Virginia Museum of Fine Arts
Transcription of the Fiscal Oversight Committee Meeting
Wednesday, January 13, 2021, 11:00am
Video Conference

Meeting called to order at 11:00am.

Full attendance listed in the meeting minutes.

David Goode: We have a quorum, so that being the case, I will call the meeting to order, and whoever joins late can be welcomed then. I will call the meeting to order. Since we have everyone recorded by Zoom, we do not need to call the roles for being present. We will proceed with the meeting. I have been informed that we have no public requests. Caprice, is that still correct?

Caprice Bragg: It is.

David Goode: That being the case, we can proceed straight forward into the meeting. The first order of business is review of the minutes, which were distributed to all of you. I will entertain a motion for their approval or any comments or corrections. Do I have a motion?

Joan Brock: Move for approval.

David Goode: Is there a second?

Betty Crutcher: Second.

David Goode: Any discussion? Those in favor say, aye.

Committee Members: Aye.

David Goode: Any opposed? Minutes are approved. The agenda today, generally speaking, will be to discuss the numbers, and Hossein will be pretty much the entire agenda with comments from the Committee and maybe an occasional aside from me. We will do it in two parts. First, to review the fiscal year that we are in the middle of. We have a pretty good idea of how things are going on that, and a lot of really good work has been done by senior level management and staff at all levels to make the expense side of the house as good as possible and the revenue side as well. There it has been a challenge, and you see that in the numbers that were distributed. Of course, there is a long way to go until we complete the fiscal year, and our mandate is to do that in balance. There is a lot of work to be done, and Hossein is, I think, prepared to tell us where we have come so far and where we are headed. Hossein, I will pass the baton to you to talk about the current fiscal year.

Hossein Sadid: Thank you, David. Good morning everyone, and happy New Year. It is hard to believe that we are almost at the end of the second week into the year 2021 As David pointed out, first I would like to share with you our forecast for the current fiscal year FY21, and we have obviously continued facing the challenges from the Pandemic. As David pointed out, my colleagues and everyone at the museum and the Foundation have been diligent in managing the challenges. As you have seen, our forecast for the current year shows at this point that we have a shortfall of revenues compared to the expenses of $1.8 million. Despite all the effort to manage the expenses, we have done a really great job, the revenue side has been affected obviously with the declined capacity of the museum visitors. We are still operating at about 30% of the capacity. Compared to the other museums, we really have to put it into perspective that VMFA has continued to be very successful in attracting visitors in these hard times. A lot of that really is predicated on great work that our art and education team, exhibition team, and others are doing at the museum. As I mentioned on the revenue side, we are short of budget by about $4.9 million, and that is almost entirely attributed to two of the revenue sources, earned revenues and enterprise operations. Both of those sources of revenues are affected, obviously, by declining visitors to the museum. The great part of the earned revenue decline of $2.1 million, which is about 36% of our budgeted amount is due to ticket sales, and I think Michael mentioned it earlier this morning, that we are anticipating to have our projections really come significantly short of what we had put in the *Sunken Cities* ticket sales. We see about a decline of $1.3 million from that source. The rest of the earned revenue decline is because of the fees and tuition for the classes in art education. There is a slight decline in lower level membership. All of these are affected by having fewer visitors to the museum. Enterprise is really mainly impacted by fewer visitors, but also the lion's share of the revenue for enterprise operation comes from the events. That is a major part of the operation to revenue. We see about a 50% decline in the overall revenue and of that 50%, 100% of our events revenues have seen a negative impact, obviously. By the way, the special events really contribute to the enterprise operation. That is really the money making part of the enterprise. When we do not see a source of revenue from that part, it really impacts the overall operation to the enterprise. The great news, even in the midst of a decline in the enterprise revenue of 50%, is our museum shop has continued doing an outstanding job. Actually, we are forecasting that they will end the year in the black, and that is actually helping reduce the impact of the enterprise operation on the overall forecast. That is something to celebrate really, and we have incredibly creative folks managing the shop and working on finding new ways of marketing and selling museum items primarily through the use of the internet and e-commerce. I am really pleased to report there that we were seeing a great thing. We did also get a slight recovery of about $500,000 from the Commonwealth for reimbursement of the PPE and expenses related to COVID-19. That really came shy of what we have requested to be reimbursed. The main part of the thing that was a disappointment for us was that we did not get any reimbursement for PHEL, which is Public Health Emergency Leave costs. That was a significant portion of it, and basically the state really ran out of the pool money for Recovery Funds that were passed through the fence to the state to distribute to the agencies.

