

# AUDIT OF PUBLIC EVENTS – POPEJOY HALL

THE UNIVERSITY OF NEW MEXICO

Report 2015-11  
November 5, 2015



---

## **Audit and Compliance Committee Members**

Lt. General Bradley Hosmer, Chair  
Suzanne Quillen, Vice Chair  
Jack L. Fortner

---

## **Audit Staff**

Manilal Patel, Internal Audit Director  
Chien-Chih Yeh, Internal Audit Manager  
Bill Cottrell, Senior Auditor & Avedona Lucero, Senior Auditor  
Victor Griego, Senior Auditor

---

# CONTENTS

**EXECUTIVE SUMMARY ..... 2**

    Background ..... 2

    Governance ..... 2

    Financial Analysis ..... 2

    Development and Giving ..... 3

    Conclusion ..... 4

**INTRODUCTION..... 5**

    BACKGROUND ..... 5

    PURPOSE, SCOPE AND OBJECTIVES ..... 5

    PROCEDURES..... 5

**OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES ..... 6**

    Governance ..... 6

        Organizational Structure ..... 6

        Interviews with Board Members ..... 7

        Popejoy Hall Board Bylaws ..... 7

        Popejoy Hall Strategic Plan ..... 8

    Financial Analysis of Popejoy Hall Operations ..... 8

        Popejoy Hall Reserve Balances ..... 8

        Popejoy Hall Financial Review 2012-2015 ..... 9

        Ticket Sales by Show Series ..... 11

    Review of Popejoy Contracts..... 15

    Development and Giving ..... 16

        Non-Endowed Giving ..... 16

        Endowed Giving ..... 18

        Benefactor’s Lounge Cost Analysis..... 19

**APPROVALS ..... 21**

    Exhibit 1 ..... 22

Exhibit 2.....	23
Exhibit 3, cont. ....	26
Exhibit 4.....	27

## ABBREVIATIONS

Board.....	Popejoy Hall Board
FYE.....	Fiscal Year End
Internal Audit.....	University of New Mexico Internal Audit Department
I&G.....	Instruction & General
ISS.....	Institutional Support Services
Popejoy.....	Popejoy Hall
RFP.....	Request for Proposal
UAPP.....	University Administrative Policy and Procedure
University.....	University of New Mexico
UNM .....	University of New Mexico

## EXECUTIVE SUMMARY

### BACKGROUND

Popejoy Hall (Popejoy) is named after Thomas L. Popejoy, a University of New Mexico (UNM) Past-President from 1948-1968. Popejoy Hall first opened in the fall of 1966, and is currently in its 50<sup>th</sup> season as New Mexico's premiere live performance arts theater. The theater is the largest live theatrical venue in the New Mexico, seating close to 2,000 patrons, and hosting touring Broadway shows, symphony concerts, musical soloists, and world-renowned ballet and modern dance companies.

### GOVERNANCE

Popejoy is an auxiliary unit of UNM, and neither a separate entity nor a non-profit organization. The Popejoy Board is not a governing board, but rather is an advisory board that has no management responsibilities or duties. As an advisory board, the Popejoy Board's sole purpose is community outreach and fundraising.

### FINANCIAL ANALYSIS

Funding for Popejoy is primarily from ticket sales for theatrical presentations. For FY 2015, ticket sales were approximately \$6.9 million, or 81% of its total funding. Of the \$6.9 million in ticket sales, approximately \$5.8 million was from its Broadway shows, \$1 million from its Ovation series, and \$106,000 from its Schooltime series. Ticket sales fluctuate year to year due to the availability of top Broadway hit shows that are on tour and available to be booked by Popejoy.

