

Artisan's Asylum Treasurer's Report – January 23, 2014

Submitted by Mimi Graney on behalf of the Board of Directors

What's happening with the finances ?

Despite a balanced budget the Artisan's Asylum is in the midst of a cash flow crisis in which we are unable to pay our bills in a timely way.

How did this happen?

It's caused by a confluence of three factors.

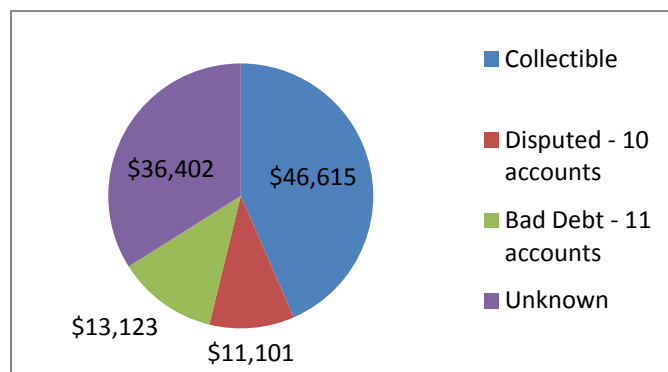
- Member Record Keeping and Collections: At the start of January accounts receivable from members was at roughly \$100,000.
 - o Poor record keeping system for member accounts led to disputed invoices, heavy demands on staff time and a lack of overall confidence.
 - o Automated debiting ceased last spring and not reinstated.
 - o Limited policies and tools to respond when members did not pay their bill.
- Accounting/Reporting Failures
 - o Lack of sufficient and timely reporting.
 - o Lack of cash flow management.
- Unexpected Increases in Expenses in Second Quarter
 - o Construction and City Permitting - To maintain our occupancy in the building we needed to immediately complete construction at 12 Tyler and secure essential permits.

What's the background on unpaid bills from members? Are you sure there really is an issue or is it just poor record keeping?

Staff is reviewing all outstanding invoices and meeting individually with members when a discrepancy occurs. The most recent staff report with the staff's best assessment in early January shows \$107, 241 outstanding on member invoices.

In all, 281 members have unpaid invoices. Half of the accounts receivable dollars are on invoices more than 60 days overdue. One-quarter of the dollars are 30 to 60 days overdue.

Of the current outstanding member invoices:



Bad Debt, Unlikely to be recovered = \$13,123 or 17%. Spread across 11 accounts. Average balance is \$1,193.

Disputed = \$11,101 or 10.3%. Spread across 10 accounts. Average owed is \$1,110.

Collectable = \$46,615 or 43.3%. Spread across 102 accounts. 19 owe more than \$750. Of those 19, 3 owe more than \$2,000.

Unknown (meaning staff aren't sure if collectable or not) = \$36,402 or 33.9%. Spread across 102 accounts. Average is \$358. 10 owe more than \$750. Of those 10, 3 owe more than \$2,000.

What steps have been taken to fix the problem so it won't happen again?

- Collections
 - o Correcting Errors – Jess, the new Member Services Coordinator, has resolved many past errors in our accounts and is working to resolve disputed and delinquent accounts. Her attention here will provide more timely resolution of issues as they develop. Additional resources are being engaged to follow up on those accounts that are still within our “unknown” collectables category.
 - o Instituting zero-tolerance policy – With greater accuracy and staff capacity, members who do not pay their invoices will have their access cut off, and studio renters who do not pay will be given 30 days' notice to vacate so their spaces can be offered to one of the roughly 100 individuals on our waiting list.
 - o Re-instating automatic debiting - We are looking into new providers for automatic bill pay and hope to reinstate this within the next 2 months. Within 6 months we seek all renters and most members to use auto debits for payments to us.
- Accounting/Reporting
 - o Cash Flow Management – A freeze on all unnecessary spending has been enacted. A weekly cash flow worksheet has been developed. A number of strategies to shift income such as pre-payment of memberships, quick-income fundraising, and revolving credit through a bank are being evaluated and enacted as appropriate.
 - o New Bookkeeper – On an interim basis a new part-time bookkeeper is being hired to focus on processing accounts and completing timely reports. This bookkeeper, with a consultant that has been engaged since last fall to assist the staff with the IRS filings, will compile the fiscal year 2013 records for our auditors.
- Management
 - o Permanent Executive Director - The board seeks, with a vote of the membership, to hire a permanent Executive Director to start in the fall who has the executive and financial management expertise to lead an organization of this size and complexity.
 - o Interim General Manager –The board is recommending the hiring in February or early March of an interim General Manager with financial and executive expertise to monitor cash flow, oversee staff, and coordinate projects to address systemic problems. This will be presented to the membership for a vote. Anticipated term through September. The General Manager would shepherd the organization through this current situation, institute best practices for management systems and prepare the organization for transition to a permanent Executive Director.
- Increasing Revenue Streams
 - o Contributed Income - The Board and staff with the help of volunteers are developing two streams of contributions – “low hanging fruit” of minimal organizational investment,

quick return projects and longer term projects such as grants. We are reaching out to past donors and sponsors to encourage them to make their annual donation at this time.

- Earned Income - Staff energies are centering on revenue-enhancing activities (more paid programming rather than community events) and pursuing avenues to increase daytime paid programming. Two new tools coming to our shops next month should also be significant income centers.
- Additional Staff Capacity – Staff are recruiting unpaid or stipend-paid interns to supplement capacity for marketing and fundraising activities. Several committees of volunteers partnering with staff and/or board will better engage member talents and energies.

How long is it going to take for things to be better?

We're not exactly sure because we're without records for the second quarter (September through December 2013) and without an audited record for last fiscal year ended June 2013. However, judging from general expense and income patterns we believe that this cash flow challenge can be overcome in a number of months.

What can I do?

For the board to effectively appeal to potential donors and to successfully negotiate with creditors the ongoing commitment of Artisan's Asylum members is critical. Member support of the board's leadership strengthens the organization's ability to weather this storm and make timely, prudent decisions. The Artisan's Asylum reliance on earned income makes member support essential during this financial crisis as assurance of the security of this revenue demonstrates financial viability.

To show support and ongoing commitment members can do the following:

- Pay any outstanding invoices you may have with the Asylum as soon as possible.
- If you're able, please pay in advance on your membership or studio space. If you pay via check on 6 months of your invoice you'll receive a 4% discount.
- Make a tax deductible donation to the organization.
- Encourage a friend to take a class, become a member or make a donation.
- Join one of the committees to be announced at the Town Meeting on Sunday, January 26. We're engaging the talents and energy of members and other volunteers for teams with staff and board to work on a variety of specific projects.