

## Seattle Rep Board Meeting

**Thurs., Sept 17<sup>th</sup>, 2020  
4:30pm – 6:30pm**

**Location:** Zoom Meeting

<https://us02web.zoom.us/j/84585971877?pwd=UmNPcHUxUmxzeUhKaEFjUytZYWVPdz09>

Call in: +1 253 215 8782  
Meeting ID: 845 8597 1877  
Passcode: 875449

Item	Speaker	Time
Welcome	Amy Bautista	4:30pm
Approval of Aug 13 <sup>th</sup> Minutes	Amy Bautista	4:35pm
Artistic Presentation: Other Season	Braden Abraham/Kaytlin McIntyre	4:40pm
Finance Update <ul style="list-style-type: none"><li>FY20 close-out/audit</li><li>Presentation of FY21 budget</li></ul>	Vinita Gupta/Jeffrey Herrmann	5:00pm
ACT I Board Giving Update	Jamie Herlich Mclalwain	5:45pm
Trustee Engagement Survey	Karen Fletcher/Janice Tsai	5:50pm
Trustee Recruitment Update	Juli Farris/Janice Tsai	6:00pm
FY21 Board Committees	Jeffrey Herrmann/Sandy McDade	6:05pm
FY21 Board/Exec Meeting Topics	Amy Bautista/Sandy McDade	6:10pm
New Business	Amy Bautista	6:15pm
Executive Session	Amy Bautista	6:20pm
Adjourn	Amy Bautista	6:30pm

### SEATTLE REP MISSION

Seattle Rep collaborates with extraordinary artists to create productions and programs that reflect and elevate the diverse culture, perspectives, and life experiences of our region.

### SEATTLE REP VISION

Theater at the heart of public life.

### SEATTLE REP VALUES

Artistic Vitality, Sustainability, Generous and Inclusive Practices

**SEATTLE REP**  
**Board Meeting Minutes – August 13<sup>th</sup>, 2020**

**[Proposed]**

IN ATTENDANCE (via Zoom): Braden Abraham, Amy Bautista, Jarvis Bowers, Charlie Brown, Lynne Bush, Oneika Cassanova, Diane Cody, Jim Copacino, Tracy Daw, Geraldine DeRuiter, Juli Farris, Donte Felder, Karen Fletcher, Scotland Glenn, Jay Hereford, Jeffrey Herrmann, Alyssa Hochman, Winky Hussey, John Keegan, Stellman Keehnel, Lynne Kjolso, Gwen Kroon, Leslie Lackey, Mandy Leifheit, Becky Lenaburg, Charlotte Lin, Sandra Lucas, Sandy McDade, Terri Olson Miller, Kevin Millison, Lisa Oratz, Salim Peshawaria, Anita Ramasastry, Tim Rattigan, Anne Simpson, Rick Stead, Carlyn Steiner, John Stilin, Rashelle Tanner, Janice Tsai, Marisa Walker

ABSENT: Sue Ashmun, Matthew Bergman, Debra Canales, Donna Cochener, Marko Lias, Carla Millage, Rebecca Pomeroy, Nancy Ward, Tom Wright

ADVISORY COUNCIL MEMBERS (via Zoom): Nancy Brownstein, Kaitlyn Casimo, Joanne Euster, Mary Kay Haggard, Shannon Lawless, Rachel McCracken, Tricia Pearson

HONORARY BOARD MEMBERS (via Zoom): Joan Cremin, Robin Nelson

STAFF (via Zoom): Hattie Andres (Assistant to the Artistic Director & Artistic Associate), Elisabeth Farwell-Moreland (Producing Director), Vinita Gupta (Director of Finance), Michelle Haines (Director of Marketing & Communications), Jamie Herlich McIlwain (Director of Development), Nabra Nelson (Director of Arts Engagement), Alex Reed (Youth Engagement Manager), DonYeta Villavaso-Madden (Director of Human Resources)

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*All documents referenced in the minutes below can be accessed on the password-protected Board Corner. See “8-13-2020 Board Meeting Packet” and “8-13-20 Board Presentation.”*

**I. WELCOME/ APPROVAL OF July 16<sup>th</sup> MINUTES**

- Managing Director Jeffrey Herrmann took roll at 4:35pm and Board Chair Amy Bautista called the meeting to order at 4:37pm.
- Amy called for a unanimous consent vote to approve the July 16<sup>th</sup> Board minutes. The minutes were unanimously approved.

**II. TRUSTEE RECRUITMENT UPDATE**

- Trustee Recruitment Committee (TRC) co-Chair Juli Farris reported that, in an effort to achieve the Board’s diversity goals, the TRC plans to bring a slate of BIPOC Trustee candidates to the September Board meeting for consideration and approval. She asked Trustees to send recommended BIPOC Board candidates to the TRC. TRC also plans to bring new

members forward at the January Board meeting.

