Minnesota Technology Association
CEO Report

Board of Directors Meeting
September 22, 2023

As we approach the end of the third quarter of 2023, I find myself looking back with pride in what our small team has accomplished in terms of programmatic and event execution, yet also filled with disappointment in what we've not been able to achieve in the form of new membership growth. While we set an ambitious goal for the year and market headwinds have clearly played a role in our missing our mark, I regret not having driven harder with potential new members earlier in the year as the opportunity to impact 2023 revenue goals in the final quarter is more limited. That said, new memberships starting in Q4 have a significant impact for 2024 and we will be driving that hard in the coming months.

Net income for the eight months ended August 31st was $113K versus a plan of $144K, a $31K shortfall. Without the net $80K benefit from the Employee Retention Credit program we received this summer, the variance would have been much worse, almost entirely due to the $134K negative variance in membership revenue to date. I'll cover what we're doing to close this gap in the next section. Events, SciTech, and overall expenses are otherwise mostly tracking to plan.

Looking ahead to 2024, we believe there is a tremendous opportunity to diversify our revenue streams through increased grant funding, thus reducing our reliance on membership dues and event margins to fund program growth. There are a number of grant opportunities tied to tech workforce training and development we are pursuing and look forward to discussing the relative merits of doing so with the board on Friday.

In the pages that follow, we have summarized the status of key initiatives and MnTech programming ahead of Friday's board meeting. We look forward to addressing any questions or concerns you may have at that time.

1. MEMBERSHIP UPDATE

As you will see in the accompanying financial statements, we continue to track well below plan in membership revenue through the first eight months of the year, booking $552,366 of revenue against a budget of $686,332, a negative variance of $133,966. This is evenly split between shortfalls in renewal income ($67K) and new membership revenue ($67K).

Today, we have 182 member companies listed on our web site. We've welcomed 29 new member companies in 2023, but have also had 13 choose not to renew their MnTech membership for a variety of reasons, with the most common being financial austerity mandates requiring reduction of non-essential expenditures and perceived lack of ROI on the membership investment. A listing of all new and non-renewing companies is included at the end of this report.

Renewal Income

Member retention has proven to be more challenging this year than anticipated. Not only have we seen a number of large companies choose not to renew in 2023, payments for many of those that have renewed are coming in later than expected, resulting in the $67K negative variance through August mentioned above.

We currently project ending the year with $550K of renewal income versus our budget of $576K, a shortfall of $26K (4.5%). The detailed analysis is included as Addendum A to this report, but here are the highlights.

- We have already booked $494K of membership renewals through August, which is 86% of the annual plan.
- There are 9 companies that have either paid in recent weeks or have committed to renewing that comprise another $31K of renewal income.
- We have identified 12 outstanding renewals as likely to pay, but have discounted the total renewal income ($20K) by 50% in our forecast resulting in an additional $10K
- In the final four months of the year (Sept – Dec), there are just $17K in renewals of which we budget to receive $15K (using historical 12% attrition rate).
- Adding this up, we get to the $550K renewal revenue forecast mentioned above.

Our biggest opportunities are tied to four member companies – Starkey, Toro, Genesis10, and Seagate. Currently, we have Starkey, Toro, and Genesis10 listed in the "Likely" column with their revenue potential discounted at 50%. If they renew as hoped, this would provide an additional $7K for this year. We have not included Seagate in our forecast due to stated financial challenges impacting their ability to renew, but we have offered incentives that will hopefully result in a changed outcome. Seagate could add an additional $6K to renewal revenue for the year.

There are clearly a lot of assumptions here, but I wanted to share that despite our current renewal shortfall, there is a path forward that doesn't look so grim. We will keep you posted on collection efforts.

New Member Revenue

Revenue recognized from new memberships was $58,550 through August 31 versus a budget of $125,834 - a significant shortfall from plan. While we have added 28 new member companies since the beginning of the year, these have been mostly smaller organizations with similarly smaller membership levels.