With that, as I mentioned, total revenues fell short, we anticipate by $4.9 million on the expense side. We have seen a great deal of effort in reducing expenses. Some of that has naturally taken place, because we cannot spend money on entertainment, travel, and so forth. A good part of that is also the effort on the part of museum colleagues to contain expenses. This despite the additional expenses we have incurred related to COVID recovery and dealing with the impact of the Pandemic. The expenses are lower by $3.1 million, as I mentioned which leaves us with a gap. I am not really worried about the gap for a number of reasons. We have a very robust contingency plan to cope with that. We are continuing to work on managing the expense side and hoping to actually see some additional recovery. One of the things that we have not included in this forecast is a fee reduction for *Sunken Cities*. With the good work that Michael and Cindy Norwood, our attorney, have done, we are anticipating that the fee expenses would be reduced by about $350,000 that will be included in our future forecasts, as soon as we get the green light to go for doing that. We also see we have not included anything here in this forecast for the upper level membership. We assume that it is going to be flat. I mentioned lower level membership has seen a slight decline, but the upper level membership has been doing great. The outcome is really great. We have not included any of that in this forecast, and obviously the upper level membership revenues entirely go to support the Foundation. What happens is when we have more revenues on the Foundation side, there will be additional revenues available to the museum to support the shortfall on the museum side. Another key item with the Family First Recovery Act that was passed in December, obviously, we again qualify for PPP through the Foundation. Obviously, that recovery is the Foundation's recovery and is anything that we anticipate to recover which would be again relieving some additional revenues for the museum. Part of our contingency plan is, as I mentioned, looking at the expenses, but we have got a healthy balance of remaining reserves that we have accumulated over the past few years from the surpluses on the operating side. As David mentioned, we are obligated to have a balanced budget by the end of the year. Given the circumstances, we are well-positioned to do so. I will stop here and ask you if you have any questions?

David Goode: I like to say that, as you can see, a lot of work has been and continues to be done on closing the gap on this, and we are relatively optimistic that much of that can be done. We also are conscious that we will probably at the end of the year, be needing to use some of the reserves that we have. The good news is we have those reserves, so we can apply them to close the deficit as we get closer to the end of the year, if we need to. Our objective, of course, because the reason we have those reserves is for occasions like this, so we want to preserve as much as we can in our contingency reserves against the unknown future. Our objective is to not simply be confident because we have over $2 million in available reserves that we could call down. We just do not want to do that anymore than necessary. The management objective as we go forward is going to be to close the deficit, if we can. If we can to get it to where we are not using reserves. The other thing that the committee should hear, and I think we know this. We probably should say that from a cash standpoint, we do not have any emergencies or shortfalls. We are able to handle the operations without concern about cash because of the reserves and the Foundation is there and the investments have been good. Any questions or comments from the Committee?

Jim Klaus: David, can I just give my thoughts from the Foundation side?

David Goode: I was going to call on you.

Jim Klaus: Well, I spent a lot of time going over the numbers, and I agree with everything, David, that you just said about trying to use as few of the reserves as we can for the 2022 fiscal year. I think we need to, once we have determined what we need to use to balance 2022, we need to have a real good look at what's left over for 2023. Because my impression of the numbers from the Foundation side is that after using what we perhaps have to use for next year's budget, that we are not gonna have any more reserves to help with 2023. I think we need to make that once 2022 is budgeted. Then I think we need to have a very good understanding in our next meeting about what is available, and how that affects 2023. I think 2023 is going to be a very difficult year, because some of the budget reserves that we have been using are not going to be available. I know that we point to the Campaign, which obviously is going to be an important way to raise money to fill some of these gaps. However, most if not all gifts come in over many years or are bequests. A bequest is not going to help us filling a budget shortfall, so I just want to add that. I agree with everything you said, and it is amazing the job that Hossein and his team have done. To be honest, the amazing amount of reserves that they had in place that allowed us to get through this two year budget situation, the way we did without having to have cuts. The last thing I will say is look at what reserves are left, because we need to start planning, perhaps a little bit earlier for 2023. That is sort of my take from really delving into these numbers in the package that you all gave today. If I am wrong Hossein, or if I am missing something, I do not know about all the reserves that you have and maybe there are others that I do not know about. I am sure there probably are, but I just want to make sure that we are under the impression that if everything goes back to normal for 2023 that it is still going to be a very difficult budgeting year. We just need to be ready in planning for that now.