- Juli reviewed the Board's equity statement and recruitment elevator pitch, as well as the Trustee candidate application form. Jeff said he would circulate the equity statement and recruitment elevator pitch to Trustees.
- Juli shared current Board demographics, first noting that the size of the Board is not determined by TRC, but rather is defined by the bylaws, which authorizes a maximum of 60 Trustees. Board Leadership has determined that, because of the needs of the campaign, we should aim to expand the size of the Board to the 60 member cap.
- In FY20, there were 49 Trustees, 9 of them BIPOC (18%). For FY21, there are 50 Trustees, 10 of them BIPOC (20%). Meanwhile, in FY20 there were 22 Advisory Board members, 4 of them BIPOC (18%). For FY21, there are 30 Advisory Board members, 6 of them BIPOC (20%).
- Juli noted that 20% BIPOC representation on the Board is lower than the Board's goal of at least 33% but it represents positive progress. She added that achieving that 33% goal must remain a priority and that this will require support from all Trustees through candidate recommendations.

### **III. ARTISTIC PRESENTATION: ARTS ENGAGEMENT**

- Director of Arts Engagement Nabra Nelson and Youth Engagement Manager Alex Reed previewed the theater's fall engagement programs.
- Nabra started by reviewing the values of the Arts Engagement Department: access, connection, and amplification.
- Nabra discussed a new panel series—(Re)Imagine Theater—which will engage topics like Black theater, civic theater, Indigenous theater, and accessible theater. Meanwhile, programs like the "Let's Talk Tech" podcast series and "Masterclass Mondays" will continue through the fall.
- Alex noted how the elimination of student matinees and in-school residencies demands a new approach to youth engagement offerings for FY21. Specifically, he is moving the August Wilson Monologue Competition online, while school residencies will see teaching artists working with teachers to develop curriculum around past, postponed, or upcoming Seattle Rep productions. In addition, Alex has launched a collective playwriting class; and he will soon pilot a new program, "Black is the Light," that will elevate and amplify the voices of Black and Brown students through workshops, classes, and connections with professional artists, serving as a bridge between the educational and professional world.
- Winky Hussey asked if students were being excluded because of a lack of internet and/or device access. Nabra said this has been an issue but that staff supports each student's needs to the greatest extent possible. She also hopes to schedule in-person outdoor classes (when government mandates allow) and she is interested in partnering with community centers, which could support internet access for students.
- In response to a question from Leslie Lackey, Nabra shared that roughly 85 students have been engaged in the Rep's summer youth programming.

- John Stilin asked if the Rep had a contact at T-Mobile who might help expand access to our programs for students. Nabra and Jamie said that we don't currently have a relationship with T-Mobile but welcomed all ideas and connections for tech and connectivity.

#### IV. **FINANCE & FY21 SEASON PLANNING UPDATE**

- FY20 Closeout/Audit: Director of Finance Vinita Gupta reviewed the FY20 audit timeline and goals. Field work will wrap in October and the audit will be presented to the Finance Committee and the Board in November. Key areas of focus for the audit include: COVID-19 impacts; determining if the \$1.7M PPP loan should be recorded in FY20 or FY21; and streamlining financial statement presentation. While this is Vinita's first Seattle Rep audit, everything is on track so far. Finally, she will start on the 990 form once the audit is complete.
- Cash Flow Status: Vinita provided an update on current assets and cash holdings. She also reported that she recently received a draft lease amendment from Seattle Center, which would enable us to tap the Maintenance Reserve Fund (MRF) for operating costs in an emergency. Jeff reminded everyone that the MRF would only be used as a last resort.
- Update on FY21 3-month budget: Jeff reviewed the 3-month budget the Board passed in June, as well as Senior Leadership's subsequent decision to move off the "Producing" model and onto the "Standby" model in July. The 3-month budget projection shows a -\$216K cash variance against budget. This is a result of moving into "Standby" mode and announcing postponement of the FY21 season, which triggered significant FY21 ticket refunds, plus vacation payouts due to the most recent round of layoffs. Despite this negative variance, Jeff still believes the theatre will be in a reasonable cash position on Sept. 30<sup>th</sup>. The recent headcount reduction is helping offset the increased outflows due to ticket refunds and vacation payouts. In addition, all full-time staff will take furloughs to help with the tight summer/early fall cash period. Jeff and Vinita expect monthly expenses to stabilize in September at roughly \$420K/month.
- Director of Marketing and Communications Michelle Haines provided more detail on ticket refund requests. The postponement announcement was sent out to all subscribers 3 weeks ago and we have seen a 13% refund request rate to date, which is still below the worst case scenario, which we budgeted at 15%. The 68.5% open rate and 40% response rate on the email was high and refund requests have really fallen off so we don't expect to see many more refunds going out the door. Michelle clarified that if subscribers don't reply, the default is to leave credit on their account.
- Draft presentation of FY21 9-month budget: Jeff presented a draft of the full FY21 budget, which incorporates the current 3-month budget and adds the next 9 months, through June 30<sup>th</sup>, 2021. Jeff said the team is committed to presenting a balanced FY21 budget, which will be around \$5M, or 1/3 the size of the \$15M FY20 budget. A major consideration in association with the FY21 budget is its impact on organizational cash flow,

specifically whether we will have sufficient cash on hand at the end of FY21 to launch the FY22 season we desire.

