TO: Finance Committee

RE: Actual 2018-2019 vs. Actual 2017-2018

FROM: Philip Rylands, President
       Kathy Mardambek, Finance Director

DATE: December 4, 2019 – 3:00 PM

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**2018-2019 Surplus is $892,125 (page 4, reference A)**

vs. Prior Year $1,202,852

*Modified Basis of Reporting for Spending Rule & Capitalized Equipment.*

See “NOTE” under each of these categories.

**Summary**

Revenue was 4.2% higher as compared to the prior season. This is due to an increase of in annual giving and other giving donations. Expenses increased due payroll costs and hiring an executive search firm to coordinate finding a new Four Arts president. David Breneman retired on September 30, 2019.

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**Actual – Revenues**

**Membership ($4,785 decrease .3%): Page 1, reference B**

Decrease due to Contemporaries membership was zero. They are taking a year hiatus to reorganize programming. The Four Arts membership increased due to adding new members.

**Donations ($392,000 increase 7.7%): Page 1, reference C**

*Annual Giving Donations ($166,530 increase 3.8%): Page 1, reference D*

- Chairman’s Forum – ($3,837 increase .2%). The number of Chairman’s Forum donors in 2018/19 was 67 versus 66 in 2017/18.

- Benefactors Council – ($90,036 increase 4.4%). The number of Benefactors Council donors in 2018/19 was 214 versus 202 in 2017/18. The smaller increase in dollars is due to timing differences. Every year a few Benefactors give their contribution in a fiscal year that does not match the fiscal year the benefits are received. Accounting must record the donation in the year the funds are received, not the year that the benefits are given.

- Under $10,000 – ($72,657 increase 11.2%). The development department sends out an annual giving appeal to both members and non-members once a month through the month of May. There were many donations received even after the programs ended in April. These late donors are recognized in the end of season folio brochure.
Other Giving Donations ($225,470 increase 31.8%): Page 1, reference E
- **Other Donations** – ($211,933 increase 166.2%). This category includes special underwriting by members of the current season’s programming. Also includes Generous Supporter non-member gifts of $10,000 or more. The Generous Supporter category of giving was created to give recognition to those who give $10,000 or above and are not Four Arts members.

Other Revenue ($82,015 decrease 8.7%): Page 1, reference F
- **Tickets – Program** – ($40,721 increase 7.1%) – Increase due to Campus on the Lake (COL) and concert ticket sales. COL income was up 10% and attendance up by 15%. COL was also able to oversell certain programs. Increase in concert revenues is due to more live programs scheduled versus the season before.
- **Tickets – Screened Events** – ($37,303 decrease 19.8%) – There were 19 programs this past season versus 26 the season before. However, the attendance per program was up and the revenues per program was also up when looking at an average between the two years.
- **Tickets – Art Exhibition** – ($87,364 decrease 51.5%) – Decrease due to the previous fiscal year had the blockbuster back to back exhibits of the Winston Churchill paintings and the Isabelle deBorchgrave fashion paper dresses. Both of those shows had record attendance.

Spending Rule: Page 1, reference G
Spending Rule – The spending rule was 4.0% in the fiscal year 2018/19. 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 spending rule is transferred each month to The Four Arts checking account and recorded in the operating budget.

NOTE: A spending rule is not dividend & interest GAAP income (generally accepted accounting principles). The GAAP basis of investment income (earned dividend/interest and gains/losses) is shown on the Statement of Activities audited financial statement and not in the operating budget.

Actual - Expenses

Employee Costs ($253,565 increase 7.9%): Page 2, reference H
- **Salaries & Vacation & Overtime** – ($218,000 increase 9.2%). Increase due to staff raises (approximately $90,000) and the reorganization of the development & communications department with new staff and higher salaries than their predecessors. The new development director’s background is fundraising instead of marketing. Added the new position of Head of Box Office near the end of the fiscal year.
- **Insurance - Dental** – ($3,421 decrease 11.4%). Decrease due to switching to a provider with a lower premium.
- **Pension 401(k) match** – ($12,310 increase 5.2%). Increase due more staff are participating in the pension plan because of the generous discretionary match up to $10,000 per participant.
- **Pension 457(b)** – ($6,875 decrease 11.7%). Decrease due to the last year included the executive vice president, Nancy Mato. Her position was replaced with two head of staff (music & art). These positions do no qualify for the deferred compensation plan. This top hat pension plan is intended for highly compensated staff and only offered to department directors and the president.

