

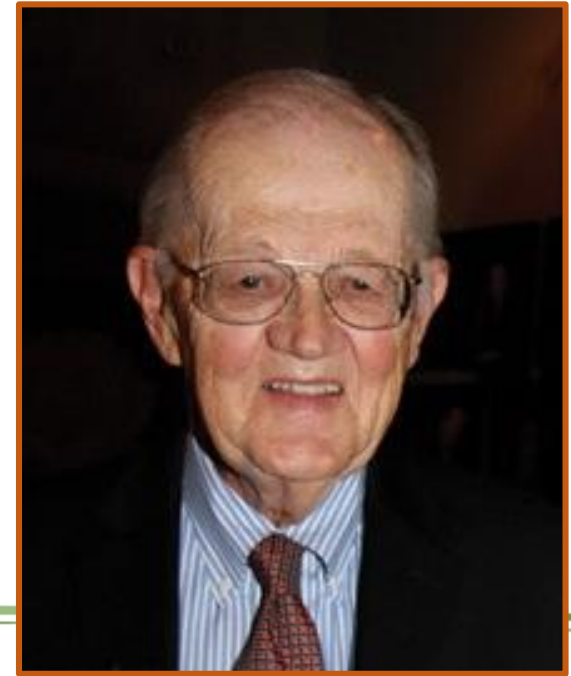


Board of Directors Meeting
Wednesday, December 11, 2019



Co-Chairmen's Report

Recognizing Dick Gunderson for Outstanding Service to the Arizona Musicfest Board of Directors (2008-2019)



with Midori



with Barbara as 2018 Applause Honorees



with Joshua Bell



Co-Chairmen's Report



Governance Report



Nominating Committee Report



Development Committee Report



Executive and Producing Director's Report

Cyber Ransom Attack at Musicfest



Cyber Ransom Attack at Musicfest

- **Monday, Dec 2 (“Cyber Monday”): at 1:47pm email arrived to “ticketing@azmusicfest.org”**
- **Email was opened and a deceptive link was clicked**
- **By 2:10pm, the entire Musicfest server was locked and the encryption virus extended into our three back-ups, compromising those as well.**
- **AZMF did not have an external security back-up.**

What **WAS NOT** Compromised:

- Patron Manager

- **NO patron/donor personal info was lost or compromised.**
- PM is an external cloud system unrelated to our AZMF server

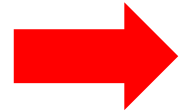
- Quickbooks

- as the QB system self-locks while in use, all financial management and data remained intact


- Outlook

- staff emails and calendars were not affected

What **WAS** Compromised:



clintonl@seznam.cz



All your files are encrypted!

All your files have been encrypted due to a security problem with your PC. If you want to restore them, write us to the e-mail clintonl@seznam.cz and: jaimeb@airmail.cc

You PC id: **actS5A**

You have to pay for decryption in Bitcoins. The price depends on how fast you write to us. After payment we will send you the decryption tool that will decrypt all your files.

Free decryption as guarantee

- Before payment you can send us 1-2 files for free decryption.
- Please note that files must NOT contain valuable information.
- The file size should not exceed 1MB.

How to obtain Bitcoins

What **WAS** Compromised:

- All* staff working files for the last 18 months

** Jay and Ben were minimally affected due to new remote laptop systems*

- For Allan: all development, marketing, ticketing, financials, board materials, presentations, lectures, HR (no S.S. numbers), graphic design files, education/youth/MA, new office files, and all other files.

Data prior to 18 Months:

- Our IT Manager still had a former Musicfest server which was disabled in 2018. It had not been wiped clean and so it retains “most” of the former server data.

Unfortunately, it does not retain data which was stored on desktops.

On Tue, Dec 3, 2019 at 12:01 PM <clintonl@seznam.cz> wrote:

Hello!

File recovery costs \$ 7,500. If you pay within 24 hours, the price will be lower - just \$ 4,000

Bitcoin (digital currency) as a form of payment

Transfer money to our Bitcoin wallet number: 1GvmUjUqAC2yStybQXrVs7W8rU3VwSpjeC

Decryption process:

As soon as we receive the money, we will send you program decryption, detailed decryption instructions. And separate keys to decrypt your files.