- Marisa Walker asked whether the \$1.3M in PPP funds included in the FY21 budget is the total amount we received or whether we have already spent some of the loan. Jeff reported that we received \$1.7M back in April and that roughly \$500K was used in FY20. These PPP funds are currently being held in a Morgan Stanley account and Vinita will be submitting forgiveness paperwork to the bank in October.
- Sr Leadership members then shared details on their departmental budgets:
  - Producing Director Elisabeth Farwell- Moreland noted that production accounted for half of the \$15M FY20 budget and this has dropped significantly for FY21. There is \$175K included in the budget for new play development, including commissioning and the Other Season. Her budget also contains designer and director fees paid for canceled FY21 shows. All but three members of the production department are currently on layoff.
  - Michelle Haines noted that the MarComm team is down to just 7 FTEs/10 people. Their work is focused on supporting online virtual programming and engagement.
  - Director of Development Jamie Herlich McIlwain said she took a conservative approach to contributed revenue in FY21 and that the team is currently accounting for expected decreases in individual and institutional giving, as well as planning for a virtual gala. She also said that \$220K in campaign funding would flow through the FY21 budget to support new play commissions, lobby renovations, campaign consulting, and more. Finally, development expenses are mostly related to staffing, plus communications, printing, and research and prospecting tools.
  - Vinita noted that administrative expenses include HR, Finance, Exec, IT, and ops salaries and facilities costs.
- In response to a question from Marisa Walker, Vinita shared that total headcount back in January was 150 positions (including union and hourly staff) compared to a current complement of 33.3 FTEs (a reduction of about 80%).
- Jeff discussed some possible solutions to address the need for cash to relaunch operations in FY22, including early payment by the SRT Foundation, ACT I fundraising, a relaunch campaign, etc. He hopes to pass the FY22 budget in January 2021, which would provide more information on exactly how much we'll need in the bank to relaunch.
- Jeff concluded by reviewing next steps and the calendar for passage of the FY21 budget, as well as targets and goals for the FY22 budget process.

## **V. THE CASE FOR SEATTLE REP**

- Jamie addressed questions that have arisen regarding exactly what donations to the Rep are supporting if we are not producing any work on

our stages. Jamie shared that talking points are being developed for staff and Board members which will focus on the new play development work that will be happening this season via the Other Season; a new “20x30” commissioning series we’ll be announcing this fall; vigorous Arts Engagement and Public Works programming; and facility and systems improvements. This topic will be discussed more at the September Board meeting. Marisa Walker agreed that talking points for Trustees will be useful.

**VI. NEW BUSINESS**

- Jeff announced Allan Davis’ resignation from SRT Foundation Board in July, professing his gratitude for Allan’s many years of service and generosity. Allan was invited to join the Honorary Board but has declined at this time, as his attention shifts to supporting other passions.

**VII. EXECUTIVE SESSION**

- The Board adjourned for an Executive Session at 6:21pm.

**VIII. ADJOURN**

- The meeting adjourned at 6:35pm.

**SEATTLE REP**  
**Finance Committee Meeting Minutes – September 10<sup>th</sup>, 2020**

**[Proposed]**

IN ATTENDANCE (via Zoom): Amy Bautista, Lynne Bush, Oneika Cassanova, Diane Cody, Juli Farris, Karen Fletcher, Scotland Glenn, Jay Hereford, Jeffrey Herrmann, Winky Hussey, John Keegan, Stellman Keehnell, Lynne Kjolso, Leslie Lackey, Mandy Leifheit, Charlotte Lin, Sandy Lucas, Sandy McDade, Terri Olson Miller, Kevin Millison, Lisa Oratz, Rick Stead, Carlyn Steiner, John Stilin

ADVISORY COUNCIL MEMBERS (via Zoom): Nancy Brownstein, Joanne Euster, Nancy Iannucci, Tricia Pearson, Paul Stamnes

STAFF (via Zoom): Braden Abraham (Artistic Director), Hattie Andres (Assistant to the Artistic Director & Artistic Associate), Elisabeth Farwell-Moreland (Producing Director), Vinita Gupta (Director of Finance), Michelle Haines (Director of Marketing & Communications), Angie Kamel (Public Works Director), Jamie Herlich McIlwain (Director of Development)

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*All documents referenced in the minutes below can be accessed on the password-protected Board Corner. See “09-10-2020 Finance Committee Meeting Packet” and “09-10-2020 Finance Committee Meeting Presentation.”*

**I. WELCOME/INTRODUCTIONS**

- Managing Director Jeffrey Herrmann took roll at 5:03pm and Finance Chair Scotland Glenn called the meeting to order at 5:04pm.

