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# Visual Resources Association 2015 Annual Business Meeting: Treasurer's Report

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# Visual Resources Association 2015 Annual Business Meeting: Treasurer's Report

## **Abstract**

The Treasurer's Report, presented at the Annual Business Meeting of the Visual Resources Association, held March 13, 2015 in Denver, Colorado, reviews the state of the organization's finances, and includes a summary of economic trends affecting the Association's budget and membership numbers over the past decade, along with a review of the Association's investment policy and portfolio performance.

## **Keywords**

2015 Treasurer's Report

## **Author Bio & Acknowledgements**

Allan T. Kohl, Visual Resources Librarian at the Minneapolis College of Art and Design, is the Visual Resources Association's Treasurer and former President.

Each year during the Annual Business Meeting, the Treasurer presents to the membership an accounting of the Association's financial health. As with one's annual physical, one must look beyond the numbers to interpret what they might mean – now, and a few years down the road.

Visual Resources Association  
BALANCE SHEET  
As of June 30, 2014

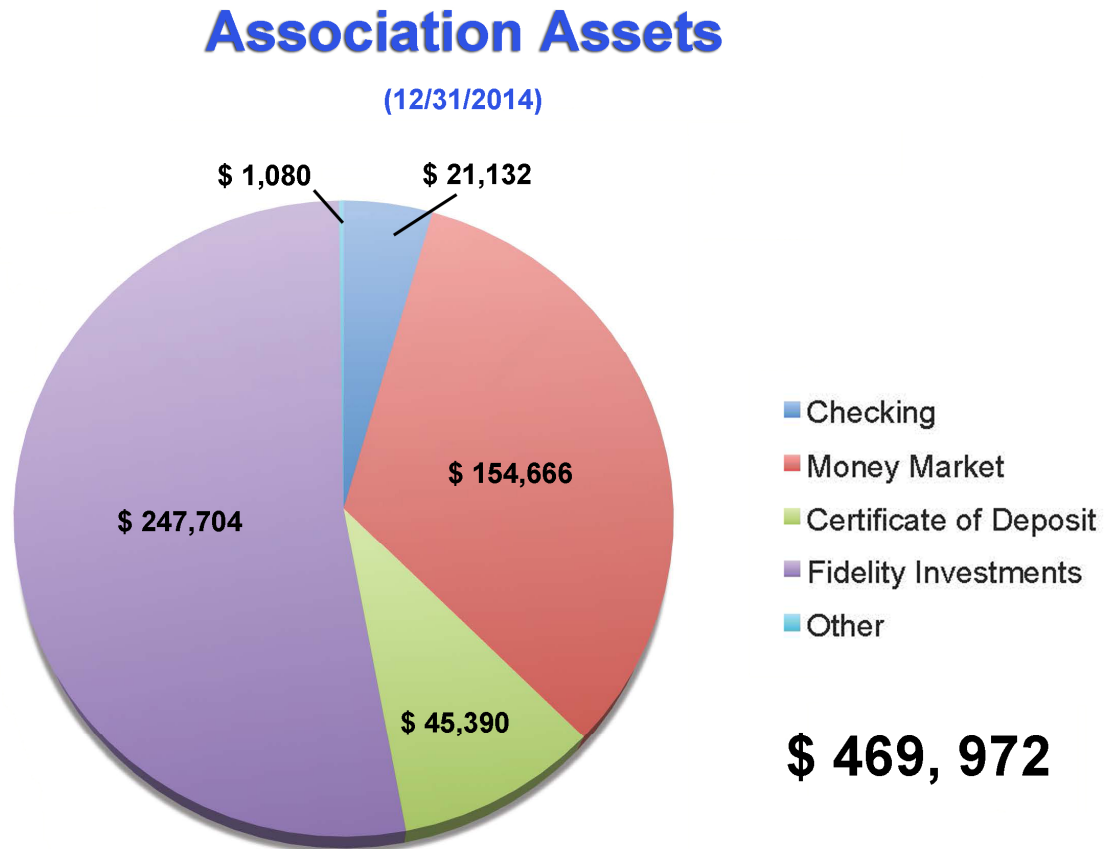
ASSETS		LIABILITIES AND EQUITY	
Current Assets		Liabilities	
Bank Accounts		Current Liabilities	
Bank of America CD acct# 091000125317852	45,389.58	Accounts Payable	
Bank of America Checking	1,213.07	Accounts Payable	0.00
Bank of America Money Market	151,576.88	Total Accounts Payable	<u>\$0.00</u>
F & M Bank MM Account (deleted)	0.00	Other Current Liabilities	
Petty Cash	0.00	A/P Exchange	
Trustco Checking (deleted)	0.00	VRAF Liabilities	-1,381.16
Total Bank Accounts	<u>\$198,179.53</u>	Total Other Current Liabilities	<u>\$ -1,381.16</u>
Accounts Receivable			<b>TOTAL</b>
Accounts Receivable	0.00	Total Current Liabilities	<u>\$ -1,381.16</u>
Accounts Receivable - Conference	0.00	Total Liabilities	<u>\$ -1,381.16</u>
Accounts Receivable - Silent Auction	0.00	Equity	
Accounts Receivable- Founders Fete	0.00	Kathe H. Albrecht Travel Fund	1,250.00
Accounts Receivable- Gifts Pledged	0.00	New Horizons & Student Travel Fund	5,400.00
Total Accounts Receivable	<u>\$0.00</u>	President's Fund	5,625.00
Other current assets		Retained Earnings	437,643.07
A/R exchange	0.00	Special Bulletins Account	0.00
Deposit for Conference 2011	0.00	Tansey Fund	557.94
Fidelity Investments	250,686.29	Temporarily Restricted	0.00
U.S. Treasury Bill	0.00	VRA Bulletin	0.00
Undeposited Funds	315.00	Net Income	85.97
Total Other current assets	<u>\$251,001.29</u>	Total Equity	<u>\$450,561.98</u>
Total Current Assets	<u>\$449,180.82</u>	TOTAL LIABILITIES AND EQUITY	<u>\$449,180.82</u>
TOTAL ASSETS	<u>\$449,180.82</u>		