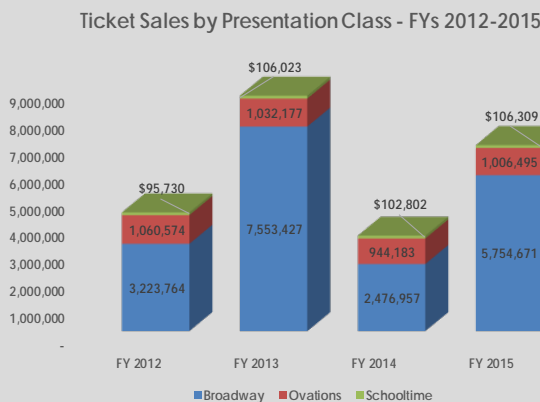
For FY 2015, Popejoy had overall expenses in excess of revenues of \$129,552.

Total Revenues	\$ 8,526,431
Total Expenses	<u>8,655,983</u>
Revenue < Expenses	<u>\$ (129,552)</u>

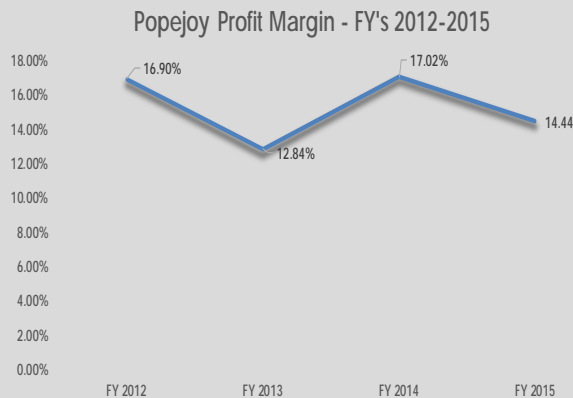
*Popejoy is currently in its 50<sup>th</sup> Season.*

*Popejoy's Board is primarily a fundraising Board.*

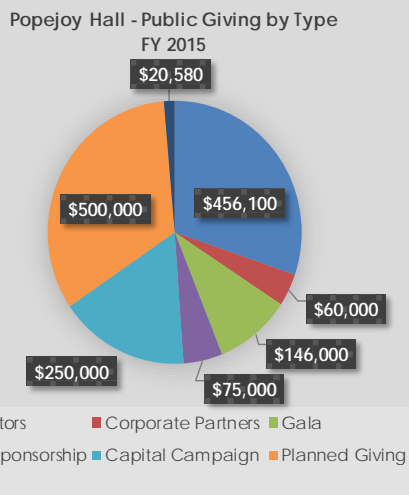
*Popejoy derives the majority of its revenues from ticket sales to its theatrical presentations.*



*Popejoy had expenses over revenues in FY 2015 of \$129,552. However on a gross margin basis, Popejoy is profitable.*



*Popejoy Hall is a University Founded – Community Funded organization*



*Source: Popejoy Hall Annual Report*

Although Popejoy had expenses in excess of revenues for the year, Popejoy showed a gross profit for FY 2015 due to the transfer of some funds from fundraising for the benefactor’s lounge.

The fluctuation in profit margin year to year occurs because Popejoy presents a top Broadway hit when available. These top Broadway hits have higher ticket prices, more shows per run, and higher attendance, which leads the higher gross profits for the years which have these shows. In the 2015-16 season, Popejoy will present 32 performances of *The Lion King*.