**II. APPROVAL OF JUNE 11<sup>th</sup> MINUTES**

- Scotland Glenn proposed a motion to approve the June 11<sup>th</sup>, 2020 Finance Committee minutes. Winky Hussey made note of a typo in Matt Bergman’s name on p. 4. Sandy McDade made the motion to approve the minutes and Kevin Millison seconded. After a consent vote, the minutes were unanimously approved.

**III. FY20 UPDATE**

- Jeff celebrated the projected \$34K surplus for FY20 against the -\$299K deficit originally budgeted for the year and the -\$167K deficit projection as recently as May. Director of Finance Vinita Gupta commended Senior Leadership for managing expenses well to help balance the budget.
- Vinita shared that while the Finance Committee is largely concerned with the operating fund, there are a number of other funds (the foundation, capital, Board designated, etc.) that the Finance Committee rarely reviews but which are a part of the organization’s financial picture. She’ll be working with Clark Nuber this year to streamline the audit and consolidate many of these funds. She anticipates that when the other funds are taken

into account, unrestricted income (excluding depreciation) will show a surplus of \$19K.

- Jeff then reviewed budget vs. actual financial results for the Rep over the past 7 years noting the growth in the organization's budget over this period of time from \$9.3M (FY13) to \$15M (FY20); the decline in the size of the deficit budget the organization has adopted since it initiated this practice in FY15 (down from -\$1.25M in FY15 to a balanced budget in FY21); and the actual results against each of those deficit budgets (largely a positive story over the past five years, with the exception of the extraordinary -\$2.9M loss in FY17, due to HERE LIES LOVE). Assuming the FY20 audit confirms the projected \$34K surplus on the year, the accumulated deficit would stand at just under -\$3.2M.

#### **IV. FY21 SEASON/BUDGET PLAN & FY22 BUDGET PLAN**

- Projection/Financial Highlights: Vinita reviewed current liquidity reporting that nothing had changed from last month with the exception of the checking account, which was lower than budgeted due to the move from the "Producing" to the "Standby" model, prompting FY21 subscription refunds and vacation payouts in association with the August layoffs.
- FY21 3-Month Budget: Jeff shared the forecast for the 3-month budget which shows a total negative cash variance of -\$326K. Again, this is due to the move to the "Standby" model last month and subsequent FY21 subscription refunds, vacation payouts, and bill catch-up, all partially offset by reduced headcount.
- Director of Marketing & Communications Michelle Haines provided more detail on subscription refund requests, which currently stand at 14% of the total FY21 subscription revenue received (so roughly \$251K). \$217K of this has been processed to date by PSO staff, which is working limited hours. Michelle doesn't expect to see much more go out the door, as the majority of refunds were requested within 48 – 72 hours after the email announcing postponement of the FY21 season went out.
- Full FY21 Budget: Jeff introduced the full FY21 budget, noting that the current 3-month cash budget had been incorporated into this full budget, which would see the organization through June 30<sup>th</sup>, 2021. The FY21 budget is balanced and, at \$5.7M, is 1/3 the size of the FY20 budget.
- Artistic Programs: Artistic Director Braden Abraham described the artistic programs that the FY21 budget will support, including a robust new play development lineup with virtual Other Season workshops, the launch of the decade-long "20x30" commission project, and a new "Director Commission" initiative; artistic conversations; arts and youth engagement activities; and Public Works programming. He also noted that an \$250K fund had been included in the FY21 budget to support unspecified small scale artistic projects that might arise over the course of the upcoming year. Braden described one such piece by Cheryl L. West about civil rights activist Fannie Lou Hamer which the team is looking at performing as an outdoor touring piece in the run-up to the election in October.



- Jeff added that if conditions change and we are able to host performances for live audiences in our venue, Senior Leadership would develop and bring supplemental budget to the Board for approval.
- Jeff then walked through the proposed FY21 budget, noting \$5.7M in revenue, including \$3.8M in fundraising, \$1.2M from the PPP loan, and \$300K in donated tickets. He shared that 60% of the \$5.7M expense budget is associated with payroll with another 20% supporting facility and overhead. Jeff noted that cash was budgeted to decline by \$2.1M over the year, raising the question of whether we will have enough available in hand to launch a substantive FY22 season.
- Contributed Revenue & Campaign Update: Director of Development Jamie Herlich McIlwain reviewed the \$3.8M in contributed revenue her department is budgeted to raise in FY21. Given the many questions about the future state of the economy, she took a conservative view in developing this revenue budget, which represents a drop in contributed revenue of 50% from FY20. After the economic collapse in 2008, we saw major donors step up with larger gifts, making up for a fall-off in smaller donors. In all, there was roughly a 30% reduction in support that year and it took the Rep nearly 10 years to build back. The fundraising strategy for the season includes fundraising around specific projects such as new play development, commissions, arts engagement, Public Works, etc.
- Tricia Pearson asked if we are seeing government and foundation funders shift away from the arts to other priorities in response to the pandemic. Jamie replied that she is seeing this and that the team is adjusting their expectations accordingly.
- Jamie then shared that \$370K would flow into FY21 operations from Act I of the Campaign for Seattle Rep to support artistic vitality (commissions, artistic projects), sustainability (campaign consulting), and generous and inclusive practices (lobby upgrades).
- Jeff then reviewed expenses by department, again sharing that the majority of the money was on payroll (60%) and fixed overhead (20%). He also reviewed headcount, which stands at 33.3 FTEs (down 80% from pre-pandemic levels) with the bulk in development and marketing.
- Cash Flow: Jeff walked through the cash flow projection, which currently would see \$1.5M in the bank at the end of the season, which is not sufficient to launch an FY22 season of sufficient vigor. Jeff said that cash balance needs to be closer to \$3M and he reviewed several ways we might get there, including early payment from the SRT Foundation, ACT I fundraising, a specific 'relaunch' campaign, renegotiation of the line of credit, etc. Jeff felt that budgeting a big surplus for FY21 was not a realistic way of improving cash flow for FY22 given the impossibility of selling tickets and the general lack of expenses to cut. Jeff said that the finance committee will work on this issue with staff over the course of the season.

