

NATIONAL ASSOCIATION FOR THE EXCHANGE OF INDUSTRIAL RESOURCES, INC.

Annual report For the fiscal year ending June 30, 2018

NAEIR's Mission

NAEIR's mission is to provide needed materials and supplies to our members (qualified schools and nonprofit organizations) through quality donations of inventory from American corporations. We will strive for mutually beneficial relationships with our customers, employees, suppliers and the community in a spirit of honesty, fairness, and integrity. We will look to perpetuate our existence by developing creative solutions to problems that will ultimately enhance those we serve.

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NAEIR's Purpose: NAEIR solicits donations of excess inventory from corporations throughout the United States. This merchandise is then re-distributed to qualified schools, churches, and 501(c)(3) nonprofit organizations that are members of NAEIR.

NAEIR's Program: NAEIR has one primary program service, the distribution of donated inventory to teachers, schools, churches, and 501(c)(3) nonprofit organizations.

NAEIR actively solicits donations of excess inventory from companies throughout the United States. Regular C corporations are entitled to an above-cost federal income tax deduction for the in-kind donations made to NAEIR. Companies will also donate products to NAEIR to clear out warehouse space, avoid having to deal with liquidators, to assure that their excess merchandise will be distributed to a closed market, or to fulfill philanthropic goals.

After the merchandise is received by NAEIR it is sorted, cataloged, and made available to NAEIR members through a wide variety of distribution channels.

There are several options for participation available to schools, teachers, churches and nonprofit organizations that become NAEIR members. The Premier Membership offers a twelve month and ten month option. Participants in the Premier Membership program have access to merchandise offers through Big Book Catalogs (five per year), Best Values Catalogs (twelve per year), Special Offer Catalogs (six per year), and Clearance Catalogs (six per year). Members can request products offered through NAEIR catalogs either by submitting request forms or using our on-line requesting site. In addition to the catalogs, members can also request merchandise from NAEIR Express, Deal of the Day, and Overstock – which are on-line only options.

Participants in the Basic Membership program have access to the same merchandise offers as the Premier members with the exception of the Big Book Catalogs. In addition to our Premier and Basic memberships, NAEIR also provides a Teacher's Program membership. Members of the Teacher's Program have access to the same merchandise as Basic members with the exception of merchandise offered through NAEIR Express – the primary difference being the Teacher's Program is an on-line only membership. No catalogs are sent to teachers and payment is required by credit card.

The merchandise requests are entered into NAEIR's system, and the product donations are processed, packed, and shipped to members.

After paying a membership fee to participate in the program (Premier Members \$595 for the full year program, \$495 for the ten month program; Basic Members \$59 annually (first year is

free); Teacher's Program is free), organizations pay nominal handling charges for the products – the merchandise itself is free. All merchandise distribution channels are offered with free shipping, with the exceptions of the Big Book and NAEIR Express.

NAEIR's Achievements during Fiscal 2018: Inventory donations for fiscal 2018 totaled \$99,582,998 (estimated wholesale value). This was a 20.1% improvement over the prior fiscal year and the largest donation year in recent memory. We continued with our practice started several years ago, to carefully screen the donation proposals in order to make maximum use of the space available in the NAEIR warehouse.

During fiscal year 2018, NAEIR distributed \$105,325,742 (estimated wholesale value) of products to member schools, teachers, churches, and nonprofit organizations, where the merchandise was used to assist the ill, the needy, and minors. This was a 28.7% increase over fiscal year 2017. For fiscal 2018, NAEIR's program services expense as a percentage of overall expenses was 97.7%.

Fiscal 2018 was a year of growth. The amount of product donations received increased substantially, the amount of products distributed to NAEIR's membership based increased, the number of members participating in NAEIR grew from 62,768 at the beginning of the fiscal year to 110,236 by the end of the fiscal year – much of this growth generated from participants in the Teacher's Program membership.

The organization continued to focus on the NAEIR Shopping Site, as our members have determined this to be the preferred method of requesting product donations from the organization. We also continued applying a consistent approach to offering donations as they are processed through NAEIR's system: Best Values Offers (first time product offers), Special Offers (merchandise that is considered to be in high demand by members), Clearance Offers (items that are available in large quantities being offered for very low handling charges), \$1-\$2-\$3 Overstock section (items available for handling of just \$1, \$2 or \$3); Deal of the Day (new items with relatively low quantities – plus Deal of the Day is used for specific promotions), Express (high-ticket and product by the pallet merchandise) and Educational Supplies (classroom supplies and products that are of particular interest to our school and Teacher's Program members).

We also continued to build upon the success of our email campaigns from prior years – always emphasizing the benefits of product philanthropy – and attempting to make membership in NAEIR fun, interesting, and exciting for our members. Emails during fiscal 2018 were sent to members on a basis of two and often three emails per day. Why we are mindful that this is *a lot of email activity*, based on members' comments, they seem to genuinely understand that our goal is to make the membership aware of the ever changing products that we are receiving and

trying to move to our members where the merchandise can be used in the operations of their organizations or given to those that they serve.

During fiscal 2017 we started a Facebook Group – Teacher Supplies Next to Nothing – and continued to grow and develop this group throughout fiscal 2018. The group provides a forum for NAEIR Teacher’s Program members, as well as other teachers, to discuss how they use classroom supplies to enhance their teaching methods. Many of the suggestions are very creative. The Facebook Group now has over 58,000 members and is considered to be a very active group with hundreds of Posts each week and thousands of Comments and Likes.

Fiscal 2018 resulted in donations at record levels, the number of active members being served at the end of the fiscal year was in excess of 100,000, and the amount of activity NAEIR achieved through our product distribution program was at record levels. We hope to be able continue and maintain our philosophy of managed growth and improvement to secure a future that will allow NAEIR to provide a real and meaningful benefit to our members: schools, teachers, churches, and nonprofit organizations involved with the care of the ill, the needy, and children; with our overriding goal being to Empower Generosity for members, while providing what we envision as product philanthropy at its best.

Eligibility to receive deductible contributions: Attached is a copy of the 501(c)(3) determination letter issued by the Internal Revenue Service with regard to the National Association for the Exchange of Industrial Resources, Inc. Through this letter NAEIR has been designated as exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954. Paragraph three states that contributions made to NAEIR are deductible by donors in computing their taxable income in the manner and to the extent provided in Section 170 of the Internal Revenue Code.

Governing Body as of June 30, 2018

Board of Directors

Marvin H Dahlberg	Chairman of the Board First Bank Retired Regional President
Mary S Austin	Treasurer/Board Member NAEIR Retired Membership Supervisor

Governing Body as of June 30, 2018 (continued)

Robert B Clark	Board Member NAEIR Retired Director of Human Resources
Bruce Polay	Board Member Artistic Director/Conductor of the Knox-Galesburg Symphony Director of Music Knox College
Gary C Smith	Board Member NAEIR President/Chief Executive Officer
<i>John J Hattery</i>	<i>Chairman of the Board Emeritus Board Secretary Retired attorney</i>
<i>Jerry R McCoy</i>	<i>Board Member Emeritus Attorney at Law</i>

NAEIR's management structure consists of the president and two vice presidents, which serve as functional leaders for the various areas of NAEIR.

Gary C Smith	President/Chief Executive Officer
Paula R DeJaynes	Vice President/Corporate Relations
Robert B Gilstrap	Vice President/Chief Financial Officer Assistant Secretary/Assistant Treasurer

Financial Information

Please click on the following link for financial information:

<http://www.naeir.org/about/financial-information/>