



THE WESTMORELAND MUSEUM of AMERICAN ART

Notes pertaining to the Financial Statements of 6/30/2017 Westmoreland Museum of American Art Meeting of the Board of Trustees, July 18, 2017

These notes pertain to the following financial reports for period ending 6/30/17:

Cash Sources and Uses – 2016/17 Actuals (preliminary) vs Budget

The numbers presented in the Cash Sources and Uses 2016/2017 Actual vs Budget are preliminary numbers for 6/30/2017. Final closing entries will be done throughout the year end closing process.

Summary Comments:

FY 2016-2017 finished in a stable cash position with the receipt of \$975,000 of RACP funding and the payoff of the PNC construction bridge line with the RACP funds and the funds that had been placed at Guyasuta Investments. While the FY GOS foundation funding and earned income was below Budget expectations, restricted exhibition funding helped to reduce the operating expenses relating to those exhibitions. Due to expense management measures and use of restricted funding for the marketing of exhibitions, operating expenses were under Budget for the year. GOS Prepayments were received from two foundations for the FY2017-2018 so the 2017-2018 begins with \$923,000 of available cash for operations.

Comparison of FY 2016/2017 Actuals vs Budget

This report shows the cash operating finances for The Westmoreland's Operating profit centers. It includes the following:

Column A – 12 months (July 1, 2016 through June 30, 2017) Actual Cash - Operating and Capital Campaign Related Activities

– Includes all incoming cash activities such as cash gifts and pledge payments, revenue from Earned Income activities, distributions from Endowments and transfers from the Guyasuta Investment Account and all cash disbursements for Museum Operations expenses, final building project disbursements and cash disbursed for repayment of the PNC Bridge Loan.

Column D – Full Year 2016-2017 Operations and Capital Campaign Budget

Column E - Full Year 2016-2017 Variance between the FY 2016-2017 Actuals and the 2016-2017 Operating and Capital Campaign Budget

Notable variances on Page 1 Include:

Line 1 – Beginning Cash Balances – These figures reflect the total opening cash balances in the combination of the Operating Activities bank accounts and the Capital Campaign bank accounts. It does not include the Guyasuta investment balance.

Line 3 – GOS - Gifts, Grants and Pledges - Current Year

The unfavorable variance of \$274,000 is the result of several significant foundation operating grants and other grant opportunities for operating (GOS) funding which had been budgeted but not received in this fiscal year. In some cases, WMAA did receive funding from these grant providers (i.e. Laurel Highlands Visitors Bureau, Dollar Bank) but the funding was specific to expenses other than GOS and is therefore not included in Line 3 for comparison purposes. Also, one foundation was budgeted to provide support for this fiscal year and did provide GOS support, but designated that the funds be restricted to FY 2017-2018. In the budget, some stretch goals for existing funders had been established and were met as well (Allegheny Foundation, McKenna Foundation). While there is a negative variance in the overall GOS funding versus the Budget, there were several unexpected new family foundation gifts that were received this fiscal year and several corporate gifts to support the Family Free Days at WMAA.

Line 4 – GOS – Prepayment by RK Mellon and Eden Hall

The positive variance of \$600,000 is a result of the prepayment of the RK Mellon pledge of \$500,000 due in 2017-2018 and the prepayment of the Eden Hall pledge of \$100,000 due in 2017-2018.

Line 6 – Earned Income – Includes education tuitions, admissions donations, special event revenues (Big Art Party, Jazz, Art on Tap), rental income, and 206 North Main rental fees.

The Earned Income unfavorable variance of \$53,000 is a combination of negatives variance to Budget in several Earned Income categories, some more significant than others:

