

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  
Monday, May 16, 2011, 10:15 am

Presiding: John A. Luke, Chair  
Secretary: Ms. Suzanne Broyles

There were present:

John A. Luke, Jr., Chair  
James C. Cherry  
W. Birch Douglass III  
H. Eugene Lockhart  
Mrs. Stanley F. Pauley  
Agustin Rodriguez  
William A. Royall, Jr.  
Geoffrey P. Sisk  
Thurston R. Moore, Ex-Officio

By Invitation:

Alex Nyerges, Director  
Ms. Sarah Bass  
Stephen D. Bonadies  
David B. Bradley  
Ms. Suzanne Broyles  
Leon Garnett  
John H. Hager  
Ms. Anne Kenny-Urban  
Walter Kucharski, APA  
Ms. Joan W. Murphy  
Robin Nicholson  
Ms. Jayne Shaw  
Ms. Fern Spencer  
Ms. Cathy Turner  
Ms. Alexis Vaughn  
Ms. Linda Wade, APA

Absent:

John R. Staelin, Vice-Chair  
Ms. Kelly B. Armstrong  
Alfonso L. Carney, Jr.  
G. Moffett Cochran  
Grant H. Griswold  
Ms. Eva Teig Hardy  
H. Hiter Harris III

Dr. Monroe E. Harris, Jr.  
Michael J. Schewel  
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 10:14 am and welcomed the group.

## II. MINUTES

**Motion:** proposed by Mr. Luke and seconded by Mr. Cherry that the minutes of the last meeting of the Fiscal Oversight Committee held on the 16<sup>th</sup> of February 2011 be approved as distributed on the 30th of March 2011. Motion carried.

## III. AUDIT RESULTS

Mr. Luke introduced Mr. Walter Kucharski, Auditor of Public Accounts (APA), and Ms. Linda Wade, (APA) who served as Director on our Audit. Mr. Kucharski addressed the committee saying that they have distributed the audit report on our three year audit to each VMFA Trustee and in the future they will be moving to a two year audit. He reported that this audit found proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System. One matter involving internal control and its operations necessary to bring to the management's attention was the large number of people with state credit cards which is a high risk item. They felt it would be prudent to review the cards to see if each were really needed. There were no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported. He said very good records were kept and things were as they expected them to be. Fern Spencer, VMFA CFO, indicated that in response to the audit comment, on June 30<sup>th</sup> we will revoke select credit cards to address that matter.

## IV. DIRECTOR'S REMARKS

Mr. Alex Nyerges reported that Lisa Byala of Byala Associates in New York, has found a nice selection of quality candidates from various states for interviews for our new Deputy Director of Development. Jayne Shaw is also in the running and we hope to have the interviews finished by Memorial Day. He described the three level candidate screening process as beginning with a telephone interview with the Director, a meeting with the Division Heads, and then meeting with Thurston Moore, Monroe Harris, and other Trustees and Directors to get a good balanced view of the applicant.

Mr. Nyerges said the budget process has been changed in order to have the new fiscal year's budget approved by July 1<sup>st</sup>, the beginning of each fiscal year and we had hoped

to have the FY12 budget for approval but, unfortunately, final numbers were still not available. He praised Fern Spencer and Anne Kenny-Urban for their hard work on this undertaking which is still in progress. Mr. Luke concurred that the transformation will be an improvement over the good financial systems we already have in place. He said we realize that we also need reporting and analytical work early on. He added that Fern Spencer and Anne Kenny-Urban have a good control of the finances and called on Ms. Spencer to give a FY11 update.

## V. REVIEW OF FY11 YTD PERFORMANCE

Chief Financial Officer, Fern Spencer, stated that the *Picasso* exhibition has positively impacted revenue in the following ways.

- \$2,304,486 in ticket sales
- \$201,508 in audio tour sales
- \$456,223 in membership sales ABOVE goal (17,687 in new memberships since January)
- \$2,777,160 raised by Development Office
- Recurring record breaking days in both shop and food services

Ms. Spencer noted that these figures are through May 11th and do not include the final weekend in which all exhibition timeslots were sold out. Therefore, the totals are expected to increase. She remarked that the audio tour sales were an added bonus and not included in projections. In addition, Ms. Spencer reported that the Foundation has commissioned a *Picasso* economic impact study to determine the overall impact of the exhibition on the local economy. This study should be ready for review by the third week in June.