Bitcoin purchase process:

The easiest way to buy bitcoins is through the LocalBitcoins website. You need to register, click "Buy Bitcoins" and choose a seller to buy.

https://localbitcoins.com/buy_bitcoins

We will also give recommendations on what needs to be done so that you no longer have security problems.

----- Původní e-mail -----

Od: az musicfest <azmusicfest1234@gmail.com>

Komu: clintonl@seznam.cz, jaimeb@airmail.cc

Datum: 2. 12. 2019 19:30:12

Předmět: pc unencrypt



All your files are encrypted!

All your files have been encrypted due to a security problem with your PC. If you want to restore them, write us to the e-mail clintonl@seznam.cz and: jaimeb@airmail.cc

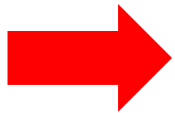
You PC id: **act55A**

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- The file size should not exceed 1MB.

How to obtain Bitcoins



Cyber Ransom Attack at Musicfest

- Monday, Dec 3: as offered, we sent two files to be decrypted (unlocked)
- Two days later:
“We no longer send back decrypted files, as we believe you might send back further corrupted files to compromise our systems”.

Cyber Ransom Attack at Musicfest

A decision of ethics vs. business continuity...

Experts advised:

***“9 times out of 10, when you pay the ransom,
you receive your files.”***

Cyber Ransom Attack at Musicfest

Consultations with:

- **Arizona Cyber Threat Response Alliance**
- **Arizona Technology Council**
- **FBI Special Agent Paul Schaaf**
- **Scottsdale Police Detective Mercier**
- **ACCRAM IT Services**

Cyber Ransom Attack at Musicfest

- **Friday, Dec 6: in consultation with law enforcement cyber security experts, our insurance broker, and with Board leadership we sent \$4K in Bitcoins.**
- **Tuesday, Dec 11: response from ransom folks:**
*“\$4K was the cost if you sent money on day one.
As you didn’t, the cost is now \$7,500.”*

Cyber Ransom Attack at Musicfest

To put things in financial perspective:

\$4,000 is **0.14%** of Musicfest's operating budget

\$7,500 is **0.27%** of Musicfest's operating budget

Cyber Ransom Attack at Musicfest

Next Steps:

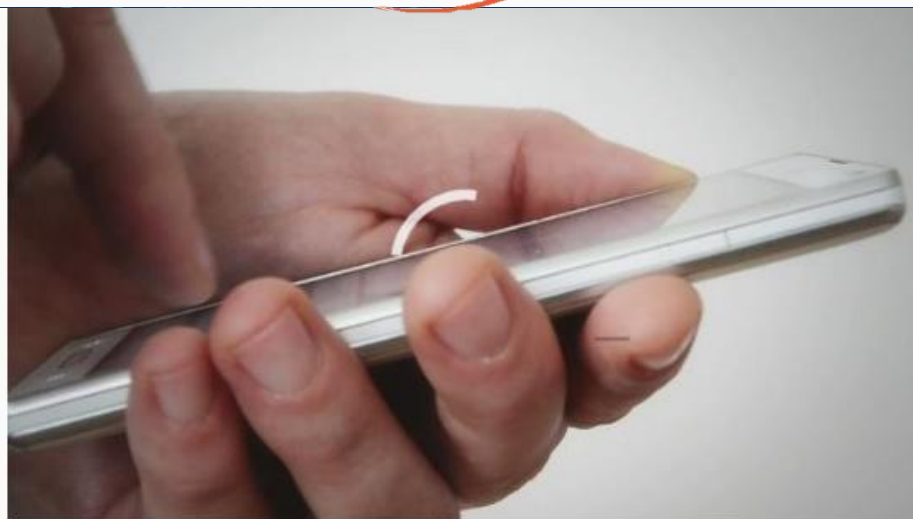
- **Final consultations: decrypting experts**
(could cost more than \$7,500)
- **Send balance of \$3,500**
- **Pursue cloud server and back-up options...**



Shakespeare Theatre in Madison hit by ransomware attack, loses seating and patron database

Anthony Zurita, NorthJersey.com

Published 11:07 a.m. ET Dec. 5, 2019 | Updated 5:28 p.m. ET Dec. 5, 2019



Do you know how secure your online communication and data is? Here is a quick list of ideas – some of them are more complex than others – that can increase your cyber security. Wochit



A ransomware attack completely wiped the patron database of The Shakespeare Theatre of New Jersey in Madison, which caused it to cancel Wednesday night's performance of Charles Dickens' "A Christmas Carol," the theater announced.