- Big Art Party revenues: In total, the Big Art Party revenue goals were met. An unfavorable variance of \$19,000 is reflected in the financial statements as a result of the receipt of \$18,000 of Big Art Party sponsorships in FY 2015-2016 for the 2016-2017 event.
- Art on Tap revenues: The unfavorable variance of \$15,000 is due to lower event attendance and the receipt of FY 2016-2017 AOT sponsorship funds (approx. \$2,000) in FY 2015-2016.
- Jazz revenues: The unfavorable variance of \$7,700 is due to lower than expected attendance at concerts.
- Admission income: The unfavorable variance of \$11,000 is due to a greater number of our visitors being members or becoming members at their visit and the increased attendance at Free Sundays. 33% of our gallery visitors who checked in with the front desk visited on Free Sundays and Free Family Days.
- Outside Rentals: The unfavorable variance of \$5,700 is a result of fewer corporate rentals than anticipated for meeting rentals and holiday parties. Additional marketing efforts are underway to market the space to brides and other non-profits.
- 206 N. Main: The favorable variance of \$4,200 reflects the income from the commercial space rental which had been previously occupied by the construction team and the rental of an additional residential apartment. Currently, all residential and commercial units are 100% rented. Continued improvements are being made to 206 N. Main.

- Miscellaneous: A favorable insurance payment was received (\$6,000) for the damages incurred to our property on Park Street and \$2,325 was received from Seton Hill University for payment for the Art Seminar: Museum Studies class that WMAA provided to SHC students.

Line 8 – Capital Campaign

The unfavorable variance of \$1.8 million is reflective of the planning of a \$2 million gift from a significant foundation which was not received and the positive variance of \$35,000 for gifts not budgeted but received from the Katherine Mabis McKenna Foundation and the Hurtt Foundation. The RACP funds were received (\$975,000) with a residual amount of \$25,000 still outstanding.

Line 9 – Transfer Funds from Guyasuta Investment Accounts

This line reflects the withdrawal of funds from Guyasuta in May, 2017 for payment of the PNC Bridge Line of Credit. \$100,000 will be left in the account for future investments.

Line 11 - Compensation

The positive variance of the Compensation line (\$107,000) is offset by the negative variance in Line #13 - Outside Services. Since July 2016 through December 2016, WMAA had used independent contractors (“Outside Services”) for an interim Director of Facilities position and janitorial assistance. Both positions were previously full-time, benefitted positions and are now both part-time positions. Also, the housekeeper position is currently being paid from Worker’s Compensation insurance and is not in the compensation line for 6 months as well. Additionally, the positive variance in the Compensation line is also a result of annual staff raises that had been included in the budget, but were cancelled in order to reduce expenditures.

Line 13 - Outside Services

Outside Services has an unfavorable variance of approx. \$45,000 due for the use of outside contractors for the Director of Facilities and janitorial positions. While we continue to use an outside janitorial service, we have hired a part-time Director of Facilities and a part-time custodian. This unfavorable variance is offset by the positive Compensation variance in Line 11.

Line 15 - Repairs and Maintenance

The favorable variance of \$29,000 is a result of lower than expected maintenance costs for this fiscal year.

Line 16 – Insurance

The unfavorable variance of \$14,000 is a result of higher package premiums than budgeted, the addition of fiduciary risk premiums, higher collection premium coverage costs, and the 2016 prior year cost adjustment based on insurance audit procedures.

Line 17 – Collections, Exhibitions and Programs

This positive variance of \$23,000 is reflective of lower permanent collection expenses for items such as collection software upgrades, the delay in scaffolding expenses, and lower preparator fees. All exhibition fees and exhibition expenses are funded with temporarily restricted funding and not from GOS funding.

Line 21 – General Printing and Promotion

A positive variance of \$24,000 was achieved by funding exhibition marketing materials and ads with restricted dollars which were designated for specific exhibitions during FY2016-2017.

Line 29 – Interest Expense

The positive variance of \$27,000 is a result of the early payoff of the PNC loan principal with the cash payment of the RACP funding and the Guyasuta funds.

Line 30 – Construction Expenses

The positive variance of \$73,000 reflects that the final construction expenses have been less than anticipated. Only one invoice remains that relates to the construction period.

Line 31 – Capital Expenditures

This negative variance of \$30,000 reflects the investment in flooring, paint, and capital improvements at 206 N. Main and a new partial roof at 206 N. Main for \$19,000.

Line 33 – Other

The positive variance of \$22,000 is a combination of several significant savings in the following categories included in Other: Administrative Expense (\$4,000), a delay in technology investments (\$7,000), and miscellaneous savings in postage and other line items as a direct result of cost savings efforts (\$8,000).