



TO: Finance Committee

RE: Operating Budget: Forecast 2016-2017 vs. Final Budget 2016-2017

FROM: David W. Breneman, President
Kathy Mardambek, Finance Director

DATE: April 20, 2017 – 10:00 AM

2016-2017 Operating Budget Surplus Forecast is estimated to be \$596,511 (pg 4)

Summary (pg 1 & pg 4)

As compared to budget, this season's revenue is forecasted to increase \$185,141 or 2.3% (pg 1). The increase is due to record Chairman Forum giving. Expenses are forecasted to decrease -\$29,506 or -.4% (pg 4).

REVENUES

Membership (\$19,650 increase 1.3%):

There are no significant changes in membership.

Donations (\$201,591 increase 4.4%):

Annual Giving Donations (\$117,091 increase 3.0%):

- Chairman's Forum – (\$180,580 increase 14.6%). The Chairman's Forum level of giving has a record 52 Four Arts members. Nine Benefactors from last season moved up to the Chairman's Forum level this season. Several donors gave more than the \$25,000 minimum.
- Benefactors Council – (-\$16,489 decrease -.8%). The Benefactors Council participation is fairly consistent with last season. This remains a popular giving category for Four Arts members.
- Giving Under \$10,000 – (-\$47,000 decrease -8.0%). One reason for the decrease in this category is several donors moved up to the Benefactor level of giving this season. Annual giving letters are sent to every member who has not given a donation this fiscal year. A giving envelope is placed in the Folio Newsletter and mailed to non-members.

Other Giving Donations (\$84,500 increase 11.7%):

- Corporate Development – (\$16,500 increase 20.6%). Increase due to two corporate donors confirmed their participation after the final budget was approved last December.
- Other Donations – (\$68,000 increase 71.6%). Other Donations are projected to exceed budget expectations. These donations are shown separately from Annual Giving because most of the donors are non-members. Non-members who give \$10,000 or more are not shown under Annual Giving but instead recognized as Generous Donors in the Folio Newsletter.

Other Revenue (-\$36,100 decrease -4.0%):

- Tickets – Programs - (-\$10,600 decrease -1.7%) – This category of ticket revenue includes Tuesday lectures, concerts, Campus-on-the-Lake programs, and films. The Tuesday speaker ticket sales increased due to the popularity of the Jim Carter lecture. The concert revenue will be slightly less than budget.
- Tickets - Metropolitan Opera & Screen Events – (-\$8,000 decrease -3.7%) This season's screened event ticket sales will be less than budget. The Metropolitan Opera had one sold out performance versus three last season and the NT Live events were not as popular this season.
- Tickets - Art Exhibition – (-\$16,000 decrease -32.0%) – The *When Modern was Contemporary* art exhibition did not attract as many paid admissions as anticipated even though the exhibit included works by Pollock, Calder, O'Keeffe, and de Kooning.

Spending Rule:

*Spending Rule – The spending rule is 4%. A spending rule equalizes the spending year to year from the Unitized endowment. The 4% annual spending rule amount is calculated based on the five year rolling average market value of the Unitized Endowment.

**The spending rule replaces dividend & interest income in the operating budget presentation. The Four Arts uses a spending rule in its internal operating budget presentation to moderate fluctuations in income. The spending rule is not GAAP (Generally Accepted Accounting Principles) and is not recorded as income in the fiscal year end Audit Report.*

EXPENSES

Employee Costs (\$2,694 increase .1%):

Total employee costs are in line with budget expectations.

Maintenance (\$56,000 increase 5.6%):

- Buildings & Grounds – (\$40,000 increase 14.9%). This is a conservative forecast. Increase due to redesigning the entrance to the gardens. The west garden gate will be opened up and the Spanish Façade will be the temporary entrance into the sculpture garden.
- Art Conservation – (\$16,000 increase 21.7%). Increase is due to the library mural project. These extra conservation costs include documenting the color and size of the original murals and salvaging two of these murals for future display.
- *Operating Improvements **The Four Arts expenses operating improvements in the internal operating budget presentation. Expensing improvement purchases are not GAAP (Generally Accepted Accounting Principles). For the fiscal year end Audit, these improvements not be recorded as an expense but instead will be reclassified to the balance sheet and depreciated.*

Printing, Signs, Photography (-\$2,900 decrease -1.0%):

- General-Administrative – (-\$16,900 decrease -18.4%). Administrative printing costs will be less than budget due to not spending as much on letterhead and envelope stock. Since the library will be moving over to the Rovensky building, there will not be extra room for printing storage. The budget for the annual report, a new publication this season, was moved out of this printing category and into membership printing (see below).
- Schedules/Calendars/Folio – (\$11,000 increase 9.6%). The cost of the Folio Newsletter was more than budget because additional pages were added to the publication.
- Membership/Contemporaries/BC & CF – (\$3,000 increase 40.0%). Increase includes the cost of the new annual report which was given out at the March board meeting. This item was originally budgeted as administrative printing but was reclassified to membership printing.

Office, Supplies & Advertising (\$7,000 increase 1.3%):

- Leased Equipment & Supplies/Rental Space – (\$7,000 increase 22.7%). This line item includes a new expense that was not in the final operating budget. A monthly rental fee will be paid over the next 18 months for the storage of library books during the building's renovation.

Events-Catering, Meals, & Décor (-\$25,500 decrease -9.8%):

- Benefactor & Chairman Dinner – (-\$9,100 decrease -14.4%). It was anticipated that more donors would attend the Benefactor's dinner this season. However, several people cancelled due to illness.
- Contemporaries – (-\$16,400 decrease -26.7%). Catering costs were less due to lower participation at the Contemporaries events this season.

Professional Fees (-\$23,400 decrease -4.6%):

- Credit Card & Bank Fees – (\$5,000 increase 7.7%). Increase due to most of the Elbe River Cruise tickets are being charged on a credit card.
- Computer Consulting – (-\$28,400 decrease -16.9%). Decrease due to not spending as much in professional computer consulting fees. The Four Arts IT department asked to manage several projects in house using their hardware/network consultant who has a software expert on staff.

Sponsored Activities – (-\$43,400 decrease -2.8%):

- Production & Staging Fees On-Site – (-\$50,000 decrease -42.7%). The Founding Fathers series included a budget line item of \$50,000 for videotaping. However, CSPAN offered to record these five presentations for free.
- Production & Staging Fees Off-Site – (\$45,000 increase 692.3%). Increase is due to the cost of packing and moving the library books. They are being stored off campus during the building's renovation. This expense was not included in the budget.
- License Fee-MetOpera/Other HD Live – (-\$4,000 decrease -3.7%). The license fees will be less than budget due to lower screened event ticket sales.
- Library Books/CD/DVDs – (-\$34,400 decrease -38.5%). The library will spend less on the purchase of new books due to the move into Rovensky Building. Space will be limited.