The Chief Financial Officer next reported on the Enterprise Operations saying that the factors that drive their business are visitation patterns and the seasonality of each particular business. We had lower than expected visitation in the fall which gave us lower revenues in the restaurants. The Best Café was changed to grab-and-go to efficiently serve *Picasso* visitors and reduce operating costs. The shop experienced lower sales and excess exhibition specific inventory which caused us to reduce projections by \$192,833 after the fall exhibitions. However, the traffic from *Picasso* gave us very positive results in both the restaurants and the gift shop.

## VI. FY12 BUDGET PRESENTATION

Fern Spencer explained that the FY12 Budget was not yet complete. The Museum has many priorities and tough decisions must be made to balance the budget. All projects must be prioritized by strategic importance and all earned revenue must be pooled for use as needed across the Museum. Earned revenues are expected to be lower in FY12 as *Picasso* created extra sales in tickets, audio tours, restaurant, gift shop, membership, and parking fee revenue. She explained that the Foundation support will be lower in FY12 due to the impact of the down market on the three-year rolling average used to calculate income. Unlike

FY11, it is anticipated that there will be minimal carryover in endowment accounts. Even with carryover, some endowments need additional support to cover the positions they support. Exhibition sponsorship to be raised is estimated at \$500,000.

Ms. Spencer said the budget presentation will include the following Top Ten requests: outfitting the conservation labs (\$250,000) and gallery reinstallations of East Asian, 19<sup>th</sup> Century European, and European Decorative Arts (\$433,000). She indicated that the Museum will hold open all vacant/new positions unless they are mission-critical, postpone the Hasui exhibition until FY14 (\$308,000), cut \$216,000+ across all other exhibitions, and move selected projects to a pending-funding status. She listed the projects to be held for funding as:

- Maharaja Exhibition (\$1.15 million in FY12 and FY13)
- Digital Asset Management project (\$88,000)
- Bike Rack project (\$50,000)
- Place Study for Public Places (\$42,000)
- Digital Scanner (\$13,000)

The Chief Financial Officer provided a FY12-FY11 budget comparison to give an update on where we are in the budget. She said she will continue to work on balancing the budget, the Executive Committee will look at the budget on June 23<sup>rd</sup> and then we will come back to this Committee. Mr. Luke noted that we are on a roll and want to keep that momentum going. A lot of work has been done behind the scenes to ensure that all costs support the values of the strategic plan. The Director added that there are some VMFA employees that are invaluable and are not being compensated properly. He plans to make equity adjustments for those not compensated at a market level and explained that money has been set aside for this as our major goal is retention. Mr. Luke agreed that it is imperative to keep the best people on board.

## VII. UPDATE ON CAPITAL PROJECTS

Fern Spencer then gave a Capital Outlay Update explaining that renovating the Robinson House (\$2.4 million) has been approved in a previous budget cycle and we are awaiting state funding to be provided. The following are new Capital Project requests.

- Replace roof 1985 Wing (\$1.8 million)
- Environmental Corrections & Upgrades (\$6.5 million)
- Renovate & Expand Fabergé Gallery (\$1.5 million)
- Renovate Frank Raysor Center (\$2.5 million capital)

Funds are available to relocate the Carpenter Shop (\$1.695 million) but that capital project has not begun. Ms. Spencer concluded by saying that VMFA is on the brink of huge successes but continues to have some challenges. She will continue to identify savings and maximize revenues. Ms. Spencer announced that she had preliminary P&Ls for several of the fall exhibitions if anyone was interested and will be sure to make the final P&Ls available when completed. She added that in FY12 we will have more rigorous reporting with multi-year P&Ls.

**Motion:** proposed by Mr. Cherry and seconded by Mr. Lockhart that the Committee approve the Capital Outlay Projects as presented. Motion carried.

#### VIII. OTHER BUSINESS

Mr. Luke thanked Fern Spencer for her presentation saying that she and Ms. Kenny-Urban are nicely on top of the budget and next year at this time we expect to have a complete, more streamlined budget with a cost structure more clearly set. He mentioned that the assessment of Enterprise risks consistent with the charge of Trustee President, Thurston Moore, had to take a back seat to the budgeting work going on but it has not been forgotten and will be the next project undertaken.

There being no further business, the meeting was adjourned at 11:13 am.

Suzanne Broyles  
Secretary of the Museum