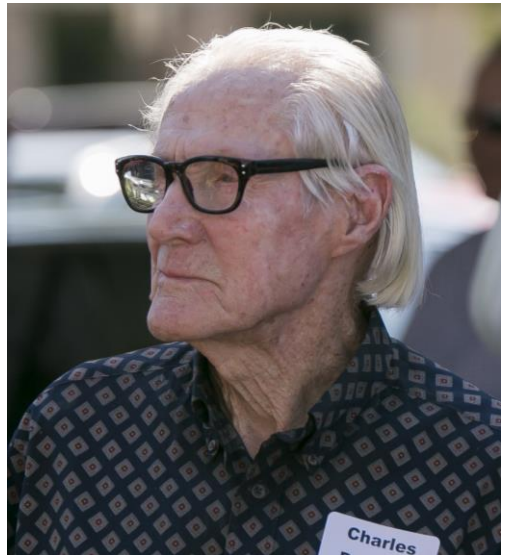
The ransomware attack — which is a software breach that locks access to a computer system until an amount of money is paid to the attacker — occurred over the weekend, the [theater's website](#) said. The theater assured customers that their



**RIBBON CUTTING CEREMONY:
SUNDAY OCT. 27 2-4pm**







Recent and On-Going Activities in the Community Room



Music & Muffins



Music at the Movies



Maestro's Notes



2019-20 Festival Season Ticket Report

FESTIVAL TICKET SALES: AS OF 12.9.19

	BUDGET	CURRENT SALES	AS % OF BDGT	VS. 18-19 SEASON	VARIANCE
TICKETS SOLD	24,895	21,497	86%	18,218	+18%
REVENUE EARNED	\$1,370,826	\$1,193,441	87%	\$948,105	+26%

Fall Festival & Holiday Season Comparison

12/08/19		12/09/18	
Tickets	Revenue	Tickets	Revenue
4,961	\$249,621	4,993	\$242,119

Sold 32 fewer tix this year* / Earned \$7,502 more than 2018
\$19,977 short of 19-20 budget

** Very likely will sell over 32 tix by this Sat*

Orchestra Week Comparison

12/08/19		12/09/18	
Tickets	Revenue	Tickets	Revenue
2,820	\$173,079	2,481*	\$145,011*

*Excludes Violins of Hope - SCPA

Salute to J. Williams – 2nd Best Selling FO concert to J. Bell
 Classical to Classical: 54 tix behind last season

Winter Festival Comparison

12/08/19		12/09/18	
Tickets	Revenue	Tickets	Revenue
13,716	\$770,740	10,102	\$511,290

+3,614 tix / 7 shows already over 1,000 tix sold
 2 concerts have been sold out for over a month with a few close behind.

Comparative
Sales
Data

FESTIVAL TICKET SALES: AS OF 12.9.19

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REVENUE EARNED	\$1,370,826	\$1,193,441	87%	\$948,105	+26%

LOOKING AHEAD:



Last season, between the start of December and the end of the season, we sold 5,842 tickets.

If we do the same this year, we'll sell **27,339** or 2,444 over budget.

It's likely that we'll do better than this.

Top Ten Best Sellers:



SOLD OUT* **1,480**

** About to open ~100 folding chairs for sale*



SOLD OUT* **1,474**



1,421



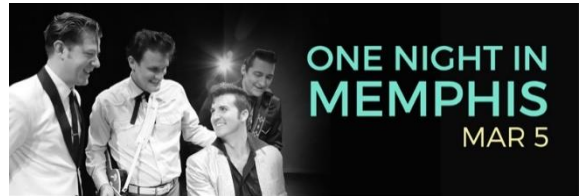
1,223



1,221



1,181



1,112



991



983



969

= **12,055** Total “Top Ten” Tickets Sold
vs. **9,771** 2018/19 “Top Ten” (Same Date)

Shows that have met or exceeded revenue budget

One Night in Memphis	131%	Michael Bolton	100%
Under the Street Lamp	114%	YM Fall Concert	102%
Neil Berg's 50Yrs R&R	122%	Back to Bacharach	122%
Holidays with the Browns	147%	The Hot Sardines	103%
Chris Botti	100%	Resulting in <u>\$49,271</u> in revenue cushion	

