

**MINUTES
OF
THE FINANCE TASK FORCE
OF
THE BOARD OF DIRECTORS
OF
MAGFest, Inc.**

A regular executive brainstorming session of the Finance Task Force of the Board of Directors of MAGFest, Inc., a Maryland corporation (the "**Company**"), was held at 2022 Golf Course Drive, Reston VA on June 30 at 2:33 pm EST, pursuant to notice given in the ordinary course of business.

The following members were present at the meeting: Eli Courtwright, Shea Alexander, and Craig Pearson.

The following members were present telephonically at the meeting: Dominic Cerquetti, Song Wang, and Cody Wilson.

1. Dom reviewed organization numbers and budget for the members of the task force.
 - a. The [FY2017 Event Breakdown](#) shows the overall revenue and expenses generated by each of our events in 2017.
 - b. The [FY2018 Event Breakdown](#) is the same document for this year, but with projections rather than actual revenue for most of our events.
 - c. The [MAGFest 2018 Event Budget](#) is a detailed breakdown of the expenses for our main Super MAGFest event in January.
 - d. The Ongoing Expenses and Burn Rate spreadsheet is a snapshot of our ongoing expenses and was highlighted as the document which the task force should most focus on.
2. Dom explained our event philosophy, specifically reviewing the structure of the organization and showing how different events have their own departments and budgets. For example, we don't have one single MAGFest Inc Music Department which spans all events which have music - instead there is a MAGFest Music Department and also a MAGWest Music Department, etc.
3. After reviewing the budget spreadsheets, Craig noted that we're bundling together salaries and contractors together, but a best practice would be splitting them into separate categories in our budget spreadsheet. (EDITOR'S NOTE: apparently the information we

told Craig was in error, and in fact we are NOT mixing salary and contractor payments on the monthly expenses.)

4. Dom and Eli discuss our approach to non-Super events. In particular, we don't have any meaningful financial return on investment for those events, though we hope that MAGWest will eventually become another significant revenue stream. However, we have four main non-financial benefits from these other events:
 - a. We gain and train up new staffers. For example, MAGLabs gives people experience at running a department at a smaller event, preparing them for doing the same thing at Super on a 10x scale.
 - b. We try out new rooms and activities. For example, Starship Horizons and our Escape Room both started at MAGLabs before moving to Super.
 - c. Volunteer burnout has had a huge cost to MAGFest and continues to present a serious risk to our organization. Other events can be a double-edged sword when some volunteers work even more in order to help with an extra event. However, many staffers use these other events as a way to relax and enjoy a MAGFest event without needing to volunteer, which has had a positive impact on our volunteer force.
 - d. In general, the events we choose to do are on-mission for our organization and generally succeed at "making the world a better place through video games."
5. Craig noted that we're not performing time management / tracking to figure out the real costs of events by tracking which events the office staff is working.
 - a. Cody noted that we could add labels to the Jira tickets worked by the office which indicate the event, if any. This wouldn't correlate directly to time, but would give a rough idea.
 - b. Craig noted that this sort of tracking will become a requirement if we apply for certain types of grants.
 - c. **Action item:** Eli to ask Nick at our next BoD meeting about adding these kinds of labels to tickets.
6. Shea asked about whether the projected event revenue for the current fiscal year takes ticket price increases into account.
 - a. Dom confirmed that while prices have not yet been finalized, the FY2018 budget already takes the current ticket price increases into account.
 - b. Eli explained that we have gotten rid of price buckets and will instead have two prices; a prereg price and an at-the-door price.
 - c. Dom explained we also have hotel commission revenue; approximately 10% of

hotel room sales comes back to MAGFest as a commission.

