Treasurers Report 2002

A Mosaic of Challenges and Opportunities

Review of 2002- Income & Expense
The past year brought noteworthy changes in personnel with the departure in March of Rolf Kerler after 14 years and Cornelius Pietzner taking over as Treasurer. With new people comes the opportunity to review practices and policies and where necessary institute changes and ideas while maintaining the continuity that has been built up over the last decade. During this time the Goetheanum managed to develop its economic life despite the severe global economic difficulties of the last two years. In 2002 we reviewed existing practices to simplify some procedures and increase overall transparency (www.aagfinance.ch) while strengthening monitoring and oversight. We addressed issues of cash management and liquidity, reduced bank accounts and enhanced general controls and access, reviewed fund utilization, gift administration practices and other internal procedures.

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**

Table 1: The total balance decreased due to a reduction in Assets and Liabilities as well as changes in receivables and obligations. Additionally, the total balance was reduced by 0.9 million francs through the dissolution of Funds (reduction of liabilities) and additional depreciation (write down of assets).

The 2002 budget of nearly 22 million francs proved to be a challenge in a number of respects. Because the Goetheanum embraces a broad diversity of activity areas, we made consistent efforts to heighten internal awareness about spending practices, and the necessity to maintain expenditures within the budget for each area. We instituted monthly internal letters accompanying the finance statements distributed to all individuals responsible for budgets. Close internal cooperation and significant efforts by many people made a noticeable and positive difference in controlling expenses.

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**

Table 2: Expenses were budgeted at 21,968 million francs. The year end increase in expenses is partially due to gifts desigated to the Faust Fund and Halde Renovation Fund received in 2002 which will only be applied in 2003. Further increases are explained in the notes to the Balance (Table 1) regarding the restructure/write off of Funds, the increased depreciation and adjustments (write downs).

Income was also a challenge for 2002. The four major income areas include membership contributions, general institutional contributions, undesignated gifts and legacies. Membership contributions received were 200,000 Sfr. less than budgeted, (and approximately 400,000 Sfr. less than 2001). This is a trend we would like to reverse and are beginning to explore ways with the Societies in different countries to examine the structure and budgeting of membership contributions. Institutional contributions is also a potential growth area and will need to be actively supported in coming years. We received two large foundation gifts in 2002 which allowed us to slightly exceed our goals, although we cannot expect these gifts to be repeated in 2003 and will need to continue to expand individual and institutional donor support. To this end we hired a Development Coordinator in January 2003 to focus on fundraising and gift income to the Goetheanum. We received several large legacies in 2002 for which we are very grateful. Again, however, we see this as a unique situation and have reduced budgeted legacy income by 20% for 2003. Services such as the Wochenschrift (Das Goetheanum) and residential real estate provide considerable gross income, though there are significant expenses associated with these areas. Therefore net income is modest.

There are some general issues that affect income:
There is a gradual rise in designated (project) gifts particularly from institutional funders (foundations) with a corresponding impact on support for core operating expenses
The budgeted legacy income figure is dependent on the testamentary generosity of friends and members. The level of income can vary widely. For 2002 we exceeded our budgeted by nearly one million francs, offsetting reduced income budgeted under “Other Income”. It is difficult to accurately budget income related to legacies. An historical (5 year) assessment is one possible mea-

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**

Table 3: Income was budgeted at 21,967 million francs. The increase of 3,159 million is primarily due to increased legacies (+ 1.4 million) and designated gifts (+1.1 million) as well as increased conference income. Changes due to the dissolution of Funds mentioned above in notes to the Balance are indicated under „Diverse". The Income and Expense differential result in a surplus of 105,000 francs.

sure for forecasting. In the future we will budget legacy income conservatively, and primarily fund research, cultural and artistic projects and capital (building) items from legacy income.

Membership income is related strongly to the support provided by Germany, Switzerland, Holland, Great Britain and the United States. The strong currency valuation of the Swiss franc makes a considerable difference to funds generated in these (and other) countries.

The global economy is unstable and generally depressed. This makes gift forecasting difficult. Interestingly, however, the membership, despite market uncertainties, has been enormously faithful and supportive. The 2002 Christmas Appeal raised approximately 750,000 francs. We interpret this as a measure of the deep sense of connection, participation, and interest in the Anthroposophical Society.

The Sections of the School of Spiritual Science generate funds for partial support of their activities through services, conferences, publications and designated gift income. This trend is related to the increasing interest, particularly by anthroposophical foundations, to focus funding for specific projects of the Sections. To avoid fragmentation, this development needs to be balanced with maintaining an overall sense of the Goetheanum as one organism, including the Sections, the stage, administration and maintenance, the work of the Board of Trustees and general outreach. It is essential to simultaneously support the core ongoing operating costs of the Goetheanum which are not contained within projects. Some of these core costs also "support" projects and the Section work, such as the library, archive, cleaning, security, utilities and so on.

