Treasurer's Report for 2002

From the Annual General Meeting of the General Anthroposophical Society, April 12, 2003

Dear Members of the Anthroposophical Society:
Coming to the Goetheanum a year ago has given me many new experiences – perhaps also to the Finance Department. Taking up the work of the Treasurer at the Goetheanum I have entered a landscape with new cultural, social and financial contours.

In my acceptance speech a year ago I spoke about the possibility to see the life of an organism reflected in a particular way through its finances. This has indeed been my experience with the Goetheanum. I see a complex, differentiated and unique financial picture. It includes dependencies, commitments and a vulnerability that in a typical sense would be unacceptable for an organization of this size and importance. On the other hand I also see the trust and faith, resolve, tremendous respect and good will that comes towards the Goetheanum that has an element of the miraculous. I have struggled to balance my sense of fiscal rationality with my growing appreciation for the fiscally miraculous this year!

Entering into the financial life of the Goetheanum I have essentially considered four larger areas. They are related but each has its own dynamic, life and needs. The first area concerns income. Our income provides the possibility to accomplish the manifold tasks that we have set for ourselves. The flow of money that comes towards the Goetheanum embraces its own set of expectations, relationships, conditions, and characteristics. It has its own "feel," so to speak – and also its own people, its own biography and circumstances. The activity that supports the flow of money towards an organization is different from its control and management once it has arrived. Income flow has very much to do with the breathing process between the center and the periphery.

Secondly, one can consider the commitments, conditions and needs related to the expenses that we incur during the year. The control, guidelines and relationships that arise in the assessment and management of expenses within an organization again have quite a different "feel." They too have their own characteristics and needs and their own people and relationships. What lives in the expense side of financial life has different inherent characteristics from the inflowing of money and the generation of funds. The flow of income and the organization of expenses obviously have a close correlation, but as financial activities they are different functions with different attributes and requirements.

The third element is related to the value of the assets and obligations of the Goetheanum, and how they have changed over the year – what belongs to us, what we manage and under what conditions. The Balance Sheet is a measurement or picture of our assets and liabilities. It reflects specific values and choices about the financial value of our holdings. In this sense it provides a rather limited picture of the complete worth of an organization.



Cornelius Pietzner

Consideration of the Balance Statement alone makes it challenging to arrive at a full and comprehensive picture of the total assets and liabilities of the Goetheanum. Placing values means making choices and decisions that are related to philosophical or social dispositions that are beyond fiscal assessments alone. Many of these decisions have already been carefully made in the past. They provide a structure for continuity. For example, the valuation of goods, of property and real estate, or the schedule of depreciation for some items has been made in principle in the past. However, the criteria used to capitalize equipment, real estate or renovations can also be flexible within a certain framework. It is a deeper picture of the Goetheanum that guides these valuation choices, which in turn has guided the development of the balance sheet.

One could also show values, or assets and liabilities, based on different choices. For example, it has been a policy for many years to depreciate residential real estate, much of which has been donated to the Goetheanum, and to depreciate as much as possible the value of buildings such as the Goetheanum itself. This reflects a choice. How is one to put a value on the Goetheanum – even financially? The Auditorium appears in the balance sheet with just over 3 million Swiss francs. Is this the value of the Auditorium, of the Goetheanum? Of course not! The Goetheanum is insured for over 120 million? Is this the value? Of course not! Is it a replacement value? The Goetheanum itself is priceless, yet what is the value? How do we depict its value accurately? How do we want to show it on the balance sheet? What about the assessment of other surrounding buildings that reflect a financial value of one franc on the Balance Statement? What are the right proportions of assets in the Anthroposophical Society – such as fixed assets to cash? The relationship shown in our report of a few francs value of some buildings to several million francs in liquid assets is only one of several ways of depicting these relationships. In this way, the balance sheet is a limited picture of the real value of the assets and liabilities of the organization.

Equally important in my view, and with equally direct financial implications, are the assets that are represented through the commitment of the coworkers who give of themselves every day to the work, the coordination of talent, knowledge, fo-

cussed will, inspiration – all of this also belongs to the balance sheet of an organization. Indeed, the commitment and goodwill of our membership also belong to our assets. This also does not show up on our balance sheet! What about our inabilities and weakneses, also evident in some areas? They could belong to the list of our liabilities, and likely also have financial consequences. Yet, they also don't appear on the balance sheet. My point is simply that the balance sheet is necessary, but it is also a limited tool to assess the real assets and liabilities of the Goetheanum. The Goetheanum is, in fact, of far greater and broader value than what is reflected in the financial balance sheet.

