

TEXAS FOLK MUSIC FOUNDATION

Board Meeting Minutes

June 6, 2010

Kerrville, TX (Quiet Valley Ranch)

Board Members Present: Jon Charles, Chuck Lesniak, Michael D'Eath, Bill Stacy, Thomas Chapmond, Therese Spina, Adams Kirkpatrick, Theresa Tod

Board Members Absent: None

Others Present: Larry West, Charlie Land, Nancy Lee Kennedy, Cheyanne Pearl, Syd Franz, Francie Charles, Stan Burkefelt, Vern Crawford, Lenore Langsdorf, Earl Eubanks, Peter Casey, Liz Carson, Bill McNeal, Stuart Vexler, Lee Green, Lou Tessier, Ann Ruthstrom, Josh Ball, Ed Fiedler

Michael called the meeting to order at about 3:05 p.m.

Minutes – Theresa Tod, Secretary

The minutes of the March 21 meeting and the April 5 conference call meeting were circulated in advance for review and comment. Jon moved, and Thomas seconded to approve both sets of minutes. Approval was unanimous with no changes.

Two unanimous consent decisions were made prior to this meeting, by email. Jon moved and Thomas seconded to include this action with the minutes for the current meeting; approval was unanimous.

- On May 3, 2010, Theresa Tod moved and Jon Charles seconded to approve the bylaws changes which include the provisions for membership previously agreed upon by the TFMF Board and other interested parties; with language drafted by TFMF attorneys. Unanimous vote received by May 9, 2010.
- On May 2, 2010, Bill Stacy moved and Thomas Chapmond seconded to approve a lease with the Quiet Valley Ranch Corporation, for the Founders Cottage; to be used for housing guests during the festivals, as well as board meetings and other activities. Unanimous vote received by May 4, 2010.

Michael recognized guests from the Ranch Board (Nancy Lee Kennedy, Lenore Langsdorf, Earl Eubanks); and suggested moving discussion of the Ranch lease up to the front of the agenda to accommodate our guests.

Michael said his understanding was that the amount negotiated for the lease was based on a plan for the Ranch Corporation to accumulate some funds in a reserve account so that if the festival fell on hard times, the reserve would protect the Ranch so that the festival could once again emerge on new footing. Some funds are already set aside by TFMF; we want to increase that as well as support QVR's development of a reserve fund. Both the Foundation and the Ranch boards agree that this strategic reserve is wise, and on the increased lease payments necessary to create it. Funds in a for-profit corporation are managed by the Board; which must abide by governing documents including Articles of Incorporation (broad guidelines), and Bylaws

(generally more prescriptive than Articles of Incorporation). Changes in both the Ranch Articles of Incorporation and Bylaws were proposed to QVR Stockholders; however only the changes proposed to the Articles of Incorporation were approved by the Stockholders, the more explicit Bylaws changes were not approved. Michael wants the two boards to continue communicating with each other to resolve whatever issues need to be addressed, in order to come to agreement. Protecting the festival as well as protecting the Ranch - both corporations - is paramount to all involved.

Thomas pointed out that ticket sales alone won't be sufficient to cover costs of the festival and related operations. The Foundation Board recognizes that we must fundraise to make the difference. We believe that placing restrictions on the use of the QVR reserve fund increases our ability to raise funds. Thomas said he really doesn't believe there is a difference in our goals, and hopes to dispel any rumors to the contrary.

Nancy Lee said she wants the Ranch to be safe, the Festival to continue, and the family to remain intact.

Chuck emphasized that it is important for us to have this resolved in a way that can't easily be changed; we need to have this commitment in order to raise the funds needed to move forward with the Foundation's goals, which include continuing to develop *both* the grounds and the festival.

Treasurer's Report: Larry West

Financial Reports. A financial report, through April, was circulated by Larry in advance. Much of the activity of the festival takes place in June, so it won't be reflected till the next report. Ticket sale income (for advance ticket sales) exceeds the income for the same period last year by \$43,000. Membership dues also exceed the amount budgeted. Receipts include \$14,000 in donations to KFF; \$34,360 to TFMF. Membership dues to date exceed the amount budgeted. Some expenses were paid ahead, which reflects in the report as over-budget (to date).

We didn't budget for appreciation and amortization (as an expense) in FY2010; this doesn't impact cash, but he expects that this will be reflected at around \$31,000 for the bottom line this year. Peter suggested leaving it off until December..

Per the Balance sheet, cash as of April 30th is \$58,045 in TFMF, \$83,766 in KFF. Some is restricted; \$10,000 is in our initial reserve fund, \$45,000 in restricted KFF funds (mostly funds needed for festival start-up). We will be over budget on Capitol Expenditures, including meadows improvements, but some may get covered by new donations. Jon said we still have \$2500 coming in for the ticket system.

