

## Annual State of the Guild Report

**I**N THE JANUARY/FEBRUARY 2015 ISSUE OF *OVERTONES*, I presented the first State of the Guild report since becoming Executive Director in 2006. In that report, I provided a financial report for the fiscal year that ended September 30, 2014 (FY2014), and attempted to explain the various revenue and expense categories of the report.

Since publishing that report, and through several meetings with the national board and the independent accounting firm that prepares our IRS 990 and year-end compilation report, the decision was made to improve the way that we report some of our revenue and expenses. Beginning with the first month of the last fiscal year (October, 2014) we began separating revenue and expenses related to restricted funds and investments from what we refer to as ordinary income and expenses. Ordinary income and expenses are items that affect our operating cash immediately and are not invested or restricted in any way. This method more accurately reports the true cash position of the organization.

In this issue you will find the financial report for the fiscal year that ended September 30, 2015 (FY2015). In addition, so you have an apples-to-apples comparison, I have restated fiscal year 2014 under the new format and included it with the 2015 report.

In reviewing the report, please note the following:

1. Total revenue reduced by approximately \$26,000. The line items with the largest reduction are:
  - Membership which came in 10% under FY2014.
  - Event Registrations came in 15% under FY2014, mainly due to a lower registration fee and registration numbers for Pinnacle.
2. However, we did see substantial revenue increases in two areas:
  - Other event income, which includes ticket sales for event concerts, extra meals at events, and, this year, the settlement paid by the Hilton Anatole for cancelling our contract for Pinnacle.
  - Contributions to our General Operating fund were up over the previous year. I attribute this to our proactive fundraising efforts in this area, which started with my State of

Guild report last year. Many of you stepped up and gave contributions in addition to your dues and event fees to support our mission and you helped make a difference!

3. Expenses were reduced overall by approximately \$46,000.
    - We saw reductions in all areas except Marketing, Personnel, and Event Expenses.
    - The additional expenses in Marketing are wholly related to the new Back to Bells Initiative launched last summer. This program provided free workshops in over 50 locations around the country for nearly 350 individuals.
    - The additional personnel expenses are primarily related to increases in health insurance costs.
    - The additional event expenses are related to the cost of moving Pinnacle to a new location and higher catering costs charged by the venue for Distinctly Bronze West. A new venue with lower fees was used for DB West this year.
    - The largest reductions in expense came in Office Operations, Board, and Committees. All of these are a result of the continued efforts by me, national staff, and board to find ways to save on basic expenses. Many are a direct result of the move to a virtual work environment for the staff and the sale of the office condo that housed the national headquarters.
- Despite our efforts at additional fundraising and reducing expenses, we continue to operate at a significant deficit. The national board has discussed this extensively and has developed strategies to overcome this shortfall, some of which have already been implemented, or will be in the next three to six months.

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# Executive Notes...

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## Plans for generating more revenue

- The most obvious move to increase revenue was the increase in membership dues that went into effect on October 1, 2015. We conservatively project an increase in bottom line revenue of approximately \$16,000 with this change.
- We are continuing the push for contributions to our general operating fund with the implementation of an Annual Campaign in the fall of 2015. This came in the form of the member story emails sent in October, November and December. We will continue the My Story features throughout the year and encourage members and other constituents to support us through charitable contributions. We have already received over \$16,000 in contributions for the current fiscal year. In the same time frame for FY2015, we had only received \$5,926 in contributions to our general operating account.
- The national board has established a development committee, chaired by past president John Pfeiffer. This group is already working on strategies for increasing charitable giving to the Guild.
- In May, we are introducing a new service available for members and nonmembers alike. We will begin offering live educational webinars and multi-week online courses in a variety of topics related to handbell musicianship. Details were announced in the March issue of *E-Notes* and are available on our website. These new educational opportunities will be offered for a fee, discounted for members, and provide a new training option for those not always able to attend events (as well as for those who do attend). Expenses are minimal so the majority of the revenue collected will go straight to the bottom line.

## Continued savings opportunities

- Effective January 1, 2016, a new printing and distribution agreement for AGEHR Music goes into effect with the Lorenz Company. This new agreement shifts the burden of printing costs to Lorenz, eliminating a large part of the up-front expense of maintaining our music inventory, thereby improving our cash flow position. In addition, Lorenz has streamlined their operations, implementing more efficient inventory control and less expensive printing methods, returning more revenue to the bottom line. We anticipate an increase in net revenue in music publishing in the range of 10-12%.
- Fiscal year 2016 will be our first full year without the expenses of the physical office. We sold the condo building over the summer of 2015, and all expenses were assumed by the purchaser as of October 1, 2015, in a lease to purchase agreement. The final closing date is March 25, 2016. During the lease term of the contract, the purchaser has assumed all utility, maintenance, and property tax expenses. This will obviously become permanent at closing, resulting in an additional \$12,000 annual savings in Office Operations.

