

**--DRAFT--**

## **Delaware Symphony Orchestra**

Meeting of Board of Directors  
Monday, November 9, 2015  
Community Service Building – Wilmington, DE

-MINUTES-

**Directors Present:** Charles Babcock, Lynsey Eppeneder (telephone), Jennifer Golek (telephone), Matt Di Guglielmo, Shelley Kinsella, Grace Kwon-Kubacki, David Kubacki, Dion LeMon, Elena Norman, Tess Pietrucci, David Plaza, Lee Tashjian.

**Others:** Dan Colburn, Administrative Coordinator; Maestro David Amado; Barbara Cairns, Development Director; Alan Jordan, Executive Director; Marty Beech, Musician Representative; Christopher Erisman, Auditor; Katherine Silicato, Auditor

**Welcome and Call to Order:** President Charles Babcock called the meeting to order at 5:30 PM.

**Approval of the Minutes:** Upon motion by Dion LeMon, with a 2<sup>nd</sup> by David Kubacki, the minutes of the October 19, 2015 meeting were unanimously approved (Attached).

**Finance Committee:** Lynsey Eppeneder, Chair of the Finance Committee, presented the following report which included a presentation and analysis of the FY 2016 Budget vs. FY 2016 Operations Forecast as of October 31, 2015 and the Cash Projection Report as of November 4, 2015 (all attached).

We are currently projecting a deficit of \$65,000, which is up \$9,000 since last month. In response to Elena's question last month, by comparison at this time last year, we actually had a surplus of \$8,000. Contributions are budgeted at \$938,000 and we've received \$402,000 so we need \$536,000 to meet our goal. By comparison last year, we had received \$617,000 against a lesser goal of \$898,000. Some of the differences noted from last year, not repeated in this year, were the \$50,000 gift from the City of Wilmington, DDOA contribution was \$40,000 lower, the Amado Foundation contributed \$65,000 for the Nutcracker, increased Board commitment and a Spring appeal also contributed.

David Plaza provided additional information and indicated that we are actually at \$443,000 or 47% of goal with some things having been received since the date of the Finance Report. In addition, a Fall appeal will be going out shortly. There are also planned meetings with significant donors on the calendar.

Lynsey noted that ticket sales have been discounted further by \$40,000. We still need \$70,000 in ticket sales to achieve our forecast. We're at about the same point as last month and the Finance Committee requested that the Marketing Committee meet to address this issue. Alan Jordan indicated that a meeting is scheduled for next week. Lynsey also noted that in addition to our deficit, the Recording Project is not in the budget.

With respect to Cash Flow Projections, rows 3 to 5 of the report indicate that which is collected. It appears that we will be \$21,000 in the negative in November, although there is some offset with recent receipts, however, by December, we will be back to negative. By comparison, in 2014 cash was positive in November at \$261,000. It was noted that the Operating Reserve at the time was only \$150,000 rather than \$250,000.

Per David Plaza, the Finance Committee is recommending the adoption of a proposed Operating Reserve Policy (attached). The American Institute of CPAs (AICPA) provides examples of policies appropriate for non-profits. We developed a draft policy using one of their templates. Elena Norman asked David Plaza for an explanation of the draft, asking if there is a limit as to how much can be taken. David explained that

the policy will provide governance and process for the times we need to cover expenses with funds from the Operating Reserve. David noted that our cash flows are often “lumpy” by the end of the 1<sup>st</sup> quarter and this will enable us to access the funds to bridge a gap when necessary due to timing or other factors. It also addresses replenishment of the funds and how that is managed. David Plaza made a motion to approve the Policy with a second by Lee Tashjian and a question about whether or not it is prudent to have no limit. Further discussion ensued and Elena Norman suggested that the motion could be revised to approve the policy for 3 months and revisit the limit language. David Plaza revised his motion to approve the Policy for 3 months and address the limit language within that timeframe, which was seconded by Lee Tashjian. The motion carried unanimously.

The Executive Director made a request of the Finance Committee to draw up to \$100,000 from the Operating Reserve, to bridge the gap and to be replaced in 90 days. The Finance Committee is recommending the draw to the Board. Shelly Kinsella stated that there needs to be a plan about when the funds will be replenished. David Plaza shared that there are number of things in process which will enable the funds to be replaced, for example, the year-end (Fall) appeal, additional Board pledges, additional anticipated upper level gifts and scheduled meetings with significant donors. Matt Di Guglielmo indicated that this is not an unreasonable amount. Tess Pietrucci added that in addition, we have yet to take any income/earnings distribution from the Beekhuis funds, which David Plaza stated is approximately an additional \$30,000 per year. The Operating Reserve is currently at \$250,000. Elena Norman asked what percentage of the Board has not contributed at this point. Barbara Cairns replied that only 2 pledges and 2 contributions have been received and that Alan Jordan, Charley Babcock and David Plaza will be personally contacting Board members to follow-up. Matt Di Guglielmo made a motion to approve the withdrawal of \$100,000 from the Operating Reserve with replenishment in 90 days. Tess Pietrucci seconded the motion. The Board voted unanimously to approve the motion.