Maintenance ($101,999 increase 14.3%): Page 2, reference I
- **Buildings & Grounds** – ($94,903 increase 33.3%). Increase due to new carpet in the Rovensky building, redesign the development office, repair drywall after installation of the new fire alarm box in the Rovensky building, and patch the roof of the Dixon Education building.
• Art Conservation – ($12,882 increase 57.9%). Increase due cleaning a large sculpture that was donated during the season. The new curator determined that other art needed extra conservation.

• Operating Improvements – Operating improvement purchases include new fire alarm box, Wi-Fi equipment, office furniture, gift shop cases, and cameras. NOTE: The Four Arts expenses operating improvements in this operating budget presentation. Expensing improvement purchases is not GAAP (Generally Accepted Accounting Principles). At the fiscal year end, these purchases will be reclassified as fixed assets and depreciated.

Utilities ($17,252 increase 4.8%): Page 2, reference J
• Phone – ($15,12 increase 20.5%). Increase due to reconfiguration of switches and voice mail service. Added new staff to the company cell phone plan.

Insurance ($8,049 decrease 5.5%): Page 2, reference K
• Building, Contents & Liability (ex-windstorm) – Decrease is due to last year included the builder’s risk premium for the library renovation project. This was a one-time expense.

Printing, Signs, Photography ($32,585 increase 16.1%): Page 3, reference L
• General Printing-Administration – ($4,182 decrease 16.0%). Decrease due to replacing the stationary letterhead at the end of the previous season. All four buildings went to a three digit address system which was requested by the Town of Palm Beach.

• Schedules/Calendar/Folio – ($6,483 increase 6.8%). Increase due to adding more donor recognition information in the quarterly folio publications. The number of pages in the season calendar was increased to highlight events.

• Programming-Art/Music/Education – ($13,644 increase 40.2%). Increase due to producing a gallery guide for the Art of Seating exhibit. Increased spending on the Tuesday lecture luncheon invitations due to redesign improvements.

• Development-Capital Campaign, Dedications, CF & BC – ($7,031 increase 696.8%). Increase due to printing the library dedication dinner invitation sent to donors who contributed $10,000 or more. This was a special event held in the newly restored library building.

• Signs – ($5,171 decrease 30%). Decrease due to the previous fiscal year included more signage cost in the gardens for donor plaques and the sculpture, Eve’s Apple (this sculpture has since been removed).

• Photography – ($10,958 increase 136.8%). Increase due to extra photography ordered during the season for the Tuesday speaker lunches, Campus-on-the-Lake programs, library dedication dinner, and new library murals.

Office, Supplies & Advertising ($26,874 decrease 4.7%): Page 3, reference N
• Supplies-Computer/Software/Printers – ($38,878 increase 65.2%). Increase due to the purchase and replacement of computers including those for the new development and curator staff. New i-pads were set up in the art gallery for patrons to access the exhibition audios. This line item also includes access to cloud based software used by various departments.

• Supplies-Audio/Visual/Maintenance – ($6,041 increase 28.9%). Increase due to AV purchases for the new meeting boardroom in the Rovensky building. This includes a large screen TV monitor. The room was formerly used only for board meetings.
• **Printer & Copiers-Maintenance & Rentals** – ($38,386 decrease 65.1%). Decrease due to the library offsite book storage was paid from the library capital campaign funds instead of the operating budget. The library copier lease was paid off in the previous fiscal year and a new copier was purchased instead of being leased.

• **Advertising** – ($43,922 decrease 15%). Spent less than expected for art exhibition advertising. TV advertising and radio advertising cost less but provided an ample amount of coverage and impact.

• **Miscellaneous** – ($3,415 increase 33.3%). Increase due to purchasing gifts for the Chairman and President in honor of their retirement.

