

FLINDERS QUARTET INC.
FINANCIAL REPORT
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2 December 2022

PURPOSE:

To provide the Board with an update of the 2022 Forecast and a draft of the 2023 Budget.

CURRENT CASH POSITION

1. Flinders Quartet has \$300,518 of cash on hand as at 1 December 2022 with \$3,500 restricted for specific committed purposes.

2022 FORECAST

1. The 2022 Forecast (refer to Attachment 1) presents a net surplus of \$3,656, which is a \$522 decrease in surplus compared to the Forecast provided at the 11 October 2022 finance meeting and \$2,603 better than Budget.
2. Final concert revenue for 2022 fell slightly short of the approved Budget. March-August 2022 ticket sales revenue was lower than expected, however the November concerts met or exceeded targets. Due to flood impacts in regional Victoria, two presented concerts planned for October were postponed to 2023, reducing 2022 concert fees (the only expenditure reduction resulting from this was a small amount of ground travel; the main expenditure was FQ musician salaries).
 - a. \$22,286 received in ticket sales confirmed, nothing further expected in 2022
 - b. \$36,468 received in concert fees to date; \$2,000 target for remainder of 2022 (which will come from the December 2nd Athenaeum Library concert, yet to be received)
3. Government funding was reduced by \$12,500 early in 2022 due to a regional touring grant no longer available. There is no unconfirmed Government funding in the 2022 Forecast.
4. Philanthropy revenue forecast of \$240,500, down \$29,000 from Budget. This includes:
 - a. Private donation revenue confirmed: \$158,675 and Trusts and Foundations confirmed \$67,500.
 - b. Private donation target: \$14,325 including a \$6,000 pledge. If the pledged cash is not received, related expenditure will also reduce.
 - c. Consideration has been given to the reduce forecast expenditure given the remaining private donation target however Management is confident the remaining \$8,325 (unconfirmed and not pledged) will be raised from existing Fifth String and general donors through the 2023 education and FQ Syndicate #5 donor campaigns.

5. The table below provides further detail regarding Private Donations total for 2022:

Philanthropy revenue update as at 29 November:			
	Forecast	To be raised	Confirmed/received
Private Donations new target (original budget target: \$180,000)	\$ 173,000	\$ 14,325	\$ 158,675
Trusts & Foundations (original budget target: \$89,500)	\$ 67,500	\$ -	\$ 67,500
Total	\$ 240,500	\$ 14,325	\$ 226,175
Targets to reduce at risk private donation revenue:			
		\$ 14,325	to be raised
Fifth String to renew		\$ 2,000	
Existing general donors to renew		\$ 6,325	
New donors			
One-off commission support - Brenda Gifford new work		\$ -	Target: FQ Syndicate #4
One-off commission support - Natalie Nicolas		\$ 6,000	Pledged: Andrew and Aida (50% deposit, balance payable in 2023)
Targets to reduce at risk Trusts and Foundation revenue:			
		\$ -	
Betty Amsden Foundation		\$ -	application opening postponed to early 2023
Balnaves Foundation		\$ -	application will still be submitted in 2022 but the forecast no longer relies on it

6. Trusts and Foundations confirmed amounts totalling \$67,500 being:

- Robert Salzer Foundation \$7,000
- Cybec Foundation \$8,000 carried forward from 2021 plus \$20,000 for 2022 activity
- Besen Family Foundation \$10,000
- Canny Quine Foundation (Linda Herd) \$6,000
- Lyngala Foundation (Anthony Adair and Karen McLeod Adair) \$5,000
- Betty Amsden Foundation \$7,500 carried forward from 2021
- Playking Foundation \$4,000 carried forward from 2021

7. 'Other' revenue of \$9,400 has been added, reflecting some education/mentoring/workshop work the quartet has undertaken for Shelford Girls' Grammar and Melbourne Recital Centre.

8. Reductions in Salaries, Event costs, Development, Recording and Marketing expenditure all resulting from reduction in activity in response to Government funding and Philanthropy income targets not being met. In the case of Salaries, some individual mentoring calls were absorbed into salary, instead of being paid as extra casual/project work.