- d. Eli explained that this is overwhelmingly the Gaylord, because other hotels are not inclined to give us large room blocks since they expect to sell out all hotel rooms regardless.
7. Dom explained that our medium to long term plans involve spinning up other events to try to be successful and grow our revenue from \$1-2m to \$5-10m per year.
8. Dom explained that salaries are our largest single expense - we have 7 full time employees. Our next largest expense is the Warehouse.
9. Dom noted that we occasionally end up footing the bill for pay-per-view movies for the private individual whose house we purchase Verizon business Fios for our own use, and we probably need to be more careful/diligent about this.
10. Dom reviewed our other major expenses, going through the other line items on the budget to review our major sources of income and expenses.
11. Dom explained that we generally have \$500-700k left over after each Super.
12. Eli explained that 500k is what we determined we were comfortable with in order to start spending money on West and growing the organization. In the event of huge catastrophe we expect this would hopefully be enough of a buffer, though in theory we might find ourselves stretched thin in the event of e.g. a huge blizzard.
13. Dom noted that we expect to begin pursuing grants this year as an additional source of revenue.
 - a. Shea asked about the status of our grant applications and whether we've identified specific grants we intend to pursue.
 - b. Dom noted that we've hired a grants contractor and is unsure about the status but we'll ask at the next BoD meeting. We've been told by our contractor that we might expect to receive up to \$100k in grants if we apply for the ~200k that we might be eligible for in a fiscal year.
 - c. **Action item:** Dom to ask about the status of grants at our next BoD meeting.
 - d. Cody noted that this would be sufficient to pay for our projected development budget.
14. Shea asked whether the revenue for a smaller event which actually makes money goes back into the budget for Super MAGFest.
 - a. Dom explained that it generally just goes back into our bank account.
 - b. Dom further explained that we also do events which don't make money such as our partnership with the Smithsonian. While we do get a check from the

Smithsonian, this partnership costs us more money than we receive, which is okay because their History of Video Games exhibit is in line with our mission.

15. Dom explained that our event budgeting involves saying, “Here’s your budget for the overall event, e.g. here’s how much Super MAGFest has to spend, or here’s how much MAGWest is allowed to spend.” The event leadership then breaks it down by department and assigns each department budget to the department heads, with approval from the Executive Director.
16. Dom explained our spreadsheet which tracks our burn rate.
 - a. In particular, it costs us about \$50k per month to keep the MAGFest Inc organization running, i.e. to pay rent and salaries and ongoing expenses.
 - b. Dom explained that the BoD would like the Finance Task Force to keep an eye on the burn rate at each meeting and ensure at each meeting that we’re comfortable with our cash on hand and current burn rate.
 - c. Eli further clarified that at the beginning of each meeting we’ll probably review the current cash on hand and burn rate to determine whether the Task Force is comfortable with the current runway of the organization.
17. Craig asked whether the cash on hand includes the \$500-700k buffer we previously discussed.
 - a. Dom said no, what generally happens is that at the end of MAGFest in January we usually have \$500-700k left over and then slowly spend \$50k per month which spends down that amount. It’s currently about \$350k as of June.
 - b. Craig and Shea each noted that if the money is not set aside in a “lock box” at the end of each year then what we’re discussing is not a reserve. It’s just liquid capital.
 - c. Song noted that if we had \$500k in an actual reserve, then we’d want to set aside half of it in a CD or other investment.
 - d. Shea agreed, but notes that given that we don’t have an actual reserve, our cash is probably insufficient to justify having that amount of money in a CD, however we could certainly do that in smaller amounts.
 - e. Craig strongly recommended that we should begin setting aside some money in a separate account.
18. Eli explained that one question for the task force is how we should determine an appropriate salary for MAGFest employees.
 - a. Craig noted that salary studies are a standard way for figuring this out. In particular, he recommends the more expensive version of the salary study where

an expert actually meets with people in the organization to determine their actual job responsibilities. MAGFest has some standard job titles like “Communications Director” and “Project Manager” which may actually involve a lot more work than the title would imply, so if we skimp on a salary study and just ask “what does a <position> make for an organization of our size” then we could get very misleading information.

- b. Shea confirmed that there are websites where you can pay for salary studies for nonprofits specifically.
- c. Cody mentioned Guidestar as a possible resource.

19. Shea asked about how the agenda for the task force will be generated.

- a. Eli explained that we expect a combination of task force members suggesting things and the BoD / Executive Director asking for advice on specific topics.