Shows that are close to hitting their goal

Salute to John Williams	\$2,771	96%
Summer of Love	\$4,356	91%
MozART Group	\$980	95%
Sara Evans (FINAL)	Short by \$1,673	98%

Shows of concern (below 50% of budget goal)

YM Winter Concert	48%
Enigma Variations	49%

Cyber Monday Sales:

A promotional graphic for Arizona Musicfest's Cyber Monday Sale. At the top, it says "Arizona Musicfest presents its CYBER MONDAY SALE". Below this is a red banner with "SAVE 35%" in large yellow letters, followed by "on Select Shows & Sections ONLY on December 2nd". To the left of the banner is a circular logo with "Cyber Monday" in white script on a black background. In the center is a laptop displaying a grid of concert posters: "NEW YORK VOICES: LET IT SNOW", "THE 5 BROWNS: A FAMILY CHRISTMAS", "TONY DANZA", "MozART GROUP", "USE CODE CYBER" (in a green box), "THE FESTIVAL ORCHESTRA: MUSIC OF LA MANCHA", "ENIGMA VARIATIONS & ELLIS ISLAND: DREAM OF AMERICA", "STEEP CANYON RANGERS", and "ANN HAMPTON CALLAWAY: THE RONSTADT SONGBOOK". A hand holding a stopwatch with "24 HOUR SALE*" is shown at the bottom left. At the bottom, a blue banner says "VISIT AZMUSICFEST.ORG" and "*Exclusive to Online Sales for Select Shows and Price Selections".

Arizona Musicfest presents its **CYBER MONDAY SALE**

SAVE 35% on Select Shows & Sections ONLY on December 2nd

Cyber Monday

NEW YORK VOICES: LET IT SNOW

THE 5 BROWNS: A FAMILY CHRISTMAS

TONY DANZA

MozART GROUP

USE CODE **CYBER**

THE FESTIVAL ORCHESTRA: MUSIC OF LA MANCHA

ENIGMA VARIATIONS & ELLIS ISLAND: DREAM OF AMERICA

STEEP CANYON RANGERS

ANN HAMPTON CALLAWAY: THE RONSTADT SONGBOOK

24 HOUR SALE*

VISIT AZMUSICFEST.ORG

*Exclusive to Online Sales for Select Shows and Price Selections

366 Tickets Sold

287 – eligible concerts

79 – non-eligible concerts

Best Sellers:

Steep Canyon Rangers = 62

5 Browns = 53

AHC/Ronstadt = 50

vs prior year Cyber Sales:

very low by comparison

Fall Fest & Holiday Fest in Review





Vanessa Williams

**Special
Olympics**
Arizona



Pedro Giraud





Young Musicians at MIM

Sara Evans



Neil Berg's 50 Years of Rock & Roll



Holiday Fest Concerts

New York Voices

The Five Browns



Marketing Items of Note



Winter Festival Brochure
Festival Orchestra Week Mailer
Cox Cable TV Spots
AZ Republic



Phoenix Magazine
Gated Community Publications
Scottsdale Progress
KJZZ & KBAQ
three feature articles on Danza

And MORE...

SIGNIFICANT MEDIA INTEREST IN TONY DANZA

Feature Articles:

AZ Republic

IMAGES Magazine

Radio/TV interviews:

KEZ "Beth & Friends"

KEZ "Show Up Arizona"

FOX 10 TV



ANNUAL FUND REPORT



**INVEST
in MUSICFEST**
2019-2020 Annual Fund

Dear

It's an exciting time at Arizona Musicfest!

While the months leading into each festival season are always beginning with great anticipation, this year, our "cup" is overflowing with excitement.

A stellar festival line-up featuring Vanessa Williams, Sara Evans, Michael Bolton, Chris Botti, Tony Danza, John Pizzarelli and Michael Feinstein combined with our outstanding Festival Orchestra means our claim "The Stars Show Begins in North Scottsdale" is anything but hyperbole.

Beyond our concert season, this year, Musicfest is also excited to continue our ambitious expansion of music education programs—presented free of charge to area schools—as well as performance opportunities and performance, when the remarkable Samuel Ju, an alum of Musicfest's young musicians program, joins the ensemble to perform Bach's Goldberg Variations and exquisite Piano Concerto #4.