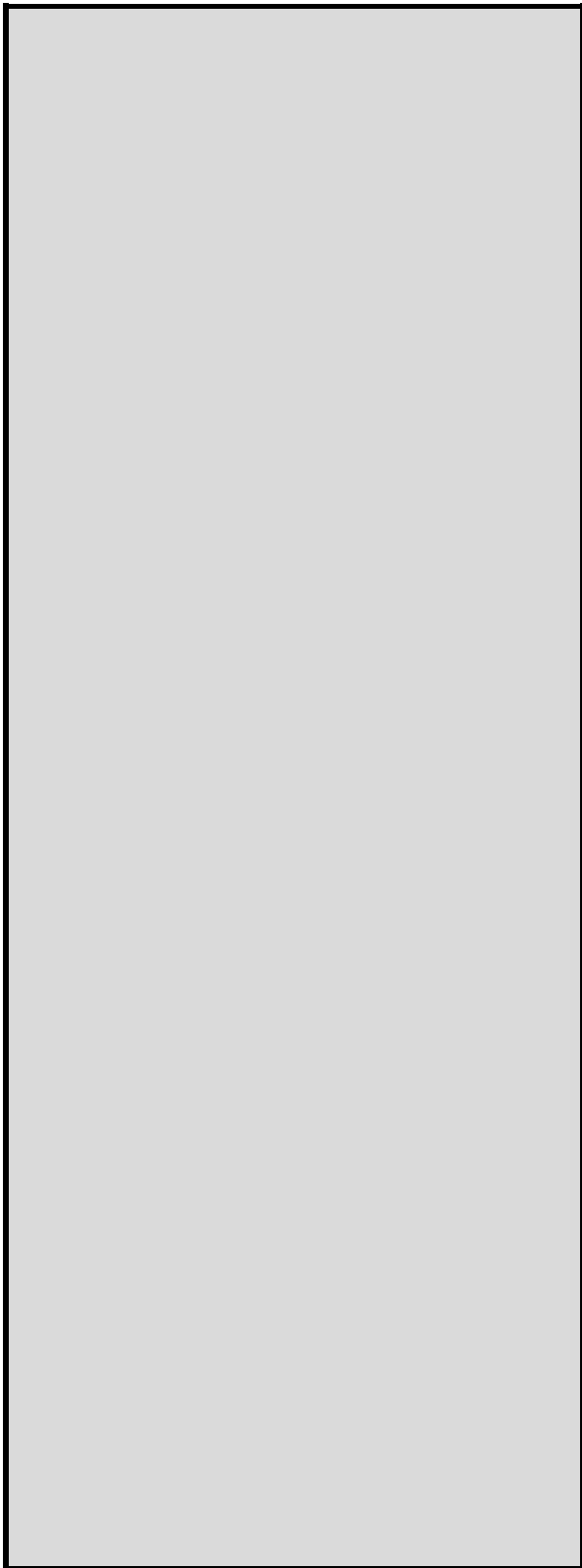
### DEVELOPMENT AND GIVING

Popejoy receives a significant portion of its funding from gifts and donations. During FY 2015, Popejoy received approximately \$702,000, or 8.2% of its funding from public support. During FY 2015, Popejoy also received an estate gift of \$500,000, and a pledge of \$250,000, each to be realized or collected at a future date. The estate gift is earmarked for Popejoy’s Schooltime Series, while the pledge was made to help fund the expansion of Popejoy’s Benefactor’s Lounge.

In FY 2015, Popejoy expanded its Benefactor’s Lounge. The Benefactor’s Lounge is a place for Popejoy donors to socialize before and after theatrical presentations. The cost of the expansion was as follows:

Funding of Benefactor’s Lounge	\$494,780
Cost of the Project	
<u>479,035</u> Fund Balance	\$
<u>15,745</u>	

The remaining fund balance will be available for future capital projects once the project is closed out.



### **Key Recommendations**

1. Popejoy Hall should review and revise the Board bylaws to clearly reflect the roles and terms served by Board members.

### **CONCLUSION**

Popejoy Hall as an organization is University founded and community funded. The majority of Popejoy's revenues derive from ticket sales to theatrical performances. In addition, Popejoy receives significant gift revenues from donors and benefactors for use in operations, and capital projects.

Competent management successfully coordinates with national production companies to schedule approximately 120 theatrical performances per year. Popejoy management is effectively coordinating and organizing its fundraising activities with the Popejoy Board.

Our review indicated that Popejoy has adequate internal controls in place for effective and efficient administration and to ensure compliance with laws, rule and regulations applicable to Popejoy. Internal Audit reviewed processes and conducted test work in the following areas and Popejoy is in compliance with:

- University policies – No exceptions noted.
- State procurement statutes – No exceptions noted.
- Donor's intent adhered to when expending gifts and donated funds.