Expenses

All amounts in thousands Sfr.

	2002	2001
Coworkers	12 718	11 646
Events & Advertising	2 930	2 883
Equipment & Supplies	4 452	4 632
Residential Real estate	1 263	2 005
Interest & Other Expenses	1 036	406
Depreciation & Adjustments/Losses	976	320
Fund Designations	779	1 189
Capital Investments & Depreciation Goetheanum	869	1 755
Total	**25 022**	**24 836**

The fourth aspect in approaching the finances has to do with placing the first three – income, expenses and the balance statement – in context with each other, and within the stream of time. What are the relationships that live in these financial pictures? What are the trends and directions that are indicated through the numbers seen over time? What is reflected through the changes in the balance sheet, or the growth of income and the structure of expense categories? It is insufficient to make a full assessment without taking the element of continuity and development into account. Has income grown over time, and in what areas and why, or why not? Have coworker costs changed, or costs for the School of Spiritual Science, research projects, the stage or administration? These are indications of priorities and commitments, and it is necessary to include the past as an aid to understand the present financial situation.

Both Sobering and Inspiring

Having made these introductory comments let me indicate several features of the Balance Statement for 2002.

Reviewing the assets, we have reduced liquid assets of approximately 800,000 from year end 2001. This is primarily due to reduced account payables of just more than a million from year end 2001. Our investments were slightly reduced by 300,000 as we sold some gold and bond positions were reduced through earlier legacies. Property and Equipment is also reduced due to accelerated depreciation on some items as a result of closer analysis. It is worthy to note that our Coworker Housing shows a book value of 6.2 million, which is considerably less than the estimated market value of this property.

We have capitalized the renovations of the large auditorium and continue to reduce this amount annually, as loans and 'gifts with right of recall' are paid back or converted into irrevocable gifts. Thus Plant, Property and Equipment reflects a total value of 10.2 million Swiss francs. As indicated, this is less than the actual value. Total assets at the end of 2002 were 21.3 million.

On the liabilities side we have increased loans of about a half million from members at favorable or no interest rates. 'Gifts with right of recall,' which appear as liabilities as they are not irrevocable, were reduced by over 300,000 due to repayment of some 'gifts' and some conversion to definitive gifts.

'Gifts with right of recall' is a financial instrument that we would like to develop in the future as it can provide the Goetheanum with necessary capital, carries the intention of a gift towards the work, but offers the donor a secure option if he or she requires some or all of the gift at some point for unforeseen needs. This a wonderful way for friends or members to support the Goetheanum with capital which is not needed today, but can be 'recalled.' Although they appear on our books as a loan – they are "loaned" to us with the intention of a gift, yet can be given back to the donor if there is a sudden or unexpected need for old age, sickness or other contingencies. This is a creative and useful way of working with money and strengthening our living human relationships. We would like to make a request to the members in the next months to consider this option to help us meet needs such as renovating the Halde, Glass House and Carpentry Building, which are long overdue. Long term obligations are almost the same as for the year end 2001.

In regard to the Operating Budget for 2002 there are a number of issues to report. The four most significant income areas for the Goetheanum come from member's contributions, institutional contributions, gifts and legacies. In total these constitute approximately 12 million or about one half of the annual operating budget. Member contributions at 4.6 million Swiss francs were 200,000 less than budgeted and 400,000 less than what we received in 2001. While we are grateful for the ongoing support and commitment of all members, this is a concerning and significant trend and one where we need to focus together with our friends and colleagues in different countries. Membership fees supported approximately 22% of the total operating budget. Another way to look at this is that membership fees do not quite pay for the annual gross costs of the School of Spiritual Science which are about 6 million Swiss francs. It is a question in what way we can vitalize the Society together with our colleagues in different countries to help support the growth of

Income

All amounts in thousands Sfr.

