

TO: Finance Committee

RE: CARRY FORWARD MEMO - Process for Internal Operating Budget

FROM: David Breneman, President
Kathy Mardambek, Finance Director

DATE: April 20, 2017

Certain revenues and expenses are assigned as operating. These expenses are presented by their natural expense category and not presented on a functional expense basis. The functional expense presentation is made in the audit report where expenses are allocated based on a formula to one of these three categories: 1) programming 2) administration 3) fundraising. NOTE: Operating revenues are deposited into the checking account and operating expenses are paid out of the checking account with one exception (see professional fees-endowment).

OPERATING REVENUES, INCLUDE

1. Membership Dues (not tax deductible)

- Four Arts Sustaining-\$1,300. Membership for couples or singles. The membership admits two. Singles are allowed a guest when accompanied by the member. NOTE: There are 19 life members, who do not pay any membership dues. This category of membership is no longer offered.
- Contemporaries-\$275. Membership for couples or singles. The membership admits two. Singles are allowed a guest when accompanied by the member.
- Library-Library membership is free to Four Arts members. Non-members who are TOPB residents pay \$40. Non-members who are not TOPB residents pay \$50. (NOTE: The library membership fees have been temporarily reduced to \$20 & \$25, respectively, due to the library renovation project).

2. Donations (tax deductible)

NOTE: All are tax deductible and benefits are considered De Minimus. See the *Donor Benefit Policy 2017* attached).

Annual Giving:

- Chairman's Forum-\$25,000 + donation. Members (only) give at this level receive de minimus benefits. Examples are special seating, special parking, extra events tickets, and two thank you dinners.
- Benefactors Council-\$10,000-\$24,999. Members (only) give at this level receive de minimus benefits. Examples are special seating, special parking, extra events tickets, and one thank you dinner.
- Giving Under \$10,000-Comprised of both member and non-member donations. Donations are assigned to Four Arts Circle, Guardian, Patron or Donor category based on giving level. Member and non-member donors who give at this level receive de minimus benefits such as an invitation to a cocktail reception and two extra tickets for an art exhibit and/or concert.

Other Giving:

- Town of Palm Beach Appropriation-The TOPB approves over \$300,000 annually to support the two libraries. The Four Arts submits a request to the Town of Palm Beach for direct library expenses in the operating budget. These direct expenses include, employee payroll, employee benefits, programming/books, and administration
- Palm Beach County Cultural Grant-Reimbursement grant for marketing and programming. Grant requires significant reporting for reimbursement.
- Corporate Development-Donations from corporations. Benefits are organized through the development department. All benefits are considered de minimus. Some benefits include use of the garden pavilion and invitations to special events.
- Other Donations-Includes In Memory Of/In Honor Of donations and any non-member donation of \$10,000 and over. These non-member donations are here and not shown as a part of annual giving because non-members are not permitted to join the Benefactors or Chairman's Forum.

3. Other Revenue

- Tickets Programs-Revenue from concerts, Tuesday lectures, films, Campus on the Lake programs. Prices range from \$10-\$300. The lower priced tickets are free for members.
- Tickets MetOpera & Other HD Series. Both members and non-members pay for these events.
- Tickets Art Exhibits. Admission for non-members is \$5. Free for members.
- Permit Income-Professional photography in the sculpture garden is by permit only.
- Small donations and fees-Donations under \$100 are not receipted in the donor database and instead included under miscellaneous. Other fees include fines for overdue books.
- Rental Income- The Garden Club of Palm Beach makes a quarterly rental payment to use the third floor office in the Rovensky building.

4. Spending Rule (not GAAP)-Transfer from the Unitized Endowment to the operating checking account. The spending rule is 4% of a five year rolling average market value.

