



TO: Finance Committee
RE: Preliminary Budget 2014-2015 vs. Forecast 2013-2014
FROM: Ervin S. Duggan, President
Kathy Mardambek, Finance Director
DATE: April 9, 2014

2014-2015 Next Season's Preliminary Budget Estimated Surplus = \$49,943

REVENUE SUMMARY-Preliminary Budget

Overall revenue is expected to decrease 1.5% or \$100,959. The spending rule was not increased since at the last executive committee meeting we were asked to review not raising the amount withdrawn from the Unitized Endowment. We have budgeted for a decrease in ticket sales because there is not another large ticketed event planned next season like this season's Charleston Trip.

EXPENSE SUMMARY-Preliminary Budget

Overall expenses are expected to decrease .7% or \$45,637. The majority of this decrease is for professional fees and program costs. Both the executive search and library director search fees were paid in full this season. Program fees will be less because there are only two art exhibits next season versus four art exhibits this season.

REVENUE DETAIL-Preliminary Budget

Membership .4% increase \$5,750

Four Arts Membership: *No change.* There is no scheduled increase in membership dues next season.

Contemporaries Membership: 7% increase of \$3,250. We continue to see an uptick in participation by the Contemporaries group. There were several contemporary members added to the Four Arts' board next season. This will continue to engage the next generation of Four Arts supporters.

Library Membership: 12.5% increase of \$2,500. A new library director was hired. This summer, she will be getting to know the library members and reviewing how to increase library participation and membership.

Donations 2.4% decrease of \$83,709

Chairman's Forum and Benefactor: 5.2% decrease of \$41,166 and 1.2% decrease of \$21,043, respectively. Both of these donor categories of giving reached record numbers this season. A few donors in each of these categories gave above the standard giving level, which helped boost giving dollars.

Giving Under \$10,000: 2.8% increase of \$15,000. We continue to encourage giving under the \$10,000 giving level. Over the years, several Four Arts Circle donors (\$5,000) and Guardian donors (\$2,500) have moved up to the Benefactors Council. This has reduced the giving in these lower categories. We continue to send annual giving reminders to members, who have not given a donation this season. We also ask for donations from members of the public, who are on The Four Arts mailing list.

Corporate Development: 51.0% decrease of \$36,500. This season The Talisman Group underwrote two programs, Art Deco Japan and Treasurers of America. Wells Fargo underwrote the Maritime exhibit. Wells Fargo gave an extra \$15,000 this season due to a timing difference.

Other Revenue 4.0% decrease of \$23,000

Tickets-Programs: 5.9% decrease of \$30,000. Overall ticket programming will decrease due to not having a higher priced ticket like the Campus on the Lake Charleston Trip.

Tickets-Art Exhibits: 21.2% increase of \$7,000. Art exhibit admissions should be more next season because the Toulouse Lautrec show will be very popular with the members and public.

Endowment Spending Rule, no change

We will continue to use the same spending rule dollars from this season. Next season's spending rule will be 3.95% of the five year rolling average instead of the 4.33%, which had been used in these previous years: \$968,502 (2013/2014); \$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). See worksheet attached.

EXPENSES DETAIL-Preliminary Budget

Employee Costs: 9.0% INCREASE OF \$232,149 AS COMPARED TO THE 6/30/14 FORECAST

Salaries: The 9.4% increase of \$181,775 is allocated as follows: 1) \$99,566 increase is for merit and cost-of-living raises, which is consistent with last year and 2) the balance of \$82,209 is due to the following staff changes: a) hired a new library director with a larger salary. The new director has a Master's degree in library science, a PhD in Philosophy and Science Education, and an extensive background in all phases of library systems; b) hired a full time person at the library circulation desk. This position had been vacant part of the season; c) filled the full time position in the membership/box office/accounting department. This position had been vacant most of the season; and d) hired a part-time project curator assistant for Nancy Mato.

Payroll Taxes: 8.8% increase. Payroll tax increase is in line with the increase in payroll dollars.

Insurance Dental: 8.1% increase. The premium has stayed the same. The only increase is due to adding new participants.

Insurance Health: 13.6% increase. The increase in premium is 8%, which is in line with previous years. Increase is also due to adding new participants.

Pension 401(k) Match: 4.2% increase. We are projecting an increase because employees have continued to put more money into the plan due to the generous discretionary match. In the next calendar year, there will be one more discretionary match for Ervin Duggan. This discretionary match will occur the spring of 2015, after his retirement, and is consistent with the plan rules.

Pension Other: 150.0% increase. This is the additional salary given to the president's position to make up a \$30,000 pension package. The new president will not be able to participate in the 401(k) match the first season. The difference between the \$30,000 pension commitment and the 457(b) employer contribution of \$17,500 is the amount that needs to be salaried out at gross, instead of net as was done in previous years.

Maintenance & Equipment Purchases: 3.1% DECREASE OF \$20,000 AS COMPARED TO THE 6/30/14 FORECAST.

Outside: 6.8% decrease. There should not be any major grounds work next season.

Utilities: 2.8% DECREASE OF \$10,000 AS COMPARED TO THE 6/30/14 FORECAST.

Phone: 13.3% decrease. Phone costs should be less due to phasing out all of the prior phone system equipment costs.

Travel, Entertainment & Catering: 3.3% DECREASE OF \$10,000 AS COMPARED TO THE 6/30/14 FORECAST.

Catering-Admin/Programming: 6.3% decrease. Costs will be less next season due to this season includes the retirement party planned by the staff for Ervin Duggan.

Professional Fees: 29.2% DECREASE OF \$160,000 AS COMPARED TO THE 6/30/14 FORECAST.

Credit Card/Bank Fees: 20.0% decrease. This season there were additional credit card fees due many members opted to pay for their gala tickets using their credit card.

Computer Consulting: 18.2% decrease. This season the computer server room was moved from the Rovensky Building to the Dixon Building, which required extra technician time.

Consultant-Other: 96.4% decrease. The professional consulting fees were paid in full this season for both the CEO and library director executive searches.

Programs: 4.6% DECREASE OF \$63,100 AS COMPARED TO THE 6/30/14 FORECAST.

Overall programming costs will decrease. There are two less art exhibits scheduled next season. This season there was additional programming, staging, travel, and hotel costs for the Charleston trip.

Interest Expense: 33.3% DECREASE OF \$15,000 AS COMPARED TO THE 6/30/14 FORECAST.

Dixon Education Building pledges continue to be paid off quickly and many pledges are being paid ahead of the scheduled due date.