Syd handed out a report covering preliminary festival financials –May and June. In comparison with 2009, the differences are all in black to date. Expenses are not yet factored in, but gross revenues are considerably higher, and expenses are not expected to be significantly higher than 2009. Some of the changes are due to tightening up controls in certain practices. Gate sales were up significantly; and benches and memberships are continuing to be sold at the booth (actual data

on this is not available yet). Repairs to the septic system were unanticipated and are outside the budget; however the expenses were not significant.

Jon thanked Syd and Larry for all their work creating much improved financial systems and reports. Liz was thanked and recognized for putting in long hours helping Syd with financial records.

Syd said we will need to consider some new equipment purchases this year.

Controls and Audit: The Finance committee had a conference call meeting, with Chris Yost, Controller for Whole Foods, serving as moderator. They did a complete review of cash controls from point of sale through to the bank, to inform the committee of how things are working and to ensure that we have adequate internal controls in place. This will become the beginning of an internal audit, which will establish some ongoing practices designed to help us test ourselves. This will ensure that we are prepared for an external audit.

All checks currently need to have dual signatures; Peter and Larry currently sign checks, which is difficult because of the distance between them (the cost for federal expressing checks is high in relation to small expenditures). Larry opened an account, with a personal donation of \$1000 made by him. He'd like to maintain that as a petty cash account, to handle small expenses in an expedient manner. Thomas moved, Theresa seconded, to create this account; to be maintained at \$1000, with expenses up to \$250 authorized to require only a single signature. Invoices would be sent to Peter. The approval process remains unchanged; the expense must be within budget and two people (other than the recipient) must approve the expense.

Larry requested feedback from the Board regarding any further changes to financial reports. For Board, he will continue to prepare high level information; for the Festival Operating Committee, something much more detailed. We must also be responsive to IRS in our record-keeping, to ensure we can complete required reports. Our final obligations are to our donors; we need to be able to provide the proper reports to donors when requested, and provide these in a format they are accustomed to receiving from other nonprofits.

Larry intends to begin working on the 2011 budget now. We will plan to approve a preliminary budget in the October meeting, to be finalized by December.

Committee Reports

Festival Operating Committee (Charlie and Stuart):

Ticket sales are good. Eliminating free beer hasn't created significant problems, and revenues are significantly up for beer sales. Michael applauded the staff for absorbing this change. Charlie has heard a lot of positive comments about the change; several commented that staff leaders efforts in handling the change had been impressive. A few adjustments were needed to accommodate larger lines for beer. Enforcing the stake policy (payment for the full area used) created a few grumbles. Introducing a sleeper vehicle pass will be implemented next year; discussion of expanding the RV park will be introduced. Costs would likely be recouped in a few years; issues would include the potential impact on existing camps. Staff numbers are up

considerably compared to last year; the committee will explore to see why and if there are sufficient controls. A noise problem on Chapel Hill has flared up a few times; security is beginning to deal with this. Parking areas were about 50 cars short of being full last Sunday (for the Indigo Girls concert).

Charlie noted that the state mass gatherings law requires a permit for crowd sizes of 2500 or more, if for more than 5 hours and after 10:00 p.m. This issue will be explored further for next year.

Stuart reported from the Camp Mayors' meeting, that they'd like to have an additional meeting during the festival; a meeting is tentatively planned for Saturday at noon (third week), at Threadgill. (*Subsequently, Stuart was unable to find a time in the schedule for this second meeting; further discussion will take place by email, and two meetings will be planned for next year.*)

Lou was thanked for his work on the septic system, and Charlie and staff as well for their efforts.

Program Committee: (Jon Charles):

This is our 5th year for the youth camp. State laws require us to have a license for the camp, for which the initial cost (first year) is \$750; Jon is filing all the necessary paperwork. Background checks are required for all staff in the area; this is not a change from current practice with our camp. He's arranging the necessary training. There are currently 60-70 kids enrolled - more than we've had this early in the past; he will cut it off at 100. Some youth are participating from the local air force base. We need to emphasize our fundraising efforts for the youth camp. Camps are doing some fundraising activities. Thomas, Larry and Michael pledged to each support two campers (\$100), and challenged the other board members to do the same. Great musicians are again scheduled to participate as faculty. Last year youth performed a song they created at camp at a local event; the dvd will be available soon for posting on the TFMF website.

Resource Development Committee: (Jon and Theresa):

Jon reported that Francie and an attorney contact of Michael's put together some information on endowments, and a form concerning endowments is now available at the booth. The attorney will be available later to provide some training on this.