Adding to this year's excitement is the fact that Arizona Musicfest recently moved our administrative operations and community program activities to a new home in North Scottsdale (7500 E. Camelback Road, Suite 100). We look forward to welcoming you to our wonderful new space in addition to offering our existing children's, adult, and senior programs, and the AARP-endorsed Health Rhythms to this popular series. From toddlers to seniors and everyone in between, Arizona Musicfest has something for you.



Community Room for Music Learning & Performance

Arizona Musicfest's new home is made possible thanks to the generosity of donors to our Next Stage Fund, which covers expenses for the new facility drawing from a dedicated endowment separate from our Annual Fund. How fortunate we are the Next Stage Fund allows us to build for an exciting future, while the Annual Fund ensures that this year's concert season, our education and youth performance programs, and our ever-expanding community initiatives will continue to thrive and succeed.

We rely on your generous support for the Annual Fund. If in addition, you'd like to learn more about how you can support the Next Stage Fund, please check out: azmusicfest.org/the-next-stage-campaign.

For 29 years, Arizona Musicfest has made an important, positive impact on our community. We are proud to be a highly-regarded cultural destination for our region, and honored to count you as a member of our Arizona Musicfest family.

Thank you for your support. We look forward to seeing you this season at Musicfest!

Alan E. Kaplan
Executive and Producing Director

Robert Moody
Music Director

For a list of donor benefits,
please check out:
azmusicfest.org/donate

Online donations can be made at azmusicfest.org. It's safe, secure and convenient.

Name (as you wish it to appear in the Festival program): _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Contribution: \$ _____ Payment Type: ☐ Check Enclosed ☐ Credit Card

*To protect your personal financial information, please call the Musicfest office to donate by credit card.

Annual Fund Report: as of 12.11.19

TOTAL PAID	\$556,280
# OF CASH DONORS	202
TOTAL PLEDGED	\$86,319
# OF PLEDGED DONORS	6
COMBINED CASH/PLEDGE	\$642,599
FY'20 BUDGET	\$736,593
CURRENT AS % OF BUDGET	95%

Comparative Data: as of 12.11.19

2020: \$642,599	95% to Budget
2019: \$573,747	85% to Budget

Annual Fund Report: as of 12.11.19

Sources of Donated Income	Total Revenue from Individuals
ANNUAL FUND	\$642,599
EDUC./YOUTH PERF. – TEMP RSTRCTD	\$61,000
MEMORIALS	\$700
TRIBUTES	\$0
DONATED TICKETS	\$1,459
TOTAL INDIVIDUAL DONATED REVENUE	\$705,758

A NEW HOME FOR MUSICFEST: THE NEXT STAGE FUND



Thank You to our newest donors:
Charles and Charlotte Dunning
and The Barbara H. Breeden Trust





Financial Report:

P&L and Dashboard

Arizona Musicfest

Income Statement

Year-to-date November 30, 2019

	Year to Date (5 mos)		Variance	FY20	Actual as % of	Nov 18	FY'20 vs. '19	
	Actual	Budget	Fav/(Unfav)	Budget	Budget	Actual	Fav/(Unfav)	
Income								
Annual Fund - Non-Board	\$ 399,200	\$ 368,761	\$ 30,439	\$ 508,793	78.5%	\$ 334,414	19%	1
Annual Fund - Board	223,250	214,576	8,674	227,800	98.0%	206,874	8%	
Annual Fund - Grants/Cont.	69,000	52,800	16,200	65,000	106.2%	33,000	109%	2
Fundraising Events	18,400	18,000	400	69,800	26.4%	20,200	-9%	
Other and In Kind	21,224	48,500	(27,276)	64,500	32.9%	33,271	-36%	3
Total Fundraising	731,074	702,637	28,437	935,893	78.1%	627,759	16%	
Temporarily Restricted Funds Released	66,000	62,280	3,720	128,500	51.4%	45,500	45%	
Ticket Sales	1,159,165	1,088,627	70,538	1,367,457	84.8%	898,352	29%	4
Ticket Fee Revenue	56,303	55,546	757	73,377	76.7%	47,444	19%	
Total Ticket Income	1,215,468	1,144,173	71,296	1,440,834	84.4%	945,796	29%	
Merch, Ad Sales, Educ. Rev	17,176	8,990	8,186	16,145	106.4%	7,186	139%	
Interest Income (6 Accts)	2,539	3,542	(1,003)	8,500		2,266	12%	
Next Stage Campaign	528,116		528,116	-		-	0%	
Less: contributions designated by board	(505,162)		(505,162)	127,750		-	0%	
Total Income	\$ 2,055,212	\$ 1,921,621	\$ 133,590	\$ 2,657,622	77.3%	\$ 1,628,506	26%	