David Goode: I will just say that I think we are in complete agreement on those sentiments, and that is why we are going to be very careful and frugal and analytic about the reserves that we have and are using. It does keep me awake at night to see those depleted, because I think you are right. We are going to be going through a period of. . .We have seen that our budgeting for the strategic initiatives runs out in 2023. We have a lot of challenges that are going to be before us in 2023 even if everything is up and running smoothly. There is a lot of burden on Tom which he has been meeting quite well in keeping up the current revenues, and I am very confident that we are going to be seeing in the rest of this fiscal year some strong giving from our major donors, which will help a lot. We should never forget that one of the issues in the Capital Campaign is what we do not really have. It is that strong endowment for operating purposes. That remains a challenge. I just think we should keep it on the table. Other comments from the Committee?

Joan Brock: I would like to ask a question. You said the gift shop sales were doing so well and had online shopping. Is online shopping a new thing or been in place for a while? Tell me about that.

Hossein Sadid: Yes, it has been actually. It has been in the works for the past couple of years, but they have really come up with this step-up effort starting actually in March of last year. They started really planning for using e-commerce as a major part of their activities. Not only that, their merchandising has been outstanding to fit the online marketing effort that they have taken. It is a combination. We could literally have a meeting about how well they have designed and marketed the e-commerce type of activity. The platform was built a couple of years ago, but they had the foresight of being prepared for this era of Pandemic challenges to push and sell quite a bit of their merchandise. They are netting over $100,000 which is really terrific. That is about a third of what they generally generate in normal times. Being able to still be in the black and generate that level of revenue is very impressive.

Joan Brock: Sounds like there might be more opportunity there too.

Hossein Sadid: Yes, they are continuously reinventing themselves too. In fact, it is going to be with the shop's operation after pandemic passes, so we are going to see additional sales really coming from their e-commerce merchandising.

David Goode: Joan, we probably when we have time should have a meeting and a presentation to look at this, because Hossein is very modest about this. One of his objectives has been to improve the bottom line from the activities both in the shop and then food and entertainment operations. One of our objectives is to grow that significantly. I know Hossein has got a lot of ideas about that, and some of what we are seeing is from that. He is not going to take credit, but I am going to give him a little.

Hossein Sadid: Thank you. I really do not deserve the credit.I have to come clean here. It is Kimberly leading that operation right now. Kimberly Wilson with Michael Guajardo who has been with us for many, many years. So all compliments to Kimberly and her team. I handed off that baton.

Kimberly Wilson: Thank you, Hossein. We are always happy to present to the Board. We have a lot of great plans, and Hossein has been instrumental in supporting us as we did that handoff.

David Goode: At a future meeting, I would like to take a side thing and give Kimberly an opportunity to show, because there really is a lot of improvement that can be done in the bottom line from that.

Kimberly Wilson: You know, we launched VMFA2GO, as well.

David Goode: Yes. Hossein, should we take a minute here and jump ahead in the agenda and talk about the P&L for *Sunken Cities*, since that is the last item on the agenda? It seems like before we finish talking about the current fiscal year that might be a good opportunity for you to talk about where that is and the opportunity to improve that.

