



TO: Finance Committee

RE: Forecast 2014-2015 vs. Final Budget 2014-2015

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

DATE: April 10, 2015

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## **2014-2015 Season's Forecast: \$153,698**

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Carry forward Surplus \$43,753 (2013-2014)

### **Summary (pages 1 & 4 of financials)**

In summary, this season's forecast for revenue increased .9% and expenses decreased .4%. Revenue increases are due to the Chairman's Forum reaching record level giving and the growing popularity of the HD (High Definition) tickets for the Metropolitan Opera and other HD Live events. Although there were some unforeseen expenses such as the new chiller unit for the Rovensky building, we did not spend as much as expected for employee and programming costs.

### **REVENUE-This season's revenues are forecasted to increase .9% or \$60,200**

#### **Membership (\$37,900 decrease -2.5%):**

- Four Arts – (\$37,700 decrease -2.6%). Decrease is due to not accepting as many new members as last season.
- Reinstatement Fee – (\$6,000 decrease -66.7%). Members who have not renewed their dues may ask to be reinstated for a fee of \$3,000. If the reinstatement period is more than 10 years, the reinstatement must be approved by the president.
- Contemporaries – (\$5,800 increase 11.6%). The Contemporaries membership dues were raised from \$250 to \$275 this season. The Contemporaries committee will keep the group at about 200 memberships to maintain its cohesiveness.

#### **Annual Giving Donations (\$27,537 increase .8%):**

- The Chairman's Forum – (\$159,093 increase 18.7%). The Chairman's Forum level of giving has a record 38 donors. Thanks to these generous donors, The Four Arts exceeded its annual giving fundraising goal of over \$3.25 million.
- Benefactors Council – (\$96,556 decrease -5.3%). Benefactors Council giving will be less than budget expectations. Seven Benefactors moved up to the Chairman's Forum level of giving this season.
- Giving Under \$10,000 – (\$35,000 decrease -5.9%). Annual giving Under \$10,000 is less than anticipated. Up through May, an annual giving letter is sent to members who have not given a donation this season. An end-of-the season folio with an annual giving envelope is sent to non-members to boost Under \$10,000 giving. Non-member giving this season was over \$100,000.

**Other Giving Donations (\$11,963 increase 2.8%):**

- Town of Palm Beach – This appropriation helps cover library salaries and related costs. It has steadily been raised 3% each year by the Town of Palm Beach.
- Corporate Development – (\$10,000 increase 15.9%). Even though it was a non-gala year, corporate donors continued to support the Four Arts. They underwrote several programs, including the Toulouse Lautrec and Farnsworth art exhibits.
- Other Donations – (\$1,963 increase 3.7%). This year other donations consisted of Partner Programming, which is a one-time opportunity to underwrite an event. For example, a patron underwrote a catered event for the Sandra Day O'Connor education lecture. Other donations also include The Great Give, which is a matching grant given to The Four Arts by The United Way and The Community Foundation for Palm Beach & Martin Counties.

**Other Revenue (\$58,600 increase 9.0%):**

- Tickets-Programs – (\$5,000 decrease -1.2%). Ticket revenue is projected to be slightly less than budget. There were several classes canceled in Campus on the Lake.
- Tickets-MetOpera & Other HD Series – (\$50,000 increase 29.1%). Ticket revenue exceeded budget expectations. All HD Live programs have become very popular. There were two new HD Live programs offered this season, The Bolshoi Ballet and The Hermitage Revealed.
- Tickets-Art Exhibitions – (\$12,500 increase 31.3%). There were two exhibits this season, Toulouse Lautrec and the Farnsworth Collection. The public ticket sales remained strong throughout both art shows.
- Permit Fees – (\$600 increase 14.3%). Permit fee income is generated from photography in the Sculpture Garden. This is for organized photo shoots, such as wedding and family portraits.

**Spending Rule:**

Spending Rule – The spending rule equalizes the spending from year to year from the Unitized endowment and moderates fluctuations in income. The spending rule of 4.33% is applied to the Unitized endowment's five year rolling average market value.

**EXPENSES-This season's expenses are forecasted to decrease -.4% or (\$30,131)**

**Employee Costs (\$31,031 decrease -1.1%):**

- Salaries – (\$9,899 decrease -50%). The decrease is a combination of staff transition and not filling open positions immediately. For example, it was anticipated that the library technical position would be filled in early season but the person was just hired last month.
- Vacation Accrual – (\$20,000 decrease -80.0%). The decrease is related to the president's position. There was no need to make an accrual for his vacation time at June 30<sup>th</sup> because the month of June has traditionally been considered the president's four week vacation time. This is consistent with the start of the president's out-of-town summer schedule beginning June 1<sup>st</sup>.
- Dental – (\$2,670 decrease -8.4%). The dental premium decrease is related to staff transitions during the year.

**Maintenance (\$60,000 increase 8.6%):**

- Buildings & Grounds – (\$25,000 increase 8.3%). Increase is to absorb the unexpected cost to rent a chiller for the gallery and Rovensky buildings. Both chiller units broke this season.
- Lawn & Gardening – (\$25,000 decrease -10.0%). The sculpture garden did not have any large plantings this season.
- Operating Equipment – (\$60,000 increase 71.4%). Increase is due to the unforeseen cost of replacing of the Rovensky building chiller unit.

**Utilities, Insurance, and Printing:**

These costs are in line with budget expectations.

**Office, Supplies & Advertising (\$23,700 decrease -5.4%):**

- Supplies Audio/Visual – (\$4,500 decrease -15.8%). In the previous year, many of the basic audio visual supplies were purchased in conjunction with the new education building. This year selective purchases were made for items necessary to have on hand for special requests from artists.
- Leased Equipment & Supplies – (\$4,200 decrease -13.0%). A copier lease expired and a new copier was purchased instead of being leased.
- Postage/Mailing Service – (\$15,000 decrease -16.7%). The decrease is due to a timing difference. Last season a large amount of postage was put into the bulk mail account just before the fiscal year end. This has helped offset the cost of mailings this season but there were also less postcard event reminders sent out.

**Employee Travel/Study/Entertainment & Events Catering/Meals/Décor:**

These costs are in line with budget expectations.

**Professional Fees (not material change overall):**

- Computer Consulting – (\$12,600 decrease -12.3%). The majority of these expenditures are related to the network and membership/donor database. This season there were not as many requests for modifications to the database and the creation of new reports.
- Legal – (\$16,000 increase 80%). The pension attorney visited the Four Arts to discuss the 457(b) pension plan with the new president and department directors. Increase also includes advising the president on which of his prior employer's pension funds to rollover to the Four Arts 401(k) plan.
- Consultant Other – (\$3,500 decrease -70.0%). Special consulting expenses were related to the few final invoices for last year's president search.

**Sponsored Activities (Program Costs) – (\$32,300 decrease -2.3%):**

In total, the sponsored activity costs will be less due to over budgeting for stage, artist transportation, hotel and library expenses. A contingency was built in for unforeseen art and concert staging costs and this contingency did not materialize. Artist travel costs can be difficult to estimate in advance because of changing airline fares. The increase in HD Live license fees are due to the continuing popularity of the Metropolitan HD Live events and adding the Bolshoi Ballet and Hermitage Revealed series. The purchase of electronic cataloging equipment for the children's library has been delayed until after the main library is renovated.

**Interest Expense Education Building – (\$3,000 decrease -30.0%):**

The line of credit was quickly paid down this season and there is only a \$35,000 balance remaining.