We have invoiced Horizontal ($10K) and Health Partners ($4K) for new memberships and based on recent conversations, expect Meta ($12.5K) and Fredrikson ($4K) to join starting in October as well. Promising conversations have been held with Data Recognition Corp, ECMC, Abbott, Polar Semiconductor, and SkyWater Technologies, and we hope to convert these into new memberships in the coming months.

We've also had the CIOs of seven companies tell us that they will be including MnTech membership in their 2024 budgets. While not helping with 2023 revenue, this could add $60K to our 2024 budget if memberships start in January for Agiliti Health, Digital River, Tennant, Tactile Medical, Red Wing Shoe, Taft Law, and the MN Airports Commission. For enterprises that

were not able to join in 2023 due to financial constraints, we will continue to encourage them to include MnTech membership in their 2024 budgets.

In addition to our continued targeted outreach to large Minnesota companies that are not currently MnTech members, we are preparing to launch a new **"Connect to MnTech"** initiative that we hope will result in at least $20K in new memberships before the end of the year. Target audiences are individuals who are attending our events (e.g. Tech on Tap) and/or engaging with our communications (e.g. TECHtuesday) but whose companies are not MnTech members. We will be hosting quarterly Connect to MnTech virtual events starting in October to share more about what we do, why we do it, and benefits of membership.

And finally, we are preparing a membership survey as a means for gathering feedback, understanding member needs, and identifying areas for improvement so that we can maintain member satisfaction and optimize our member value proposition. We plan to then follow up with targeted interviews with key members to get more nuanced feedback on specific issues as we build our 2024 operating plan.

OUR KEY PILLARS

As has been our practice, program updates are aligned with our foundational pillars of Advocacy, Talent, and Community. The following is a brief update on each of these areas and look forward to addressing any questions or concerns you may have on Friday.

A. ADVOCACY

Since the Minnesota Legislature adjourned on May 22nd, there hasn't been a lot of activity on the policy front as we absorb the ramifications of the $72 billion budget that was passed for the next biennium (a nearly 40% increase from the previous state budget). This includes funding for new workforce initiatives which we will address in the next section and cover in some detail at Friday's meeting.

While the upcoming 2024 session is considered an "off-year" (Minnesota passes budgets for a two-year cycle beginning on July 1 of each odd-numbered year), these budgets can be modified in the off-year legislative session. To this end, our CSforALL consortium is now meeting weekly to plan for how we can best secure additional funding for expansion of computer science education opportunities beyond the relatively modest $500K earmark approved in May.

Certain lawmakers have already begun crafting proposed legislation that could impact our tech community. This includes policies that would restrict and limit applications of artificial intelligence, drive tighter regulation over data privacy and use of social media algorithms, and even rollback the tax exemptions that have helped finance the construction of data centers in our state. We wish to get ahead of these issues by convening (and expanding) our policy committee now so that we can more effectively educate and influence lawmakers on the unintended consequences of poorly crafted and misguided legislation. More to come on this in the coming weeks.

B. TALENT

As highlighted in this just-released report from Lightcast and the MN Business Partnership titled [Minnesota's Vanishing Workforce](#), Minnesota faces a number of demographic challenges that will impact our ability to fill the jobs necessary to sustain and grow our economy. Developing Minnesota's future pool of digitally-skilled, employment-ready workers is not only critical to the future success of Minnesota's innovation economy, it is a key priority for the Minnesota Technology Association and where we can add real value for our member companies and drive significant impact for the state. This means going beyond just being a trusted convenor and unifying voice for tech-enabled companies in Minnesota and increasingly becoming a developer and operator of programmatic solutions as well.

It is this conversation we wish to have with the board as we look to widen our aperture in terms of focus and programming related to tech workforce development. Joel Crandall and I will share our initial thoughts in this regard and discuss opportunities to launch new talent initiatives with the support of available grant funding. We look forward to your insights and perspectives as to what this might entail as we make critical decisions as to resource allocations for the coming year.

