

# Budget Analysis of Quilter's Unlimited February 2015

*This Analysis was prepared by the Quilters Unlimited Budget Analysis Subcommittee. Members were President Karen Skinner, President-Elect Pam Doffek, Treasurer Heather Strickland, Membership Chair Peggy Clark, with input from past President Michelle Hackmeyer.*

## Summary

The Guild has a "Reserve" fund held in Certificates of Deposit, plus day-to-day working cash – the "Operating" fund -- in a checking account. There has been concern whether these funds were unnecessarily high, or "about right", or did not provide us enough of a buffer against emergencies.

A Budget Analysis Subcommittee reviewed the Guild's financial records for a two year period, plus incorporated information from the effort to develop the Guild's 2015 Proposed Budget. **The Report does not address issues that may already have arisen in 2015.** The Analysis looked at the situation from two viewpoints. These were whether the Guild had enough funds to:

1. Cover a variety of contingencies/emergencies for a fiscal year.
2. Cover the Guild's minimum operating expenses for a fiscal year, if we have depleted our normal Operating Fund.

Under viewpoint (1), a series of major expenses that might significantly drain the Guild's funds were compared to the Guild's income, and a several scenarios of the effect were developed.

These major expenses were:

- Meeting Room Rental at Public Venue
- Low (or No) Opportunity Quilt Income
- Low (or No) Silent Auction Income
- Low attendance at workshop classes, thus low income
- Membership Drops

Under viewpoint (2), the "rock bottom minimum" operating fund was compared to our Membership Dues, if those were our only source of income. A variation of this looked at this minimum if we were forced into renting a Public Venue meeting room.

Several observations and conclusions were reached:

1. The Guild's Operating Fund, while highly erratic on a day-to-day basis, has generally been decreasing in the past few years. If our income versus expenses continues at our current rate, we'll have no funds in checking by October 2017.
2. Under a "Really Bad" scenario, the Guild would have insufficient funds to cover a large payment for a contracted workshop teacher.
3. The Guild's major sources of income are very limited, the Membership fees and the proceeds from the "Museum Show". We are very vulnerable if something happens to the latter source, and need to develop additional sources.
4. The Guild would be better served by having some of its funds in a regular savings or money market account, rather than in just CDs and checking.
5. The Guild needs a formal policy establishing the amount needed in the reserve to better protect us against emergencies.
6. The amount recommended to be held in the reserve Fund is \$10,500, which is more than we have now.

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Note: The Guild's finances are tracked by the Treasurer using Quickbook software. In the past, the Guild's operating year was not the same as its fiscal reporting year. Cash may have been deposited (or paid out) in the Year following the event. So some of the data presented challenges to analysis (with the 2014 Bylaws revision, these timeframes are now in sync, but the 2014 data still is a somewhat misaligned).

The Guild keeps its money in a Certificate of Deposit (CD) – our Reserve Fund -- and in a checking account -- our Operating Fund. Both accounts are at Farmers & Merchants Bank. There has been concern whether these funds were unnecessarily high, or "about right", or did not provide us enough of a buffer against emergencies. If we do not have enough funds for some reason, we have no borrowing power.

