



TO: Finance Committee  
RE: Final Budget 2013-2014 vs. Final Results @ 6/30/13  
FROM: Ervin S. Duggan, President  
Kathy Mardambek, Finance Director  
DATE: December 2, 2013

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**2013/2014 This Season's Estimated Final Budget Surplus = \$32,158**  
**\*(presented on a modified basis for spending rule revenue and capital equipment purchases)**

<p style="text-align: center;"><b><u>Total of Operating Surpluses \$154,989</u></b> 2012/2013 Remaining surplus = \$122,831 (approximated, after auditorium renovation) 2013/2014 This season's budget surplus = \$32,158</p>
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**In summary, revenues and expenses are projected to increase 7.0% this season; expenses 12.4%. Increases in projected revenue include, corporate giving and program ticket sales. Expenses are higher due to employee and maintenance costs. (NOTE: See the corresponding items in red on the financial statement)**

### **SUPPORT-Final Budget**

#### **Donations (10.3% increase over last year)**

Chairmans Forum 16.1% increase over last year. There has been a record early response this season for Chairman giving. We expect these donations to exceed last year by three Chairman.

Benefactor's Council 9.0% increase over last year. This category of giving continues to attract new members. The de minimis benefits, such as premium parking and seating, are a perk these donors enjoy.

Corporate Development 287.4% increase over last year. The development department has two new corporate donors, Talisman and First Republic. They are underwriting exhibition and education programs. Talisman's \$35,000 operating donation is one of the largest in our history.

#### **Other Revenue (25.5% increase over last year)**

Tickets – Programs 27.4% increase from last year. The majority of the increase is for ticket sales to the Charleston, South Carolina Historic Home Tour. We are expecting to raise \$50,000 but the event is anticipated to be a breakeven when factoring in the costs. We anticipate more ticket sales for other programs because there are more events this season.

Tickets – Art Exhibitions 26.9% increase from last year. There will be four art exhibits in the O’Keeffe gallery this year versus, only two last season.

**\*Endowment Spending Rule (slight increase over last year)**

We are projecting a small increase of \$2,417 based on the new five year rolling average calculation (attached). For operating budget purposes, the spending rule replaces the actual interest and dividend earnings in the unitized endowment. At year end, the interest and dividend income is reflected in the audit report and reconcile to the operating budget. The previous year’s spending amounts have been as follows: \$966,091 (2012/2013); \$933,150 (2011/2012); \$897,212 (2010/2011); \$903,198 (2009/2010); \$912,780 (2008/2009); \$815,028 (2007/2008); \$720,000 (2006/2007); \$664,800 (2005/2006); \$575,000 (2004/2005); \$513,000 (2003/2004).

**EXPENSES-Final Budget**

**Employee Costs (10.7% increase over last year)**

Salaries: 11.8% increase over last year. This summer the library director position was filled. Previously, the education director managed these duties. A marketing part-time job turned into full-time status. The library hired a replacement for the 2<sup>nd</sup> circulation desk position, which had been vacant since last year. The curator will hire a part-time assistant, who will focus solely the Four Arts’ art collection and season exhibitions. Last season, merit and cost-of-living raises were \$75,000 and \$30,000, respectively.

Bonus: (27.6%) decrease over last year. The bonus pool was raised last year to give special recognition to the staff who expended extra effort to make the opening of the Fitz Eugene Education Building a success.

Insurance (Dental): 17.1% increase over last year. The premium has stayed the same. However, the expense is more because of plan participation levels. One longer-term employee decided to join the dental plan. Staff members, who were hired last year with a two month waiting period, now participate full-time in the plan. There are new staff members participating in the dental plan for the first time this season.

Insurance (Health): 13.8% increase over last year. The increase is mainly due to adding more employees to the plan. Even though the plan premium increased 19%, this cost was not absorbed by Four Arts. The employees were given a second plan option that only had a 2% increase. The Four Arts absorbed this 2% increase but the plan deductible increased by \$500 for the employee. If the employee chose the original plan without the increased deductible, the employee would be required to contribute \$59.00 per month. All employees chose the second plan which raised the deductible. The Four Art puts \$2,000 annually into an employee health savings account to help offset the plan deductible.

Pension 401(k) Match: 56.9% increase over last year. Last year the 401(k) discretionary match was funded for only seven months of employee contributions. This was a new pension plan that replaced the 403(b) plan in June 2012. The discretionary pension match for the new season will be based on 12 months of employee contributions. The Four Arts has an automatic enrollment feature to encourage plan participation.

