

Date: _____ Approved: _____

VIRGINIA MUSEUM OF FINE ARTS
Minutes of the Fiscal Oversight Committee Meeting
Held, pursuant to due notice, in the Conference Suite Room #2
Richmond, Virginia
Tuesday, September 20, 2011, 10:15 am

Presiding: John A. Luke, Chair
Acting Secretary: Ms. Sarah Bass

There were present:

John A. Luke, Jr., Chair
John R. Staelin, Vice-Chair
Ms. Kelly B. Armstrong
G. Moffett Cochran
W. Birch Douglass III
Ms. Eva Teig Hardy
Agustin Rodriguez
William A. Royall, Jr.
Michael J. Schewel
Geoffrey P. Sisk
Thurston R. Moore, Ex-Officio

By Invitation:

Alex Nyerges, Director
Ms. Sarah Bass
Stephen D. Bonadies
Ms. Suzanne Broyles
Ms. Anne Kenny-Urban
Ms. Linda Lipscomb
Ms. Joan W. Murphy
Robin Nicholson
Ms. Jayne Shaw
Ms. Fern Spencer
Ms. Cathy Turner
Ms. Alexis Vaughn

Absent:

Alfonso L. Carney, Jr.
James C. Cherry
H. Hiter Harris III
Dr. Monroe E. Harris, Jr.
H. Eugene Lockhart
Mrs. Stanley F. Pauley
Ranjit K. Sen
Mrs. Suzanne T. Mastracco, Ex-Officio

I. CALL TO ORDER

Mr. John A. Luke, Jr., Chair, called the meeting to order at 10:15 am and welcomed the group.

II. MINUTES

Motion: proposed by Mr. Luke and seconded by Mr. Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on the 16th of May 2011 be approved as distributed on the 13th of July 2011. Motion carried.

III. DIRECTOR'S REMARKS

Director, Alex Nyerges, introduced Linda Lipscomb, our new Deputy Director for Advancement. He added that Linda brings a wealth of development and business experience with a proven track record in building organizational strength and capacity. She also brings executive level sales and management experience from her years at American Airlines and she is a Virginia college graduate having attended Sweet Briar College.

IV. REVIEW OF END OF YEAR FINANCIAL PERFORMANCE FY11

Chief Financial Officer, Fern Spencer, explained the *Picasso* exhibition's \$28.9 million impact on the Commonwealth saying that ticket and membership sales far exceeded the established goal. She then reviewed the VMFA Foundation Financial Summary document with the group and gave a capital outlay update. Questions arose about the expansion project debt service and Ms. Spencer said the VMFA Foundation pays debt services and added that only the Foundation is liable under the bonds, not the state agency.

V. FY12 BUDGET PRESENTATION

Fern Spencer provided details on the FY2012 Budget that was approved by the Executive Committee in June. She discussed projects added to the budget to be covered by Top Ten Campaign Funding as well as other significant projects, including the Digital Asset Management System (DAM) that would be considered pending until other funds could be raised to cover their costs. She mentioned that on the expense side, exhibition budgets have increased and she went over the significant revenue and expense changes since the May 16, 2011 draft budget was provided to the committee. Ms. Spencer explained that the Executive Committee was comfortable in moving forward with the proposed budget therefore the following motion was proposed.

Motion: proposed by Mr. Luke and seconded by Mr. Schewel that the Committee approve the FY12 Budget as recommended by the Executive Committee at its June 23, 2011 meeting. Motion carried.

Ms. Spencer noted that new grants had been received after the budget was approved by the Executive Committee in June and we anticipate additional partnership funding for statewide educational purposes, therefore the following motion was approved by the Committee.

Motion: proposed by Mr. Luke and seconded by Mr. Douglass that the Committee approve expending additional resources as they become available for educational purposes only. Motion carried.

VI. REVIEW OF FY12 YTD PERFORMANCE

Ms. Spencer provided comments on Museum FY12 performance to date. She explained that at 2 ½ months into the fiscal year we are on track even though concern exists that we will not make projected revenue for ticket sales and revenue guides for *Fabergé*. It was noted that thirty percent of audiences usually attend an exhibition in the last two weeks and we still have time for numbers to increase. Members discussed ways to increase audience.

Fern Spencer reviewed the year to date performance for the Food Service Operations and the Museum Shop and reminded the Committee that the factors driving the success of these businesses are visitation patterns and the seasonality of each particular business. She indicated that both businesses were performing as projected for this stage of the fiscal year.