	Year to Date (5 mos)		Variance	FY20	Actual as % of	Nov 18	FY'20 vs. '19	
	Actual	Budget	Fav/(Unfav)	Budget	Budget	Actual	Fav/(Unfav)	
Expenses:								
Talent fees	\$ 243,333	\$ 247,633	\$ 4,300	\$ 777,823	31.3%	\$ 161,708	50%	
Talent expenses	48,977	55,510	6,534	205,695	23.8%	51,555	-5%	
Program production expenses	45,455	46,875	1,420	277,740	16.4%	35,235	29%	
Program direct overhead	93,691	92,577	(1,114)	202,897	46.2%	74,464	26%	
Marketing	167,313	169,938	2,625	354,059	47.3%	147,975	13%	
Fundraising expenses	1,093	1,350	257	39,111	2.8%	3,345	-67%	
Total program expenses	599,862	613,883	14,022	1,857,325	32.3%	474,283	26%	
Education program expense	27,057	31,350	4,293	69,570	38.9%	23,916	13%	
Compensation & benefits	188,401	186,251	(2,150)	478,900	39.3%	169,111	11%	
Facilities expense & insurance	61,785	63,284	1,499	153,590	40.2%	22,928	169%	
Systems & equipment	8,833	3,874	(4,959)	13,027	67.8%	6,539	35%	5
Operating expense & misc.	30,323	23,244	(7,079)	50,521	60.0%	26,157	16%	6
Professional fees	960	20,063	19,103	33,050	2.9%	-	0%	7
Total operating expense	290,302	296,715	6,413	729,088	39.8%	224,735	29%	
Total expense	917,220	941,949	24,728	2,655,983	34.5%	722,933	27%	
Net ordinary income	1,137,991	979,673	158,319	1,639	NM	905,573	26%	
ACF Draw				-				
Other ACF Income as of 11/31/19	42,426	-	42,426	-		(35,655)	-219%	
Contributions designated by board	505,162		505,162					
Net income	\$ 1,685,580	\$ 979,673	\$ 705,907	\$ 1,639	NM	\$ 869,918	94%	

Updated
on P&L

Arizona Musicfest Dashboard - 11/30/19								
Prior Status	Present Status	Item	Actual	Budget	%	Present Status	Last Meeting	Next Steps
		Annual Fund & Fundraising Events	731,074	702,637	104%			
		Ticket Sales	1,215,468	1,144,173	106%		First quarter of ticket sales exceeded budget and last year's sales	
		Talent Fees & Expenses	292,310	303,143	96%			
		Production & Overhead Expenses	139,146	139,452	100%		Box office fees & merchant fees due to increase in ticket sales	
		Marketing Expenses	167,313	169,938	98%			
		Administrative Expenses	290,302	296,715	98%			

Operating Bank Account Balances	1,177,389
Restricted Bank Account Balances	82,068
Arizona Community Foundation Balance as of 10/31/19	2,046,571
Next Stage Fund as of 10/31/19	657,260
2020 Annual Fund Pledges Receivable	189,575
Temporarily Restricted Funds	185,991

Legend					
	Ahead of Plan		Plan risk but improving		Off Plan but improving
	On Plan		Plan risk and declining		Off Plan
	On plan but requires attention				

The Financial Bottom Line(s)

P&L	5 MO ACTUAL	5 MO BUDGET	VARIANCE	FY20 BUDGET	ACTUAL as % TO BUDGET
TOTAL INCOME	\$2,055,212	\$1,921,621	+133,590	\$2,657,622	77%
TOTAL EXPENSE	\$917,220	\$941,949	+24,728	\$2,655,983	34.5%
NET ORD INCOME	\$1,137,991	\$979,673	\$158,319	\$1,639	NM