- Leslie Lackey asked how much of the contributed revenue budgeted for FY21 has been pledged or promised to date. Jamie replied that \$275K had been raised thus far, noting that Q1 is typically slow for fundraising.
- Jeff reviewed next steps including bringing the proposed FY21 budget to Trustees for approval at the upcoming Thurs., Sept. 17<sup>th</sup> Board meeting.
- Sandy McDade asked for clarification about whether artistic programs and fundraising against those programs were included in the FY21 budget. Jeff affirmed that expense and revenue were included in the FY21 budget. Sandy asked whether the plan was to fundraise in advance of expending funds on these artistic projects. Jeff said that it was hard to talk with specificity without knowing precisely which currently unknown projects we might end up moving forward with during the season but that the team was very conscious of cash flow and that we would be reviewing expenditures and fundraising with the Finance Committee each month.
- Scotland asked for a motion to recommend the full FY21 budget to the Board for a vote at the Sept 17, 2020 meeting. Jay Hereford proposed the motion and Terri Olson Miller seconded the motion. After a consent vote, the motion was unanimously approved.

#### **V. NEW BUSINESS**

- Main Street Lending Facility: Vinita mentioned that she would be working with Scotland and the Liquidity Task Force to assess whether the Federal Main Street Lending Program might be a good fit for the Rep. This program is intended to help non-profits get through the pandemic; but unlike the PPP program, it has complex terms and security requirements and must be paid back within 5 years.
- Finance Server Crash: Vinita reported that the 20-year-old finance server crashed a few weeks ago and that the team lost a lot of data related to the FY20 audit and FY21 budget. She said that she was working to recreate a lot of files; meanwhile, the team is backing up the current server nightly and they are working on a broader IT risk assessment for the organization.
- Finance Committee Mission: Scotland reviewed the Finance Committee mission and responsibilities for the upcoming season and assured all Trustees that they are always welcome at Finance Committee meetings.
- Karen Fletcher asked, as matter of procedure, when votes are taken, if only Finance Committee members should vote or whether all members were eligible to vote. Scotland said that he wasn't certain from a legal perspective but assumed that just committee members should be voting.

#### **VI. EXECUTIVE SESSION**

- Staff adjourned for an Executive Session at 6:27pm.

#### **VII. ADJOURN**

- The meeting adjourned at 6:40pm.

## MEMORANDUM

**From:** Vinita Gupta, Director of Finance & Jeffrey Herrmann, Managing Director  
**To:** Board of Directors  
**Date:** September 9, 2020  
**Re:** FY21 Budget Financial Summary

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We are pleased to present the final draft of the FY21 budget (attached), which shows a break-even net on the season (surplus of \$5K). This is the first break-even budget the theater has brought to the Board for approval since FY14.

This is obviously an unusual year and we are budgeting for a total revenue decrease of 63% from the FY20 budget (\$5.7M vs. \$15.4M). The FY21 revenue budget includes \$3.8M in contributions (down 50% from the \$7.5M FY20 contributed budget) plus \$429K in endowment support (representing a standard 4% draw). Contributed revenue includes individual, corporate, foundation, and government support, plus \$370K in funding from Act I of the Campaign for Seattle Rep (more on this below).

FY21 revenue also incorporates two non-recurring revenue sources: \$1.2M in PPP funds and \$300K in donated ticket revenue. We are already in possession of these PPP funds; and, to date, \$230K in donated FY21 tickets have been received.

FY21 expenses are \$5.7M (down 63% from the \$15.7M FY20 expense budget) of which 63% relate to salaries and 20% relate to fixed organizational costs. The remaining 17% are departmental expenses.