**Events-Catering, Meals, & Décor ($55,581 increase 20.6%): Page 3, reference P**

• **Programs & Administration** – ($32,265 increase 21.4%). Increase due to ordering an outside tent for the opening reception of the George Bush paintings. Food and drinks were not allowed in the gallery. Special events were held for donors to meet the musicians on concert night and for the Bush Center luncheon.

• **Development-Capital Campaign & Dedications** – ($43,443 increase 621.6%). Increase due to the dedication of the newly renovated library. Those who gave $10,000 or more were invited to the donor dinner. The prior season included only the ground breaking ceremony catering costs.

• **Contemporaries** – ($29,842 decrease). The contemporaries group took a one year hiatus to reorganize their membership.

**Professional Fees ($215,807 increase 38.1%): Page 4, reference Q**

• **Unitized Endowment Fees** – ($24,944 decrease 12.8%). Decrease due to terminating one of the active managers in the Unitized Endowment. The money was reinvested in stock and index funds.

• **Credit Card Fees** – ($20,571 decrease 23.6%). Decrease due to the gala ticket and donation charges in the previous year. Many patrons like using their credit card for these purchases.

• **Pension Fees & Consulting** – ($5,919 increase 30.5%). Increase due to the payment of an outstanding invoice that was almost two years old. The Four Arts did not know it existed until the vendor inquired about it this past season. Increase also included the fees paid based on market performance in the 401k and 457b pension plans.

• **Computer Consulting** – ($42,142 increase 30.8%). Increase due to the addition of two new outside computer consultants to help transition to the new box office software and attendance system. The box office will be using paperless ticketing. Also, includes extra money spent on the existing proprietary software consultant to extract data for the development department and help with the membership cards and their transition to the new box office software.

• **Legal** – ($34,788 increase 48.5%). Increase due to legal costs related to the company address change for all four buildings. This was required by the Town of Palm Beach to correct the access to emergency services. Also, includes time spent on parking issues, changing the 457b pension plan distribution options, researching the 457b pension plan required minimum distribution (RMD) questions, and review of the bylaws.

• **Consultant - Other** – ($176,147 increase 1272.1%). Increase due hiring an executive search firm to find a new president. David Breneman retired on September 30, 2019. Also, includes hiring a consultant for zoning issues related to the sculpture Eve’s Apple.

**Sponsored Activities – ($3,403 decrease .2%): page 4, reference R**


- **Program & Shipping Fees** – ($41,011 increase 4.2%). Increase due to higher fees paid for Tuesday speakers in order to attract major talent to The Four Arts speaker series lineup.

- **Production & Staging On-Site** – ($20,157 decrease 23.2%). Decrease due to the art department spent less on staging costs for the George Bush paintings and American Seating exhibits. The previous year included more elaborate displays for the Isabelle deBorchgrave paper dress exhibit and the Winston Churchill paintings which included Winston Churchill personal memorabilia.

- **License Fee-Met Opera/Other HD Live Events** – ($21,265 decrease 21%) Decrease is due to less events offered this season. There were 19 versus 26 the year before.

- **Hotels-Artist, Vendor, Patron Groups** – ($10,376 decrease 19.9%). Hotel costs are negotiated based on artist requirements and will not necessarily be the same from year to year. There were two Tuesday speakers who did not stay in a hotel.

- **Art Packing Fees** – ($9,350 decrease 57%). Decrease due to there were more art handlers and packers needed in the previous year due to the many objects displayed during the deBorchgrave paper dress exhibit and the Winston Churchill art show.

- **Security Guards** – ($9,077 decrease 11.4%). Decrease due to there were more guards needed for the previous season due to the many objects displayed in the deBorchgrave paper dress show and Winston Churchill painting/memorabilia exhibit.

- **Library Supplies** – ($9,196 increase 225.1%). Increase due moving into the newly remodeled library building. The previous year the library reduced purchases because of temporary and limited space in the Rovensky building.

**Other Activities** – ($40,297 decrease 58.4%): Page 4, reference S

- **Net other activities** – In the previous season, the Isabelle deBorchgrave paper dress show had many items to sell in the gift shop. This included the gold colored paper jewelry which was a top seller. The more popular art exhibits will usually attract more shoppers.