In terms of talent updates, we are using the graphic Joel shared in the last board report highlighting where the work of MnTech currently aligns across the tech talent development spectrum as a guide for his updates below.
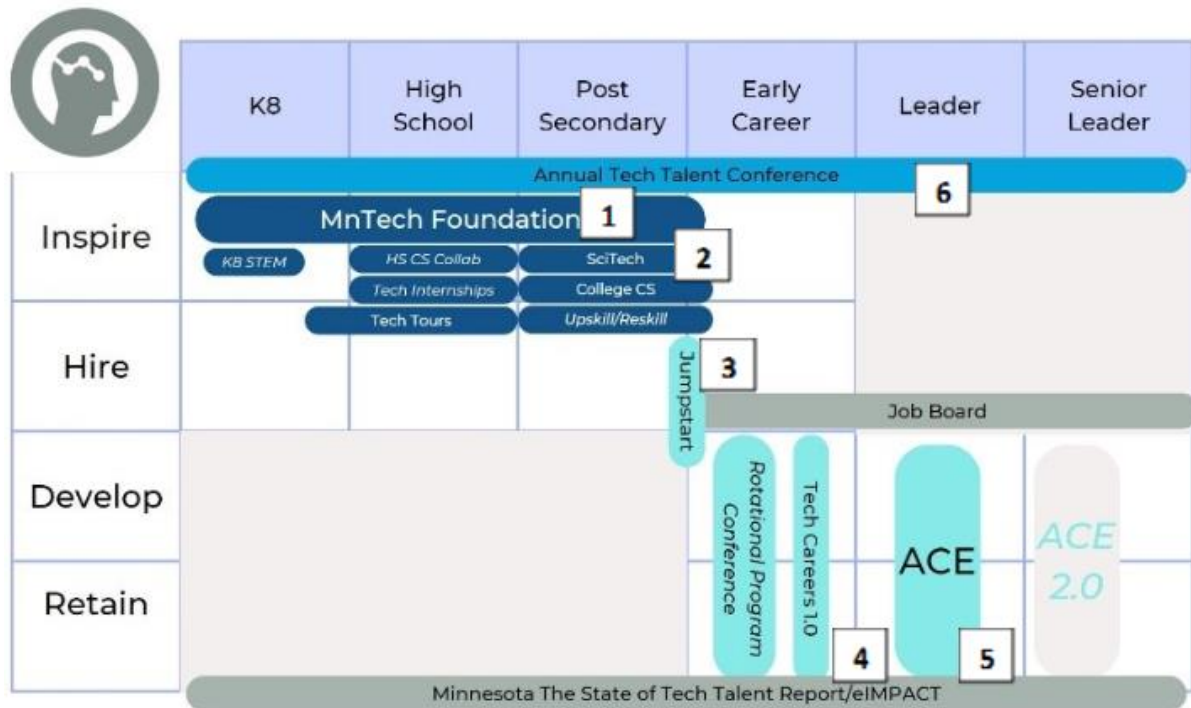
1. **MnTech Foundaton**

The Foundation is accelerating its work to serve as a backbone convener for our community in tech talent development. Leveraging our unique relationships and credibility with educational

institutions, nonprofits, business, and civic leaders, we have identified a few early investments that the Foundation board will be evaluating at a board retreat in a few weeks.

- Aspirations in Computing: Preparations are underway for Aspirations in Computing to become a program of the MnTech Foundation. Aspirations has recognized over 1,000 girls and nonbinary high school students over the last 12 years as they pursue careers in technology. Ismail Ali is serving as project manager for this transition.

- Apprenticeships: Due diligence research into funding and viability regarding a shared apprenticeship approach have started. Verizon, Best Buy Social Impact, and the Minnesota Department of Employment and Economic Development are potential partners in this area of focus and we will share more about this on Friday.

- InspireTech: MnTech continues to plan and support technology tours, panels, and learning experiences for students. On October 9th, Salesforce will be training Career and Technical Education students in Minneapolis on app development.