The budgeting philosophy for the FY21 “Standby” model was to model revenue and expenditures assuming no performances through June 30, 2021. However, after further internal discussion, we want to remain open to artistic possibilities or opportunities that may come our way in this ever-changing environment which could serve to help us raise funds and remain connected to our patrons. To that end, we have included a total of \$250K in unspecified direct artistic production expenses against a total of \$300K in unspecified direct fundraising receipts. As projects emerge (such as the travelling production of FANNIE that we are currently exploring for October—more on this at the Finance Committee and Board meetings), we would directly raise money for each with the goal of contributing 20% above direct expenses towards the bottom line on each event. By including direct expense and revenue in the FY21 budget in this manner, it will allow staff to act quickly without the Board having to approve every single reading, workshop, or experiment we would like to run. Staff will keep the Board apprised of potential projects through artistic department reports and at finance committee meetings; and, as promised, if and when we get to the point where we can contemplate traditional producing for live audiences in our venue, we will bring supplemental budgets supporting these activities to the Board for review and approval.

### Fundraising Revenue Detail

Annual operating revenues includes \$2.5M from individuals (which represents an overall 30% reduction from last year; funds will be raised at all levels in support of the annual fund/unrestricted, Public Works, specific artistic initiatives, and the new play program). The reduction amount was derived based on 2008 industry trends, which also assumes larger contributions from major donors and smaller contributions from lower level donors. The remaining \$900K is anticipated from institutional funders: half of this will come from foundations, with the remainder coming from governmental and corporate sources.

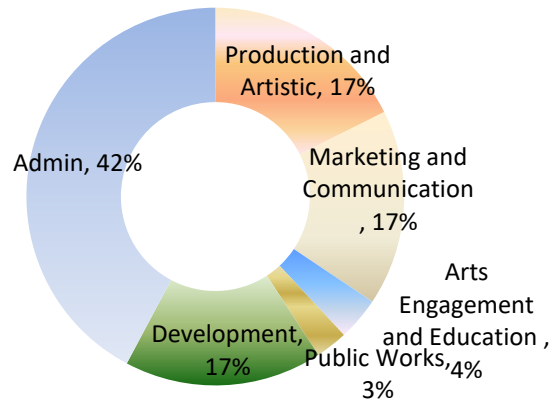
Act I Campaign revenues of \$370K will support opportunistic artistic/production initiatives, the launch of “20x30 Commissioning Program” (and the investment in our first six commissions, as well as new play development work), lobby upgrades to ensure a more welcoming (and safe) environment when we return, and the staffing needed to support Campaign fundraising. Campaign funds raised and received above and beyond this amount that is included in the operating budget will support the financial sustainability elements of the Campaign (working capital reserve, endowment).

### Departmental Expense Detail

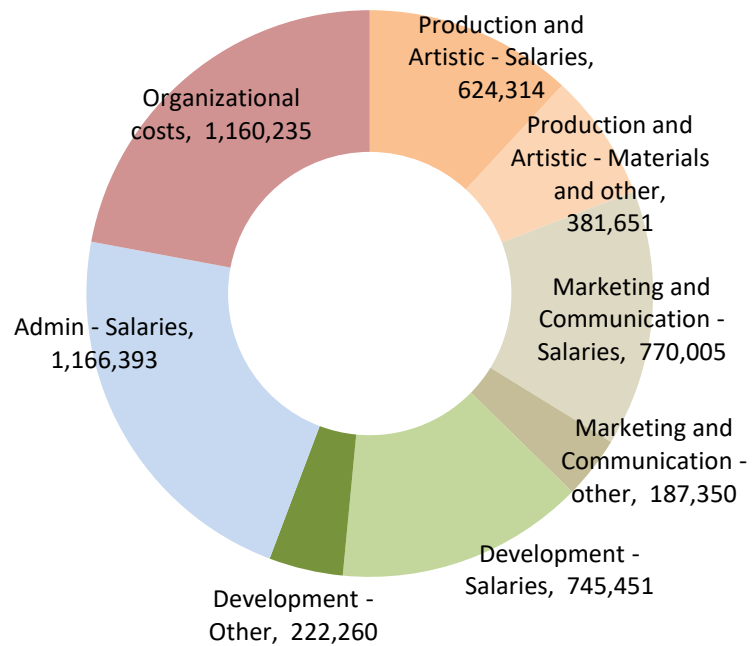
The table below shows the split between salaries and other costs for each department.