---

# **INTRODUCTION**

## **BACKGROUND**

Popejoy Hall (Popejoy) is named after Thomas L. Popejoy, a University of New Mexico (UNM) Past-President from 1948-1968. The theater first opened in the fall of 1966, and is currently in its 50<sup>th</sup> season as New Mexico's premiere live performance arts theater.

Popejoy Hall is housed in the University of New Mexico Center for the Arts with four other facilities: Rodey Theatre, Keller Hall, Experimental Theatre "X," and the University Art Museum. These other theaters host events for the Departments of Music and Theatre & Dance in the College of Fine Arts, but are not part of Popejoy Hall operations. Popejoy Hall falls under the oversight of the UNM Institutional Support Services Department (ISS), while the other theaters and the Art Museum are under the oversight of the College of Fine Arts.

Popejoy Hall is the largest theatrical arts venue in New Mexico, seating close to 2,000 patrons. Popejoy Hall underwent a major renovation in 1996 and seating replacement in summer 2007. Today, Popejoy hosts touring Broadway shows, symphony concerts, musical soloists, artists of international caliber, world-renowned ballet and modern dance companies, and noted speakers from a broad spectrum of disciplines. Popejoy Hall is University founded, community funded, and relies heavily on donations from patrons of the arts in the local community.

## **PURPOSE, SCOPE AND OBJECTIVES**

The audit was selected per management request and focused on the following areas:

- Financial analysis of Popejoy Hall, including analysis of FYs 2012-2015 revenues, reserves and subsidies of Popejoy Hall
- Analysis of Popejoy Hall gifts and endowments
- Analysis of selected contracts, and review of facilities and equipment rental
- Review of Popejoy Hall governing instruments

## **PROCEDURES**

We performed the following procedures during the audit:

- Conducted interviews to gain an understanding of processes and controls; Internal Audit read written policies and procedures and interviewed management and staff at Popejoy Hall
- Performed financial analysis of Popejoy operations for FYs 2012-2015
- Sampled transactions and tested gifts received for compliance with donor intent
- Tested controls and compliance with UNM policies for gift receipts
- Sampled transactions and tested facilities and equipment rental revenue for proper accounting treatment
- Reviewed contracts and tested compliance with procurement policies



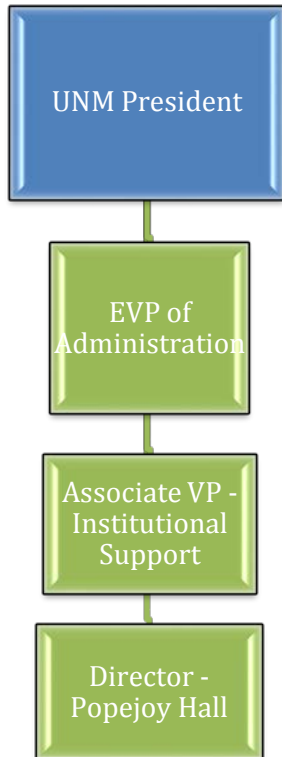
---

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## GOVERNANCE

### Organizational Structure

Popejoy Hall is organized under the Institutional Support Services Department of UNM. The full functional reporting is as follows:



The Director of Popejoy Hall reports to the Associate Vice President of Institutional Support Services, who also sits as Treasurer on The Popejoy Board.

Popejoy Hall is organized under the Institutional Support Services (ISS) Department of UNM, and is not a separate entity or non-profit organization. The Popejoy Board is not a governing board, but rather is an advisory board that has no management responsibilities or duties. The Board does not have any of the following duties, powers or responsibilities associated with a governing board:

- Fiduciary or legal responsibility to Popejoy Hall
- Ability to make financial decisions for Popejoy Hall
- Management guidance or binding advice to Popejoy management

In its capacity as an advisory board, the Popejoy Board's sole purpose is community outreach and fundraising.

