



TO: Finance Committee

RE: 6/30/16 Final Estimated Operating Budget vs. 6/30/15 Final Operating Results

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

MEETING DATE: December 9, 2015 @ 10:30 a.m.

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**2015/2016 This Season's Final Estimated Operating Budget Surplus\***  
**\$395,210**

\*An internal modified basis of accounting for *budget* only (not for audited financial statements) – 1) Endowment spending rule used rather than showing endowment interest/dividend income 2) Capital equipment expensed instead of showing depreciation expense.

**Total Estimated Operating Surpluses \$788,587**

2013/2014 surplus = \$43,753

2014/2015 surplus (last season) = \$349,624

2015/2016 This season's estimated final operating budget surplus = \$395,210

In summary, revenues are projected to increase 10.2% this season (see yellow shading on page one) and expenses are expected to increase 10.0% (see yellow shading on page four). Increase in revenues and expenses include 1) International education trip to Piedmont, Italy and 2) First time grant award by the Palm Beach County Cultural Council. The grant award is for \$223,552. The funds received will cover advertising costs of \$149,034 and programming costs of \$74,518.

**REVENUE: 10.2% increase over last year is \$724,081**

**Total Membership: (.9%) decrease from last year is (\$12,820)**

Library Membership (50.6%) decrease from last year is (\$12,820). The library is temporarily reducing the membership fee in order to convert all renewals to a July 1<sup>st</sup> date. Currently a library patron renews on the anniversary date of their membership and not on the fiscal year. This change will make it consistent with the sustaining membership billing.

**Annual Giving Donations: (2.5%) decrease from last year is (\$82,903)**

Annual Giving Total annual giving is expected to be less than the prior fiscal year. In gala years, donors many times give less to annual giving and more to the gala.

**Other Giving: 44.2% increase over last year is \$196,552**

Palm Beach County Cultural Grant \$223,552. The grant is being used to augment existing programs and outreach efforts. The reimbursement will cover advertising, art exhibits, and one music program this season.

Corporate Development (37.5%) *decrease* from last year is (\$27,000). Since it is a gala year, corporate donations tend to be less as sponsorship sometimes switches from operating budget to this biennial fundraising event.

Other Donations (13.9%) *decrease* from last year is (\$9,207). This budget item includes the Great Give, which is an opportunity for charities to receive matching funds from The United Way and The Community Foundation for Palm Beach and Martin Counties. This giving category also includes monies from non-members who give \$10,000 or more and from donors who give a gift "in honor of" or "in memory of" a loved one.

**Other Revenue: 72.2% increase over last year is \$546,769**

Tickets – Programs 114.3% *increase* over last year is \$540,736. The increase in ticket revenues is due to an international education trip to Piedmont, Italy. It was organized by Dr. Randolph Guthrie, a member of the education committee. The trip took place in early October.

Tickets – Art Exhibitions 14.1% *increase* over last year is \$7,398. We are estimating an increase in art ticket sales because there will be four exhibits this season and the exhibits will remain open longer. Last year there were only two exhibits and they opened later and closed earlier that season.

**Endowment Spending Rule: 7.2% increase over last year is \$76,491**

For operating budget purposes, the spending rule replaces the actual interest and dividend earnings of the unitized endowment. The spending rule is based on applying 4.33% to a five year rolling average of the Unitized Endowment market values. In previous years, the spending amounts have been as follows: \$1,059,630 (2014/2015); \$968,508 (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).

**EXPENSES: 10.0% increase over last year is \$676,483**

**Employee Costs: 7.8% increase over last year is \$214,865**

Payroll 6.1% *increase* over last year is \$128,224. Increase includes cost of living and merit raises totaling \$88,000. Other increases include, 1) hiring a new person in the communications and development department. There was a shift of catering duties from the education and programming departments; and 2) more paid overtime. The buildings and grounds department has offered each department a maintenance person at any evening event or program. Before scheduling the overtime, there would be an attempt to schedule adjust so the employee doesn't work over 40 hours that week. The buildings and grounds director made this suggestion based the increasing number of evening programs. This is a way to ensure unexpected emergencies would be immediately handled after hours. This person would also be in charge of closing down the building.