FY 21 - Standby Costs by department		Annual
Production and Artistic - Salaries		624,314
Production and Artistic - Materials and other		381,651
Marketing and Communication - Salaries		770,005
Marketing and Communication - other		187,350
Arts Engagement - salaries		170,914
Arts Engagement - other		18,000
PATP- Salaries		
PATP- other		22,400
PW- Salaries		105,444
PW- Other		50,550
Development - Salaries		745,451
Development - Other		222,260
Admin - Salaries		1,166,393
Organizational costs		1,242,235
		5,706,966
Total Salaries		3,582,520
Total other		2,124,446

## Expenses by Department



## Expense Type by Department



Headcount for each of the departments is reflected in the table below:

Row Labels	Headcount
Arts Eng	2
Casting	1
Devo	8.4
Executive	3
Finance	2.6
HR	1.9
IT	1
Marketing	7.1
Marketing - Concessions	
Marketing - PSO	1.5
Ops	1
Production	2.7
PW	1.1
<b>Grand Total</b>	<b>33.3</b>

Some of the highlights for other costs for each department are as follows:

- Production and Artistic (\$381K): \$175K for The Other Season and the commissioning program; \$65K storage; \$30K is the estimated net loss on our apartments (as we have been able to rent three of the four apartments thus far); and \$14K for depreciation. The remaining \$80K in expenses is part of the artistic budget, the bulk of which includes consulting expenses. Note that we have included a \$250K placeholder for salaries to accommodate any artistic possibilities this season.
- Marketing and Communications (\$187K): \$57K Tessitura licensing; \$37K fees to enhance fundraising/subscription systems and invest in future online innovative campaigns; \$30K website hosting; \$10K depreciation; and \$12K credit card fees associated with refunds.
- Arts Engagement/Education (\$40K): Teaching and speaker fees.
- Public Works (\$50K): \$22K fees for teaching artists; the rest for printing, consulting fees, and catering expenses.
- Development (\$222K): \$35K postage; \$30K printing; \$20K digital campaigns/advertising; \$14K thank you gifts; \$35K bank card commissions; \$17K dues and subscriptions; and \$56K consulting fees related to campaign fundraising and online special events.
- Organizational (\$1.2M):
  - Fees and Charges (\$205K): \$120K line of credit interest; \$35K bank fees; and \$50K financing fees for theatrical equipment.
  - Dues (\$45K): LORT, Cultural Access, TCG, etc.
  - HR (\$65K): \$45K ADP fees; the remainder for dues and training
  - Finance (\$100K): \$50K audit and tax; \$13K depreciation; \$20K accounting software

- IT (\$113K): \$20K software costs; \$60K computer accessories; \$15K internet costs; and \$15K consulting fees.
- Operations (\$550K): \$110K insurance; \$20K document storage; \$150K utilities, garbage, etc.; \$20K copier costs; \$110K janitorial; \$30K telephone; \$65K operational maintenance projects; \$10K postage

### **Capital Budget**

We are expecting to make some capital improvements in FY21 and have set aside \$150K (outside of the operating budget) towards ADP upgrades (\$30K); IT migration to Office 365 (\$20K); hardware replacements (\$20K); and operational improvements such as badge entry (\$20K), carpet and flooring (\$30K), and consulting fees for lobby upgrades (\$30K). These are all reflected in the cash flow.

### **Areas of Risk**

- Cash: A key area of risk is depletion of our cash holdings, as the proposed FY21 budget would leave us with \$1.5M in cash at the end of FY21, a drop of \$2.1M, including the impact of refunds and capital expenditures that are not reflected in the P&L. This is not sufficient amount to produce an FY22 season that is close to what we feel we need to mount to come back with the vigor we believe will be required when the pandemic is 'over.' While this is really more an FY22 budget issue than an FY21 budget issue, obviously the financial results of FY21 fundamentally impact the starting cash balance for FY22. Rather than try to drive a significant surplus in the FY21 budget however (which would be difficult without the prospect of programming to support revenue growth this year and without much staff left to lay off to support expense savings), we will look to pull other strings to support our cash position by the end of FY21, including up-front FY22 payment from the SRT Foundation; planning a smaller FY22 season; an early 'Early Bird' subscription campaign for FY22; Act I campaign fundraising; a community or Seattle Rep 'relaunch' fundraising effort; line of credit negotiation or partial payoff; collection on outstanding pledges; and more. A large part of the Finance Committee's work this season will be to understand precisely what we will need in the bank in order to launch a FY22 season we would feel good about presenting and then strategize with staff on how to get there. The first step will be developing an understanding of the artistic plan for FY22 and this is driving our desire to develop and pass a FY22 budget early.
- Debt Management: Hugely impacting our cash flow is the fact that our line of credit is fully drawn at \$4.41M and will be up for renewal in February 2021. We will start working on renewal with U.S. Bank this fall and are currently exploring terming part of the line so that we can start to pay it down. Current interest expense on the line of credit is about \$120K annually, which is a burden on the operating budget. Our goal is to fully pay down the line of credit over the next 3 – 5 years so that it will be available to us once again to fund seasonal working capital requirements. We are also assessing whether the Federal Main Street Lending Program might be a good fit for us. This program is intended to help non-profits get through the pandemic; but, unlike the PPP program, it has

complex terms and security requirements and must be paid back within 5 years. We are working with the Liquidity Taskforce and U.S. Bank to understand if this is a good option to secure more cash, which we could use to pay down the line of credit at better terms than we are currently experiencing on the line itself.



