

Date \_\_\_\_\_

Approved \_\_\_\_\_

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

There were present:

Michael M. Connors, Co-Chair

Kelly B. Armstrong

W. Birch Douglass III

Richard Gilliam

John H. Hager

Dr. Monroe E. Harris, Jr.

Harry R. Thalhimer

Lilo Simmons Ukrop

By Invitation:

Alexander Nyerges

Stephen D. Bonadies

Dr. Lee Anne Chesterfield

Claudia E. Keenan

Cameron O'Brien

Mark Johnson

Erin Sheets

Absent:

John A. Luke, Jr., Co-Chair

Thomas F. Farrell II

H. Hiter Harris III

Jil Womack Harris

Marlene A. Malek

Steven A. Markel

Satya Rangarajan

Michael J. Schewel

William A. Royall, Jr., Ex-Officio

I. CALL TO ORDER

Michael M. Connors, Co-Chair called the meeting to order at 10:32

II. MINUTES APPROVAL

**Motion:** proposed by Mr. Harris and seconded by Mr. Douglass that the minutes of the last meeting of the Fiscal Oversight Committee held on the 17 of June 2014 be approved and distributed. Motion Carried.

### III. FY15 BUDGET UPDATE

Mark Johnson, Interim CFO, updated the committee on the budget cost reduction requested by the commonwealth. The request was issued to present a plan to cut 5% from the museum's state budget from FY15 and 7% in FY16. Mr. Johnson requested the museum staff plan for 8% and 10% respectively in order to have place from which to move forward. The governor has not yet notified the museum which, if any cuts, will ultimately need to be made. Proposed cuts included gallery rotations, education, marketing, exhibitions, vacant positions, and training. Extensive detail was not required during this process so the museum will have flexibility in making these cuts if necessary. The total proposed reduction in FY15 totaled \$504,000 and \$706,000 in FY16.

### IV. FY15 TO DATE

Mr. Johnson explained with regards to the distributed financial report that the full state appropriation for the year is booked in the first half of the year. This money does not reside in the museum's account but becomes available for spending once expenses are incurred. This necessitates that the museum use a hybrid system of cash and accrual accounting which can be confusing though it is standard practice in museum situations.

With respect to the Museum Operations Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance, Mr. Johnson explained that there are a number of increases for this year as compared to this time last year which are primarily related to personnel and benefits though that these were foreseen and budgeted for. He further explained that marketing expenses have increased due to the number of publications being produced, that exhibition spending is down due to a difference in exhibition scheduling between this year and last year. Food service revenue has increased due to the employee discount enacted last year. Shop revenue is down compared to last year due as it is heavily dependent upon exhibitions. Mr. Thalheimer requested an additional column detailing FY14 actual expenses. Mr. Connors asked if each of these budget lines is owned by one person, Mr. Johnson confirmed that they are each owned by a specific division head.

Mr. Johnson apprised the board of the museum's progress towards Cardinal software leaving behind the state's old CARS system which had been in use for some time. This will allow for increased clarity in reporting particularly on a month to month basis. We will be among the first agencies to convert and therefore will run the two systems in tandem until the remainder of the state agencies complete the transition in February 2016. He noted that there are some conversion costs associated with staff training for which the museum has budgeted.

Mr. Connors renewed his request for a comprehensive tutorial on the Foundation and Museum financial picture. Mr. Johnson affirmed that we are working on this tutorial now in an effort to provide a useful and comprehensive overview of both. Committee members affirmed that this is useful for all members of both boards as well as staff. Mr. Connors exhorted Mr. Johnson to talk with museum management to create a tutorial that is instructive and allows this committee to provide adequate oversight yet also preserves the purpose and identity of the foundation. Mr. O'Brien will assist in this endeavor.

### V. Advancement Update

Claudia Keenan, Executive Director of the VMFA Foundation and Deputy Director for Resources and Visitor Experience, provided a recap of Advancement activities for FY14. The museum exceeded the budgeted restricted and unrestricted revenue by \$1,476,521. Ms. Ukrop noted that it

seems that our budget figures have been low. Ms. Keenan explained that a new data mart system has given us better tools for predictive modeling and it will become more accurate for the coming year and continue to improve. She noted that FY14 membership revenue is slightly down over last year due to the influence of exhibitions. Our energies are being channeled to encourage existing members to increase their giving and to maintain a constant base of between 30,000 and 34,000 members. She asked that committee members keep in mind that this number includes about 6,000. Mr. Thalhimer inquired about the expense and benefit of student memberships. Ms. Keenan explained that we spend little time and expense on these members and that we would need to do a cost benefit analysis to evaluate growing this group.

Regarding *Posing Beauty*, Ms. Keenan noted that it wasn't as successful as the museum had hoped. Visitors totaled 18,214 compared to the revised anticipated goal of 20,000. Ticket revenue, new membership sales, and new membership revenue were consequently lower than expected as well. She shared that based on a recommendation made at the last meeting of the Fiscal Oversight Committee, the museum opened the exhibition for free on Thursdays. Attendance on those days steadily rose to a high of just over 2,000 visitors on Thursday, July 24. Ms. Keenan affirmed that we are now looking at exhibition goals from the outset to ensure each exhibition meets the intended marks in attendance, revenue, or audience development.