20. Craig asked what known issues are coming up on our agendas for past meetings.

- a. Eli explained that the main big one we know about which has not already been discussed is the question of whether and how to pay people who are not employees. We sometimes have volunteers whose work during the year ends up adding up to so many hours that they ask to be paid for some portion of their time. Historically we’ve generally said no to such requests for a variety of reasons, chief among them the fairness issues of determining who “deserves” to be paid vs who doesn’t. However, we have made exceptions in some cases, and we’d like to figure out a rubric for how to make this decision in the future.
- b. Craig noted that tracking hours outside of MAGFest would be a good first start and maybe it’s just not case by case at all, and is instead “everyone who works over X hours gets Y”.
- c. Cody explained that this is extremely tricky, and we need to watch out for paying people below market rate and could get in trouble with the IRS and elsewhere.

21. Shea asked whether the Finance Task Force needs to be reviewing or coordinating with other groups such as. the Futures Task Force.

- a. Eli replied that that we should probably be reviewing the work of the Futures Task Force to see if their work seems to be leading anywhere.
- b. Craig noted in particular that in the long run we should see whether their tasks lead to fruition.
- c. Shea agreed, and noted that their budget is currently a small line item and so the risk is low.
- d. Cody agreed and said that the Futures Task Force doing “crazy experimental

stuff” is fine because of the high potential payoff, and while it’s good to review it we also won’t expect 100% of what they do to “pay off”.

22. Shea asked about the status of the Futures Task Force, e.g. whether anyone is being accepted, when applications will officially open, and what their charter and responsibilities will look like.
 - a. Dom explained that he and Paul are both swamped and haven’t yet been able to make much progress and wants to rope in a volunteer to help with the organizing.
 - b. Shea asked about the expected timeline.
 - c. Eli observed that there doesn’t seem to be much forward motion and that a good next step would probably be to appoint a volunteer head of the Futures Task Force to take it to the next step.
 - d. Dom agreed, and said he doesn’t want to ask too much of anyone, but he’d love to have Shea more involved.
 - e. Shea said he’ll share his existing document he’s already been putting together and would be happy to help more.
 - f. **Action item:** Eli to bring this up at the next BoD meeting.
23. Dom brought up one other long-term goal for the Finance Task Force, which is that as MAGFest Inc grows it will need recommendations about what’s going to break and what we’ll need to do differently as we scale.
 - a. Craig said we will definitely need to get rid of Xero, which will not be sufficient for a larger organization.
 - b. Cody said division heads doing bookkeeping probably isn’t tenable since they’re both full time jobs.
 - c. Craig said that at \$5m per year, we’ll probably need 3 different people doing bookkeeping and accounting as a combination of employees and contracted accountants. At the very least it’ll need to be more than 1 person.
 - d. Shea asked how many transactions per month MAGFest Inc has.
 - e. Dom said that we don’t know offhand, but it’s mostly concentrated around the main event.
 - f. Craig suggested that we need to be more firm about taking PEX cards away from department heads who don’t submit receipts and forcing them to be reimbursed next year instead of being able to charge to PEX.
 - g. Shea suggested contract employees for the couple of months surrounding Super, e.g. 3 months December – February for “surge” bookkeeping for this kind of

thing. Shea specifically suggested the Federal Work Study Program for bookkeeping and getting chicken nuggets for the Arcade department. He suggested that we have our grant writer look into this. Typically we would expect the employer (MAGFest) to pay 50% of their contract.

24. Eli explained the TODOs for the next meeting, which are currently reviewing the salary of the Executive Director, and reviewing ongoing expenditures.

25. Cody asked about how the task force should communicate internally.

- a. **Action item:** Eli to make both a public and private Slack channel for the task force.
- b. **Action item:** Dom to make a bod-finance@magfest.org mailing list for the task force.

26. Eli made a comment about not being as good at taking notes as Bunny, which prompted Craig to ask about whether Bunny's pro-bono work is being recorded as an in-kind expense.

- a. **Action item:** Eli to ask Nick about whether this is being done, passing along the fact that this is a legal requirement.

27. Call for any new business. None.

The Secretary highlighted that the next meeting of the Finance Task Force would be scheduled by email no later than the end of July for the same location.

There being no other business to consider, the meeting was adjourned at 4:55pm.

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Eli Courtwright

MAGFest Inc Corporate Secretary