## FY 21 Standby Budget and 5 -year historical comparison

	FY15	FY16	FY17	FY18	FY19	FY20	FY20	FY 21- standby
	Audit / FS	Audit / FS	Audit / FS	Audit / FS	Audit / FS	FORECAST	BUDGET	BUDGET
Ticket Revenue/Total Revenue	55%	55%	57%	45%	52%	37%	43%	6%
Contribution Revenue/Total Revenue	42%	43%	42%	44%	38%	54%	50%	72%
Marketing Expense/Ticket Revenue	49%	46%	48%	47%	42%	57%	48%	319%
Fundraising Expense/Contribution Rev	19%	17%	18%	16%	24%	15%	17%	26%
Admin/Revenue	17%	13%	13%	13%	13%	13%	12%	46%
Artistic, Production and Royalties/Revenue	58%	59%	82%	57%	53%	54%	58%	19%
Marketing/Expense	23%	23%	21%	23%	24%	24%	22%	17%
Fundraising Expense/Total Expense	7%	7%	6%	7%	9%	8%	8%	17%
Admin/Expense	15%	12%	10%	13%	12%	12%	11%	42%
<b>INCOME</b>								
<b>Ticket Income</b>								
Subscription Revenue	2,266,084	2,247,960	2,686,576	2,765,944	3,233,407	2,947,430	3,320,126	
Single Ticket Revenue	1,908,612	2,608,724	3,250,705	1,970,463	2,948,376	2,624,944	2,661,269	
Service Fee/Donated tickets	311,592	342,782	423,579	355,622	471,969	417,397	471,147	300,000
<b>Total Ticket Income</b>	<b>4,486,288</b>	<b>5,199,466</b>	<b>6,360,860</b>	<b>5,092,029</b>	<b>6,653,752</b>	<b>5,075,193</b>	<b>6,452,542</b>	<b>300,000</b>
<b>Other Income</b>	<b>189,391</b>	<b>118,801</b>	<b>122,750</b>	<b>526,752</b>	<b>257,828</b>	<b>281,218</b>	<b>406,307</b>	
<b>Contributed Income</b>								
Annual Fund Campaign	3,448,879	4,112,276	4,677,746	5,044,586	4,943,943	5,856,396 1,830,000	5,642,563 1,830,000	3,413,000 370,000
<b>Total Fundraising Revenue</b>	<b>3,448,879</b>	<b>4,112,276</b>	<b>4,677,746</b>	<b>5,044,586</b>	<b>4,943,943</b>	<b>7,468,865</b>	<b>7,472,563</b>	<b>3,783,000</b>
<b>Endowment Support</b>	<b>1,001,131</b>	<b>850,000</b>	<b>750,000</b>	<b>900,000</b>	<b>550,000</b>	<b>421,528</b>	<b>421,528</b>	<b>429,000</b>
<b>TOTAL INCOME</b>	<b>\$9,125,689</b>	<b>\$ 10,280,543</b>	<b>\$ 11,911,356</b>	<b>\$11,563,367</b>	<b>\$ 12,405,523</b>	<b>\$ 13,246,804</b>	<b>14,752,940</b>	<b>\$ 4,512,000</b>
<b>EXPENSE</b>								
Artistic, Production and Royalties	4,710,703	5,644,341	9,173,035	6,420,248	6,845,633	7,502,209	8,692,962	1,005,965
Marketing & Communications	2,178,998	2,431,830	3,072,063	2,717,367	3,222,556	3,492,000	3,445,266	957,355
Education	393,059	327,853	343,337	321,048	466,151	540,640	571,668	367,307
Development	654,145	694,663	840,946	815,555	1,190,172	1,124,650	1,282,140	967,711
Admin & Facilities	1,416,201	1,260,577	1,470,466	1,492,681	1,647,939	1,779,143	1,755,363	2,408,628
Campaign Expenses								
<b>TOTAL EXPENSE</b>	<b>\$9,353,106</b>	<b>\$ 10,359,264</b>	<b>\$ 14,899,847</b>	<b>\$11,766,899</b>	<b>\$ 13,372,451</b>	<b>\$ 14,438,642</b>	<b>\$15,747,399</b>	<b>\$ 5,706,966</b>
<b>Royalties, PPP revenue</b>	<b>\$ -</b>	<b>\$78,721</b>	<b>\$ 73,832</b>	<b>\$677,883</b>	<b>\$1,015,051</b>	<b>\$1,024,349</b>	<b>\$695,000</b>	<b>\$1,200,000</b>
<b>NET OPERATIONS</b>	<b>\$ (227,417)</b>	<b>\$ -</b>	<b>\$ (2,914,659)</b>	<b>\$ 474,351</b>	<b>\$ 48,123</b>	<b>\$ (167,488)</b>	<b>\$ (299,459)</b>	<b>\$ 5,034</b>

## Comments:

Fundraising revenue includes \$300K placeholder for additional artistic possibilities in FY 2021

Production expenses include \$250K in costs related to artistic possibilities for FY 2021 with an offset of \$300K in revenue

Facilities and IT costs are typically allocated to production and marketing. No allocation this year and all costs are retained in admin