Pension 457(b): 8.4% increase over last year. Increase this year is due to adding the library director to the 457(b) Plan.

Pension Other: 3.3% increase over last year. This is additional salary given to the president to meet the \$30,000 per year commitment to fund his annual pension. His pension dollars include 457(b), 401(k) match, and this smaller amount grossed up for taxes.

#### **Maintenance (14.3% increase over last year)**

Inside 29.2% increase over last year. The majority of this increase is due to the addition of the new education building. There was additional electrical work on the new generator, which was not included in those renovation costs. Other education expenses include cleaning, supplies, pest control, termite bonding, generator, air conditioning, and elevator monthly maintenance. In the Rovensky boardroom, new wiring was installed to upgrade the sound system.

Outside 13.9% increase over last year. Extra costs include one-time tree trimming and tree replacement expenses. The education building had additional concrete work around the fountain. Lawn expenses include the payment of last year's December maintenance in the sculpture garden, which the vendor missed invoicing this past season.

\*Operating Equipment (27.8%) decrease from last year. Fewer capital equipment purchases needed this season. The budget includes a sound board, stage box, and second gift shop case. Capital equipment purchases are included as cash basis expenditures in the operating budget. At year end these expenses are capitalized/depreciated for audit presentation and then reconcile to the operating budget.

#### **Utilities (12.9% increase over last year)**

Electric & Natural Gas 24.6% increase over last year. The education building electricity is about \$5,000 per month during the summer months but should be lower during the winter. The buildings and grounds department is monitoring these monthly charges and adjusting the heating/cooling system, accordingly.

Water 7.3% increase over last year. Increase is due to the addition of the education building. Extra money was put in the budget for watering the lawn and gardens in case of low rainfall.

#### **Insurance (7.4% increase over last year)**

Building, Contents, Liability, etc. .9% increase over last year. The increase is minimal even though the education building was added to the policy. The deductible was raised from \$5,000 to \$7,500 to offset the costs of adding this building.

Flood 78.2% increase over last year. The increase is due to adding coverage for the education building. This policy was rated at the maximum limits available for flood coverage whereas the other buildings have never been rated at the maximum. This means they could be subject to co-insurance penalties in case of flood damage.

**Printing, Signs, Photography (6.7% increase over last year)**

General (52.4%) decrease from last year. We will spend less on administrative printing this year because last season all paper stock was replaced with the new logo.

Schedule/Calendar/Folio 28.4% increase over last year. There are more exhibits, music events, and education programs offered this season to fill the pages of these publications. The Campus-on-the-Lake will have a separate brochure, as a supplement to the schedule of events.

Programs-Art & Music 18.2% increase over last year. There are more concerts and exhibits this season, which adds to these printing costs.

Signs 70.8% increase over last year. Last season most of the signs were included in the education building renovation project. This year new underwriting signage will be paid out of the operating budget.

Photography 63.3% increase over last year. The majority of the increase is due to installation photography for the five art exhibits. Last season there were only two exhibits.

**Office & Advertising (6.7% increase over last year)**

Office Supplies (18.7%) decrease from last year. This year most printer supplies are covered under a maintenance contract and expensed to inside office equipment/lease instead of office supplies. It is cheaper to purchase the color printing cartridges under this maintenance contract.

Inside Office Equipment/Lease 64.1% increase over last year. A new copier was leased for the education building and the printing supplies are charged to this account under the maintenance contract.

Advertising 12.6% increase over last year. The advertising is now being purchased through a media buyer and an additional \$10,000 in coverage is budgeted this year.

**Travel, Entertainment & Catering (21.3% increase over last year)**

Travel & Study Employee 134.6% increase over last year. The travel budget includes four library employees attending the national library conference and staff traveling to plan the Charleston, South Carolina Historic Home Tour. Other costs include two technical staff attending a network course this summer; finally, the library director will be moving his family from Canada this spring.

Catering & Events-Program & Admin 83.7% increase over last year. Catering and events continue to be a large part of The Four Arts season programming. In the previous year, some of these costs had been included in the more generic category "production and staging;" now these food and catering costs will be segregated. Increases this year include charging all related food and event costs to this category and budgeting food costs for the Charleston, South Carolina Historic Home Tour.

Catering & Events – Development 100% decrease from last year. Last year's higher costs were related to the three day grand opening celebration of the Fitz Eugene Dixon Education Building.

