

Questions from Members

September 1, 2010

Q: How the club has come to be in such dire financial condition at this moment? What diversification of funding revenues have been considered? What long-range financial planning has been considered previously?

A: This year's Auction lost money; last year's (2009) Auction did not lose money, but we did not keep reserves as we should have in an effort to give more money to the Museum. We are definitely looking at diversifying income through new fundraisers, an enhanced Addys program, and additional programming opportunities such as marketing bootcamps, speakers, etc. As to previous long-range financial planning, we did save money from each Auction event (although arguably not as much as we should have) and invested it conservatively. The Future Planning Committee has been creating a strategic plan to diversify income and to grow the Auction as needed. Unfortunately, the changes within the Auction structure occurred before we were able to bring those plans to fruition.

Q: If the auction 2 years ago had so little net revenue, then why was the Russell Museum given so much? Why weren't more funds held to assure financial stability for the club?

A: It was the Board's decision at that time to not hold out reserves and instead put more money to the Museum, as was expected by the Museum. At that time, we had approximately \$400,000 in savings and we didn't anticipate the split with the Museum. The Ad Club Board assumed we would be able to recover from no reserves that year. Unfortunately, this was not the case.

Q: In the years when "history" was made and we were donating several hundreds of thousands of dollars, were the budget needs of Ad Club truly being met before the checks were given? In terms of long-range fiscal planning, were reserves established and maintained in the fat years in order to stem a budget crisis in lean years?

A: Budget needs were always met before any donation to the Museum was made; unfortunately, a concerted effort to build savings was not made until the past five years or so. Reserves have been maintained and invested wisely and conservatively since that time. Unfortunately, investments haven't been as profitable as in previous years and we have had to dip into these savings during this past year to offset unforeseen costs.

Q: If the auction was not profitable 5 years ago (assumption made here), then why were there no urgent plans to abandon the format or were we being held hostage by the museum and afraid of the negativity of going public?

A: 2010 was the first year the Auction was not profitable; the Auction was not as profitable in 2009 but we still made money on the event. This year, we lost a significant amount of money. Therefore, no plans were made to abandon the format until this year. Negative publicity has of course been a fear throughout the past year.

Q: What is the history of the Club having staff? When was the first staff person hired, and why was it decided staff was needed? As the club has grown it appears so have the number of paid staff people? Why is that?

A: Ad Club has had staff for a long time; the first full-time ED was brought on in the late 1970s (part time employees were at the helm prior to that). At our peak, there were a total of 8 full, part-time and temporary staff members. Additional staff was brought on due to the size and workload brought on by the Auction and a shift in volunteerism by Club members. When Sara came on Board in 2008, we had a full time ED, full time Auction Director, full time Art Director, two part time admin assistants, and a contract bookkeeper. We currently have one full time ED, a part time admin assistant, and a contract bookkeeper who works one day a week.

Q: In the 10 years I have been a member, it was determined that we needed more staff to run the auction. I am going to assume when that decision was made, it was also determined we needed to retain more income from the auction to support the additional overhead of staff. If that is the case, then when the determination was made to let the specialized auction staff go – why did this not correct the budget shortfalls?

A: Ad Club operated with two budgets over the past years: one for Ad Club expenses and income and one specifically for Auction expenses and income. This was especially important because the Museum donation was determined from the net Auction proceeds only. Going into the 2010-2011 year, we will only be operating with one budget. The elimination of staff did not cure all our financial woes, although it greatly helped. The Ad Club budget is short because we didn't make any money off of the Auction. Typically, we pay our expenses from the Auction and keep a cushion of money to run the next year. We were unable to do that this year.

Q: Is the issue that we actually lost money on this auction? Have we really made money in the past 5 years or have we been a defacto fund raising event for the museum rather than meeting the needs of the club first?

A: The main issue is that we did indeed lose money on the Auction. In addition, the economy and the national trend of a fledgling art economy also played a part. We have made money for our Club over the past years, but certainly, the Museum got a larger portion of the pie.

Q: What are the costs of special projects like scholarships and public service committees?

A: These programs have been suspended for the coming year. Traditionally, scholarships are \$6,000 (three - \$2,000 scholarships) and special projects have been \$10,000.

Q: How can the new group running the exhibit rooms at the Heritage offer them to artists for around \$300?

A: They were charging \$300 per artist not per room. In addition, I don't think they had considered all of the additional costs of producing the show. Since that article was written, things have drastically changed regarding exhibit rooms at the Heritage Inn. It is our understanding Nadine Pickthorn will no longer be in charge, and room rates will stay similar to what we have previously charged.

Q: What did the Heritage charge Ad Club for each room for the 3 days, including removing and storing the furnishings?

A: Ad Club's room rates varied based upon room location. This covered the artists for Wednesday night through Saturday night. This fee went to help cover our administrative costs as well as meals for artists in the hospitality room and at the Brunch. This also covered the cost of 24-hour security at exhibitor parking at a separate lot as well as additional security at the Heritage Inn. It also covered name badges and ribbons for the exhibitors and advertising of the show. The artists directly paid the Heritage for their nightly room rental fee, a fee the artists will still have to pay to the Heritage Inn; last year's nightly rate was \$124.05. Our charges simply covered our costs and did provide a small amount of profit, although not much. We charged a separate furniture removal fee of \$75, which went directly to the Heritage Inn.