### Operating Fund

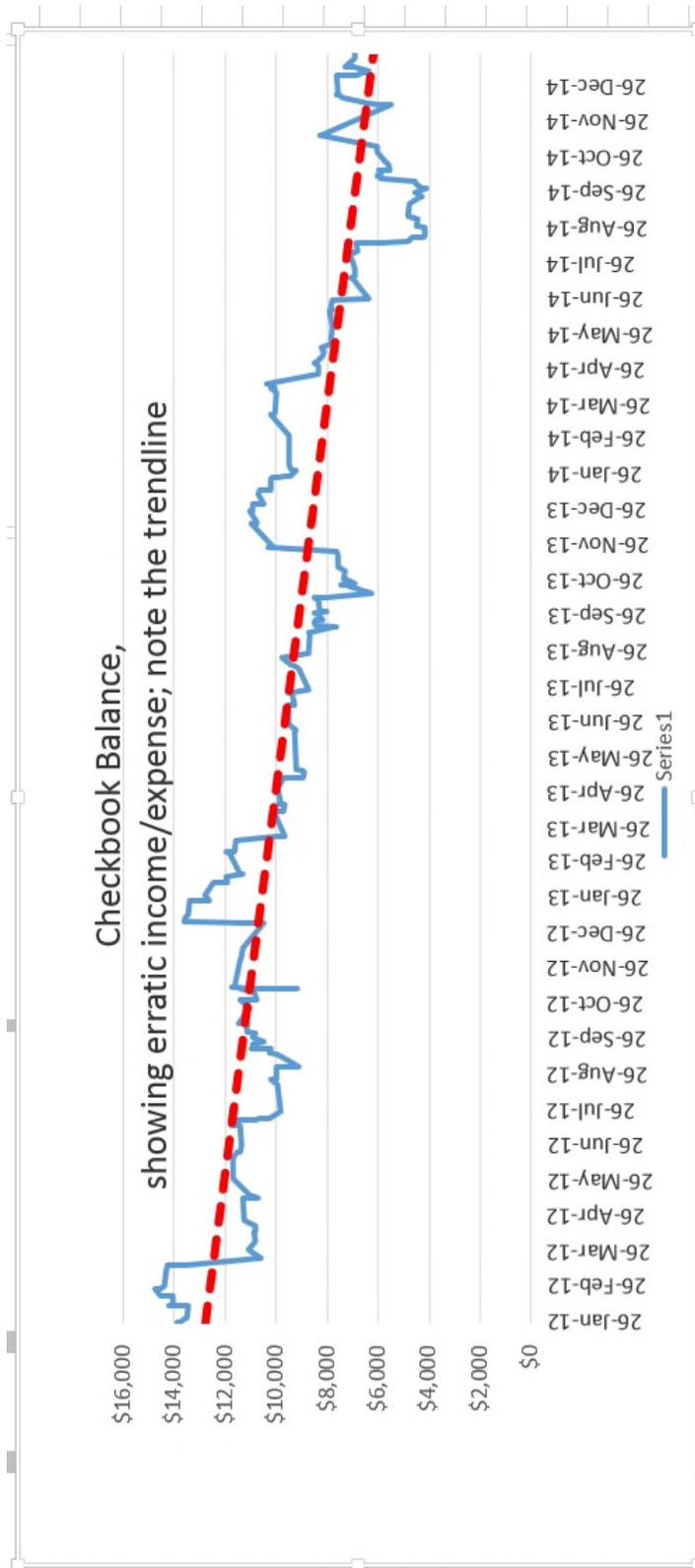
Per the End-Of-Year (EOY) 2014 Budget Report, the Guild had about \$7600 in our checking account. This amount, while highly erratic on a day-to-day basis, has generally been decreasing in the past few years [the data from which this was drawn began in January 2012 and ended Jan 15, 2015]. The minimum amount in that timeframe was \$4,085 in September 2014, the maximum was \$14,771 in February of 2012. The yearly averages in the checking account were:

	AVERAGES	
2012	\$11,253	<i>Decrease from previous year</i>
2013	\$9,838	<b>(\$1,415)</b>
2014	\$7,333	<b>(\$2,505)</b>

Figure 1 illustrates the situation nicely. The blue line is graphed from our account balance and shows how erratic our income/expenses are. We get much of our income in "waves", e.g., Membership Dues in the winter, the Museum Show proceeds in the fall. Likewise our expenses can come in waves, such as the large amounts for the Workshop Teachers (the largest check we've paid in the past two years was for a teacher, \$2,931). The red line is the "trendline" showing the decrease over time of how much is in checking. {Note: actually, not having so much in checking at any one time would be a good idea, so long as it was shifted into a money account we could access rapidly and with no penalties, as is not the case with the CDs.}

If we run the trendline to it's \$0 point – that means, if our income versus expenses continue at our current rate -- we'll have no funds in checking by October 2017. This could happen sooner, if a problem arises, in which case our only recourse is to withdraw from our Reserve Fund.

Figure 1.



## Reserve Fund

Per the End-Of-Year (EOY) 2014 Budget Report, the Guild had about \$9,140 in a CD. Supposedly, the Guild just accrued "extra" money over time from good fundraising results and low rental, and the previous Treasurer determined that it made the most sense to hold it in a CD.