- Now that we've completed a year in our virtual environment, we have a better understanding of what items need to be kept in an offsite storage unit. As such, we will be able to reduce the size of our storage unit by half beginning this spring, resulting in a lower rent for this space of roughly \$500 a year.
- We have invested in durable containers for all event supplies. These containers will provide not only a better storage option but also lower shipping costs for events. In addition, items shipped will be better protected against loss and damage. The savings in shipping alone will pay for the containers in two years. The containers also contribute to our ability to reduce the size of our long-term storage unit. Shipping savings and savings resulting from reduced loss and damage to shipped items will total approximately \$750-\$1000 each year.

In addition to the strategies outlined above, the board and staff continually explore ways to reduce expenses and generate revenue. Your continued support through membership dues, event registrations, and charitable gifts is imperative to our success.

If you have questions about the financial reports included with this article, please direct them to me at [jcauhorn@handbellmusicians.org](mailto:jcauhorn@handbellmusicians.org) or to any national board member at [board@handbellmusicians.org](mailto:board@handbellmusicians.org).

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# Handbell Musicians of America

## Profit & Loss

		Old Method	New Cash Method		
		FY2014	FY2014	FY2015	Variance
<b>Income</b>					
	Membership Dues	381,836.83	381,836.83	341,794.00	(40,042.83)
	Misc Administrative	28,377.59	28,412.58	27,405.38	(1,007.20)
	Music Publishing	115,989.97	115,669.94	111,987.20	(3,682.74)
	Event Registrations	223,433.50	223,433.50	207,679.00	(15,754.50)
	Event Sponsorships	8,180.00	8,180.00	3,690.00	(4,490.00)
	Event Other Income	10,581.73	10,581.73	32,983.00	22,401.27
	Contributions to Operating	73,853.41	7,910.49	24,018.30	16,107.81
	Investment Income	43,206.45			
<b>Total Income</b>		<b>885,459.48</b>	<b>776,025.07</b>	<b>749,556.88</b>	<b>(26,468.19)</b>
<b>Cost of Goods Sold</b>					
	Cost of Goods Sold	14,397.43	24,604.62	30,876.88	6,272.26
<b>Total COGS</b>		<b>14,397.43</b>	<b>24,604.62</b>	<b>30,876.88</b>	<b>6,272.26</b>
<b>Gross Profit</b>		<b>871,062.05</b>	<b>751,420.45</b>	<b>718,680.00</b>	<b>(32,740.45)</b>
<b>Expense</b>					
	Personnel Costs	332,653.27	337,399.27	342,223.25	4,823.98
	Office Operations	69,143.43	69,335.76	49,987.56	(19,348.20)
	Marketing Expenses	4,238.53	4,238.53	11,951.38	7,712.85
	Membership Services	52,748.35	52,748.35	47,412.25	(5,336.10)
	Overtones	40,804.37	40,804.37	38,849.97	(1,954.40)
	Board of Directors	31,384.87	31,384.87	19,045.46	(12,339.41)
	Past Presidents/Honorary Life	5,818.17	5,818.17	1,570.72	(4,247.45)
	Committees	19,704.30	19,704.30	12,794.13	(6,910.17)
	Depreciation Expenses	13,152.84	13,243.84	12,147.67	(1,096.17)
	Royalties	30,545.40	30,545.40	26,546.36	(3,999.04)
	Music Publishing	25,611.32	27,886.63	24,459.55	(3,427.08)
	Event Expenses	236,002.82	236,002.82	239,826.80	3,823.98
	Grants Given	6,334.72			
	General Fundraising	10,617.42	6,354.64	2,106.27	(4,248.37)
<b>Total Expense</b>		<b>878,759.81</b>	<b>875,466.95</b>	<b>828,921.37</b>	<b>(46,545.58)</b>
<b>Net Income</b>		<b>-7,697.76</b>	<b>(124,046.50)</b>	<b>(110,241.37)</b>	<b>13,805.13</b>

Other Income & Expense Not Reported Above					
<b>Other Income</b>	Donations		65,942.92	52,181.74	(13,761.18)
	Investment Income		43,206.45	(3,214.08)	(46,420.53)
<b>Total Other Income</b>			<b>109,149.37</b>	<b>48,967.66</b>	<b>(60,181.71)</b>
<b>Other Expense</b>	Grants & Scholarships Given		6,334.72	10,819.94	4,485.22
	Investment Fees		4,258.97	4,565.68	306.71
<b>Total Other Expense</b>			<b>10,597.49</b>	<b>15,385.62</b>	<b>4,788.13</b>
<b>Net Other Income</b>			<b>98,551.88</b>	<b>33,582.04</b>	<b>(64,969.84)</b>