There is potential funding available through a local hotel/motel tax, as discussed previously. Francie has had numerous conversations with the City Council; they have been very encouraging regarding an application from TFMF. The application is due June 25th. A local entity is needed to carry the ball. We will be requesting \$15,000 for little folk, and \$35,000 for big folk. A decision is expected at the meeting of the City Council in July.

TFMF Booth: We appreciate having the full booth area; the booth has seen considerable traffic for both benches, donations and memberships (as well as current members picking up their t-shirts and cd's), so booth operations have been a success. The booth has run out of the 2009 cd's. The booth has had a presence at the Threadgill stage for the new folk concerts and also for weeknight concerts. Marghi has done a great job coordinating these efforts, and maintaining a solid core group of volunteers.

Marketing: We need to have a marketing plan. Francie will draft a basic marketing plan, for the Board to respond to. Adams has a friend who works in marketing, and will be happy to give us some feedback on our current web-based efforts. Michael said we really need someone who can take ownership of this. Chuck knows someone who is interested in doing some pro-bono work on this. Therese said she is willing to do some design work on the website, but needs someone who can do html coding to help (html coding is used to create the overall look of the site). There is a sample site already created, that someone created for us (very quickly). He isn't local, but is still available for further work on this. Michael asked Adams if he would serve as a point person to handle collecting the names of people who are available to do this. Bill suggested that whatever solution we decide on, we need to make sure it can be maintained readily by those who need to do so; and lines of responsibility need to be clearly established. A phone meeting involving interested parties will be planned.

Membership: Michael reported that the introduction of membership has been as successful as we could have hoped. The membership meeting was smooth, with reasonable attendance. Next year the meeting will include an election. The t-shirt has been a real hit; Therese was thanked for her design work. As reported earlier, the bylaws changes have been finalized, and restricted so that the relevant parts cannot be changed by the Board; only by the membership. This work was done by Erica Hogan and Sarah Dunstall, pro-bono attorneys from the lawfirm of Bracewell & Guiliani.

BAG Committee Update: Adams Kirkpatrick reported that the BAG Committee's focus has been on developing a master plan. A large survey was sent out; it hasn't received a very big response. Based on many conversations and the feedback to date, Adams will create a preliminary list of items for feedback. Chuck suggested giving people at the Mayor's meeting an opportunity for input will be helpful. There is general consensus that we need to get a price on composting toilets; a budget for this can hopefully be determined by next week. Work surrounding the maintenance shed got off to a rocky start; there was a lot of misunderstanding about what was really planned. Current plans are to circulate a note to clarify the situation, but truth seems to be replacing rumor. The plan is to have an organized space (inventoried shed) that would make use of items easier for all to use, and allow for planning; eg, having a supply of certain items that are routinely needed.

Michael asked guests to leave, for the closed Executive Session.

--- break for Executive Session ---

Lease: Jon moved to appoint Michael as the representative to negotiate with QVR, for a 6-month extension to the timeframe set out in the letter to the Ranch dated December 31st; with Thomas authorized to work with Michael to assist in talking with Nancy Lee (as a stockholder), to understand and resolve any concerns she might have. Chuck seconded the motion. Theresa and Thomas recused themselves from the vote due to conflict of interest as Ranch stockholders; the vote carried with 5 yes votes.

New Business - Elections:

Thomas Chapmond moved, and Adams Kirkpatrick seconded, to accept the slate of four candidates recommended by the Nominating Committee; including Lloyd Maines, Larry West, Stan Burkefelt, and Michael D'Eath. Stan will assume the third year of the three-year term vacated earlier by Steve Gillette, and become eligible for re-election next year; the other three each have three year terms. The motion passed unanimously, with Michael D'Eath abstaining. Thomas moved that Clint be invited to serve as Vice President for Community Relations, for a one-year term, as an ex-officio member of the Board. Adams seconded the motion and the vote to approve was unanimous. It was agreed that the Board welcomes participation by all nominees in any capacity they can serve.

Michael thanked Chuck Lesniak and Therese Spina, whose terms ended, for their service on the Board over the last several years, and their many valuable contributions.

TFMF 990 Report: Lee Anderson has agreed to perform the TFMF 990 for a fee of \$500.

Adams moved to authorize Michael to appoint Lee Anderson as our CPA, and Larry West (with Syd's assistance) as our Accountant, for a one-year period; the motion was seconded by Thomas and approved unanimously.

Future Meeting Schedule: Michael proposed the following dates for the remaining meetings for 2010 (subject to change, and supplemented by conference calls or email action, as needed); everyone was asked to check their schedules:

June 20 (subsequently moved to June 21, Conference Call)

Aug 22

Oct 24

Dec 12

Jon moved that the meeting adjourn at approximately 6:30 p.m.; Theresa gave the second, and the motion passed unanimously.

--Minutes submitted by Theresa Tod, Secretary