One measure of an organization's finances is its balance sheet, in which assets are weighed against liabilities. As long as the former outweigh the latter, we are in the black. The Association's balance sheet for the 2014 fiscal year, which concluded on June 30 of last year, is a healthy one: **\$449,181**. We have no outstanding debt, we enjoy excellent credit history, and our only actual liabilities are good ones: travel award donations earmarked for distribution in future years. This year's total represents a modest gain over the balance sheet for fiscal year 2013, in which our net worth was **\$448,535**.

The picture looked even rosier when I took the Association's fiscal temperature on New Year's Eve, 2014: our net worth as the clock struck midnight was **\$469,972**. However, you may recall that last year at this time, I reported to you that on New Year's Eve, 2013 our net worth was

**\$488,172** – an all-time high. So, one might fairly ask, are we gaining, or losing?

The Association's net worth is in many ways like each individual's net worth: just because we may have significant equity in a house, or a healthy retirement account, does not necessarily translate into cash in our pockets. The VRA has a positive balance sheet because of the strength of its assets. Here's what those assets consisted of as of December 31, 2014:



**\$21,132** (the dark blue section at the top) was in our business checking account, the Association's "active" account. From it, the Treasurer writes checks to our various vendors, contractors, and service providers. The Membership Services Coordinator also writes checks from this account at the request of Chapters participating in the Bursary program. Credit card transactions made by the Treasurer are drawn on this account, as well as automatic periodic payments for service providers such as MemberClicks, BaseCamp, SlideShare, etc.

**\$154,666** (the large red section on the right) was in our money market account, which serves as the Association's primary "ready cash reserve." From this account, the Treasurer makes periodic transfers of funds into the checking account as needed. Our money market account will typically hold an amount sufficient to cover all of the Association's budgeted expenses for the full fiscal year. The balance of funds in this account will rise and fall significantly throughout the year. It is typically highest when fall membership renewal payments and conference registration fees are received; it declines through the year as we pay for conference expenses and renew annual contracts with vendors and service providers. So on New Year's Eve, with the November membership renewal campaign just concluded, and with conference early-bird registration payments already coming in, this account was unusually full. It will be a lot leaner next month, when all of the conference bills come due.

**\$45,390** (the green section) is in a Certificate of Deposit, which serves as the Association's "rainy day" emergency fund.