Benefactor/Chairman Dinner 26.3% increase over last year. More attendees are anticipated at the dinners because the Chairman and Benefactor giving levels are budgeted for higher participation levels this season.

Contemporaries Catering/Events 31.2% increase over last year. The Contemporaries membership has increased, which will raise the level of attendance at these events.

**Professional Fees (2.1% decrease from last year)**

Audit/Tax Return 26.9% increase over last year. The increase is for tax research on eliminating the Embassy Corporation, a wholly owned subsidiary C-corp of The Society of the Four Arts, a non-profit organization. When the Four Arts purchased the Rovensky Building in 1992, the transaction was structured as a stock purchase. The current research discovered that there is no tax-free way to eliminate the Embassy Corporation. The Four Arts could appeal to the IRS for a private letter ruling asking for a tax-free dissolution; however, that would cost over \$10,000. Since the recordkeeping costs are minimal, it is suggested that The Embassy Corporation remain intact. Other accounting expenses this season are related to the calculation of the underfunded payroll taxes of the 457(b) pension plan for years prior to 2009.

Pension Fees & Consulting (50.3%) decrease from last year. This decrease is due to separating out this expense as its own line item. Previously these costs were lumped together with payroll, Cobra, and health savings accounts fees.

Legal (50.9%) decrease from last year. Last year the pension attorney revised the 457(b) pension plan document and created the distribution election forms. Other legal costs were related to employment issues. A worker's compensation attorney was hired to settle a claim. This year's legal fees include creating a wraparound plan document to summarize all employee benefits.

Consulting-Other 100% increase over last year. Consulting costs include hiring a consultant to assist the building and grounds director in updating the emergency and evacuation manual. This update will be a comprehensive re-write for all departments and reflect current codes and regulations. An appraisal consultant was hired to provide an updated valuation of all buildings in order to obtain a quote for windstorm insurance. The education building architect visited the campus this summer to make his final review of the Fitz Eugene Education Building.

**Programming Costs (15.8% increase over last year)**

Catalog & Gift Shop (64.7%) decrease from last year. This cost fluctuates based on the popularity of catalogs and gift shop items with the patrons and public. Some of the gift shop items are on consignment so there is no purchased cost.

Program Fees & Shipping 13.7% increase over last year. This year there are three extra exhibits and twenty-six extra music, education, and library programs.

Production & Staging – Programs 13.0% increase over last year. The first exhibit required custom plexiglass cases built for the decorative Japanese objects.

Production & Staging – Supplies (49.1%) decrease from last year. The technical director purchased many of the necessary staging supplies over the last several seasons and does not anticipate needing anything extra.

Travel and Hotel – Programs 135.2% and 73.8% increase, respectively over last year. More speakers and music performers requested airfare and lodging in their contracts this season. The Charleston, South Carolina Historic Home Tour will also incur expenses for lodging and local transportation.

Security Guards 17.1% increase over last year. The increase is due to expanding guard coverage for the education parking lot in the morning during the school/parent drop off. The agreement between the Four Arts and the Palm Beach County School Board mandates that the Four Arts continue to supply parking on the Four Arts premises for the Palm Beach Public School teachers.

Library Program 21.1% increase over last year. This season the Children's Library hired a consultant to update the manuals for the new teaching standards. This was necessary so the children's programs can continue to be on the Palm Beach County approved field trips list.

Library Books 20.6% increase over last year. The children's library is doubling their purchases of books this season to replenish the collection and bring in new selections.

**Interest Expense (178.1% increase over last year)**

The is the estimated interest expense on the debt service for the education building over twelve months versus only four months of operating interest last season. The interest expense became an operational expense at the building's completion date in March 2013.



The Society of the Four Arts - Operating Budget  
 Detail by Revenue and Expense Categories - Modified Basis\*  
 Final Estimated Budget 6/30/14 vs. Actual 6/30/13