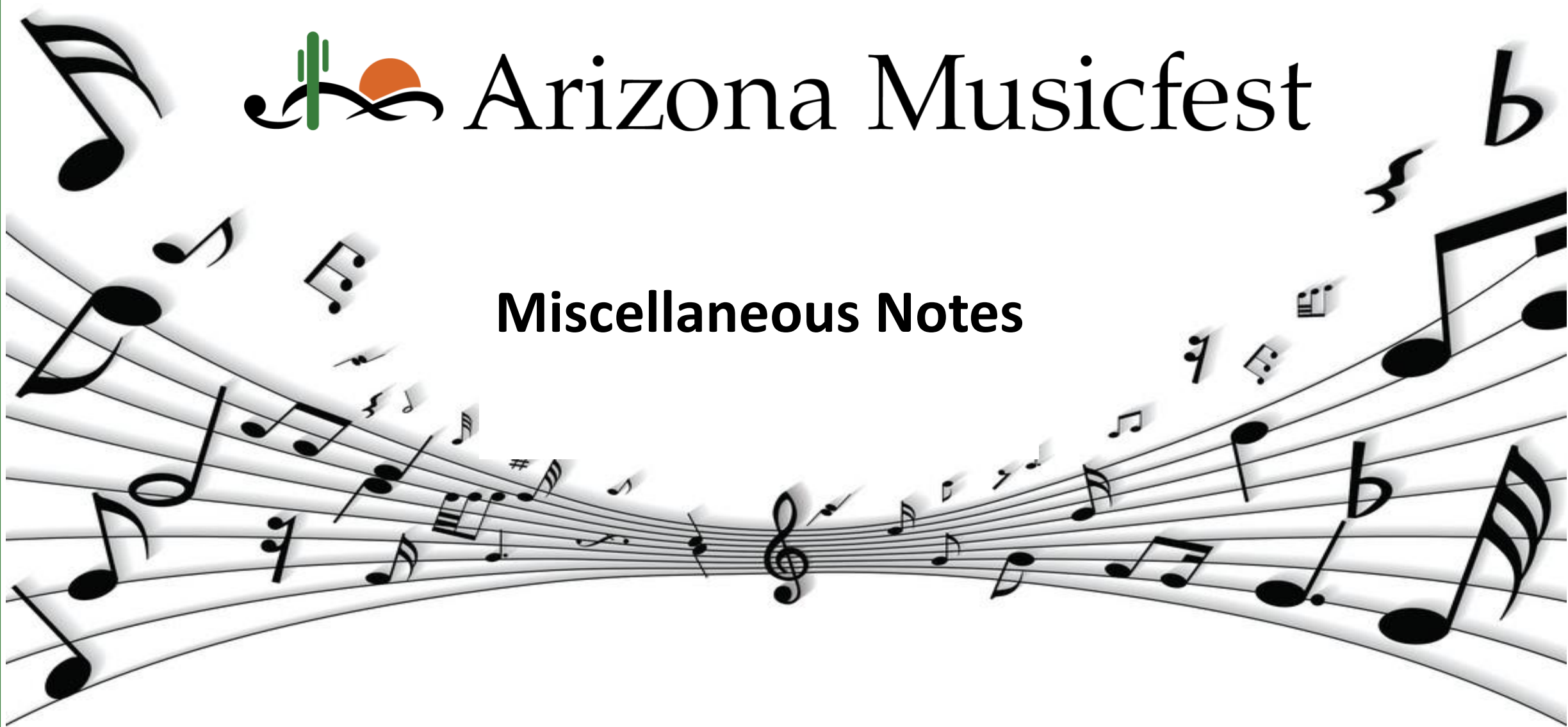
DASHBOARD	Operating Bank Account Balances	1,177,389
	Restricted Bank Account Balances	82,068
	Arizona Musicfest Endowment (ACF)	2,046,571
	Next Stage Fund Endowment (ACF)	657,260
	2020 Annual Fund Pledge Receivables	189,575
	Temporarily Restricted Funds	185,991

ACF balances as of



Arizona Musicfest

Miscellaneous Notes



Arizona Musicfest

Festival Outreach · Musicfest's *Goodwill* Tour



Vi at Silverstone
Desert Mountain
Vi at Grayhawk



Desert Foothills Library
Westminster Village
Sagewood

Arizona Musicfest

Festival Orchestra Week Preview · Maestro Robert Moody





Arizona Musicfest



PROGRAM UPDATES



The Stars Shine Brighter at
APPLAUSE!

January 11, 2020

Featured Performer
AUBREY LOGAN

Honoring
**ROBERT SWANSON
& CYNTHIA SHEVLIN**





Board of Directors Meeting
Wednesday, December 11, 2019