

Date _____

Approved _____

Virginia Museum of Fine Arts
Minutes of the Fiscal Oversight Committee Meeting
Founder's Conference Room
Thursday, 19 March 2015, 10:30 am

There were present:

Michael M. Connors, Co-Chair
John A. Luke, Jr., Co-Chair
Kelly B. Armstrong
W. Birch Douglass III
John H. Hager
Jil Womack Harris
H. Hiter Harris, III
Michael J. Schewel
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
Howard Kies
Greg Miller
Rebecca L. Morrison
Sharon Payne
Hossein Sadid

Absent:

Thomas F. Farrell, II
Richard Gilliam
Dr. Monroe E. Harris, Jr.
Marlene A. Malek
Steven A. Markel
Satya Rangarajan

I. CALL TO ORDER

John A. Luke, Jr., Co-Chair, called the meeting to order at 10:35 am.

II. MINUTES APPROVAL

Motion: proposed by Mr. Royall and seconded by Mr. Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on the 3rd of December 2014 be approved and distributed. Motion Carried.

III. FY15 FINANCIAL UPDATES

Chief Financial Officer Hossein Sadid presented the museum's financial summary highlighting the variances between budget and forecast. He explained that *Forbidden City* brought lower than budgeted earned revenues, though he still expects positive proforma. Increased revenue in enterprise operations has helped offset decreased revenue in this area. In response to Mr. Schewel, Mr. Sadid said that museum leadership has compensated for revenue reductions by identifying areas in which expenses may be reduced or delayed.

Mr. Luke inquired as to the strategic plan's effect on the budget, and Mr. Sadid responded that the plan will be funded from new gifts and improved productivity. Mr. Nyerges added that the museum has not made any staff or compensation-related reductions, nor any reductions related to visitor experience.

In response to Ms. Armstrong, Mr. Sadid responded that in FY16 his division will continue providing integrated budget reports for the museum and foundation for the board's review.

IV. FY16 BUDGET PLAN & TIMELINE

Mr. Sadid explained that the budget has been revamped in line with the 2020 strategic plan, adding that his division will look for opportunities to reallocate existing expenses. Mr. Sadid and his staff have already developed the first draft of the FY16 budget and will move on to compile a clean draft. Mr. Sadid expects to conduct a pre-final review of the budget in April.

In response to Ms. Armstrong, Mr. Sadid noted that division heads are currently prioritizing budget reductions to meet the needs of the 2020 strategic plan.

Mr. Royall asked Mr. Sadid to ensure that employees and board members are aware that the budget will not be reduced by 5 percent across the board, and Mr. Luke agreed that clear staff communication about these cuts will be vital.

Ms. Keenan briefly reviewed recent market research findings regarding visitor experience, noting that exhibitions should be leveraged to increase membership.

V. ADVANCEMENT REPORT

Ms. Keenan noted that fundraising year-to-date is in line with the FY15 budget and anticipated to exceed the budget by the end of the year. Unrestricted giving is currently at 111% of the budget at \$3.15 million. She pointed out that, in particular, customized and corporate memberships are generating more revenue than budgeted, to compensate for a recent dip in general membership revenues.

VI. CHANGES IN MEMBERSHIP RATES

Ms. Keenan informed the committee of plans to roll out new membership rates during the upcoming *Rodin* exhibition, though it is unlikely that VMFA will meet its goal of 50,000 total members.

Mr. Harris asked Ms. Keenan and her staff to focus on increasing renewal rates rather than raising membership rates, and Mr. Royall asked that student renewal rates not be included in this measurement. Mr. Douglass asked Ms. Keenan to consider taking a closer look at strategies for auto-renewals, recurring payments, and multi-year memberships.

VII. AUDIT UPDATES

Mr. Sadid reviewed audit progress to date, noting that the museum is planning to issue its financial statements in accordance with the generally accepted practices and standards. He introduced Greg Miller, audit manager, and Howard Kies, partner, both of Cherry Beckaert, LLC in Richmond. Mr. Miller and Mr. Kies welcomed questions from the committee regarding museum audit progress.

Mr. Kies asked the board to consider the time and effort required to move towards a comprehensive auditing system and commended VMFA staff on its success in working with a new audit process. Mr. Kies and Mr. Miller noted several unanticipated challenges in conducting the audit but are tentatively on track to provide a draft report in April. In response to Mr. Harris, Mr. Miller assured the committee that the report will include recommendations regarding best practices and procedures for the division of finance and administration. He clarified that any issues which emerge in the audit report should be viewed as a positive way to improve VMFA's financial reporting. In response to Mr. Luke, Mr. Miller and Mr. Kies offered to review the audit report with VMFA's legal counsel.

Mr. Sadid commented that VMFA is approximately two years away from a smooth audit process, as the staff continues to grow accustomed to the revised practices. Mr. Royall added that Mr. Sadid has brought positive change to VMFA in his new role.

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