9. Travel expenditure increases (compared to Budget) due to COVID replacement musician earlier in the year, and general increases in travel costs.

2023 DRAFT BUDGET

1. The latest version of the draft Budget is provided as Attachment 2. We present this final 2023 Budget for the Board's review and seek the Board's approval. The 2023 draft Budget presents a small net surplus of \$909.
2. Following the Board budget meeting in October, the draft Budget was reduced to a single scenario which includes the following funding assumptions:
 - Confirmed Creative Victoria CEP multi-year funding (\$100,000 p.a.),
 - Unconfirmed City of Melbourne 2023 arts grant (\$10,000). Further detail below.
 - Regular annual Trust & Foundation support.
 - No other new funding for 2023 activity.
3. This Budget includes an unconfirmed City of Melbourne (CoM) annual arts grant for \$10,000. We submitted applications for both the CoM 2023 annual arts grant (\$10,000) and their 2-year investment grant (\$55,000 p.a.). We were notified that we were successful in the annual arts grant pending the outcome of the 2-year application, expected in early December. We will receive one or the other, but not both. For now, the arts grant \$10,000 and project expenditure has been added into the Budget; the expenditure is predominantly the permanent part-time FQ salaries, but there are some venue and production costs. If we end up getting the 2-year funding instead of the \$10,000, those venue and production expenses will be removed and expenditure relating to the 2-year funding added in.
4. The 2023 draft Budget presents total Revenue of \$451,300, \$3,954 more than the 2022 Forecast. Key movement year on year includes:
 - Increase in Concert Revenue resulting from the Musica Viva Australia national tour scheduled for Feb/March 2023.
 - Decrease in Government revenue; the only Government funding included in this Budget is the Creative Victoria CEP multi-year funding (\$100,000 p.a.) and the 'pending' City of Melbourne \$10,000.
 - Decrease in Philanthropy revenue with the assumption that we'll only receive the regular annual Trust and Foundations support FQ typically secures (\$28,500), with no new funding. Philanthropy also includes \$203,000 of private donations revenues in 2023, a \$30,000 increase on the current 2022 Forecast. The increased private donation target results from the budgeted decreases in Government and Trust and Foundation support; we recognise it as an ambitious target, especially considering the current cost-of-living situation. A systematic review of our donor pool and will commence next week and will inform our donor relationship management activities for 2023 with the intention of thoughtfully and proactively stewarding current donors in order to maximise donor retention, engagement and investment.
 - Increase in Recording revenue, with some Recording revenue that was expected in 2022 being deferred to 2023 (due to illness and recording rescheduling).
 - 'Other' revenue shown in the 2022 Forecast is from masterclass/workshop fees secured in 2022; there currently isn't any income of this nature expected in 2023.
5. The 2023 draft Budget presents total Expenditure of \$450,351, \$6,661 greater than the 2022 Forecast.

6. Salary costs has been split into three separate line items to differentiate between varying salary and fee commitments:
 - Permanent salaried employee costs - salaries, on costs and allowances paid to permanent FQ employees (musician and administration). These costs will decrease in 2023 due to Thibaud's departure in March 2023; the guest violinists to replace him have been budgeted under 'casual employee costs'.
 - Casual employee costs - casual salaries, fees and on costs paid to FQ musicians for extra project work undertaken in addition to permanent salary work; and costs regarding guest and replacement quartet musicians when required. These costs are due to increase in 2023 due to the use of guest violinists after Thibaud's departure, and project work/fees for Musica Viva touring, 3MBS Marathon and Shepparton Art Museum project.
 - Contractors - guest artist fees and per diem. Contractor fees decrease year on year due to less guest artists being engaged in 2023.

7. Key movements year on year in other expenditure include:
 - Increase in Event costs resulting from new venue-hire arrangement for Melbourne Recital Centre concerts; the impact of the venue hire costs are greater than this variance, but other event costs have been reduced making the overall variance smaller.
 - Decrease in Recording costs; this Budget assumes no self-funded studio recording will be undertaken in 2023.
 - Decrease in travel costs resulting from small tour party size in 2023 (compared to 2022 with 7 people touring "Return to Sender"). General increases in travel costs have been factored in.