### **Interviews with Board Members**

Internal Audit met with selected members of the Popejoy Board, including the President, Vice-President, Board Secretary, and the Treasurer, as well as other members of the Board. Each board members interviewed understood their roles as it relates to fundraising and community outreach. The board members are aware that as an advisory board they do not have management or oversight responsibilities over Popejoy. The board members coordinate with management, the Popejoy development officer, and the UNM Foundation in executing the strategic plan for Popejoy, focusing on the current Popejoy capital campaign and gifts for use in normal Popejoy operations.

### **Popejoy Hall Board Bylaws**

Certain provisions of the bylaws concerning the terms of the Board members seem to conflict. Article IV - Section F appoints Board members to three (3) one year terms, with the Board President serving two (2) two year terms. Additionally, members of the Governance Committee have the option to serve four (4) one year terms.

Article IV - Section G states a member of Board may be elected for a subsequent three (3) year term, immediately following the completion of the first term. However, it also states that after service on the Board for three (3) consecutive one year terms the Board member is not available for re-appointment for a period of one year.

The terms of all members of the Board are staggered, so that one-third (1/3) of the Board are appointed each year. An exception is the Board member elected to serve as Vice-President or President-elect in the second year of their second successive term may continue as a member of the Board while serving as President or Immediate Past President.

These provisions of the bylaws are confusing and somewhat conflicting and we recommend that the bylaws be reviewed and revised to more clearly reflect the terms served by Board members.

### **Recommendation 1**

Popejoy Hall should review and revise the Board bylaws to clearly reflect the roles and terms served by Board members.

### **Response from the Director of Popejoy Hall**

<b>Action Items</b>
<i>Targeted Completion Date: December 31, 2015</i>
<i>Assigned to: Popejoy Hall Director</i>
<i>Corrective Action Planned: We concur and will review and revise the Board bylaws to more clearly reflect the rules and terms served by Board Members.</i>

### **Popejoy Hall Strategic Plan**

The mission of the Popejoy Board is to secure and sustain resources in support of Popejoy Hall. In this capacity, the Popejoy Board assists in community fundraising toward realizing the strategic plan for Popejoy Hall. The focus of the strategic plan is capital improvements for the fifty year old Hall. The following are some of the proposed capital projects included in the strategic plan.

#### **Lower Level Lounge Renovations**

This renovation includes the creation of a corporate lounge, and the addition of two universal restrooms.

#### **Balcony Restroom Renovation**

This renovation includes all new fixtures and finishes.

#### **Artist Facilities**

- First floor green room and star dressing rooms
- Basement dressing rooms
- Second floor chorus dressing rooms