OPERATING REVENUES, EXCLUDE

1. Dividends & Interest Income earned in the Unitized and Rovensky Endowments are excluded. In the Unitized Endowment the actual dividends and interest income earned is not transferred out of the Unitized Endowment to support the operating budget. Instead, as mentioned above in #4 above, The Four Arts transfers a spending rule amount into the operating checking account. It is this transfer that is recorded as "revenue" in operating budget.
2. Realized and Unrealized Gains in the Unitized & Rovensky Endowments.
3. Increase (or decrease) in value associated with the Charitable Remainder Trust.
4. Interest income earned on two CDARS accounts-These 12 month CDs were set up for over a \$4 million donation from an unexpected bequest. Will be used for

- the library renovation project.
5. Capital Campaign Donations-These monies are deposited into a separate checking account specifically designated for the capital campaign.
 6. New Member Donations-These monies are temporarily deposited into the operating checking account during the season and then are transferred into the Unitized Endowment before the fiscal year end.
 7. Fundraising Events
 - a. International Travel. The next trip is the Elbe River Cruise. The ticket price includes a tax deductible component. The funds (net of expenses) are kept in the operating checking account until designated by the board of trustees. The funds will be transferred to another account based on the board's direction.
 - b. Gala tickets and donations. The funds (net of expenses) are kept in the operating checking account until designated by the board of trustees. The funds will be transferred to another account based on the board's direction.

OPERATING EXPENSES, INCLUDE

1. Employee Costs
2. Maintenance
 - a. Buildings & Grounds
 - b. Equipment & improvement purchases. The capitalized asset threshold is \$5,000. For the internal operating budget, these items are recorded as an expense but capitalized for audit purposes and depreciated per GAAP.
3. Utilities
4. Insurance (Building, Flood, Liability, Fiduciary, Fine Arts)
5. Printing, Signs, Photography
6. Office Supplies, Computer/Software Supplies, Audio/Visual Supplies, Rent Expenses/Leased Equipment/Supplies, Postage/Mailing, Dues/Subscriptions, Advertising, Miscellaneous
7. Employee Travel/Study, Employee Meals/Entertainment
8. Catering & Events-Catering, Meals, Décor
9. Professional Fees
 - a. NOTE: Endowment fees are paid out of the Unitized Endowment but shown in the internal operating budget as an expense. This is the only operating budget expense not paid from the operating checking account.
10. Sponsored Activities
 - a. Program Fees
 - b. Staging Fees-On Site(some examples include, supplies for classes, stage hands, art exhibit cases)
 - c. Staging Fees-Off Site (tickets to other museums)
 - d. License Fee-Metropolitan Opera Fee & Screened Events
 - e. Transportation-Artists/Vendors (airfare, ground transportation)
 - f. Hotels-Artists/Vendors
 - g. Art Packing Fees

- h. Security Guards
 - i. Police & Paramedics
 - j. Parking & Valet
 - k. Library Program & Supplies, Library Books/DVDs, Library Specialized Equipment
11. Interest Expense-If the line of credit is still being used after the capital campaign project ends, it is expensed for operating budget purposes.

OPERATING EXPENSES, EXCLUDE

- 1. Gala & International Travel expenses
- 2. Some artwork purchases
- 3. Capital Campaign expenditures
- 4. Certain expenses (vary from year to year some past examples include)
 - a. Master Plan project
 - b. Wrought Iron/Painting project for Rovensky Building
- 5. Depreciation expense
- 6. Loss on fixed asset disposals



THE SOCIETY OF *The Four Arts*

FROM: David W. Breneman, President *DWB*

TO: Katie Edwards, Director of Marketing and Development
Kathy Mardambek, Director of Finance and Administration
Debra Watson, Director of Patron and Accounting Services

RE: De minimus Donor Benefits & Donor Annual Giving - **POLICIES**

DATE: April 2017

De minimus donor benefits

It has come to my attention that several public charities, granting organizations, and donor advised funds have stated in their correspondence that monies they gift to The Society of the Four Arts cannot be used to provide personal benefits on behalf of the donor. This is in fact our policy and practice, but I want to underscore it with a written expression of both.

Our benefits for Chairman Forum and Benefactors, for example, include a special seating section in the auditorium and a special section for parking at some events --- neither of which has any actual monetary value or costs the Society anything.

For this reason, I want to treat as de minimus all *Donor Recognition & Benefits* listed in the *Society of the Four Arts Member Benefits and Polices* for Chairman's Forum, Benefactors Council, Four Arts Circle, Guardian, Patron, Donor, and Corporate giving categories. Endorsement of any donation check by The Society of the Four Arts for these categories of giving will signify compliance with the gifting organization's guidelines.

Donations under \$10,000

Donations to the Annual Giving program from non-members are gratefully accepted, and donor benefits conferred, if the gift does not exceed \$10,000. Above that level, gifts from non-members are accepted under the Other Donations category and recognized as "Generous Supporters" in the Folio for the current season's operations, without any additional benefits.