Hossein Sadid: Sure. I also look to my colleague, Michael to jump in. This is our last week of *Sunken Cities*, and the projections we have put into the budget as you have seen from the pro forma we had hoped to bring in 225,000 visitors to see this show. That is really the bloodline of producing revenue through ticket sales. Everything else has done tremendously well with *Sunken Cities*, especially on the expense side of the operation. They have adjusted and contracted to the extent they can to continue doing that first class show that they have. It is really one of the tragedies of the Pandemic that we have this incredible show, but unfortunately people cannot come and enjoy the show. As a side effect of that, obviously we have lost ticket revenues. As I mentioned, we have included the loss that we are anticipating from *Sunken Cities* in our forecast for the current year. The show actually started about six weeks later than we had planned. If you recall, it was to start in the middle of May, and it did not begin until the Fourth of July. That really has also contributed to the decline in sales, so I would say that the current projections. . .our pro forma is based on our lost 75,000 attendees. I think we are going to be slightly shorter than that considering what was reported before by Jan in the earlier meeting. We are at about 63,000 not including this last week's count, so we have really operated at 30% of the capacity, if you take 30% of 225. We are in line with everything else that is happening in the museum.

David Goode: Michael, would you like to talk about our efforts to improve the expense side?

Michael Taylor: Well, obviously COVID is the reason as Hossein mentioned for the late start. That was because the museum was closed. We reopened with *Sunken Cities*, and it is a tragedy. This is the kind of show that would have been like *Terracotta Army*. I think we treat it, if you pardon the pun, as almost sunk costs for *Sunken Cities*. We just have to draw a line under it. The good news is we are very hopeful of getting this fee reduction. Also, we pivoted. This is basically an expensive show that you pay money for, because you want that kind of *Terracotta Army* return. Now, we had another exhibition for next year from the Uffizi Gallery in Florence, and we actually were able to essentially cancel that and move fast to put the Man Ray exhibition in its place, which immediately saved the museum upwards of a million dollars. We are being very attentive going forward about this capacity issue. We all have to get vaccinated. That is going to take time, so I think we made the right decision in jettisoning the Uffizi show. We could not do anything about *Sunken Cities*, because it was here. When we are all said and done, I think we will hit 70,000. In a Pandemic many museums would dream of that attendance. Sunk costs for *Sunken Cities* is my message.

David Goode: I might say that I think from a Committee and Board standpoint, we should constantly have in our mind that we should not let what has happened at the bottom line of *Sunken Cities*, reduce our ambitions for exhibitions like that when things are back. I think the thing with the Uffizi was an absolutely necessary and right decision. We may have to make more like that, but still we have done very well over time with exhibitions like *Sunken Cities*. I think it would have been a blockbuster.

Michael Taylor: There is no question. When we were expecting the biggest push on attendance would have been over the holidays. We had a 250 people building capacity at that time, and that was the first time we really saw lines going out doors as people waited to get in. There is no question. Without COVID, this would have been one of our best attended shows. The thing is the way I see it, exhibitions have really been the driver for VMFA's success. Another thing to remember is our curators are now doing exhibitions that are going in the other direction. We have Sarah Eckhart's *Kamoinge* exhibition at the Whitney, and it is about to go to the Getty. We have Valerie Cassle Oliver's *Dirty South* show just about to open a VMFA, so we are positioned well. We are not having to scramble right now and find external shows for which we pay lots of money. We are actually going to see that going in the other direction, so I think the reforms that we made in 2015 are paying fruit now.

David Goode: As a Man Ray fan, I am happy to look forward. Any other questions or comments?

Martha Glasser: David, I just wanted to make a comment to really applaud everyone in leadership to pivot in times like these and to have the vision to stay on the course with the strategic plan. To put in a show like Man Ray, which still focuses on what we do, which is quality, I think it is a strong standard of what VMFA is all about. It is an international concern with the virus, so we are not alone in having to be flexible. I think it shows the strength of VMFA, and I just really commend everyone in leadership and on the team and the staff to make it what we really are all about. It is a great state Museum and good steward.

David Goode: Well said. Thank you. Other comments before we turn to planning for the next fiscal year?

Alex Nyerges: David, I was just gonna say thank you for talking about the special exhibition program and not going backwards on that for the future. To our earlier conversation about budgets beyond 2022 and 2023 and 2024. When we return to some semblance of normal where we will have special events which is a large revenue producer and a large driver of attendance. When we have attendance in special exhibitions that is appropriate to the scale of the cost of the exhibitions, which clearly we are not achieving with this, because of the Pandemic. What we will be able to do in rebuilding the audience, building up membership, but then also, going back to Jim's earlier comment about reserves, being able to build those reserves up again. Those came about in the last 10 years because we have this model that works. It builds membership. It builds corporate support. It builds Foundation support. Those are the things that we need not abandon. Now we are pulling back. We are doing all the things we can do here in 2021 and 2022, so that by the time we are free of all of these issues, I think we are going to be looking back, happy that we were able to survive this time. At the same time then start building again, the things that we need to have in terms of reserves and wherewithal for the future. I am glad to hear you say that.