With dedicated efforts to control expenses, unexpectedly high income from legacies, and the two extraordinary foundation gifts, we were able to conclude the operating

Summary

All amounts in thousands Sfr.

	Budget 2002		Actual 2002	
	Expenses	Income	Expenses	Income
Membership fees		4 840		4 631
Institution contributions		2 000		1 798
Gifts & Bequests		3 950		5 656
Sections	6 112	3 533	7 093	4 442
Public Conferences & Stage	2 246	858	3 634	2 501
Technical Stage	1 527	20	1 513	133
Administration & Pensions	4 172	451	3 961	260
Magazine, Residential Real Estate, other	3 050	3 199	2 916	3 082
Goetheanum	3 190	642	3 397	788
Building Projects & Gifts	1 620	1 425	852	674
Other Expenses/Costs	50	1 050	1 657	1 162
Surplus 2002			**105**	
Total	**21 968**	**21 968**	**25 127**	**25 127**

Table 4: Income and Expense based on Activity Areas illustrate the emphasis within the work. Designated gifts for the specific areas are shown as income in this table. The year end actual difference under „Other Costs/Expenses" for 2002 has been explained above. Table 5 below provides individual Section details for the line item „Sections/School for Spiritual Science".

Sections of the School for Spiritual Science

All amounts in thousands Sfr.

Actual 2002	**Expense**	**"Earned" income**	**Designated Gifts**	**General Operating Support**
General Anthroposophical Section & Board	1 175	284	134	**-757**
Mathematics & Astronomy	260	72	0	**-187**
Medical Section	2 023	1 038	845	**-141**
Natural Science Section	1 115	284	472	**-359**
Agricultural Department	423	153	129	**-142**
Pedagogical Section	436	71	283	**-82**
Art Section	351	57	90	**-204**
Youth Section	289	20	66	**-203**
Performing Arts Section	598	244	52	**-302**
Literary Arts & Humanities	227	62	8	**-157**
Social Science Section	196	68	11	**-117**
Total 2002	**7 093**	**2 353**	**2 089**	**-2 652**
Comparison				
Actual 2001	6 174	1 875	1 396	-2 903
Budget 2002	6 112	1 954	1 579	-2 579
Budget 2003	6 037	2 411	956	-2 670

Table 5: The Sections „earn" approximately one third of their total expenses through related activity: in conferences, publications and consulting etc. Additionally almost one third of expenses is covered through designated gifts, and the balance is supported through the general operating costs of the Goetheanum. Further, room, support and infrastructure costs are carried out of general operating income.

budget for 2002 with a small surplus of just over 100,000 Sfr., and an expense total of 25,022,000 compared to the expense budget of 21,967,000 Sfr.

Major Projects for 2003 & 2004

The decision was confirmed in March 2002 to go ahead with a new production of Faust for 2004. This meant considerable expenses beginning in October 2002. This is an ambitious artistic and financial undertaking for the Goetheanum, and will require new methods of publicity, sponsoring and interest from our membership to meet the expected needs. The finance department is working closely with the stage to manage substantial funding requirements for this project. We must raise approximately 1.5 million Sfr. for this project. Most of the expenses for Faust will fall in the 2003/4 budgets.

We also approved the decision to begin renovations for Rudolf Steiner Halde in April 2003. This is a major building project which will take one year to complete with a budgeted cost of 3 million. Through the generosity of friends and members we have raised 1.8 million. We must still raise 1.2 million for this important project.

Section Budget 2003

All amounts in thousands Sfr.

	Expense	Income	Net
General Anthroposophical Section & Board	1 106	131	-975
Mathematics & Astronomy	243	60	-183
Medical Section	1 476	1 382	-94
Natural Science Section	719	360	-359
Agricultural Department	383	275	-108
Pedagogical Section	390	401	11
Art Section	253	33	-220
Youth Section	463	272	-191
Performing Arts Section	385	100	-285
Literary Arts & Humanities	231	50	-181
Social Science Section	389	305	-84
Sections	**6 037**	**3 367**	**-2 670**

Table 6: Clear budget distinctions are indicated between operating and project costs. There is also a separate budget for capital expenditures. These budgets indicate the actual projected costs for core operating functions, project costs and capital needs, each of which have their own funding requirements. Table 6 shows the budget of the Sections with approx. 1 million Sfr. less in expenses due to the fact that projects are not included. Table 7 shows the total summarized budget with the three components.