The CD is now considered our Reserve Fund, which any good business needs to cover emergencies. The amount needed can be viewed from several standpoints:

3. Enough to cover a variety of contingencies/emergencies a fiscal year. (In order to understand this, we need to understand aspects of the Operating Fund).
4. Enough to cover the Guild's minimum operating expenses a fiscal year (same as above re understanding the Operating Fund).

This Analysis provides examples of the types of emergencies, and proposes a minimum amount of Reserve Funds that should be kept. **The Report does not address issues that may already have arisen in 2015.**

### *Standpoint 1).* Category by Category Discussion versus Potential Problems

Looking closer at just 2014 finances, the table below shows what categories of income and expense the Guild had, and the percentage that each comprised. Note that our 2014 final tally was a shortfall of about \$2660, which also gives a clue to the decreasing amount in checking.

2014 Major Sources of Income			2014 Major Sources of Expense		
Dues (Membership)	\$2,840.00	26.2%	Membership	\$63.25	0.5%
Museum Show (Opportunity Quilt + Silent Auction)	\$4,504.35	41.5%	Museum Show	\$754.16	5.6%
Travel	\$1,318.00	12.1%	Travel	\$1,560.00	11.5%
Workshop fees	\$2,040.00	18.8%	Workshop Classes	\$4,223.23	31.2%
Programs & Lectures	\$0.00	0.0%	Prog. & Lect.	\$1,251.13	9.3%
Mtg. Room Rent	\$0.00	\$0.00	Mtg. Room Rent	\$2,100.00	15.5%
Newsletter	\$0.00	\$0.00	Newsletter	\$431.68	3.2%
Admin	\$22.74	0.2%	Admin	\$2,323.60	17.2%
Other	\$135.00	1.2%	Other	\$814.26	6.0%
<b>Total</b>	<b>\$10,860.09</b>	<b>100.0%</b>	<b>Total</b>	<b>\$13,521.31</b>	<b>100.0%</b>

## Membership

The Membership income showed as low, because a lot of the 2014 dues were received in 2013 (with some 200 members, at \$20 annual fees, the income should be ~\$4000). The income from 2015 dues will be split, some coming in at the end of 2014, most at the beginning of 2015. However, since that will happen again at the 2015-2016 year change, it should average out a little better.

For the purpose of the "Problems Scenarios", we used the average of the membership income for 2013-2014 to counteract the data misalignment mentioned further above, (the total of the 2015 dues is not yet available). The averaged income was \$3275.

In the "problems" analysis, we asked "what if 1/3 of the membership leaves to form a new Guild?" decreasing our income to ~ \$2195. Is this likely? It happened in Jacksonville as the town became larger and larger. The Tallahassee urban area is nearly 20 miles north-south, and we have members coming from towns 30 or more miles away. There are also members who would prefer to attend a daytime meeting because of driving limitations and the like. So it is certainly possible.

It should be pointed out that the Membership Fees do not cover minimum expenses of the Guild. The Newsletter, Website, P.O. Box, Liability Insurance, postage and copying, etc., run close to \$5,000, and that does not include meeting room costs. In 2015, it looks like our minimum expenses including meeting room cost will be about \$6,030 +/-, whereas membership income will be about \$3,740 +/-, for a shortfall of about \$2,280.

### Meeting Place

We have met at Churches for years, and Guild meeting room rent has been incredibly low, thanks to the kindness of the churches. But as we learned with Timberlane Church of Christ, our welcome mat may get pulled because they need their facilities for themselves. We currently only have a one-year approval to use the Thomasville Road Baptist Church, and they are within their rights to cut that short, or not approve us in the future.

What if we could not find another Church or Community venue? What if the only recourse was to use a public venue? And what if, in order to get a room large enough for our meetings (the January 2015 meeting had nearly 110 people present), and to get it at the right time and date, we had to sign a year's contract? Our research shows that public venues with large rooms are running \$600 per event [\$7200/year]. In comparison, at Timberlane Church of Christ our rent for the standard Guild Meetings was \$175/evening, or \$2100/year. Using that value, this would increase our rent expense by nearly 340%.

