

## Annual State of the Guild Report

**W**E ARE OFTEN ASKED FOR MORE INFORMATION *about the financial state of Handbell Musicians of America and how membership dues are spent. Members can access financial statements for the organization in the Member Resource Center on our website, including the most recent from the fiscal year that ended on September 30, 2014.*

That financial report is also available as a sidebar to this column. However, for those that are not accustomed to reading a financial statement, some further explanation is helpful.

Handbell Musicians of America is a nonprofit membership association. As such, the majority of our revenue comes from membership dues which are expected to cover operational expenses. Additional sources of revenue as detailed below are typically in areas that “pay for themselves” or just cover the expenses it takes to generate the related revenue.

- **Music Publishing:** When first established, the music publishing department of the Guild was not designed to be a profit center for the organization. Rather, it published works that were in less demand, thus generating fewer sales (not because they weren't worthy publications, but because there just wasn't a large audience for them). Eventually, it became a cost center, not generating enough sales to cover expenses of the department. In more recent years the philosophy of AGEHR Publishing has changed slightly. Music editor John Behnke still focuses on finding quality works for publication and encourages and supports new composers and arrangers. However, he has developed a model of selecting a good range of works that support the original mission while also resulting in enough sales to cover the costs and generate a small profit. This varies year-to-year but typically results in an annual net profit between \$5,000 and \$15,000.
- **National Events:** To keep costs as low as possible for our members, national events are not designed to generate a substantial profit. Rather, event budgets are developed for a break-even result. More recently, the event planning committees and I have worked to reduce expenses and design events that attract higher attendance, thus generating more

revenue and resulting in an overall annual net profit in the events department. Again, this varies year-to-year but has been in the range of \$5,000 to \$20,000 annually. However, it should be noted that events carry a higher level of risk for lost revenue because there are so many factors that cannot be controlled (Example: A flood in Nashville 90 days before Pinnacle 2010 necessitated a change in venue and added nearly \$30,000 in additional expense to the budget.)

- **Charitable Gifts & Donations:** We have some very generous members that make regular contributions to the organization. Those that gave gifts in 2014 are listed in this issue. However, the large majority of these contributions are restricted to specific scholarship and grant funds, making them unavailable to support the general operation of the organization. We do receive some donations that are unrestricted, but not a substantial amount. The average annual total for unrestricted contributions is approximately \$10,000.
- **Investment Income:** The restricted funds received from charitable contributions to scholarships, Heritage Fund, and endowment fund are all invested with a wealth management company. The growth in those investments is reported in the financials as Investment Income. However, it remains in investments and is not available for operational expenses.
- **Miscellaneous Administrative Income:** This includes advertising fees for *Overtones* and small amounts for sponsored/endorsed event fees, Area e-newsletters and e-blasts, and miscellaneous sales from our online store. It averages approximately \$25,000 per year.

As I mentioned earlier, the above revenue sources are not major “profit” centers. In other words, they do not add a substantial amount to the bottom line for the organization. The major source of income for operational expenses comes



from membership dues. Fiscal Year 2014 was the first year that membership did NOT decline in more than 10 years. So, our primary source of operational revenue has been getting smaller each year. Even with the dues increase implemented in the fall of 2012, our overall revenue has only increased by 2% over the past five years.

The staff and board have worked hard to reduce expenses over the years through a variety of methods: restructuring staff, adjusting and reducing staff benefits, giving minimal wage increases, printing renewal invoices in-house, finding new and lower-cost vendors for many services like banking and *Overtones* printing, utilizing member rewards and loyalty programs to reduce travel expenses, and developing more efficient and cost-effective processes for many office and staff functions. In addition, the decision to sell the physical office and move to a 100% telecommuting staff will eventually result in additional savings (once the building actually sells). Despite these efforts, we have still seen an overall increase in operational expenses of approximately 11% over the past five years, which is in line with the cost-of-living increase of the same period.

Operational expenses include personnel costs (salary and benefits), legal services, banking, credit card processing fees, postage, website maintenance and hosting, membership database, commercial property and liability insurance, printing, office supplies, board meetings, Area leadership meetings and training, *Overtones* production and printing, phone service, visits by national staff and board to Area events, and more.

To summarize, revenue available for operational expenses has increased 2% while operational expenses have increased 11%.

Hence the challenge. While we continue to work to lower these expenses (without cutting services,) **we must increase the revenue coming into the organization from one of the categories above or find new sources.**

### **We need your help.**

The national board has already established the Heritage Fund to provide long term stability for the organization. However, it will be several years before that fund reaches the level needed to provide sustaining income. Until that time, those funds remain restricted and invested for the future.

The staff and board have also been working on ideas and methods for new revenue streams. But any new ideas will require time to develop and implement.

Therefore, for our short-term future, we are asking for general contributions to supplement membership dues in supporting the day-to-day operational expenses of the organization. Our members already do much to support the organization. We realize this. But we are asking you to do a little bit more. **If each member gave an annual donation to our general operating fund of just \$20, our problem would be solved.** Give \$25 or \$50, and we can work to implement new projects and services.

Or, encourage the members of your choir to become sub-members for just \$10 each. Nearly 100% of the revenue from sub-memberships goes directly to our bottom line and returns a wealth of benefits for your choir members. **If each member refers two new sub-memberships, we have the revenue we need.**

Consider what your involvement in handbells has done for

you over the years and how Handbell Musicians of America has helped—a wealth of information in *Overtones*, member resources on our website, high-quality events, and the great fellowship and personal reward that comes from making music with other dedicated musicians. Is that worth a little extra each year? I think it is.

Give today at our website (click the Contribute link in the top right corner of our home page) or add a gift or sub-memberships to your annual membership renewal. The reward you receive in return is priceless.

*Jenny Cauborn*

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## **Handbell Musicians of America Profit & Loss October 2013 through Septmeber 2014**

<b>Income</b>		
	<b>Membership Dues</b>	381,836.83
	<b>Misc Administrative</b>	28,377.59
	<b>Music Publishing</b>	115,989.97
	<b>Event Registrations</b>	223,433.50
	<b>Event Sponsorships</b>	8,180.00
	<b>Event Other Income</b>	10,581.73
	<b>Contributions</b>	73,853.41
	<b>Investment Income</b>	43,206.45
	<b>Total Income</b>	885,459.48
<b>Cost of Goods Sold</b>		
	<b>Cost of Goods Sold</b>	14,397.43
<b>Total COGS</b>		14,397.43
<b>Gross Profit</b>		871,062.05
<b>Expense</b>		
	<b>Personnel Costs</b>	332,653.27
	<b>Office Operations</b>	69,143.43
	<b>Marketing Expenses</b>	4,238.53
	<b>Membership Services</b>	52,748.35
	<b>Overtones</b>	40,804.37
	<b>Board of Directors</b>	31,384.87
	<b>Past Presidents/Honorary Life</b>	5,818.17
	<b>Committees</b>	19,704.30
	<b>Depreciation Expenses</b>	13,152.84
	<b>Royalties</b>	30,545.40
	<b>Music Publishing</b>	25,611.32
	<b>Event Expenses</b>	236,002.82
	<b>Grants/Scholarships Given</b>	6,334.72
	<b>General Fundraising</b>	10,617.42
<b>Total Expense</b>		878,759.81
<b>Net Income</b>		-7,697.76