	<u>Operating</u> 2013-2014 Final Estimated Budget 6/30/14	<u>Increase</u> (Decrease) <u>vs. Forecast</u>	<u>Operating</u> 2012-2013 Actual 6/30/13	<u>%</u> <u>Change</u>
<b>Membership:</b>				
Four Arts	1,395,800	10,000	1,385,800.00	0.7%
Four Arts-Member Reinstate Fee	9,000	0	9,000.00	0.0%
Contemporaries	45,000	2,000	43,000.00	4.7%
Library	25,000	280	24,720.00	1.1%
<b>Memberships</b>	<b>1,474,800</b>	<b>12,280</b>	<b>1,462,520.00</b>	<b>0.8%</b>
<b>Donations:</b>				
<b>Annual Giving</b>				
Chairmans Forum	600,000	83,355	516,644.86	16.1%
Benefactor's Council	1,770,000	146,318	1,623,681.88	9.0%
Giving Under \$10,000	595,000	703	594,297.21	0.1%
Corporate Development	70,000	51,930	18,070.00	287.4%
<b>Total Annual Giving Donations</b>	<b>3,035,000</b>	<b>282,306</b>	<b>2,752,693.95</b>	<b>10.3%</b>
<b>Other Giving</b>				
TOPB Support	288,989	0	288,989.00	0.0%
Special Underwriting	0	(1,554)	1,554.18	na
<b>Total Other Giving</b>	<b>288,989</b>	<b>(1,554)</b>	<b>290,543.18</b>	<b>-0.5%</b>
<b>Donations</b>	<b>3,323,989</b>	<b>280,752</b>	<b>3,043,237.13</b>	<b>9.2%</b>
<b>Other Revenue:</b>				
Catalogs, Postcards, Gift Shop	20,000	735	19,265.14	3.8%
Tickets-Programs	510,500	109,941	400,558.73	27.4%
Tickets-Art Exhibitions	45,000	9,543	35,457.04	26.9%
Misc Income-Permit Fee, Rent	10,000	(750)	10,750.00	-7.0%
Book Memorials/Book Fair/Sm Don.	1,700	(79)	1,779.19	-4.5%
<b>Other Revenue:</b>	<b>587,200</b>	<b>119,390</b>	<b>467,810.10</b>	<b>25.5%</b>
<b>Interest Income:</b>				
Interest - Stock Donation Acct	0	(51)	50.96	na
<b>Spending Rule (BUDGET ONLY) *</b>	<b>968,508</b>	<b>2,417</b>	<b>966,091.00</b>	<b>0.3%</b>
<b>Spending Rule &amp; Interest</b>	<b>968,508</b>	<b>2,417</b>	<b>966,141.96</b>	<b>0.3%</b>
<b>* REVENUE (Modified Basis)</b>	<b>6,354,497</b>	<b>414,839</b>	<b>5,939,709.19</b>	<b>7.0%</b>

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	<u>Operating</u> 2013-2014 Final Estimated Budget 6/30/14	Increase (Decrease) vs. Forecast	<u>Operating</u> 2012-2013 Actual 6/30/13	% Change
<b>Employee Costs</b>				
Salaries	1,981,923	209,780	1,772,143.31	11.8%
Bonus	106,000	(40,500)	146,500.00	-27.6%
Payroll Taxes	157,330	8,510	148,819.79	5.7%
Insurance - Dental	28,917	4,219	24,698.49	17.1%
Insurance - Health	151,364	18,337	133,026.72	13.8%
Workers Comp	16,000	1,250	14,750.49	8.5%
Pension 401(K) Match	130,305	47,247	83,058.05	56.9%
Pension 457(b) Plan	55,700	4,300	51,400.00	8.4%
Pension - Other	3,000	95	2,905.14	3.3%
	<b>2,630,539</b>	<b>253,237</b>	<b>2,377,301.99</b>	<b>10.7%</b>
<b>Maintenance</b>				
Inside	243,500	55,036	188,463.88	29.2%
Outside	264,500	32,319	232,181.14	13.9%
Art Conservation	42,500	3,470	39,029.65	8.9%
Operating Equip (BUDGET ONLY) *	42,800	(16,476)	59,276.35	-27.8%
	<b>593,300</b>	<b>74,349</b>	<b>518,951.02</b>	<b>14.3%</b>
<b>Utilities</b>				
Electric & Natural Gas	192,000	37,950	154,049.81	24.6%
Water	70,200	4,764	65,435.93	7.3%
Phone	70,500	(2,075)	72,574.80	-2.9%
Waste	21,600	(25)	21,624.96	-0.1%
	<b>354,300</b>	<b>40,615</b>	<b>313,685.50</b>	<b>12.9%</b>
<b>Insurance (not health)</b>				
Building, Contents, Liability, Umbrella, A	85,000	782	84,217.80	0.9%
D&O, ERISA, Dishonesty, EPLI, Fiduciary	15,600	6,844	8,755.72	78.2%
Flood	10,800	74	10,725.60	0.7%
Fine Arts	111,400	7,701	103,699.12	7.4%
<b>Printing, Signs, Photography</b>				
General	23,000	(25,338)	48,338.21	-52.4%