### Workshop Classes

Note: The cost of big-name teachers/speakers is split into two categories for budgeting purposes> (1) the part the Guild plans to cover totally, this being the Speaker's fee for the evening Lecture and a share of the related travel, housing, and food expenses; (2) the part the Guild hopes to recoup altogether from Class Fees, this part being the Speaker's fee for the classes and a share of the related travel, housing, and food expenses. A crude expense estimate for planning purposes for the split is 33% goes to the costs of (1) above, and 67% to the costs of (2) above. There is a matrix for allocating the actual expenses.

Our biggest shortfall in 2014 seemed to come from the workshop classes. The 2014 fees brought in about \$2,185 less than the cost of the classes, covering only about 48% of the classes. 2013 Fees also brought in this low percentage. While this level may not be the case in 2015, it could be, and is one of the reasons we felt it should be considered a possibility to be evaluated in a "problem" analysis.

### Opportunity Quilt

In past years, the Guild has made a fundraiser quilt that is primarily displayed at the Museum of Florida History. It has been displayed at a few quilt shops but the biggest exposure is at the Museum. Interested persons make a donation and receive a ticket that gives them the opportunity to win the quilt. In 2014, the donations brought in 21% of the Guild's income.

Because the Opportunity Quilt can be carried around and displayed at a few venues, we probably could bring in a small amount of funds on tickets, whether or not a Museum Show occurred. However, there likely would be a significant difference in the overall amount, so a shortfall from this possibility needed evaluation.

### Silent Auction

Similar to above, quilts and handmade items have been made and donated by Guild members for the purpose raising funds via auction at the Museum Show. In 2014, the proceeds brought in 21% of the Guild's income. Without a Museum Show, we would have no venue for this. So again, a shortfall from this possibility needed evaluation.

Note that if the Guild could develop a second fundraiser (e.g., a show of our own) in addition to the Museum Show, this would increase our potential for revenue. However, in it's early years, the cost involved might significantly undermine the income. Even so, at the moment, we pretty much have "all our eggs in one basket".

## SCENARIOS REVIEWED

Four scenarios of problems (see pages at end of report) were developed looking at variations of the effect of the issues discussed above. The base data and assumptions for these are available on the Guild's website at>

<http://quilttallahassee.com/membership/guild-organization/budget-analysis/>

For some of the values, the amounts reflect the average of fiscal years 2013 and 2014. For others, they are based on percentages of a minimum value. The variability is in part due to problems working with the split-year Quickbook data. The test for financial survivability is whether the Guild could pay a contracted Workshop Teacher (\$2,931 highest teacher payout in past two years) if all the problems occurred before more revenue came in – a "perfect storm" event.

We determined that Scenario 1 was the most prudent case to go by when looking at matters under the Standpoint of “Do we have enough to cover a variety of contingencies/emergencies over a period of time”. Under this Scenario, the Guild’s combined Operating and Reserve Funds of \$13,225 (the 2014 minimum in checking and 2014 end-of-year CDs value) was drawn down by over \$12,500 , From this viewpoint, about **\$10,500** was the recommended reserve.

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*Standpoint 2) How much Reserve is needed to cover the Guild's minimum operating expenses, if we have depleted our normal Operating Fund.*

The annual rock bottom expenses for 2014 include:

\$2,100	Rent
\$ 575	Newsletter (printing and postage)
\$1,700	Website hosting, design/admin & Email
\$2,300	Other admin costs including Insurance, licenses, Fees, P.O. Box Rental, Supplies, Copying, software, etc.
<hr/>	
\$6,675	Subtotal

This amount would be offset by our Membership Dues income. The 2013-2014 average for this was:

\$3,547 (only 53% of above)

Total: \$3,128

The amount above has no provisions for any expenses related to what make the Guild fun. No Program expenses, no Door Prizes, no Trips, etc. Also, it does not take into account that we also are obligated for the cost of any Workshop Teacher ( +/- \$3,000) with whom we may have signed a contract. That amount could nearly negate the income from the Dues.

If, as discussed previously, our rent expenses are higher (e.g., using a public venue, cost of \$7,200), then our rock bottom expenses increases drastically to:

\$11,775

Once offset by the Membership Dues, this comes to \$8,828, again with no provision for “fun” expenses or Workshop Teacher contracts.