2. **SciTech Internship Program**

The 2023 program year is now complete with a final total of 240 interns placed, surpassing our goal of 200 internships. This brings the total number of students placed to 2,939 over the last 11 years. 28% of the interns hired were women and 29% of the interns hired are students-of-color. The average wage paid to interns is $20.47/hour.

Of the 161 students who applied this quarter, 71% were students of color and 36% were women and nonbinary students.

SciTech is pleased to welcome our new Student Outreach Manager, Ama Asantewaa, to the team. Now three weeks into the job, Ama is quickly familiarizing herself with our system and has already attended her first career fair. She has a full recruiting schedule lined up for the fall, with 10 career fairs over the next two months and a handful of on-campus info sessions and career development workshops.

Piper Cleaveland, SciTech's Program Director, has begun implementing her new company recruitment strategy to build our pool of employers and the number of jobs posted on our site. With our new goal of placing 325 students this year and next, we are advocating for more part-time opportunities in the fall, winter and spring, to better round out the year and more easily reach our placement numbers.

3. **Jumpstart**

MnTech's Jumpstart initiative supports boot camp students and recent graduates in their efforts to join Minnesota's tech workforce by providing career coaching, group mentoring, and professional networking opportunities every quarter.

Q2 Results: 86 attendees, most of them bootcamp students or graduates, received coaching on LinkedIn at an event hosted by SPS Commerce. Additionally, many attendees took advantage of the professional headshots offered and actively engaged in networking.

Q3 Event: Turnberry Solutions is hosting our final event of the year on October 17th with a focus on the Unwritten Rules of Networking.

Ask: If you know recruiters that are looking to speak with talent from bootcamps, or recent bootcamp completers that are looking for ways to connect and give back to others, please connect with Ismail Ali.

4. **Tech Careers 1.0**

Tech Careers 1.0 hosts quarterly gatherings for early-career professionals working in the technology sector. Target hosted our June event with more than 130 attendees discussing the power of mentorship. Building on the initial success of our Q1 event at Xcel Energy, our Q2 event was held in June at Target Commons with an energetic and diverse crowd of 137 attendees. The topic was "Reaching New Heights: Empowering Your Career with Mentorship" and featured Maria Vittone along with a facilitated panel of mentors and mentees. Special shout-out to Thomson Reuters for underwriting the cost of Tech Careers 1.0 this year.

Ask: If you have resource or affinity groups focused on early tech talent, or career development professionals that have this as a focus, please connect with us so we can include your teams in future events. We are also looking for host locations for Q3 and Q4 gatherings.

5. **ACE Leadership Program**

We kicked off our second ACE cohort for 2023 last week at Padilla with an energetic group of 27 leaders. Thanks to those board members that have invested in developing their future leaders through ACE and for volunteering to coach or speak. While the total revenue generated through ACE was slightly less than what we had budgeted ($187K versus $210K), we still hope to finish the year on plan in terms of net margin.

The ACE program emphasizes awareness of different leadership styles, expands leaders' knowledge of the MN tech ecosystem, deepens core leadership competencies, expands participants' network, and more. Companies demonstrate a clear investment in their employees' development, while giving emerging leaders the tools they need to produce stronger outcomes and effectively lead within their teams.

Ask: Please consider recognizing rising stars in your organizations by honoring them with a nomination for selection into the ACE Leadership Program Spring 2024 cohort. More information is available on our website—and interested leaders or participants can contact Joel Crandall.

6. **Tech Talent Conference**

MnTech's annual Tech Talent Conference is returning on October 27th and will be held at Best Buy headquarters. The theme for this year is "***Eye on the Ball: Equitable, End-to-End, Tech Talent Development***" and we have described the basis for the theme as follows:

The tech talent outlook in 2023 has radically shifted. Hiring that was 'off the charts' is now the slowest in 5 years. Employees who were leaving in record numbers are now staying. AI continues to impact every element of the hiring process. Amid these changes, investments in nontraditional talent strategies slowed. Equity investments in new hires and talent development strategies reduced. And education struggled to keep pace training talent prepared to work in the modern workforce. During the din and disruption of 2023, focus on our shared future is required. Eye on the ball. Equitable, end-to-end, tech talent development. Tech Talent 2023.

