

SNAPSHOT - 6/30/18 Forecast vs. 6/30/18 Final Operating Budget



TO: Finance Committee

RE: Forecast 2017-2018 vs. Final Operating Budget 2017-2018

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

DATE: April 11, 2018 – 9:00 AM

2017-2018

Forecast is estimated to be a surplus of \$743,628 (pg 4)
(Modified Basis of Reporting for Spending Rule & Capitalized Equipment)

Summary (pg 1 & pg 4)

As compared to budget, this season's revenue is forecast to increase \$311,142 or 3.8% (pg 1). The increase is due to record Chairman's Forum giving. Expenses are forecast to increase \$72,800 or .9% (pg 4).

Snapshot – Revenues

Membership (\$4,350 increase .3%):

Four Arts memberships increased slightly due to adding new members. However, the Contemporaries membership has decreased this season. The issues from this season are being reviewed with plans to jump start the Contemporaries program.

Donations (\$274,592 increase 5.9%):

Annual Giving Donations (\$231,462 increase 5.8%):

- Chairman's Forum – (\$266,462 increase 18.8%). The Chairman's Forum level of giving has a record 66 Four Arts members. Eight Benefactors from last season moved up to the Chairman's Forum level this season. Only members are permitted to participate in this giving category.
- Benefactors Council – (\$13,000 decrease .6%). The Benefactors Council participation is close to budget. This remains a popular giving category for Four Arts members for those who want to increase their level of giving. Only members are permitted to participate in this giving category.
- Giving Under \$10,000 – (\$22,000 decrease 3.8%). Decrease due to ten members moved up from this category to Benefactors. Both members and non-members participate at this level. An annual giving letter is sent to all members. Also, an annual giving envelope is placed in the Folio Newsletter and sent to both members and non-members asking for their support.

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Other Giving Donations (\$43,130 increase 6.8%):

- Other Donations – (\$43,130 increase 86.3%). Most donations in this category are from non-members who give \$10,000 or more. These donors are not classified as Benefactors but recognized as Generous Donors in the Folio Newsletter.

Other Revenue (\$32,200 increase 3.7%):

- Tickets – Programs - (\$20,600 decrease 3.4%) – This category of ticket revenue includes Tuesday lectures, concerts, Campus-on-the-Lake programs, and films. The Campus on the Lake ticket sales will be less than last year due to the cancellation of three popular classes: Jazz, Artist in Residence Jeffrey Swann, and Eric Burns.
- Tickets - Metropolitan Opera & Screen Events – (\$35,000 decrease 15.6%) All screened event ticket sales are down this season. They are not as popular with the patrons as when first introduced eight years ago. Next season there are plans to supplement these offerings with live stage performances.
- Tickets - Art Exhibition – (\$90,000 increase 257.1%) – The Winston Churchill painting show and the Isabelle de Borchgrave paper costume exhibit were very popular. Their combined attendance will surpass the Koch Western show.

Spending Rule:

Spending Rule – The spending rule is 4%. The increase in revenues produced by the spending rule is the result of the increase in the market value of the Unitized Endowment. The spending rule equalizes the spending from year to year in the Unitized endowment. This moderates fluctuations in income for times of market volatility. One twelfth of the funds generated by the 4% spending rule is transferred each month to The Four Arts checking account and recorded in the operating budget. A spending rule is not GAAP (generally accepted accounting principles). The GAAP basis of investment income (earned dividend/interest and gains/losses) is shown on the audited financial statement.

Snapshot – Expenses

Employee Costs:

Employee costs are mostly in line with budget expectations. However, the events coordinator terminated last month so there will be some savings on the salary line item.

Maintenance (\$27,100 increase 3.7%):

- Lawn & Gardens – (\$30,000 increase 18%). Increase due to extra re-plantings in the sculpture garden member designated areas. Some of these areas were affected by hurricane Irma.
- Art Conservation – (\$2,900 decrease 12.5%). The spending on art conservation will be less this season. This is due to the busy schedule of the outside consultants hired to perform these duties. Conservators are in high demand. The Chinese Garden conservator passed away this season.
- Operating Improvements – There were new projects added after the season started. Some of the original projects will not be completed by June 30th and will fall into next year's budget.

NOTE: The Four Arts expenses operating improvements in this 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 as an asset and depreciated.

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Utilities (\$15,600 decrease 4.2%):

- Electric & Natural Gas – (\$15,600 decrease 8.3%). Electricity usage will be lower due to the library being closed all season.

Insurance (\$10,400 decrease 6.6%):

- Building, Contents & Liability (ex-windstorm) – (\$10,400 decrease 8.4%). Decrease is due to charging part of the library project builder's risk policy into next season.

Printing, Signs, Photography (\$28,000 increase 14.2%):

- General-Administrative – (\$20,000 increase 168.1%). Administrative printing costs will be more due to updating the Four Arts stationary for changes of address at three of the buildings. The Rovensky, gallery, and library will all go to a three digit system. This is being done so the EMT and Fire Department will respond to the correct location in an emergency. Previously the library and gallery buildings were linked under the same Palm Beach County property control number and this confused the emergency services.
- Membership/Contemporaries/BC & CF – (\$7,000 increase 63.6%). Increase due to the new Annual Review publication. This was sent to all members.

Office, Supplies & Advertising (\$19,000 decrease 3.4%):

- Postage/Mailing Service – (\$20,000 decrease 25.0%). There was less spent on mailing costs since The Four Arts reduced the number of season schedules mailed to the public. The mailing list was reduced by thousands of names.

Events-Catering, Meals, & Décor (\$4,200 increase 1.6%):

- Development – Capital Campaign & Dedications – (\$4,200 change). This line item was for the dedication of the Johnson Hall in the Dixon Education building.

Professional Fees (\$68,500 increase 12.6%):

- Unitized Endowment – (\$7,000 increase 3.6%). Increase anticipated due to a higher market of the securities portfolio.
- Pension Fees & Consulting – (\$6,500 decrease 24.5%). Decrease due to postponing the hiring of a consultant to perform the 3(16) services. These services cover plan compliance, document administration, distribution of notices, and timely filing of reports. Although Paychex does some of these functions, the distribution of notices is left up to the employer. CapTrust will be making a recommendation to the investment committee in the fall.
- Legal – (\$30,000 increase 100%). Increase due to board related matters, which include rewriting the organization's bylaws.
- Consultant-Other – (\$38,000 increase 316.7%). Increase due to possibly hiring a search firm before season's end to find a Development Director. The Four Arts has had a successful season. The galas raised over one million dollars (net) and season's operating surplus is forecasted to be over \$700,000. A full-time Development Director will be able to concentrate on corporate and planned giving, be point of contact for the Benefactors and Chairman donors, and cultivate giving at all levels. Two of the existing positions in Communications & Development would move to this new department. *NOTE: The need for a search firm is not yet certain.*

Sponsored Activities – (\$10,000 decrease .6%):

- License Fee-MetOperat/Other HD Live – (\$17,500 decrease 15.6%). The expense will be less due to screened ticket sales are projected to be lower this season because of a drop in attendance. The fee is based on 50% of ticket sales.

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- Art Packing Fees – (\$2,500 increase 20.8%). Increase is due to the packing cost for the Isabelle de Borchgrave paper costume exhibit. Each costume has a dedicated case and requires more help to pack the gowns.
- Parking – (\$5,000 increase 14.3%). Increase is due to using extra valet services this season. The grass paver parking was offered at more programs this year.