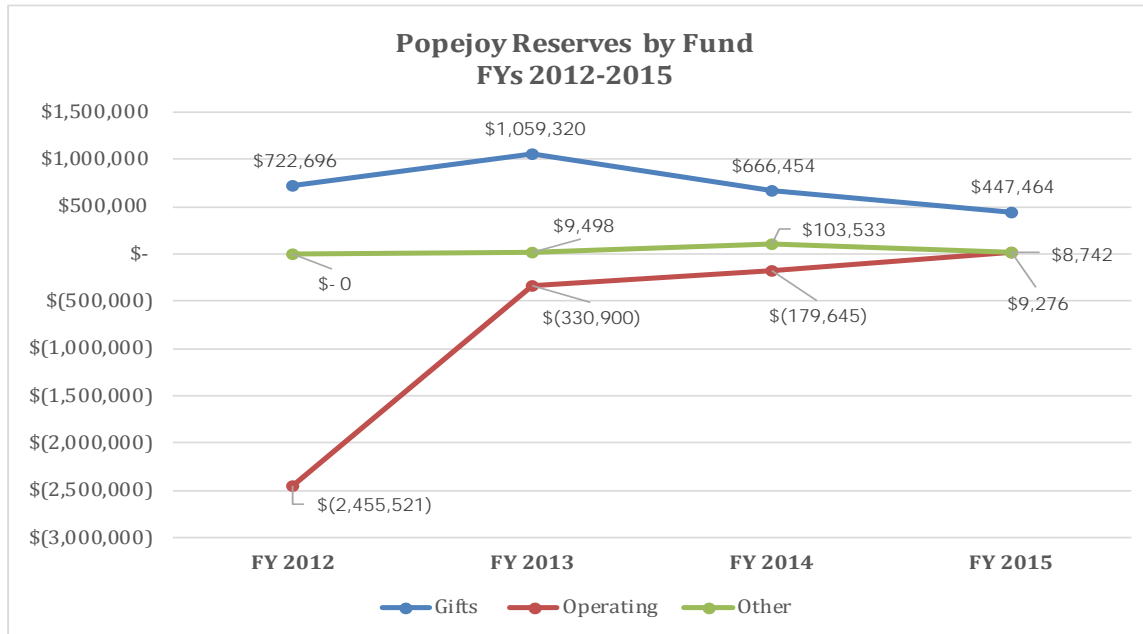
#### **Popejoy Hall Auditorium**

- Stage Rigging
  - Cable carriers for theatrical rigging system
  - Replacement of T-track system
- Stage Lighting
  - LED stage lighting
  - Automated lighting equipment
  - Lighting control console

### **FINANCIAL ANALYSIS OF POPEJOY HALL OPERATIONS**

#### **Popejoy Hall Reserve Balances**

Popejoy has three categories of reserves, including a development (Gifts) fund comprised of donations to Popejoy, the Operating fund, and an Other Reserves fund. The Other Reserves fund is a plant fund for special projects at Popejoy. The total deficit for FY 2012 was (\$1,732,825). The total reserve balance for FY 2013 was \$737,918; for FY 2014 was \$590,342; and for FY 2015 was \$465,483. The breakout of the reserves into the three funds for FYs 2012-2015 is presented in the following graph:

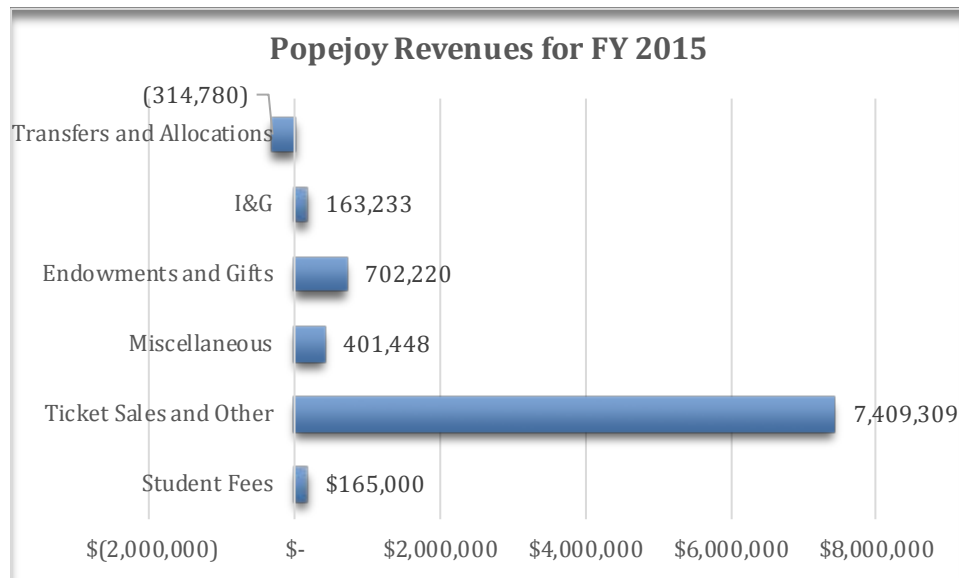


The deficits were accumulated over several years and predate current Popejoy management and initiation of fundraising. In FY 2013, Institutional Support Services, which oversees Popejoy, obtained an internal loan from the UNM Auxiliary fund's cash reserve to offset Popejoy's deficits. The loan will be paid off over a 15-year period at the Institutional Support level and will not be booked as an expense of Popejoy.