That takes us to the remainder, that just-over-half-of-the-pie purple section worth **\$247,704**. This represents our investment portfolio. Later in this report, I will give you an account of how these assets are working for us.

Just as your individual checkbooks or credit card statements give you a better idea of your cash flow over time, the Association's annual Profit and Loss Statement gives us a useful snapshot of what is coming in, what is going out, and where it is all going. For an organization such as ours, examining the profits and losses over a fiscal year (ours runs from July 1 through June 30 of the following year), and comparing these figures to the budget projections the Board makes at the start of each year, helps us track how effectively we are using our resources.

With the economy continuing its gradual recovery from the Great Recession of 2007-2009, our bottom line appears reasonably healthy. However, while in fiscal year 2013 we had income of **\$153,112** and expenses of **\$139,756**, for a net operating gain of **\$13,356**, in fiscal year 2014 we had income of only **\$132,716**, and expenses of **\$133,114**, for a net operating loss of **\$398**. That may initially seem to be a manageable deficit. But like your health care provider who spots something of possible concern in your lab tests, I will point out that while our expenses were less than in the previous year, our income was lower still. And therein lurks a potential problem. To understand this downward drift, we should take a closer look at some of the Profit and Loss details.

## Visual Resources Association Financial Summary (Profit & Loss): FY2014

### INCOME

	<u>2013-2014 Actuals</u>	<u>FY2014 Authorized Budget</u>
Membership dues	52,500	56,540 – 59,830
Publications, Subscriptions, Royalties	3,106	250
Development	8,765	4,750
Investment Gain/Loss, Interest	20,833	7,500 – 10,000
Conference Income	47,020	59,080
Miscellaneous Income	492	250
	<hr/>	<hr/>
	<b>132,716</b>	<b>128,120 – 133,910</b>

