keep this in mind when planning expenditures for the remainder of 2016 and beyond.

¹ This represents dues of two companies that confirmed after August 31 that they are not renewing their membership.

MLPA Income and Expense