Future Outlook for 2003

In looking to the future we intend to strengthen financial transparency and communication, both internally and with our many associated Societies, organizations and partners worldwide. We also will look to consolidate our financial position to the extent possible through continued review of internal practices and policies. At the same time, we wish to broaden the awareness of both the limits of our budget as well as to develop new collaborative approaches to fund development. This may well necessitate new initiatives, and projects in the financial, foundation and business areas. Short term financing needs must also be viewed in light of long term funding possibilities.

Total Budget 2003

All amounts in thousands Sfr.

A. Operating Costs	Expense	Income	Net
Sections	6 037	3 367	-2 670
Conferences & Stage	3 555	1 545	-2 011
Administration	4 011	351	-3 660
Buildings & Grounds	3 176	759	-2 417
Magazine «Das Goetheanum»	1 400	1 420	20
Real estate	1 225	1 450	225
Membership fees		4 810	4 810
Institutional Contributions		2 000	2 000
Gifts		1 850	1 850
Bequests		1 700	1 700
Interest, other	141	292	152
Total Operating Costs	**19 544**	**19 544**	-
B. Project Costs			
Section Projects	756	756	-
Eurythmy Projects	185	185	-
Other Projects	100	100	-
Faust	2 664	2 664	-
Total Project Costs	**3 705**	**3 705**	-
C. Capital Investments			
Rudolf Steiner Halde	2 500	2 500	-
Div. Renovations	450	450	-
Total Cap. Investment	**2 950**	**2 950**	-
Summary			
Operating costs	19 544	19 544	-
Project costs	3 705	3 705	-
Capital investments	2 950	2 950	-
Budget 2003 total	**26 199**	**26 199**	-

Table 7: Total summarized budget with the three components of operating costs, the projects and the investments.

The development of the budget for 2003 took several months. We created three related but separate budgets to enhance clarity and oversight over actual operating costs of the Goetheanum. The operating budget for 2003 includes core running costs for the Goetheanum of 19,544,200 Sfr., which is 2,422,400 Sfr. less than 2002. However, we instituted a Project Budget to include activities and initiatives that the Goetheanum would like to undertake but may not be possible to fund from core operating costs. These include several research projects, artistic projects, and significantly, the Faust production. The project budget for 2003 is 3,704,500 Sfr. Further, we created a Capital Budget for renovation and building projects such as repairs to the Goetheanum roof and the Halde. The Capital Budget for 2003 is 2,950,000 Sfr. These three budgets comprise 26,198,700 Sfr. and reflect the total financial needs for the Goetheanum for 2003.

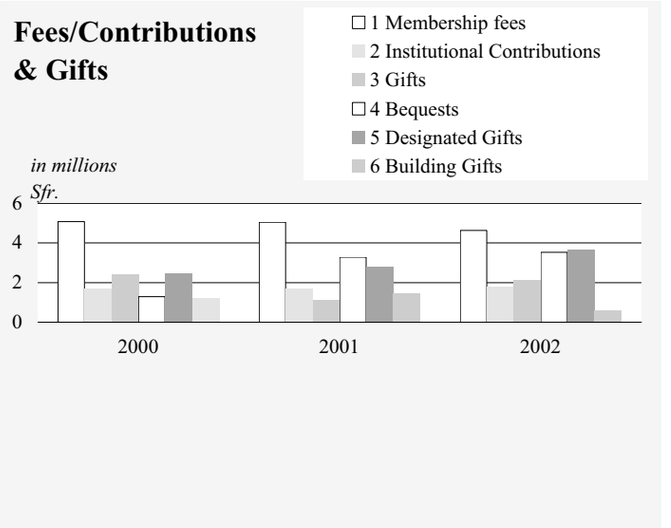


Table 8: This graph shows the comparative development of the six most important funding sources over the last three years.

There are important challenges and exciting opportunities ahead. The Collegium of the School of Spiritual Science is working consistently to give expression to its goals and activities. This aspect is of central importance for members worldwide. Visibility and accessibility for activities of the School will have important ramifications for funding. Also, a number of new projects are being considered in the finance area, including a 'Young Entrepreneurs Program' (see web site) to be launched, in English, at the Goetheanum in fall 2003.

Clarity in communication, the development of internal fiscal protocols and rigorous assessment of what is financially possible are items necessary to gradually strengthen the Goetheanum's overall financial situation. Despite decreasing member contributions and other challenges, there is helpful and effective cooperation internationally and the willingness to explore new financing possibilities and examine difficult issues. These are ultimately positive developments that also belong to the financial outlook of the General Anthroposophical Society.