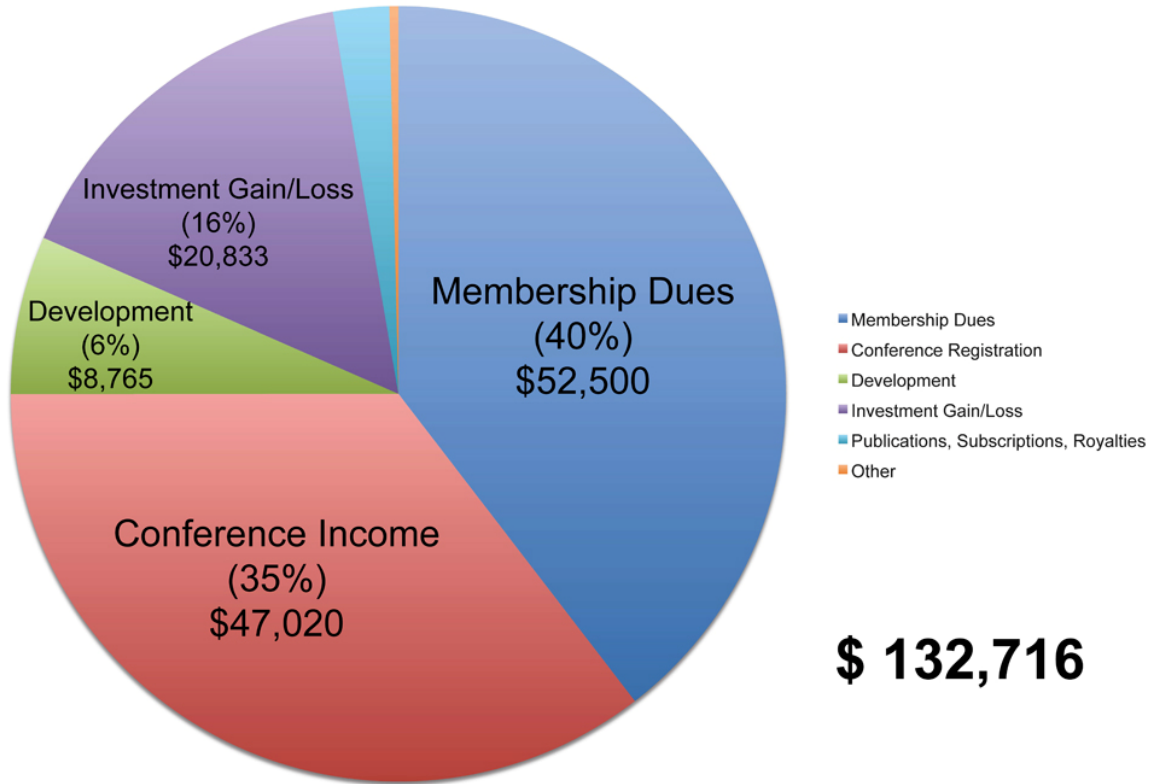
### EXPENSES

Awards	9,750	9,800
Travel Awards (9,250)		
Awards Committee (500)		
Board expenses	13,170	12,500
Conference expenses	57,158	53,150
AV services (15,884)		
Catering (27,456)		
Speakers, Honoraria (6,600)		
Ground management (2,701)		
Tours (2,106)		
Professional fees (371)		
Printing (518)		
Miscellaneous (979)		
Workshops (543)		
General & Administrative	21,249	27,000
Archives (1,639)		
Bank fees (8,495)		
Insurance (1,647)		
Office supplies, postage (436)		
Communications services (9,017)		
Miscellaneous (15)		
Professional & Consultant fees	27,420	29,600
Accountant, Bookkeeper (14,820)		
Membership Services (12,600)		
Publications	4,367	9,640
	<hr/>	<hr/>
	<b>133,114</b>	<b>151,700</b>

Income from membership dues continued its downward trend, reflecting a near decade-long slow but steady decline in the Association's membership

base. This past year, in fact, membership dues comprised only 40% of our income - an all-time low.

## FY2014 Income Sources



Donations and Fundraising activities accounted for 6% of our income, but almost all of this money was earmarked for our Travel Awards program. Less than 1% of our annual operating funds come from development activities, with most of this coming from our relationship with Amazon. Just over a third of our income came from registration fees for the 2014 Conference. This year for the first time I am also including Investment income in the pie chart. While this figure has always been included on our Balance Sheet and Profit and Loss Statement, this year we have begun actively using a portion of this income to help cover the Association's operating expenses.

Where did the money – your money – go in fiscal year 2014? Here is a closer look at our Profit and Loss figures:

Awards includes the honoraria for the major awards like those bestowed last night on several of our deserving members, as well as the Travel Awards program. Our Executive Board officers are not compensated for the hundreds of hours of dedicated work they perform, but their travel expenses to attend annual and mid-year meetings are reimbursed, as are the scouting trips made by the two Vice Presidents to select the future year's conference hotel. General and Administrative expenses include bank fees, insurance, rental of the Archives space, our permanent mailing address lockbox, and supplies. Professional services include our Accountant and Bookkeeper, our Destination Consultant, independent designers, and the Membership Services Coordinator. Publications includes our annual subscription to Berkeley bepress and the per issue stipends for the two *VRA Bulletin* editors. Subscriptions and services cover all of the tools and resources we use to accomplish our work in the digital environment: MemberClicks, QuickBooks, Survey Monkey, webhosting, Basecamp, SCHED, Go-To-Meeting, and more.

Post-conference survey responses indicated that most of us thought that the 2014 Conference was particularly strong in terms of content; everyone enjoyed the historic Pfister Hotel, and seemed pleasantly surprised by Milwaukee's historic character. Our costs were reasonable, and consistent with our recent experience. Unfortunately, our attendance did not come near to hitting projections, in consequence of which we lost over \$10,000 when all the bills were paid. Compared to our good numbers the year before in Providence, a drop-off in attendance was, unfortunately, predictable, as is true of most years when we meet in locations other than the Northeast or Atlantic seaboard. Yet post-conference surveys have consistently indicated that our members believe it is important to hold our conferences in different locations around the country.



## 2014 Conference Expenses

Catering: \$27,456

Audiovisual/Network: \$15,884

Printing: \$518

Speakers' Honoraria: \$6,600

Professional Services: \$3,072

Tours: \$2,106

Workshops: \$543

Miscellaneous: \$979

**(Adjusted) TOTAL: \$57,158**

**183 attendees\***

**= \$312.34 cost per attendee**

**(regular individual registration fee: \$265)**

Catering, audiovisual, and network services continue by far to be the largest drivers of conference expenses, accounting for more than 75% of our costs. While we can scale back some of our catering based on the actual number of registrations, we are obligated by the terms of our contract with the host hotel to spend a fixed minimum on food and beverage. This is part of the trade-off by which we earn free use of function, session, and meeting rooms, and lock in favorable room rates for our attendees. AV costs are determined by the equipment requirements of our conference program, which is fixed months before the registration numbers are finalized. Unfortunately, we pay the same for a projector package whether fifty people or a hundred and fifty people attend a given session.