Ms. Spencer brought an additional matter to the Committee for discussion. She explained that the Museum sold a deaccessioned Sevres porcelain dinner service for \$1.6 million and recommended that the funds be transferred to the Foundation for investment and to create an endowment fund. She added that the Museum was not in a position to invest such a significant amount over a longer period and felt it appropriate to move the funds for more efficient investment management. The following resolution was proposed and passed.

Motion: proposed by Mr. Luke and seconded by Mr. Douglass that the Committee approve the following resolution concerning the proceeds from the sale of deaccessioned porcelain. Motion carried.

WHEREAS, the VIRGINIA MUSEUM OF FINE ARTS (hereafter "VMFA") was the recipient of a gift of a partial set of a Sevres Porcelain Dinner Service from Ailsa Mellon Bruce, in 1970, and from the Andrew Mellon Foundation in 1972, and

WHEREAS, the VMFA Board subsequently deaccessioned these items and accepted a private purchase offer of \$1.6 million, with the intention that the proceeds should be used for the purpose of creating an endowment for the acquisition of European decorative arts from the Renaissance to 1890 in memory of Ailsa Mellon Bruce, and

WHEREAS, the Virginia Museum of Fine Arts Foundation is a foundation authorized to receive gifts and charitable contributions for the sole purpose of supporting VMFA, and for that purpose engages extensive financial management resources and expertise, and

WHEREAS, the VMFA Board and the Board of the Virginia Museum of Fine Arts Foundation have entered into an operating agreement that solidifies the understandings and working relationship between those two entities, thereby furthering the extent to which the VMFA Board will advise the Virginia Museum of Fine Arts Foundation about museum needs and the extent to which two entities will work together, and

WHEREAS, it is the public policy of the Commonwealth of Virginia, expressed in Va. Code § 23-9.2, that “the availability of the endowment funds and unrestricted gifts from private sources of institutions of higher education received by such institutions shall not be taken into consideration in, nor used to reduce, state appropriations or payments, but such funds shall be used in accordance with the wishes of the donors thereof to strengthen the services rendered by these institutions to the people of the Commonwealth”,

NOW THEREFORE, BE IT RESOLVED that all funds received by the Virginia Museum of Fine Arts from the sale of a partial set of Sevres Porcelain Dinner Service received from Ailsa Mellon Bruce in 1970 and from the Andrew Mellon Foundation in 1972 be transferred to the Virginia Museum of Fine Arts Foundation for management and administration purposes, and that the Virginia Museum of Fine Arts Foundation be directed to establish with such funds the Ailsa Mellon Bruce Endowment for European Decorative Arts to fund the acquisition by the Museum of European decorative arts from the Renaissance to 1890 in memory of Ailsa Mellon Bruce.

VII. RISK MANAGEMENT OVERVIEW – PART 1

Anne Kenny-Urban, Manager of Budget Services and ARMICS (Agency Risk Management and Internal Control Standards), gave a risk management overview on our annual assessment of internal control. This assessment provides the Administration reasonable assurance of the integrity of financial processes, compliance with laws and regulations, and stewardship over the Commonwealth’s assets. An agency must demonstrate that it has five fully functioning internal control components: control environment, risk assessment, control activities, information & communication, and monitoring. The results of the survey given to employees showed our strengths are that no museum employee is able to process and store financial data transactions by him/herself; management consistently behaves ethically in their day-to-day activities; and employees are committed to excellence in their work.

For many respondents, communication was an issue. Ms. Kenny-Urban noted that the staff has doubled since 2009 and there is a sense of departmental competition rather than teamwork. Survey findings showed our top four risks are poor communication, workplace frustration, scope creep, and the recession. Ms. Kenny-Urban offered several solutions to these problems and answered questions from committee members. She concluded by saying we have a talented, hard working, ethical staff and our hard controls for financial processes and information security remains strong. Findings show that three quarters of our threats are internal and support from Trustees and senior management is critical for implementing any necessary operational or cultural changes.

VIII. OTHER BUSINESS

Mr. Luke thanked Fern Spencer for her presentation saying that she has a good handle on the budget. He also thanked Ms. Kenny-Urban for her excellent ARMICS presentation.

There being no further business, the meeting was adjourned at 11:15 am.

Sarah Bass
Acting Secretary