The morning will kick-off with general sessions and speakers providing insights related to Minnesota's tech workforce challenges with 12 breakout sessions across four separate tracks to follow. A more detailed agenda with speaker information is being released in the coming days.

MnTech has also received a grant to host the EPICMn (Expanding Pathways in Computing Minnesota) conference in conjunction with Tech Talent. This will bring educators, administrators and education leaders into the room to discuss this important topic and share ideas for the statewide CS plan.

Ask: Please encourage HR, talent development, and hiring leaders within your organization to register and contribute to this important event.

C. COMMUNITY

The following is a summary of key outcomes since our last board report and changes or improvements being made by Molly in the execution of our community events and programming. You will see intentional shifts in our approach to marketing and promoting our

events to better focus on our members and ensure an appropriate ratio of vendors to practitioners. This is only possible when we have the data from which we can segment our marketing efforts and we are pleased to report that we continue to make great progress on that front, with the official completion of our Pardot / Salesforce integration and efforts to optimize the use of our new tools.
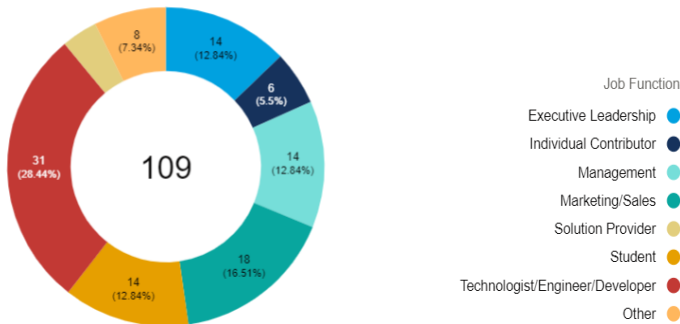
Tech On Tap

We shifted our marketing approach to accomplish our goal of ensuring we had an appropriate ratio of vendors to practitioners, and to continue to host more of our MnTech members. Tactics included charging a nominal fee for non-members, inviting members first via direct email marketing to key member accounts prior to a general announcement/open registration to all via Tech Tuesday newsletter.

We also changed our registration form to now require "job function" so that we can more accurately see who is attending based on role, and allow us to evaluate if we are achieving our audience target goals of this event:

- Goal: less than 25% Marketing/Sales, Actual: 16%
- Goal: 25% or more Management and Executive, Actual: 25%
- Goal: 70% or more Members, Actual: 62%

This data has not been tracked historically so we cannot accurately say what has improved, but we will be able to do so after the baseline of our September event, as established in the charts below.

September Tech on Tap – By Role Type

September Tech on Tap – By Membership Status
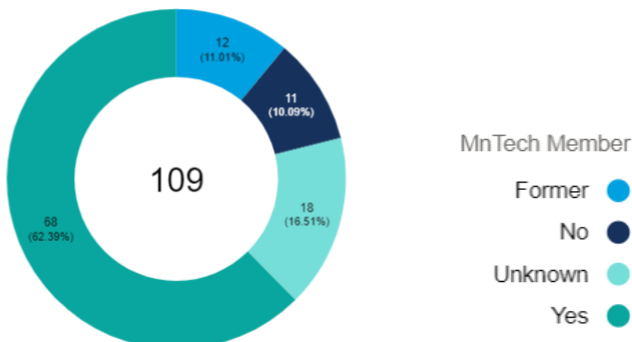
We continue to see strong interest in our Tech on Tap events, as evidenced by the 109 individuals who attended the September 7th gathering at Dual Citizen Brewing Company in St. Paul, our largest turnout to date despite charging non-members to attend. We have reached a level where will increasingly need to close registration to ensure we do not exceed event location capacity, a good problem to have. Next year, we plan to host Tech on Tap every month as the demand is clearly there.