8. Expenditure items to be prioritised for reinstatement should additional funding be secured:
 - Extra casual calls paid to FQ personnel for additional project work, mentoring, workshops, and creative development, enabling more salaried calls to be dedicated to core rehearsal work.
 - Cost-of-living salary increase for permanent FQ employees part-time salaries; a 3% increase would cost approx. \$8,000 (including on-costs). This excludes any increases to the casual call rate.
 - Contingency buffer for illness, injury, and cost increases.
 - Increase in casual call rate from \$180/call to \$190/call to bring FQ more in line with others in the industry.
 - Brenda Gifford and Julian Yu concert program can be filmed for inclusion on FQ Digital (and for general documentation purposes).
 - Better resourcing of digital concerts to improve artistic outcomes.
 - Better resourcing of Development and Marketing budgets.
 - Increases in self-funded studio recording activity.
 - Better resourced string quartet education project and FQ Digital Free expansion.
 - Increase in free tickets offered to high school residency partners.
 - Better resourced 2024 creative development.

ATTACHMENT 1 – 2022 FORECAST

FLINDERS QUARTET Financial Summary								
	2022 FORECAST	2022 APPROVED BUDGET	Variation	2021 ACTUALS	2020 ACTUAL	2019 ACTUALS	2018 ACTUALS	2017 ACTUALS
Income								
Concerts Revenue	60,754	63,500	-2,746	51,176	39,661	56,263	66,625	71,564
Government Funding	134,000	146,500	-12,500	46,500	88,000	21,000	61,000	48,500
Government COVID-19 Stimulus	0	0	0	69,200	179,744			
Philanthropy	240,500	269,500	-29,000	263,148	201,225	167,530	163,077	159,435
Recording	2,692	3,500	-808	3,890	715	3,450	1,125	2,169
Other	9,400	0	9,400	0	0	13,628	0	2,073
Total Revenue	447,346	483,000	-35,654	433,914	509,344	261,871	291,827	283,741
Expenditure								
Salaries	317,907	320,999	-3,092	247,720	265,189	161,983	162,656	158,425
Event costs	64,376	76,354	-11,978	55,249	50,114	27,729	45,890	54,461
Development	8,444	14,100	-5,656	4,895	16,088	37,347	19,594	13,854
Recording	2,012	6,000	-3,988	11,030	6,280	10,952	11,701	7,557
Marketing	19,671	35,474	-15,803	12,411	11,030	12,961	21,873	15,372
Travel	22,273	19,670	2,603	8,177	4,147	11,784	14,148	8,907
Administration and other	9,007	9,350	-343	10,891	8,444	6,186	6,696	13,031
Total Expenditure	443,690	481,947	-38,257	350,373	361,293	268,942	282,558	271,607
NET SURPLUS / (DEFICIT)	3,656	1,053	2,603	83,541	148,051	-7,071	9,269	12,134
Government Funding:								
Australia Council - confirmed	28,000	28,000	0	0	20,000	21,000	38,000	18,500
Creative Victoria - confirmed	100,000	100,000	0	19,500	21,000	0	23,000	15,000
City of Melbourne	0	0	0	15,000	12,000	0	0	0
Creative Partnerships	0	0	0	0	25,000	0	0	15,000
Creative Victoria/Touring Vic	0	12,500	-12,500	18,000	10,000	0	0	0
RISE	0	0	0	0	0	0	0	0
Carried forward from 2021 to 2022	6000	6000	0	-6,000				
	134,000	146,500	-12,500	46,500	88,000	21,000	61,000	48,500
Philanthropy:								
Private Donations - confirmed	158,675	7,600	151,075	171,648	111,025	131,030	106,827	151,935
Private Donations - pledged	6,000	0	6,000	0	0	0	0	0
Private Donations - unconfirmed	8,325	172,400	-164,075	0	0	0	0	0
Trusts & Foundations - confirmed	48,000	36,000	12,000	111,000	90,200	36,500	56,250	7,500
Trusts & Foundations - unconfirmed	0	34,000	-34,000	0	0	0	0	0
Carried forward from 2021 to 2022	19,500	19,500	0	-19,500				
	240,500	269,500	-29,000	263,148	201,225	167,530	163,077	159,435
Cash Reserves:								
Cash balances as at 29 November 2022	300,518							
Committed cash balances	3,500	(all salary)						
Philanthropy revenue at risk	14,325							