David Goode: Other comments before we turn to next year? Obviously, it is early innings yet on our planning for next year, but we are well into it and we have got a couple of Board meetings before we enact the budget for the next fiscal year still you have seen in all of the voluminous materials that we sent out a pretty good idea of where the challenges are. Hossein, let me call on you to talk a little bit about where we think we are on FY22, and what we all need to do in terms of meetings and an examination of that budget before we get into it.

Hossein Sadid: Thank you, David. This is one of the important points that you made. This is a very early part of our budget process. Although the composition of the drivers for revenues and expenses, the assumptions, the work on those began sometime in the summer and continued over the fall to culminate into what I am about to share with you. I want to, before I forget, thank Connor and Hazel on my team for really shepherding the process through thus far. They will continue really working hard as we bring forward the final budget. We have continued building budget assumptions for FY22 based on the building blocks that we put in place, the principles for budgeting. One of the key elements of that process is to really set aside funds to make sure that we take care of our employees. That is really an important part of the budget, and you mentioned that we want to make sure that we continue supporting the mission and the priorities, especially the strategic plan as part of the putting together the budget. We are on schedule with completing the budget and bringing it forward to you at your final meeting of the fiscal year, which is May 6, 2021 for the Foundation and contingent on approval by the museum Board on June 16. There are a lot of things that will happen to this between now and until we bring the final budget to you. At this state of the budget for FY22, despite all the challenges with the Pandemic, we are on track to bring forward again a balanced budget.

I want to back up one second before I present to you the budget. I did not mention anything about the forecast for the Foundation. I am pleased to report to you that for the current year's forecast on the Foundation side is a balanced forecast. We do not have a similar challenge in balancing the Foundation. It is a pretty static budget. There is not much variability in the Foundation's budget. In fact, we are anticipating to see a slight improvement, a modest surplus, which will then again help close the books for the Foundation’s part of their budget.

On slide four of your packets, there is a summary of the assumptions both for revenues and expenses. I will go through some of these that are key elements of the budget in more detail in the following slides, but suffice it to say that we have stayed true to the budgeting process of doing the budget on an integrated basis, something that started when I began here at the museum to make sure that we do the budget for the Foundation and the museum side by side and also keep the activities for the exhibition as a separate track for budgeting. That is, as we talked about earlier, is probably the most variable part of the budget. We want to make sure that we keep very keen attention to the exhibition activities. We do not anticipate to see an increase for this exercise on the general fund support from the Commonwealth, with the exception that we may get some additional, as Katie pointed out earlier, funds for the conversion of part-time positions to full-time or hiring new part-time folks to continue dealing with the challenges of COVID. That is not included in this budget model. Our early look at the FY22 earned revenues we anticipate to be lower by 27%. A lot of that has to do with the composition of the exhibitions. We do not have *Sunken Cities* like we have in the current fiscal year. Actually, if we take a look at the forecast number compared. This is really a budget to budget comparison. We are seeing a 14% increase in FY22 in the earned revenues. Enterprise we have kept it flat, as we did in FY21. Historically, enterprise operation has contributed to the baseline budget of the museum, but we continue to be conservative. We are hoping that the