Women Leading in Technology (WLiT)

Our annual summer happy hour on August 15th was a great networking event drawing 158 attendees and strong sponsor support. As you can see in the table to the right, attendance for the quarterly WLiT events is up 18% compared to last year.
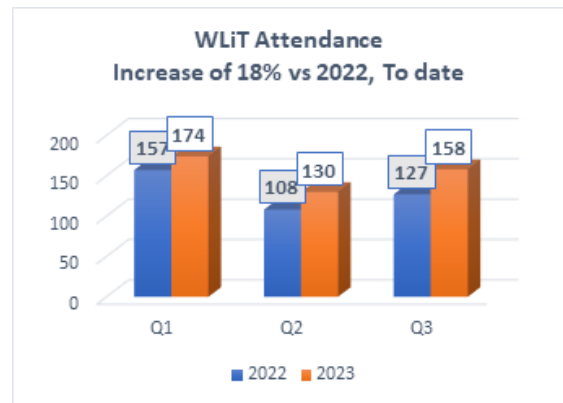
As with Tech on Tap, we are leveraging our marketing tools to more intentionally target our audience and ensure a greater mix of executive leaders, practitioners, and vendor partners. We are working with Turnberry Solutions (pro-bono) to improve the social media and online presence of WLiT and gain insights that will elevate the impact of all our marketing efforts.

Please join us for our final WLiT event of 2023 the evening of October 10th at the Metropolitan Ballroom as Aimee Cohen – speaker, executive coach, trainer, and author – will deliver a presentation titled **"Woman Up! Manage Your Career Like a Boss"** that will be empowering and sure to inspire. Hope to see you there.

2023 Tekne Awards

We are thrilled to be well underway with the planning and execution of our 25th annual Tekne Awards. The judges have completed their evaluations, finalists (and award recipients) have been selected, and we look forward to announcing and celebrating Tekne finalists at the finalist reception event scheduled for September 28th and hosted by Robins Kaplan.

This year, we received 86 submissions applications across 12 award categories which were evaluated by 7 judging panels. There will be 3 additional awards that are selected by MnTech leadership (Career Achievement, Public Service, and Tech Educator of the Year) and we look forward to sharing the names of those that will be honored, along with the finalists in all other categories, on September 28th.

Our Tekne Awards celebration gala takes place the evening of November 16th and it's not to be missed, as technology leaders come together to honor the companies and people driving technology innovation in our state. This is the one event we ask all MnTech board

members to attend and hope you will choose to be an event sponsor as well. At a minimum, we hope you will purchase a VIP table for 10 guests and you can learn more and make table purchases here.

Tech Talks

We hosted our second ever Tech Talk on July 13th at Land O'Lakes on the topic of **Sustainability through Technology Innovation.** We had a truly impressive group of four presenters and thought-leaders sharing their exciting accomplishments, providing insights about lessons learned along the way, and challenging attendees to join the quest to address and solve urgent sustainability issues.

Presenters

Chakra Sankaraiah
Sr. Director of Technology
Land O' Lakes

Srinivas Somayajula
VP Global Technology Partnerships &
Development
Ecolab

Marcus Johansson
IT Director
Xcel Energy

Dave Rummler
Vice President of Sales
EOS IT Solutions

We achieved our registration goal of 150, but with only 80 attendees had a lower conversion to attendance than we would typically expect (53% attendance rate compared to expected 80%). However, we were happy to see that 49% of attendees were in leadership roles (executive, manager) as you can see in the chart below.