#### **Audit Committee:**

On behalf of the Audit Committee, David Plaza presented the Draft Independent Auditor’s Report for Fiscal Year 2015. The Audit Committee is recommending approval of the Audit and David introduced the guest auditors, Christopher Erisman and Katherine Silicato of Gunnip & Co., LLP for their remarks. Kathy indicated that everyone has the draft and that this is an “unmodified, unqualified” opinion. Page 3 of the draft report is the Statement of Financial Position. She noted that unrestricted funds now are categorized as temporarily restricted and permanently restricted. Overall, assets were within \$200 year to year so not much change but there was change in some categories. Statement of Activities – Revenue is down in the contribution area and the Beekhuis gift was a one-time event. Investment income is up due to the Beekhuis funds and additional fundraising income efforts this year. Program expenses are up about 4% but that is a positive as we’re increasing the number of services provided though it adds additional expense. Statement of Cash Flows is \$36,000 to the positive. On page 12 the Beekhuis endowment, there are changes to the wording of the policy to distribute up to 5% per year. On Page 13, the 2<sup>nd</sup> Paragraph of the draft, (new) \$250,000 Operating Reserves were noted. On Page 19, the new lease for the Community Center Building is addressed, with terms explained and a comparative statement to the Grand.

A letter has been prepared for distribution to the Board. Charley Babcock advised that, to date, we have not received it. Kathy shared that the letter indicates that there are no matters of note. There are no past adjustments or misstatements. There was one correction to accrued vacation which is an unusually small volume of items to be corrected. This is evidence that our reporting is good and reliable.

Further mention was made of anticipated changes being considered by the Accounting Standards Board as it relates to the category of Restricted Net Assets and whether assets will be Donor or not Donor restricted. Also being considered is income from operations and non-operating income and the utilization of the direct method for cash flows as well as the reconciliation of net income to cash. That method, which we currently

use, may become mandatory. Kathy suggested that there may be a 2017 implementation if these proposals are adopted. On motion by David Plaza, with a second by Lee Tashjian, the Board voted to approve the draft Audit Report.

**Executive Director's Report and the Development Committee Report:** The reports of the Executive Director and the Development Committee were presented in advance of the meeting. There being no questions or discussion at the meeting, after a motion by David Kubacki, with a 2<sup>nd</sup> by Lee Tashjian, the Board unanimously approved the reports as presented (All attached).

**Artistic Committee Report:** Charley Babcock reported that the A. I. DuPont Foundation Award honoree decisions, for both the 2016-2017 awards, are under consideration. The total amount provided to the DSO by the Foundation for each award is \$15,000, of which \$5,000 is given as a cash award to the honoree.

**EMA Membership:** Alan Jordan reported that the Electronic Media Association has an Integrated Media Agreement and that the (AF of M) musicians are voting this week to sign on. In order for us to be a member the Orchestra needs to join EMA for a cost of \$200. Charley Babcock asked what the benefit is and Alan responded that it locks in the national rates for recordings and other media, etc. It would permit us to have video and audio on our website among other things. Marty Beech offered that they have tried to cover as many different electronic media issues as possible, recordings, etc. and that the Union has put significant effort into getting all of this organized. David Amado shared that he thinks it's great and Alan shared that from a staff point of view it's great. On motion by David Kubacki, with a second by Dion LeMon, joining EMA and the payment of \$200 membership fee was unanimously approved by the Board.

Strategic Planning – draft report of Strengths, Weaknesses, Opportunities, Threats (SWOT) strategic planning sessions. David Kubacki presented the results of our exercises. In addition to the Board, there were two additional sessions conducted thus far, the Education Committee and the DSO Staff. The 2<sup>nd</sup> and 3<sup>rd</sup> page give the combined results of those exercises. There are four major groupings of categories: 1) Strong Organization 2) Marketing 3) Funding – Donors and 4) Educational Programming. Half of the participating groups are completed with half to go. Need some musician volunteers for the musician's session. DSO volunteers – would love to get a group of Donors as well. Strategic analysis informs the choice and we are well underway in the process. More to come on the results later but the Board can expect a draft of the Strategic Plan in the January meeting. Need two Board members to join the Strategic Planning Committee.

The meeting was then adjourned for additional Strategic Planning exercises – Disciplined Structure “Good to Great”.

**Meeting Schedule for 2015-16:** Next Board meeting will be January 7<sup>th</sup>, 2016.

Respectfully submitted,

Tess Pietrucci

Secretary