Pandemic would be behind us by the end of this fiscal year and we begin the new fiscal year FY22 somewhat in a normal tracks, especially with the special events activities. Designated gifts are mainly driven. . .I will share the summary with you. . .by what type of exhibitions we do. We have assumed that we will have a 14% decrease in that. Designated gifts for the debt is really specifically to pay off the debt. Restricted endowments and unrestricted endowments, you will see a decline in that which is kind of counter intuitive given how the endowment pool is performing now. We have had one of the best six months so far that I can remember. In performing we have done about 18% return for the first half of this current fiscal year. If it continues, it is going to really have a positive impact. The decline in the restricted endowment and unrestricted endowment is mainly because of the use of roll forward income. Because of the pressures we faced in FY21, we brought in quite a bit of accumulated income from the restricted endowment and unrestricted endowment. Going into 2022 you are taming that dependency. We started the year with about $10 million. Jim asked about what are the reserves that we have. We folded in FY21, this current fiscal year, about $5 million of the $10 million. In FY22, we are continuing to use some of that, less than 4.5% distribution, but we leave some behind for FY23. Dividing the remaining deserves within those two fiscal years, assuming how things would come about. Evans Fund is really contributing a great deal. It is over $5 million. It is an unrestricted fund that flows from the Foundation to the museum. We are seeing a really positive development in that respect. We have upgraded it by a 3% increase. The same is true with the Williams Trust. Those two trusts really amount to nearly $7 million. Some of that goes to pay for art acquisitions. On the expense side, we have really assumed that the expenses would be rolling forward into 2022 steadily at the baseline level. We have adjusted for the exhibitions, obviously. We have absorbed in our assumptions for the expenses. I have characterized that to be an unfunded mandate, so the benefits would be an adjusted benefits rate for the staff of about 24%. The impact of it has been included in our budget. I will share with you, I think Katie mentioned for some of you that were at the previous meeting, that in the budget bill effective September 1 all the classified full-time employees of the state will be given a one time bonus of $1,500 dollars. The challenge there is that we have quite a few employees that are not funded through the general fund and quite a few employees that are part-time employees. Traditionally, what we have done is we have extended the benefits and pay increases to our entire workforce, which is the right thing to do. The impact of that has also been absorbed in the budget in our assumption. It is key to remember that as part of our early model for the budget we assume that there would be no additional funding for new initiatives. It is again a little bit counter intuitive. We need to pay closer attention to this considering that we are in the midst of developing our new strategic plan going forward. That is going to come before the Board for approval. We have to be mindful of that. Any new funding for new initiatives will have an impact on the budget, which we will have to cope with through additional revenues or reallocation of the current expenses. Let me just stop here on overall assumptions and ask if you have any questions before I go into more detail?

David Goode: Any questions? Hossein, I am going to encourage you to limit the detail here, so we can accommodate Alex for the next meeting. I think it is clear to all of us that there are from what you have said that there are quite a few challenges yet in formalizing these numbers. While they will not be complete until May, we may very well need to do what we did last year and have an offline meeting of the committee to look at the progress of the budget, so that we are all comfortable with some of the decisions that we are making. You have teed up several of the things that are both fluid and represent decisions that we will have to make like the bonus decision, which I think we will undoubtedly want to make the same way we have always made it in the past. Does the committee have any other comments or questions at this stage? Hossein, go ahead and wrap us up on this.

Hossein Sadid: Thank you. I will skip ahead to slide eight of the PowerPoint. It is the earned revenue assumption. As I mentioned, we have assumed that the earned revenues will go down from what we have in the budget from $5.6 million to $4.1 million. By the way, all of these revenue assumptions have been developed in collaboration with our colleagues across the museum and the Foundation, just to be sure that our forecast of what we see happening in 2022 is compatible with what our colleagues see. They are actually owners of generating revenues. These are not really the budget office assumptions. This is developed in collaboration with all of our teams. As I mentioned, the forecast for the current year FY21 is $3.7 million versus $5.6 million. If you look at the FY22 and compare it to what we forecast by the end of the year in FY21, it is actually going up slightly by 14%. Earned revenues are heavily dependent on visitors coming to the museum. The assumption here is that we are going to resume normalcy starting July 1. We are going to have to watch and see what happens with the vaccine distribution and to what extent the Pandemic is under control. We would be adjusting these assumptions accordingly. Enterprise revenue, as I said, is flat going from FY21 to FY22. There is no expectation that the enterprise would be contributing to the museum, which they have traditionally done, ranging from a quarter of a million to about a half a million. Again, we hope to get back to normal, and now we are helping, obviously, the enterprise through the museum's budget and our past reserves to carry out their business. One of the things I need to point out about the enterprise that I have mentioned in the past is that several years ago we developed a liquidity of about 90 days worth of enterprise expenses which amounted to somewhere around $1.4 million in our cash balance. Generally what happens is the expenses take place before the revenues are generated, and we wanted to make sure that there was enough cash to cover the activities of the enterprise. That cash balance was totally used up by June 30, 2020, and now we are actually providing cash, as I mentioned about $1.1 million. The difference between the revenue shortfall and expense reduction. That is one of the things that we are focused on building back up as we get back to normal, which is a good practice to have in place.