ATTACHMENT 2 – 2023 DRAFT BUDGET

FLINDERS QUARTET Financial Summary								
	2023 DRAFT BUDGET	2022 FORECAST	Variance 2023 Budget v 2022 Fcst	2021 ACTUALS	2020 ACTUAL	2019 ACTUALS	2018 ACTUALS	2017 ACTUALS
Income								
Concerts Revenue	105,000	60,754	44,246	51,176	39,661	56,263	66,625	71,564
Government Funding	110,000	134,000	-24,000	46,500	88,000	21,000	61,000	48,500
Government COVID-19 Stimulus	0	0	0	69,200	179,744			
Philanthropy	231,500	240,500	-9,000	263,148	201,225	167,530	163,077	159,435
Recording	4,800	2,692	2,108	3,890	715	3,450	1,125	2,169
Other	0	9,400	-9,400	0	0	13,628	0	2,073
Total Revenue	451,300	447,346	3,954	433,914	509,344	261,871	291,827	283,741
Expenditure								
Permanent salaried employee costs	243,014	268,283	-25,269	247,720	265,189	161,983	162,656	158,425
Casual employee costs	73,257	24,824	48,433					
Contractors	5,850	24,800	-18,950					
Event costs	71,710	64,376	7,334	55,249	50,114	27,729	45,890	54,461
Development	7,650	8,444	-794	4,895	16,088	37,347	19,594	13,854
Recording	0	2,012	-2,012	11,030	6,280	10,952	11,701	7,557
Marketing	21,500	19,671	1,829	12,411	11,030	12,961	21,873	15,372
Travel	18,570	22,273	-3,703	8,177	4,147	11,784	14,148	8,907
Administration and other	8,800	9,007	-207	10,891	8,444	6,186	6,696	13,031
Total Expenditure	450,351	443,690	6,661	350,373	361,293	268,942	282,558	271,607
NET SURPLUS / (DEFICIT)	949	3,656	-2,707	83,541	148,051	-7,071	9,269	12,134
Government Funding:								
Australia Council	0	28,000	-28,000	0	20,000	21,000	38,000	18,500
Creative Victoria - confirmed	100,000	100,000	0	19,500	21,000	0	23,000	15,000
City of Melbourne - pending app outcome	10,000	0	10,000	15,000	12,000	0	0	0
Creative Partnerships	0	0	0	0	25,000	0	0	15,000
Creative Victoria/Touring Vic	0	0	0	18,000	10,000	0		0
RISE	0	0	0	0				
Carried forward from 2021 to 2022	0	6000	-6,000	-6,000				
	110,000	134,000	-18,000	46,500	88,000	21,000	61,000	48,500
Philanthropy:								
Private Donations - confirmed	0	158,675	-158,675	171,648	111,025	131,030	106,827	151,935
Private Donations - pledged	0	6,000	-6,000	0				
Private Donations - unconfirmed	203,000	8,325	194,675	0				
Trusts & Foundations - confirmed	0	48,000	-48,000	111,000	90,200	36,500	56,250	7,500
Trusts & Foundations - unconfirmed	28,500	0	28,500	0				
Carried forward from 2021 to 2022	0	19,500	-19,500	-19,500				
	231,500	240,500	10,500	263,148	201,225	167,530	163,077	159,435
Cash balances as at 29 November 2022	307,738							
Committed cash balances	0							
Philanthropy revenue at risk	231,500							