



Coast Guard Mutual Assistance: Debunking the Myths

As we come to the time of the year when we once again ask for contributions to Coast Guard Mutual Assistance (1 March campaign kicked-off), there tends to be either misunderstandings or lack of knowledge about the assistance CGMA provides and the need for your continued monetary support.

The specific financial assistance CGMA provides is sensitive and normally remains between the member and their immediate supervisor and CGMA representative. The 6,000 to 8,000 people who receive assistance each year tend to be quiet concerning the assistance they receive, while sometimes the few who have been turned down becomes more of an issue.

I believe if you will take a few minutes to look at the facts and figures, you will see how much good CGMA does every year to help our people. **This is the only organization truly dedicated to providing financial assistance solely to all members of the Coast Guard family.**

The following are some of the "myths" or criticisms we sometimes hear. Obviously, these opinions about CGMA make it very difficult to find the financial support necessary to provide the levels of assistance critical to the members of the Coast Guard family.

Growth of CGMA "The fund currently has over \$14M, and it continues to grow."

The net worth of CGMA has grown over the years. This is true of any organization that is growing with the increased needs of its "customers." The net worth of CGMA at the end of 1985 (\$5.3M). In the 14 years that followed, CGMA managed to "grow" to \$13.8M as of the end of 1999. More recently, the net worth of CGMA has been dropping, from \$13.9M at the end of 1998 to \$13.8 at the end of 1999 and currently (end 2000) has dropped again to \$11.9M. This is due to the increased demand for assistance and the expanded programs offered by CGMA. Because contributions have not kept pace with demand, we must take invested funds to meet the current needs of our members. Unfortunately, the value of CGMA's invested portfolio has dropped from a high of \$9M two years ago to \$6.4M today. If this decline continues and demand for loans and grants continues the same upward trend we have experienced over the last few years, CGMA would eventually be out of business.

The money CGMA has does not sit idle, it is in constant use. **CGMA turns over the entire net worth of the organization about every two years.** This turnover exceeds the other services' comparable relief organizations. We currently have a net worth of \$12M and we are **providing assistance at the rate of more than \$7M per year.** That does not include administrative or fundraising costs. This is a much faster turn over rate than other charities. CGMA has worked hard over the years to greatly expand programs, especially educational opportunities. Without the growth, this expansion would not be

possible.

The two main reasons CGMA and other organizations must continue to grow is to keep pace with inflation and to meet increasing demand for assistance. In 1985 CGMA provided \$2.9M in assistance to our members. In 2000 we were able to provide our members with \$7.3M in assistance.

One of the largest items included in net worth is the amount of outstanding loans. In 1985 it was \$1.4M. Today it is almost \$5M. That's \$5M not currently available for use to provide assistance, or for investing purposes.

The fund drive. "I see these annual drives as a means solely to increase the funds value rather than provide greater help to those in need."

Yes, part of the reason we conduct a fund drive is to increase the value of CGMA by raising funds. This is also true of every organization participating in the CFC drive. If we did not do so, we would not be able to keep up with the demand for programs provided by CGMA. While we hope contributions will exceed \$1M this year, we expect the amount of assistance provided in 2001 to again exceed \$7M. Over 8,800 members of the Coast Guard family will receive assistance this year alone. If it wasn't for carefully managed investments and growth, CGMA would not be able to meet this demand. **No other service society has a 7 to 1 ratio of assistance provided for the amount of contributions received.**

CGMA has also been very successful using the campaign to help educate members as to the vast array of programs available to them from CGMA. Without fail, every year the amount of assistance requested increases following the campaign as more and more members become aware of what is available. We have a limited budget for fundraising to keep expenses (overhead) low. Because we can't begin to compete with the vast amount of money spent by CFC, we must depend on our members to get the word out and help support CGMA.

CGMA Income and Costs. "I would be surprised if the actual expenses (admin costs, loan losses, & grants) even exceeds the interest received on the fund's portfolio, much less the expected \$1M in annual donations."

It doesn't. In 2000, CGMA actually expended about \$1.8M, not nearly covered by the just under \$1M in donations.

Income Includes:

Loan Payments \$5,212,236 81%

Contributions \$997,143 15%

Investment Income \$285,583 4%

Disbursements Includes:

Loans \$6,270,337 78%

Grants \$1,058,324 13%

Program Expenses * \$128,097 1.4%

Fundraising \$49,252 0.6%

Administrative \$548,424 7%

* Program expenses are costs directly related to services provided for our members - counseling fees, education fees, loans converted into grants, etc.

Please note that investment income did not even cover the amount of grants provided, let alone the other items you mention. In fact the portfolio had capital losses totaling over \$1.2M reducing future investment income

Here's a brief summary of 2000:

Contributions received \$997,143

5,863 Loans made totaling \$6,270,337

4,278 Grants made totaling \$1,058,324

Additionally CGMA paid for our members:

\$3,255 in Financial Counseling fees

\$89,841 in Education fees

And had the following expenses:

Non-sufficient fund checks totaling \$19,087

Converted \$28,666 originally given as loans into grants

Declared \$166,015 in loans as not collectable

All expenses associated with providing assistance to our members.

CFC.

"Instead of giving to CGMA, I've chosen instead to increase my giving to CFC organizations, which appear to be in greater need."

We agree, there are a lot of worthy organizations involved with CFC and we support your decision to contribute to them. However, we believe CGMA is also a very worthy organization and very much in need of your support. **We are confident you will not find any CFC organization that has come close to providing as much assistance directly to members of the Coast Guard as CGMA.**

In particular:

From 1990 to 2000 over \$57 million dollars in assistance, including \$4 million in grants were provided.

The amount of assistance during 2000 totaled **\$7,328,660**, setting another new record for the total amount of assistance given in a single year, breaking the prior record set in 1998 by over \$1 million. This is the first year where over \$7 million was provided, it is also the first time more than 10,000 loans and grants were provided.

Since it was founded, CGMA has provided over \$100 million dollars in assistance to members of the Coast Guard.

On the average, 1 in 4 active duty members, 1 in 13 civilian employees and 1 in 25 reservists received some type of loan or grant assistance from CGMA in 2000.

Please also feel free to compare our 1% fundraising and 7% administrative expenses to the organizations participating in CFC. Also compare our 92% of annual expenditures going directly to member programs. These numbers are extremely competitive for an organization of our size. You may also wish to compare the net worth of the organizations involved with CFC. We believe you will find many, if not most, have a much larger net worth.

Your Support is Critical!

Without contributions, CGMA would cease to exist. We need your support not only financially, but also to promote the organization and explain the good it does for our people. There is no greater way to financially assist your fellow Coasties, than to donate to CGMA. We are working hard to change these misconceptions. If you or anyone have other concerns I have not addressed here, please contact us and give us a chance to respond, rather than perpetuating the spread of negative information about CGMA.

Never been easier to make contributions!

You can now access the necessary contribution forms at CGMA's website by clicking the **Contributions Button** on the home page at <http://www.cgmahq.org>.

If you have any suggestions on how we can improve the campaign or the negative image some members have concerning CGMA, please let us know. I sincerely appreciate your continued interest and support!

Regards, FL Ames

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