From this standpoint, the reserve may need to be closer to \$11,500.

**THE RESERVE AMOUNT, AND MANAGEMENT OF IT.**

For the time being, **\$10,500** is the recommended reserve. This whole issue needs to be periodically reviewed – say every two years -- with the amount adjusted if necessary.

The Treasurer suggested that we shift some of the amount into a Money Market Fund (or a similar account that is easily accessible but that pays interest), and leave the remainder in a CD.

The Subcommittee will propose language for a Guild Policy regarding the amount of the reserve. However, we recognize that due to the decreasing funds of the Guild's day-to-day working funds, there may be some challenges in achieving this soon.

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**SCENARIOS**

All the Scenarios use a combined amount of the Reserve Fund (CD) and Operating Fund (Checking) when calculating the severity of the Scenario

**Scenario 1: "Not Good" case**

Issue	Income/Expense	Data Type
Meeting Room Rental at Public Venue, 12 months	-\$7,200	Research into average cost
Museum Show held, but low Opportunity Quilt Income	\$422	2013 profit for normal show
Museum Show held, but low Silent Auction Income	\$1,125	2014 profit for normal show
Low attendance at workshop classes	-\$1,407	Typical profit 47%
Membership Drops to 2/3 of present-day level	\$2,194	2013-2014 averaged data
Other expenses	-\$4,766	2013-2014 averaged data
Subtotal	----- -\$9,632	
Guild Total Cash	\$13,225	2014 minimum checking level + EOY2014 CD
Remainder	\$3,593; using CD, no Operating Fund left	
Minus Contract payment of \$2,931	\$662	Remainder
Bankrupt?	almost	

Scenario 2: "Really Bad" case

Issue	Income/Expense	Data Type
Meeting Room Rental at Public Venue, 12 months	-\$7,200	Research into average cost
No Opportunity Quilt Income	\$0	2013 profit for normal show
No Silent Auction Income	\$0	2014 profit for normal show
Low attendance at workshop classes	-\$1,407	Typical profit 47%
Membership Drops to 2/3 of present-day level	\$2,194	2013-2014 averaged data
Other expenses	-\$4,766	2013-2014 averaged data
Subtotal	----- -\$11,179	
Guild Total Cash	\$13,225	2014 minimum checking level + EOY2014 CD
Remainder	\$2,046; using CD, no Operating Fund left	
Minus Contract payment of \$2,931	\$-886 (minus)	Remainder
Bankrupt?	<b>Yes</b>	

**Scenario 3: Middle case**

Issue	Income/Expense	Data Type
Meeting Room Rental at Public Venue, 6 months	-\$3,600	Research into average cost
Museum Show held, but low Opportunity Quilt Income	\$422	2013 profit for normal show
Museum Show held, but low Silent Auction Income	\$1,125	2014 profit for normal show
Low attendance at workshop classes, but somewhat higher	-\$938	Typical profit 47%
Membership Drops to 2/3 of present-day level	\$2,194	2013-2014 averaged data
Other expenses	-\$4,766	2013-2014 averaged data
Subtotal	----- -\$5,563	
Guild Total Cash	\$13,225	2014 minimum checking level + EOY2014 CD
Remainder	\$7,762; using CD, no Operating Fund left	
Minus Contract payment of \$2,931	\$4,730	Remainder
Bankrupt?	No	

Scenario 4: "So-so" case

Issue	Income/Expense	Data Type
Meeting Room Rental at Public Venue, 6 months	-\$3,600	Research into average cost
Normal Opportunity Quilt Income	\$844	2013 profit for normal show
Normal Silent Auction Income	\$2,249	2014 profit for normal show
Low attendance at workshop classes, but somewhat higher	-\$938	Typical profit 47%
Membership Drops, but only 10%	\$2,948	2013-2014 averaged data
Other expenses	-\$4,766	2013-2014 averaged data
Subtotal	----- -\$3,264	
Guild Total Cash	\$13,225	2014 minimum checking level + EOY2014 CD
Remainder	\$9,962; CD whole, checking nearly gone	
Minus Contract payment	\$7,030	Remainder minus \$2,931
Bankrupt?	No	