# FY 2014 Expenses

(Excluding Conference and Chapter Bursary)

Awards: \$9,750

Board Expenses: \$13,170

General & Administrative: \$12,232

Professional Services: \$27,420

Publications: \$4,367

Subscriptions & Services: \$9,017

**Basic Operations: \$75,956**

**512 members**

**= \$148.35 per member**

**(regular individual membership dues: \$110)**

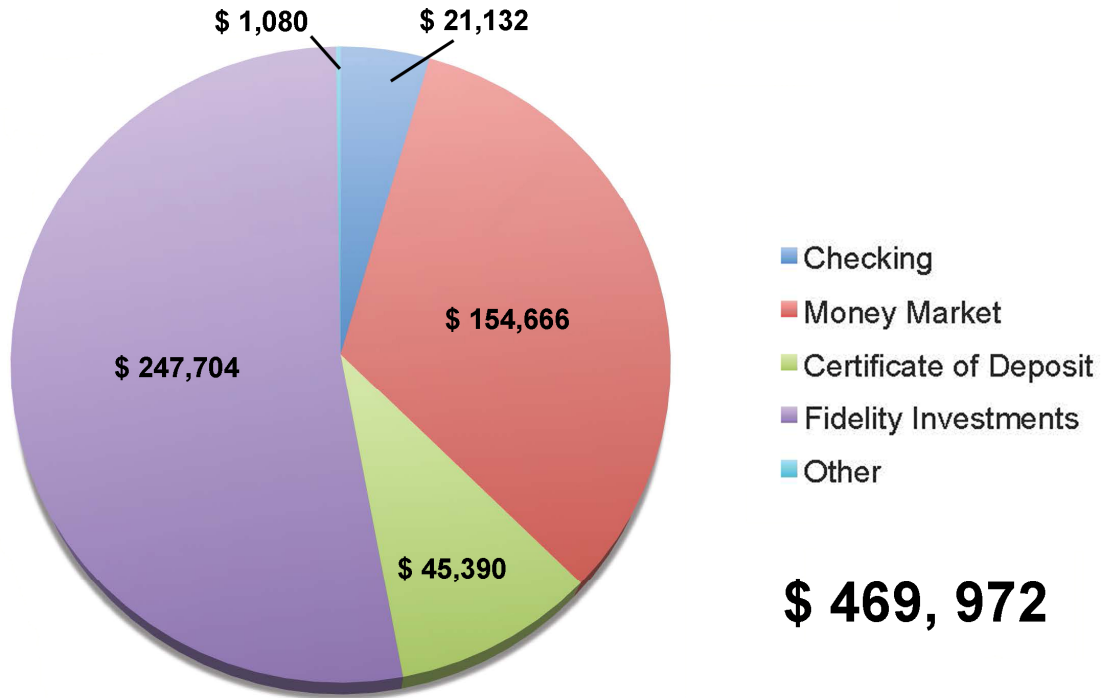
In this table, I have removed conference costs and the Chapter Bursary to arrive at the expenses we incurred last year just for the Association's basic operations: **\$75,956**, divided among the 512 members of record at the close of the last fiscal year, comes out to operating costs of **\$148.35** per member – and our membership dues are still priced at **\$110**. Moreover, a number of us – students, retirees, the unemployed – receive steeply discounted membership rates. As I've pointed out before, this disparity between the price of membership and our actual per-person operating cost is probably not sustainable over time. And this past fiscal year, we did not have a profitable conference to bail us out, as we did in 2013. Sad to say, in 2014 we managed to lower our operating expenses, exclusive of the conference, by almost \$5,000 compared to 2013 – and yet we still lost money.

However, the Board is keenly aware that raising membership dues and conference registration fees would probably result in a few more people deciding not to renew their memberships, or finding themselves unable to afford the next conference. We might price ourselves out of the participation range of many of the very people -- including students and

young emerging professionals -- who most need to attend in terms of their career development, and who represent the future of this organization.