	2002	2001
Membership fees	4 631	5 042
Institution contributions	1 798	1 926
Courses & Events	2 436	2 170
Publications & Tours	203	145
Div. Services	982	871
Magazine ¨Das Goetheanum¨	1 523	1 605
Residential Real Estate	1 436	2 651
Designated Gifts	3 657	2 607
Building Gifts incl. Auditorium	664	1 446
Gifts	2 132	1 109
Bequests	3 524	3 286
Interest, Fund Dissolution, other	2 141	1 818
Deficit 2001		**162**
Total Income	**25 127**	**24 836**

membership. I believe this is an issue of significant spiritual and financial importance.

Undesignated institutional contributions were about 200,000 Swiss francs under budget. This is also an area we need to explore more actively and find new ways to invite financial participation from the thousands of institutions that are connected to anthroposophy. The strengthening of relationships between colleagues in institutions and the General Anthroposophical Society appears to me to be a major task of the Sections of the School of Spiritual Science and the General Anthroposophical Section in the immediate future.

The Goetheanum received a few larger gifts in 2002, and we are hoping to increase major gifts from individuals as we begin to coordinate a fundraising program for the Goetheanum in the next years. To this end we have created a new fundraising position in the Finance Department to build up this area of work.

I would also like to take this opportunity to once again thank the membership for the generous response to the Christmas Appeal. Despite the difficult worldwide economy the response was gratifying and confirming. We received approximately 2300 single gifts totaling 750,000 Swiss francs as a result of this appeal.

We also received two foundation gifts totaling one million Swiss francs in 2002. One of these does not directly show on our books as it went directly into our pension fund, thereby reducing the amount the Goetheanum needed to pay to the fund. We cannot, unfortunately, expect these gifts to be repeated however.

Income from legacies was important for us in 2002. We are most grateful to members who have thoughtfully provided for the Goetheanum in their wills. The testamentary support to the Goetheanum has been essential for us, and we hope this can continue with strength. Legacies, of course, are difficult to budget, and therefore we were grateful to have received 1.5 million in excess of the 2.1 million Swiss francs we budgeted. Starting in May 2002, we put into a reserve fund a portion of undesignated legacies to help meet liquidity needs of the budget. This is necessary as we receive regular income irregularly: that is, our cash flow needs are constant, yet income through membership contributions, gifts and legacies come mostly at unscheduled intervals. In between we do need to pay over 1.5 million monthly in bills and salaries!

To the expenses: We made considerable efforts to maintain strict internal budget controls on our expenses. The coworkers in the departments and Sections worked very hard at cost control and savings. To a large degree this was successful and we were able to conclude the fiscal year with a small but meaningful surplus of 105,000 Swiss francs. Again, for this there are many to be thanked, both for providing income, and for keeping expenses in check.

In looking ahead to 2003 we introduced some simple but important changes to the budget in segregating out projects and capital improvements. This was done for two reasons: one to develop as clear a picture as possible of our ongoing operating costs for the Goetheanum, and two, to clarify and support projects and capital improvements as responsibly as possible. Two thirds funding need to be in place or pledged for us to confirm these activities.

The operating budget shows no radical departures from 2002. Membership incomes and gifts will require commitment from many sides. Legacies are more modestly budgeted. The total budget is 19,544. To this comes projects, primarily the 2003 costs for *Faust* of 2,664 million, and capital improvements, which primarily entails the Halde. The costs for the Halde for 2003 are estimated at 2.5 million, with the balance of 500,000 to be paid out in 2004. The total 2003 budget is 26.199 million or about 1 million more than the actual result for 2002. This budget was approved by the Board of Trustees in late December 2002. It was the result of many hours of conversations, negotiations, and meetings. It reflects goodwill, commitment and a great deal of activity for this year.

I would like to make a few general remarks that I believe are related to the overall economic situation at the Goetheanum:

1) It is exciting to see and experience that we can, and must, develop entrepreneurial initiative and skills within the Goetheanum to meet our diverse needs, and simultaneously maintain a focus on common aims and tasks. There is a fine balance between independent initiative and the visibility and relevance of common themes and goals. We need to have both in great measure! We will need to develop this even further in the next years. Larger external projects, such as the Auditorium renovation, can motivate and bring together the will of a group, as was the case in the 90's. Can

Balance Sheet

All amounts in thousands Sfr.

