

Date _____

Approved _____

Virginia Museum of Fine Arts
Minutes of the Fiscal Oversight Committee Meeting
Founder's Conference Room
Tuesday, 3 December 2014, 10:30 am

There were present:

John A. Luke, Jr., Co-Chair
Kelly B. Armstrong
W. Birch Douglass III
Richard Gilliam
John H. Hager
Jil Womack Harris
Steven A. Markel
Satya Rangarajan
Harry R. Thalhimer
Lilo Simmons Ukrop
William A. Royall, Jr., Ex-Officio

By Invitation:

Alexander Nyerges
Stephen D. Bonadies
Leon Garnett
Susan Hayes
Claudia E. Keenan
Laura Keller
Felicia Moon
Cameron O'Brion
Sharon Payne
Hossein Sadid
Cathy Turner

Absent:

Michael M. Connors, Co-Chair
Thomas F. Farrell, II
H. Hiter Harris, III
Dr. Monroe E. Harris, Jr.
Marlene A. Malek
Michael J. Schewel

I. CALL TO ORDER

John A. Luke, Jr., Co-Chair, called the meeting to order at 10:32 am.

II. MINUTES APPROVAL

Motion: proposed by Mr. Schewel and seconded by Mr. Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on the 30th of September 2014 be approved and distributed. Motion Carried.

III. FIRST QUARTER FY 2015 FINANCIAL REPORT

Chief Financial Officer Hossein Sadid compared the current financial report against that of FY14, noting that VMFA is slightly ahead in total net revenue. Year to date, net revenue stands at \$9.2 million against \$8.2 million at the end of the first quarter in FY14. He cited a significant carry forward from last year where internal cash was used to pay for expenditures.

In response to Mr. Schewel, Mr. Nyerges stated that VMFA's strategy is to prioritize expenditure of state over Foundation funds. Mr. Schewel questioned whether VMFA's higher use of carry forward was due to general fund appropriation, and Mr. Sadid replied that the cash balance was not from general fund appropriation.

In response to Mr. Johnson, Mr. Sadid clarified that VMFA has seen a 3 percent increase in earned revenue, aligned with higher goals due to the success of *Forbidden City* and more revenue expected in Q2. He also pointed out that variance seen in the Williams funds was due to an increased draw of 40 percent to support operations.

In response to Ms. Ukrop, Mr. Sadid explained that a budgeted carry forward of \$1 million is due to VMFA's need for a strategy to use general funds first, and the carry forward will not be detrimental and in fact will be minimized in the long run. He noted that general funds are used towards salaries, which is more easily managed. Mr. Nyerges assured the committee that this carry forward would be address in the new strategic plan, where the importance of a realistic, achievable baseline budget where surplus is minimized will be emphasized. Mr. Markel requested to review balance sheets and a full set of financial statements.

Mr. Sadid reviewed the Foundation's financial summary for Q1, where 29 percent of the budget was recognized. The Foundation saw higher earned income due to higher restricted endowment, designated gifts, and increased annual giving. The Foundation's direct support of \$1.3 million reflects certain direct expenditures when state funds could not be used, though Mr. Sadid pointed out that Foundation funds should not be seen solely as funds to fill in gaps left by the state. He explained that decisions regarding use of Foundation versus state funds are determined on a case by case basis, and the finance team strives for transparency and accountability in this area.

Mr. Sadid indicated that baseline modeling from TDC highlights structural shortfall of 5 percent. The new strategic plan will consider \$40 million in external debt on the Foundation books.

IV. ADVANCEMENT REPORT

Claudia Keenan, Executive Director of the VMFA Foundation and Deputy Director for Resources and Visitor Experience, reviewed FY15 fundraising to date, noting that month-end numbers will be available at the Full Board meeting. Against a goal of \$6.2 million, fundraising progress totaled \$2.9 million. She shared news that the Foundation received a \$600,000 grant from the Mary Morton Parsons Foundation, which must be matched within a year. VMFA currently has 35,000 members.

Ms. Keenan noted that *Forbidden City* has seen 30 percent of its total projected visitors in the past two weeks. She stated that the exhibition is behind in non-member support, and that a better plan is needed going forward for school group projections. In response to Mr. Johnson, she estimated the loss from school groups at \$100k but is confident that *Forbidden City* will meet its \$607k goal for

ticket sales. Ms. Turner commented that sales in Amuse Restaurant were down over the Thanksgiving holiday due to inclement weather. Mr. Nyerges clarified in response to Mr. Thalhimer that the expense budget is \$2 million for this exhibition.

The *Hasui* exhibition, Ms. Keenan explained, has seen 3,668 admissions to date after installing digital admissions counters for the non-ticketed exhibit. She added that providing this information to marketers, funders and lenders will help develop a strong exhibition fund going forward.

Ms. Keenan celebrated *Fine Arts and Flowers* due to a huge revenue increase from the 2012 show. These funds will be put towards digitizing the Faberge collection.

V. AUDIT UPDATE

Mr. Sadid noted that the firm Cherry Beckaert was selected for the Museum's first-time year-end audit. The planning stage is complete, and fieldwork has begun, though the time needed to properly coordinate these steps was underestimated. He estimated that Trustees will have the opportunity to review a draft audit later this month, noting that some issues with fixed assets will likely be noticed. In response to Mr. Markel, Mr. Sadid added that VMFA is planning a collections audit to be supported by a new internal auditor on staff. Mr. Thalhimer brought up the decrease in state funding, hoping that audit documents will reflect VMFA's need for increased support from the Commonwealth.

VI. STAFFING UPDATE

Mr. Sadid informed Trustees that a new position for an internal auditor has been approved because the Foundation audit called for increased internal controls. The finance team will create an internal control risk assessment and audit plan to present to the committee for planning annual internal audit projects. Ms. Armstrong pointed out that, though the Foundation audit was clean, some instances of misclassification may be a sign of future problems.

VII. OTHER BUSINESS

Trustees were encouraged to provide feedback regarding the structure and content of future meetings:

- Mr. Markel requested that both a balance sheet and acquisitions budget become available for review.
- Mr. Thalhimer and Ms. Ukrop requested a quarterly profit and loss statement for exhibitions.
- Mr. Douglass suggested that the finance team post monthly and quarterly figures on Huddle.
- Mr. Rangarajan asked to see a model for ticket prices.

Mr. Nyerges expressed intent to use exhibitions as drivers of enterprise and membership and stressed the importance of using endowment funds for exhibitions. He added that the search for Deputy Director of Art and Education will prioritize experience overseeing large exhibitions.

Regarding group sales, Mr. Rangarajan suggested the VMFA adjust pricing or fund a bus for group transportation, in addition to reviewing creative marketing strategy. Mr. Schewel suggested that VMFA offer more promotions for free admission to exhibitions. Ms. Armstrong suggested that VMFA take a look at strategies to grow online and programming revenue.

No other business was brought before the Committee, and the meeting adjourned at 12:03 pm.

Recorded by Rebecca L. Morrison
Assistant for Trustee Board Relations and Museum Planning