## Association Assets

(12/31/2014)



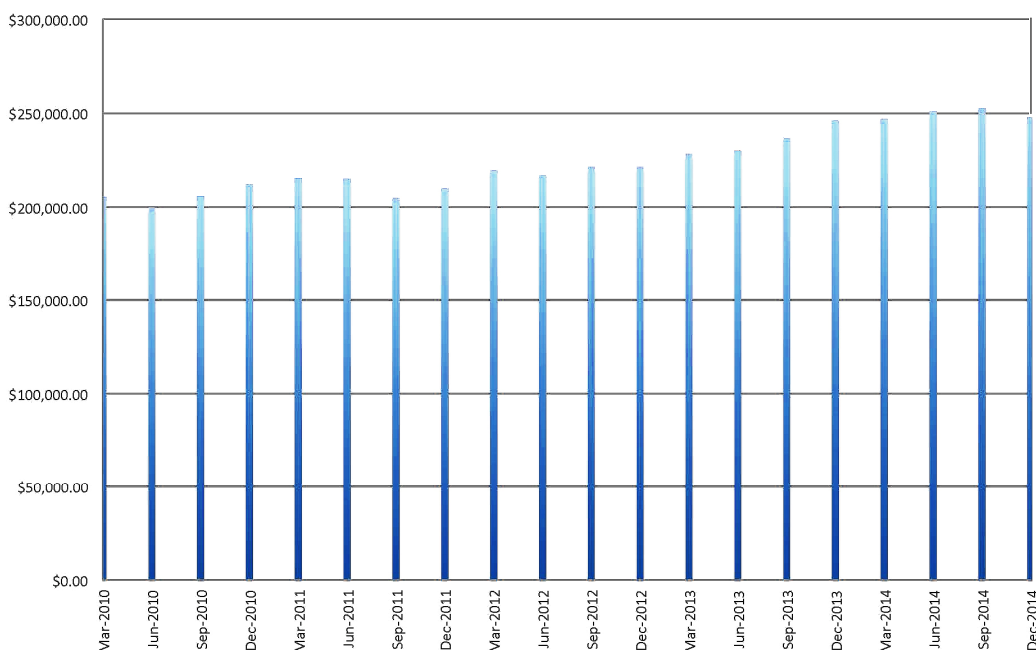
Still, much depends on how we play the cards we've been dealt. Our cash flow situation, as we've seen, is still pretty healthy. For a number of years, we have been just breaking even, or showing very small, manageable yearly deficits. And that brings us back again to that large purple section of the assets pie: our Fidelity Investments portfolio. Some years ago, when it was easier to run profitable conferences, the Association began to build up liquidity, and the Executive Board decided to use this surplus as investment capital. Our portfolio is now worth nearly a quarter of a million dollars. For several years, the Board, with the help of the Financial Advisory Committee, has been investigating using these investments as an endowment, like those that help support many of our universities, museums, and cultural heritage organizations. This past year, with the help of a Certified Financial Planner, we instituted one of the major provisions of our Investment Policy that permits the Board to authorize a modest and sustainable annual drawdown of the accumulated value in our investment portfolio. The value subject to drawdown is to be calculated

annually based on what is called a twenty-quarter trailing value, which many endowments use to even out the peaks and valleys of the market over time.

## Fidelity Investments

2010-2014

20-Quarter Trailing Value



For the current 2015 fiscal year, the Executive Board authorized a draw-down of 4%, which has given us an additional **\$8500** to help fund basic operations. This allowed us to avoid membership dues increases for this year, and we instituted only a modest conference registration fee increase of \$5. Working with the Financial Advisory Committee, I plan to recommend to the Board a similar 4% drawdown in fiscal year 2016, to be used as one of the income sources to fund our operating expenses. However, in so doing I need to inject a note of caution: the market is performing well these days, and our portfolio has shown healthy gains over the last several years. Nonetheless, we should keep in mind the downturn of the Great Recession, during which our investments actually declined in value. A long-term perspective is important in keeping our Association firmly in the black.

In summary, I am pleased to assure you that your Association remains in good financial shape to help us all continue towards our shared destination in the years ahead.

*Allan T. Kohl*  
*Treasurer, Visual Resources Association*