Bonuses 9.5% *increase* over last year is \$10,000. Increase includes adding new staff.



Pension 401(k) Match 40.0% *increase* over last year is \$50,374. This plan is for all employees. The president is recommending that the discretionary match be raised from 50% to 75% this year with a cap of \$12,500. Currently the discretionary match is 50% with a cap of \$10,000. This increase will hopefully give more incentive for participants to maximize their own contribution. It is also being recommended that the 1000 hour rule test be eliminated so more employees can participate in the match.

Pension 457(b) Plan 25% *increase* over last year is \$11,738. Another recommendation is to increase by 25% the employer discretionary contribution in the deferred compensation plan. This plan is only for the president and eight department directors.

**Maintenance: (34.1%) decrease from last year is (\$266,205)**

Buildings & Grounds (31.2%) *decrease* from last year is (\$102,067). Last year the maintenance costs were higher because of renting temporary air conditioning units in the gallery and Rovensky buildings. The replacement chillers were custom built.

Capitalized Equipment (82.0%) *decrease* from last year is (\$170,009). The decrease from last year is due to replacing the chillers (referenced above). We are not anticipating any large purchases this year from this season's operating budget.

**Printing, Signs, Photography: 14.6% increase over last year is \$27,603**

Schedule/Calendar/Folio 8.2% *increase* over last year is \$9,664. The marketing department is printing more event calendars because of a larger audience.

Programming-Art, Music, Education 35.2% *increase* over last year is \$8,695. The increase includes printing costs for the Piedmont, Italy trip. The exhibits will require more display signage because there are four art exhibits this season versus only two last year.

Signs 28.6% *increase* over last year is \$3,272. Increase is for the chairman and benefactor signage displayed on the walls of the gallery foyer and reception area. These plaques are updated during the season for new donors.

Photography 36.0% *increase* over last year is \$2,250. The increase in photography is due to four exhibits this season versus only two last year. All art exhibits are professionally photographed for the permanent archives.

**Office & Advertising: 42.1% increase over last year is \$174,140**

Computer Supplies/Software 120.3% *increase* over last year is \$17,036. The increase is due to the communications and development department subscribing for one year to a cloud based donor wealth software system. This will help research existing and prospective donors. Also includes a cloud based subscription for Adobe software, which eliminates the need for computer updates.

Postage/Mailing 25.3% *increase* over last year is \$16,340. There continues to be more requests from patrons for the event calendar to be mailed. This is a gala year and more postage will be needed for mailing letters, invitations, and donor receipts.



Advertising 66.3% *increase* over last year or \$139,585. The Four Arts was awarded a grant of \$149,034 to underwrite additional advertising costs.

**Employee: Travel/Study/Meals/Entertainment: 31.0% *increase* over last year is \$8,848**  
Travel & Study Employee 30.1% *increase* over last year is \$5,229. This season employee travel includes airfare for two staff members who assisted with the Piedmont, Italy tour. The curator travelled to Brussels to finalize a contract for a future art exhibition. In June, the entire library staff will attend various sessions of the American Library Association Annual Conference in Orlando, Florida.

Meals & Entertainment 29.2% *increase* over last year is \$2,488. Increase includes the cost of staff meals at the library conference (referenced above). The Campus on the Lake department will take the speakers out to lunch rather than plan more costly catered receptions.

Auto & Mileage 42.4% *increase* over last year is \$1,132. Increase includes mileage reimbursement for the library staff to drive back and forth to Orlando for the library conference.

**Events: Catering, Meals, & Décor: 59.8% *increase* over last year is \$166,139**  
Admin & Programs 108.6% *increase* over last year is \$151,758. The majority of the increase is the cost of meals for the Piedmont, Italy trip. There were 59 people who attended which included three staff members. This season, David Breneman is planning to host a few small catered events to thank members who have invited him and Donna to dinner in the past. There will be more catered meals for the concert performers.