July Tech Talk Attendees – By Role Type
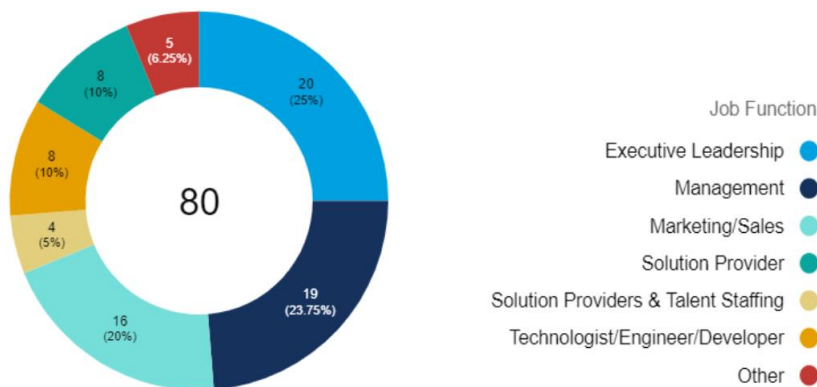
Our final Tech Talk of 2023 will be held on November 2nd on the topic of **Cybersecurity – Preventing Risk and Managing a Crisis**. Presenters are being finalized and registration will open soon.

We will likely charge for this event starting in 2024 (likely $40 for non-members and $25 for members), so that registrants have some "skin in the game" for conversion to attendance and to continue to drive member value distinction through ticket cost reductions for members.

The cost of a higher quality video production has doubled the cost of these events versus our initial budget. In response, we have successfully doubled our sponsorship and are seeking a site host to hold down expenses. A site host will also allow us to reduce the effort related to logistics and support consistency in a higher-quality production and video capture of these events. We are at work on securing a permanent "home" for the Tech Talk and are excited that the Science Museum is considering our invitation to be our event host/sponsor for November and potentially all of 2024. Not a done deal yet, but fingers crossed!

Tech Leadership Forum

Our Q3 Tech Leadership Forum will be held virtually the morning of Monday, September 25, from 8-9 am as I sit down with Brett Craig, CIO of Target Corporation, and reflect on his first year in the CIO role. We'll talk about what onboarding support he received, what went well (and what didn't), unexpected challenges and how the experiences of his first year has informed how he is approaching year two in the CIO chair. While I will lead the first part of the conversation, we will open up the forum to all invited tech executives and hope you will join us. Please register for this invitation-only gathering here.

FINANCIAL REVIEW

As shared in the introduction, net income for the eight months ended August 31st was $113K versus a plan of $144K, a $31K shortfall to budget. This is almost entirely attributable to weaker membership revenue. Total membership revenue booked through August was $494K versus a plan of $561K, a negative variance of $134K which is evenly split between shortfalls in renewal income ($67K) and new membership revenue ($67K).

We are working hard to collect outstanding membership renewals and believe we will reduce the negative variance to something closer to $26K by the end of the year. We do not anticipate significantly reducing the negative variance attributed to new membership revenue and will likely end the year having booked only half of what we had budgeted for new member revenue last November ($70K versus $140K plan). Tighter corporate budgets made discretionary expenditures for things like new association memberships more difficult to justify and we've been leaning into those headwinds all year.

While the SciTech program shows an $89K negative variance to plan through August, this is simply a timing issue related to wage reimbursements with a corresponding positive variance on program expenses of $86K. We expect the program to end the year right on budget.

The key driver in closing our income gap this year was the receipt of $89K of Employee Retention Credit funding. Taking into account an additional expense of $9K to CLA for processing, this provided a net gain of $80K versus the $30K we had budgeted.

Total expenses are running below plan with the biggest contributor being nearly $60K in staffing savings, mostly a function of not immediately filling the Director of Policy position. Event expenses have been running slightly higher than budgeted and our upcoming Tekne Awards event will come in well above budgeted costs, putting additional pressure on revenue generation from sponsorships and table sales.

The balance sheet as of August 31, 2023 shows a cash balance of $616K with current assets comprising $911K of our total $916 in organizational assets. With current and accrued liabilities of $427K, this results in net equity of $489K.