

2016 Financials In Review

General

The VHCA's foundational revenue generators are Summerfest and Tour of Homes, which we will cover in more depth below individually. Looking at the larger picture of the VHCA, 2016 saw the association with a net gain of approximately \$37,000. While certainly down from the results of 2015 and 2014, we understand what happened on the revenue side and made conscious choices to spend where needed on the expense side. And of course we are developing plans for 2017 to improve the level of profitability so we can continue to aggressively invest in the neighborhood. Notable in 2016, the association was able to fund \$19,000 in security-related improvements, largely new cameras at locations identified as the highest priorities by APD. We were also able to provide over \$24,000 in grants for wonderful endeavors all across the neighborhood, including Trees Atlanta, the Atlanta Bicycle Coalition, and the three public schools that serve the children of Virginia-Highland. Approximately \$35,000 was spent on legal fees for the Todd Memorial lawsuit and \$8,000 was spent on consulting fees related to a proposed development on Briarcliff Terrace and other planning projects.

The Board also chose during 2016 to use profits from prior years to continue to pay down the mortgage on North Highland Park. Through the year, from a combination of our regular payments and direct principal payments, an additional \$163,000 in principal was paid off. By reducing the amount of the loan principal over the last four years, the remaining balance of \$178,000 is now scheduled to be paid off three years earlier than originally planned.

Given the healthy reserves accumulated from years past, we were able to comfortably absorb the lower earnings in 2016 and continue to spend where the neighborhood needed us to spend. This is part of the reason we maintain the reserve and why it's important to plan for the future.

We closed the year out with \$132,000 in cash combined between our operational account and our reserve account. This is an ample sum to cover mandatory operational expenses for the next several years, including mandatory yearly mortgage payments of approximately \$66,000 on North Highland Park, even after dipping into the reserve this year to fund additional principal payments. As a general rule, the Board desires to maintain approximately \$130,000 in funds on hand between the reserve account and the operational account until the North Highland Park Mortgage is paid off, which is exactly where we are starting off for 2017.

Summerfest

Despite the worst weather forecast in many years (100% chance of rain was forecast for most of Sunday, yet never materialized), Summerfest 2016 yielded a net profit of just under \$90,000. This represents 66% of our average net Summerfest revenue over the prior 6 years and was due primarily to lower beverage sales (from lower attendance on Sunday) and lower sponsorship income (due to fewer large/corporate activations available in June of 2016). Revenue from the artist market, road race and food vendors were comparable to past years, and a new area ("Local Market") generated almost \$5,000 in revenue. Intending to attract a larger, more diverse crowd, approximately \$6,000 more was spent on

mainstage music talent; however, the crowd size was not noticeably increased. Future threats to our Summerfest business model include the “aging out” of fine artists (younger artists are selling primarily online as opposed to traveling retail) and increased competition from the Candler Park Music Festival/Road Race. For 2017, the music budget will be reduced and an increased focus will be placed on driving more traffic to the Virginia/Park Drive area, delivering more sponsors, and reinvigorating the Kidsfest area. The successful new “Local Market” will be continued and expanded.

Tour of Homes

The 2016 Tour of Homes once again yielded a solid net income to help fund VHCA activities--\$56,000. We did not have a repeat of the perfect weather in 2015, yet still managed to set another new record in ticket sales. We also saw an increase in sponsorships of 14% over the previous year. After successfully piloting a free history tour with the 2015 tour, we raised \$2,600 in 2016 by a creating a new sponsor opportunity and selling a combined home tour + history tour ticket for \$30. We were a bit less profitable (\$1,500) because we scaled our shuttle service from a set of electric cars that had a combined capacity of 20 people to two trolleys that offered transportation to 60+ people at any one time, and purchased additional insurance when we found a gap in coverage.