Ms. Keenan shared that as of August 31, the museum has raised \$893,369 with a total of 34,712 members. Fundraising for upcoming exhibitions including *Forbidden City*, *Hasui*, and *The Art of the Flower*, is at or above the budgeted figures and reminded the committee that in the museum's model fundraising does not cover the full cost of each exhibition. Ms. Armstrong asked that the cost of each exhibition be included alongside these fundraising totals.

## VI. Audits

Mr. Johnson explained that the museum now completing the state required audit. Auditors have completed their fieldwork and made recommendations which VMFA has moved quickly to accommodate. They provided a number of comments and spent more time than they have in the past. Their primary concerns were as follows:

- 1) They uncovered weaknesses in IT controls which the museum has remedied by quickly ending access when employees leave the museum, updating key information and security documents, requiring users to attend annual security awareness training, and documenting which employees have access to which systems.
- 2) They also suggested tighter controls for small expenses. In response, VMFA has just implemented a new foundation travel policy and is communicating the needs for staff for proper substantiation of purchases and policies for petty cash.
- 3) Auditors commented that the museum's policies sometimes lacking, out of date, or unsuccessful. Museum staff will issue our existing cash collections policy to all employees involved and modify charge card policies.

Regarding the independent audit being undertaken, auditors have just begun and have not yet reported issues. They will begin fieldwork in mid October and the findings will be released in January.

## VII. Comments from the Interim CFO

Mr. Johnson provided a status update on several of his top priorities: the finance department is making strides with respect to showing integrated profit and loss reports, communicating both internally and with the boards, and changing the culture of the department to meet the expectations of the museum. He promised to further update the committee at their next meeting in the interest of time.

## VIII. Exhibition Financial Analysis

Together, Mr. Johnson and Ms. Keenan presented a financial overview of *Hollywood Costume*. This exhibition contributed \$275,073 to the museum compared to the budgeted \$42,453 due to the stellar attendance. Mr. Connors asked that we evaluate project accountability so that we can hold people accountable for these outcomes as we would in a corporate setting. He affirmed that this sort of reporting is an excellent tool unique to VMFA and encouraged the museum to put management tools in place to support it.

## IX. Exhibition Budget Review

Alex Nyerges, Director, and Lee Ann Hurt, Interim Deputy Director for Art and Education, presented changes to the museum's exhibition portfolio. These are to include moving *Making America* to a later date, date changes on *Leonardo da Vinci and the Italian Renaissance*, and adding *The Art of Japanese Tattoo, Rodin, and Kibinde Wiley: A New Republic*. The committee discussed the implications of these exhibitions for the FY15 budget given that some expenses for *Tattoo* will be incurred in the current year's budget. Ms. Keenan noted that the changes to the FY15 budget would be negligible as the museum presently has a designated for use on exhibitions and has not yet identified a figure for revenue which will be associated with this exhibition.

**Motion:** Proposed by Mr. Harris, and seconded by Ms. Ukrop that the Board of Trustees approve the attached Exhibition Budgets with the understanding there will be no changes to the FY15 budget.

## X. Other Business/ Closed Session

At 12:11 pm, the meeting went into closed session with the following motion.

**Motion:** proposed by Mr. Douglass, and seconded by Mr. Hager that the meeting go into closed session under the Virginia Freedom of Information Act, Section 2.2-3711 (A) subsections (1) of the Code of Virginia to discuss a **personnel matter** which is not public. Motion carried.

At 12:20 pm, by motion proposed, seconded and carried, the meeting resumed in open session.

**Motion:** proposed by Mr. Douglass and seconded by Mr. Harris that the Committee certify that the closed session just held was conducted in compliance with Virginia State law, as set forth in the Certification Resolution distributed. Motion carried.

A roll call vote was taken, the results of which are outlined in the Certification Resolution.

No other business was brought before the Committee and the meeting adjourned at 12:28 pm.

MOTION: Mr. Douglass  
SECOND: Mr. Harris

MEETING: Fiscal Oversight Committee  
DATE: 30 September 2014

**CERTIFICATION OF CLOSED MEETING**

**WHEREAS**, the Executive Committee has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

**WHEREAS**, Section 2.2-3712 of the Code of Virginia requires a certification by this Committee that such closed meeting was conducted in conformity with Virginia law;

**NOW, THEREFORE, BE IT RESOLVED** that the Executive Committee hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Executive Committee.

**VOTE**

AYES: Connors/Armstrong/Douglass/Gilliam/Hager/M. Harris/Thalhimer/Ukrop

NAYS: None

[For each nay vote, the substance of the departure from the requirements of the Act should be described.]

ABSENT DURING VOTE: None

ABSENT DURING MEETING: Luke/ Farrell/H. Harris/J. Harris/Johnson/Malek/Markel/  
Rangarajan/Royall/Schewel