Contemporaries 13.2% *increase* over last year is \$6,721. Increase due to adding some new events. The contemporaries will visit the Art Miami Satellite Fair which includes lunch.

**Professional Fees: .3% *increase* over last year is \$1,182**

Credit Card/Banking Fees 9.5% *increase* over last year is \$6,220. This is the transaction fee for accepting credit cards as payment for tickets, membership dues, and donations. The increase this year is due to the extra activity for gala tickets and donations.

Computer Consulting 8.3% *increase* over last year is \$6,847. The increase includes maintenance and training on the new library electronic card catalog software. This software migration will take place in the spring.

Legal (44.6%) *decrease* from last year is (\$16,116). Legal costs last year included pension advice for the new president to rollover his university retirement funds into the Four Arts' 401(k) retirement plan.

**Programming Costs: 23.2% *increase* over last year is \$327,147**

Program Fees & Shipping (10.5%) *decrease* from last year is (\$97,737). This year there was a substantial savings on the Tuesday lecture series. David Breneman was able to secure two of the speakers at no cost and contract with most speakers at much lower fees. A portion of the Palm Beach County Cultural Council grant is being used to underwrite three art exhibits and one concert.



Production & Staging On-site 52.5% *increase* over last year is \$29,081. On-site expenses will increase due the construction of several new art exhibit cases for the Charleston and Merriweather Post exhibits. On-site staging also includes paying a subcontractor to move existing cases from the storage locker to the gallery and then back again.

Production & Staging Off-site 605.4% *increase* over last year is \$97,581. Off-site production and staging increase is due to the Piedmont, Italy trip. These expenses include guides, museum fees, and tour agency costs. The tour agent helped organize the trip logistics and accompanied the group to each site.

Transportation-Artist/Vendor 201.3% *increase* over last year is \$70,883. The majority of the increase is for the Piedmont, Italy trip. Transportation includes buses, mini vans, and autos for the eight day tour. This year the bus transportation to Art Basel, Miami will be included in Transportation-Artist/Vendor. Last year bus transportation was recorded as production and staging. As certain expenses increase year over year, they are carved out of production and staging and shown in a natural expense cost category.

Hotels 462.1% *increase* from last year is \$170,172. The majority of the increase is for the Piedmont, Italy trip. There were two hotels reserved for the event. Other program costs include hotel rooms for the Merriweather Post exhibit couriers.

Art Packing Fees 62.8% *increase* over last year is \$6,945. The increase is due to extra help for unpacking and re-packing four exhibits this season. There were only two exhibits last season.

Security Guards 23.4% *increase* over last year is \$15,400. The increase is because the art exhibits are staying up longer this season. This year the first art show is opening earlier and the last art show is closing later.

Parking 63.0% *increase* over last year is \$13,681. Increase is due to adding valet parkers for the new grass parking lot. This grass parking area will be for limited use.

Library Programs 42.4% *increase* over last year is \$10,933. Increase includes the busing costs for a maximum of 82 public schools to visit the children's library to see the Robert Forbes Collection of Illustrated Children's Books.

Library Books, DVDs, etc. 12.8% *increase* over last year is \$9,757. Includes a 10% increase for the purchase of books. Also includes a new subscription cost for a service called Overdrive. This allows patrons to borrow books electronically and download them onto a Kindle or I-Pad.

**Interest Expense: (100%) decrease from last year is (\$6,017)**

The balance on the line of credit has been paid off. We will continue to keep the two lines active in case we need them for the King Library renovation project. There are no fees associated with having these two lines of credit active and their rates are very competitive (Libor plus 125pb and Libor plus 165pb).

**Other Activities - net (not a material change from last year)**

The gift shop continues to sell many items each season. New items are ordered and recorded as inventory but some items are sold under consignment. Gift shop sales and a small amount of rental income support the operating budget. They are shown separately because of how they are reported on the audit and tax return.