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Schedules/Calendar/Folio Programs - Art & Music Development	89,300	19,765	69,535.10	28.4%
Membership/Contemporaries/Benef	30,000	4,619	25,380.89	18.2%
Signs	0	(617)	616.53	-100.0%
Photography	3,300	(1,273)	4,572.99	-27.8%
	19,500	8,086	11,413.73	70.8%
	15,900	6,165	9,735.19	63.3%
<b>Printing , Signs, Photography</b>	<b>181,000</b>	<b>11,407</b>	<b>169,592.64</b>	<b>6.7%</b>
<b>Office</b>				
Office Supplies	31,600	(7,248)	38,847.60	-18.7%
Inside Office Equipment Leased	27,800	10,858	16,942.08	64.1%
Computer Supplies	22,000	(5,195)	27,194.83	-19.1%
Postage/Mailing Service	61,400	6,289	55,111.22	11.4%
Dues & Subscriptions	19,800	(152)	19,952.27	-0.8%
Advertising	146,000	16,330	129,669.52	12.6%
Miscellaneous	11,100	(751)	11,850.91	-6.3%
	319,700	20,132	299,568.43	6.7%
<b>Travel, Entertainment &amp; Catering</b>				
Travel & Study-Employee	54,900	31,495	23,404.62	134.6%
Auto & Mileage Reimbursement	3,700	158	3,541.61	4.5%
Entertainment	6,900	976	5,923.67	16.5%
Catering Events-Admin & Prog	150,000	68,327	81,673.08	83.7%
Catering Events-Development	0	(66,480)	66,480.38	-100.0%
Catering Events-BC & CF Dinner	42,500	8,853	33,647.44	26.3%
Catering Events-Contemporaries	30,500	7,245	23,254.79	31.2%
	288,500	50,574	237,925.59	21.3%
<b>Travel, Entertainment &amp; Catering</b>				
<b>Professional Fees</b>				
Endowment (Unitized only)	179,000	7,679	171,320.64	4.5%
Credit Card/Bank Fees	35,000	753	34,247.08	2.2%
Audit/Tax Return	35,000	7,410	27,590.50	26.9%
Pension Fees & Consulting	10,500	(10,647)	21,146.93	-50.3%
Payroll/Cobra/H.S.A. fees	12,500	12,500	0.00	see above
Computer Consulting	99,000	3	98,997.20	0.0%

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	Final Estimated Budget 6/30/14	vs. Forecast	Actual 6/30/13	
Legal	20,000	(20,727)	40,727.40	-50.9%
Consultant - Other	11,200	11,200	0.00	100.0%
<i>Professional Fees</i>	402,200	8,170	394,029.75	2.1%
<b>Programs</b>				
Catalogs & Gift Shop	5,500	(10,091)	15,591.32	-64.7%
Programs & Shippings Fees	899,800	108,151	791,649.21	13.7%
Production & Staging - Programs	133,900	15,394	118,505.88	13.0%
Production & Staging - Supplies	10,000	(9,640)	19,640.37	-49.1%
Travel - Program	61,100	35,125	25,975.06	135.2%
Hotel - Program	48,100	20,430	27,670.36	73.8%
Art Exhibition - Packing Fees	11,000	(73)	11,073.00	-0.7%
Security Guards	70,300	10,271	60,028.75	17.1%
Police/Paramedics	5,400	(60)	5,460.00	-1.1%
Parking	20,300	(5)	20,304.54	0.0%
Library Programs & Program Supplies	31,700	5,523	26,177.19	21.1%
Library Books, CDs, DVDs	68,300	11,689	56,611.25	20.6%
Library Specific Supplies	6,000	832	5,167.89	16.1%
<i>Programs</i>	1,371,400	187,545	1,183,854.82	15.8%
<b>Interest Expense:</b>				
Operating Debt Service- Ed Building	70,000	44,827	25,172.94	178.1%
Interest Expense	70,000	44,827	25,172.94	178.1%
<b>* EXPENSES (Modified Basis)</b>	<b>6,322,339</b>	<b>698,557</b>	<b>5,623,782</b>	<b>12.4%</b>
<b>SURPLUS(DEFICIT)Modified Basis</b>	<b>32,158</b>		<b>315,927.39</b>	
Carryforward Estimated Surplus	122,831		306,904.00	
TOTAL Surplus-Operating Contingencies	154,989		622,831.39	