

NATIONAL ASSOCIATION FOR THE EXCHANGE OF INDUSTRIAL RESOURCES, INC.

Annual report For the fiscal year ending June 30, 2021

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), 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 New at NAEIR, 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 and processing fees when requesting products through NAEIR – the merchandise itself is free. All merchandise distribution channels are offered with free shipping, with the exceptions of Big Book and NAEIR Express.

NAEIR's Achievements during Fiscal 2021: Inventory donations for fiscal 2021 totaled \$86,620,498 (estimated wholesale value). Which was an almost \$14 million increase over donations receiving during fiscal year 2020. During fiscal year 2021, we continued with our practice started several years ago, to carefully screen the donation proposals to make maximum use of the space available in the NAEIR warehouse.

During fiscal year 2021, NAEIR distributed \$93,889,380 (estimated wholesale value) worth 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 \$12.5 million decrease from fiscal year 2020 – possibly due to the impact of the Covid-19 pandemic. For fiscal 2021, NAEIR's program services expense expressed as a percentage of overall expenses was 96.7%.

As far as the product distribution program, very little changed between fiscal 2021 and fiscal 2020, we 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: New at NAEIR 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), Overstock section (items available for low as we can go handling charges); 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).

Throughout fiscal year 2021 we used an aggressive email campaign process. Because of NAEIR's ever changing receipt of product donations, we have found that the best way to make our membership aware of the merchandise available is through emails. The emails change from week to week, as well as throughout the week, highlighting the product donations that have been processed and are being made available to our members. Monthly Promotions Schedules are developed attempting to provide communication of new donations being received as well as re-introducing products on hand.

At the end of fiscal 2021, NAEIR had a total of 90,158 active members participating in our product philanthropy program (we consider an active member to be a member that has used the program within the past two years – any member that has not used NAEIR within the past

two years is considered cancelled or inactive). NAEIR started the fiscal year with 87,561 active members. During the fiscal year, the net gain in members was approximately 2,600 members or a 3% increase. At the end of fiscal 2021, NAEIR had 348 members enrolled in the Premier program, 9,819 Basic members and 79,991 Teacher's Program members.

The primary capital improvement projects that were conducted during fiscal 2021 included continued roof replacement, updating our internal computer networking compatibilities and upgrading our computer servers, which host our Internet Shopping Site. The site now runs much more efficiently for our members – we are no longer experiencing the overloads that existed in the past.

Our Teacher's Program Facebook Group – Teacher Supplies Next to Nothing – continued to grow and we now have over 74,000 members. This group provides yet another opportunity for NAEIR to communicate with its members regarding product donations that are available; plus it allows members to share how they are using products received through NAEIR; which is beneficial both to our members, as well as our donors and potential donors.

We will continue with our 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 regarding 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, 2021

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, 2021 (continued)

Robert B Clark	Board Member NAEIR Retired Director of Human Resources
Bruce Polay	Board Member Knox College Retired Artistic Director/Conductor of the Knox-Galesburg Symphony Retired Director of Music
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/>