	Dec 31, 2002		Dec 31, 2001	
	Assets	**Liab.**	**Assets**	**Liab.**
Cash and Cash equivalents	3 214		3 057	
Notes receivable	2 645		3 655	
Liquid Assets	**5 859**		**6 712**	
Accounts and Notes Payable		1 783		2 359
Short Term		**1 783**		**2 359**
Marketable Securities & Loans Outstanding	3 844		4 267	
Investments/Equities	1 418		1 298	
Investments	**5 262**		**5 565**	
Furniture, Vehicles & Goods	179		317	
Residential Real estate	6 154		6 099	
Goetheanum Building	3 867		4 409	
Property, Plant & Equipment	**10 200**		**10 825**	
Loans & Mortages		8 049		7 598
Pension Obligations		552		637
Contingent Donations		6 610		6 945
Long Term Obligations		**15 211**		**15 180**
Funds & Reserves		3 856		5 196
Reserves		366		528
Deficit 2001				**-162**
Surplus 2002		**105**		
Total	**21 322**	**21 322**	**23 102**	**23 102**

we manage to clearly identify and articulate common goals of a similar magnitude that balance the necessary emphasis on maintaining our buildings with the tasks of the School of Spiritual Science? Our ability to do this has important implications for our future.

2) In the next 10-15 years we are facing a significant generational change in the membership. Anthroposophical activity will likely develop new faces and forms, and the ability and the interest of the Goetheanum to maintain pace with such needs will also be crucial for our financial future. There are large infrastructural costs that we carry with our buildings and property and a financial constituency that is beginning to change. We do not have the luxury of remaining insensitive to such developments. The Goetheanum is financially supported almost entirely from within the anthroposophical movement. What are the changes, new questions and needs within this movement? Combining stability and tradition with flexibility and openness is one of the challenges we face.

3) It is both sobering and inspiring to look ahead at some of the costs that we anticipate in the next 7 years. These are costs that belong in three basic categories – building and renovation, project costs and core operating costs. The renovation and building needs over the next 7 years are urgent and substantial. If you walk around the Goetheanum 'campus' and visit the Halde, now under renovation, then the Glass House, then the Carpentry Building, and look outside at the exterior cement walls of the Goetheanum, you will see that each needs major repairs. We cannot do this all at once, but we are making a clear analysis of these urgent building needs. They do need to be done! Projections for this total nearly 15 million Swiss francs over the next 7 or so years.

Additionally, looking at the annual gift and legacy income that is essential for the Goetheanum each year we can add together the gifts designated for specific Sections or projects to the general gifts and the Christmas Appeal. Over the last three years this climbed from 2.1 to 3.5 million Swiss francs. Together with undesignated gifts, institutional contributions and legacies – that is without members contributions – this figure amounted to 8-11 million Swiss franks. In 2002 it was 11.1 million francs. Over 7 years this is over 70 million that is needed in total gifts for the Goetheanum! This includes the 15 million in necessary building renovations that are projected over the next 7 years, also the artistic and cultural projects – and research work for the Sections. Each one of us could surely think of a number of important things to add! One could be overwhelmed by a figure of 70 million Swiss francs! This is natural. It takes some getting used to! Yet one can also be stimulated and enthused to think that this is the level we are working with – this is also what it means to be a world Society!

It is not clear how or if we can manage this. Yet it is important that we are clear about the collective scale of the work that lies ahead of us and that we give it our very best effort.

One could still mention several figures and numbers. However, further details are available in the Annual Report.

I would like to conclude my financial report by coming back to an earlier statement. In many respects it has been a challenging year – and if we look at some of the specific financial trends and needs one can become overwhelmed and uncertain. Yet this is a perspective of an individual, one person. If we strengthen our self-identity as truly a worldwide Anthroposophical Society based on spiritual science and connected to the Being of Anthroposophia we enter a different realm. Our individual uncertainty can be overcome by the knowledge that we combine our efforts in a worldwide community that takes into account spiritual forces and Beings that belong to and are interested in this community and, I believe, will help us in our tasks. This is where the sense of fiscal rationality and the fiscally miraculous begin to merge in creative interplay, and the element of uncertainty can bring strength and initiative!

Thank you!

Cornelius M. Pietzner
Treasurer

Note: The full Annual Report with the Treasurer's charts can be downloaded from www.aagfinance.ch.