Upper level membership, we were anticipating to continue going up. Again, this forecast is done in collaboration with Tom and his team. That has really shown a very positive direction. A lot of that has to do with the Campaign effort that Tom and his team have undertaken. I will skip over designated gifts. Restricted endowment on slide 13, you will see that we had a substantial increase in FY21 in the use of restricted endowment. As I mentioned, we used about $3 million of the roll forward funds. By the way, let me just clarify we are not piercing the 4.5% payout policy. These are the revenues we have generated in these restricted endowments over the past almost 10 years. Where we have because of the market performance the distribution of 4.5% has exceeded the amount we have in the budget. The number we put in the budget, we do not change that. Just think about it as a stabilization reserve, so we have some good years that we set aside. For the years that we do not have enough revenues to support the budget on a consistent basis at 4.5%, we pull in from the roll forward balances. We did the same thing. We have another about $4 million left. Of the $4 million, as I mentioned, $7 million was in the restricted endowment, and we have divided up the remaining balance $2 million in 2022. We still have $2 million to roll forward to 2023, if we need it. My hope is that we will not need that, and we will get back to building back those balances. The decline of 17%,we are using some of the roll forward. the normal distribution of 4.5% amounts to about $2.7 million. Any questions? They are a little complicated. By the way, each of the endowments balances, we have about 40 restricted endowments. We track them individually, so it is not that we are using the money willy nilly. We are using that to support the programs.

David Goode: It will always be our policy, not to exceed the usage of the endowment that we have approved. We will hold strictly to that as we go forward. If there needed to be any changes in that, then that will be a matter for the Board and the Committee to consider. Hossein, I am going to have to call the clock on us here. Do we have any final comments we should make you think?

Hossein Sadid: Yes. So, what does this all mean? If you turn to slide 26, this is our early look at bringing those assumptions into the budget for FY22. What does the year look like at this point in time? As you can see, it shows a shortfall of revenues of about $2 million. Do not be alarmed. This is exactly almost identical to the number we had last year at this time. It is not the time to get up and celebrate this, but given the conditions that we have been in, it is a remarkable position to be in. Again, this has been achieved by continuing to use some of our accumulated roll forward balances in the budget, which it is appropriate to do so.

David Goode: The way I think of it is that we have got a difficult financial situation. We have a lot of challenges, but we are in a position where as Chairman of the Committee, Hossein, Alex, and I feel that we have a situation that is not one that we cannot work with and work forward, so that we can keep the objectives of the museum and the things that we all wanted moving forward. While we hope for a lot of improvements, we are pretty comfortable that we have the ability here to be not just a stable organization, but a growing stable organization.

Hossein Sadid: It is important to note that at the bottom of that page, I mention that the unfunded mandate for us to provide the $1,500 one time bonus to all of our employees. Of that $2 million, a good part of that is the unfunded mandate that we did not have in the past. We will have in 2020. You know, no one can argue against giving employees that bonus. That is a great idea, but unfortunately the state does not fund all of that for our employees. That will cost us about $800,000, so if we did not have this unfunded mandate, our negative balance as of this time of the year would be significantly lower than what we presented to you last year at this time.

David Goode: We have discussed that before, and it is a challenge. It is a management challenge that management has been able to work with and will continue to do so. Alex, I am going to let you start your Board meeting here, but are there any final comments you want to make for this Committee?

Alex Nyerges: I think we should all be thankful that it is 2021. I think we should all be thankful that we have made it this far, and thanks to Hossein and our senior management team, all of our managers. You know we are doing quite well by comparison to the rest of our field. We are not doing as well as we would like to, because until the Pandemic is over, it is going to still be some tough sledding, but we should be very thankful for where we are.

David Goode: I agree. Committee, are there any final comments from members? If not, Alex, I will adjourn this Committee, and turn the ball over to you. Thank you. Thank you all for moving through this. Thank you, Hossein for being as concise as you were. We are adjourned.

Meeting adjourned at 11:57am.

Transcribed by: Stephanie Cooperstein
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