In FY 2015, the development fund balance decreased by approximately \$300,000 due to the transfer of funds to the UNM Planning, Design & Construction Department for the expansion of the Benefactor's Lounge. The development fund also decreased due to transfers to the Operating fund for use in Popejoy operations.

### **Popejoy Hall Financial Review 2012-2015**

Funding for Popejoy is primarily from ticket sales for presentations, totaling approximately \$6.9 million, or 81% of its total funding during FY 2015. Of the \$6.9 million in ticket sales, approximately \$5.8 million is from its Broadway shows, \$1 million from its ovation series, and \$106,000 from its Schooltime series (children's presentations). Popejoy also receives a significant portion of its funding from gifts and donations. During FY 2015, Popejoy received approximately \$702,000, or 8.2% of its funding from public support. Popejoy also received Instruction and General (I&G) funding of \$163,233 in FY 2015; however, this funding source will not recur in fiscal years after FY 2015.



“Ticket Sales and Other” refers primarily to ticket sales of approximately \$6.9 million, as well as Governmental Gross Receipts Tax, facility and equipment rental, and promotional ticket discounts.

“Transfers and Allocations” primarily consists of \$494,780 transferred to the Planning, Design and Construction Department for the expansion of the Benefactor's Lounge, and receipt of an \$180,000 auxiliary loan for deficit reduction.

Popejoy’s largest expenses are for the costs of providing its theatrical presentations. Cost of sales in FY 2015 was \$5,883,403, or 66% of total expenses. Cost of sales includes artist fees, promotion, and other professional services for its presentations. Popejoy’s next largest expense was for staff salaries and benefits, at \$1,286,011, or 15% of total expenses in FY 2015.

Popejoy expenses exceeded its revenues by (\$129,552) in FY 2015, and (\$113,673) in FY 2014 as shown in the table below:

	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>
Total Revenues	\$ 5,970,623	\$ 12,955,165	\$ 5,224,314	\$ 8,526,431
Total Expenses	<u>\$ 5,591,086</u>	<u>\$ 10,463,570</u>	<u>\$ 5,337,986</u>	<u>\$ 8,655,983</u>
Revenue over (under) expenses	<u>\$ 379,537</u>	<u>\$ 2,491,595</u>	<u>\$ (113,673)</u>	<u>\$ (129,552)</u>

See [Exhibit 1](#) for a detailed presentation of Popejoy Hall operations for FYs 2012-2015.

### **Institutional Subsidies of Popejoy Hall**

As an enterprise operation, Popejoy is expected to be self-sustaining; however, as is the case with many other University departments, Popejoy receives significant institutional support in the form of subsidies for utilities, physical plant maintenance, and landscaping, as well as for

financial support for past deficits. The following table details certain expenses that are paid for by other departments such as the Physical Plant Department, and Institutional Support Services.

**Other Institutional Support**

ISS Loan Repayment			\$ 92,910	\$ 92,910
Utilities	\$ 222,188	\$ 222,188	222,188	222,188
Maintenance	75,851	75,851	75,851	75,851
Landscaping	<u>3,535</u>	<u>3,535</u>	<u>3,535</u>	<u>3,535</u>
Total Subsidized Costs	<u>301,574</u>	<u>301,574</u>	<u>394,484</u>	<u>394,484</u>
Revenues over (under) expenses	<u>\$ 77,963</u>	<u>\$2,190,021</u>	<u>\$(508,157)</u>	<u>\$(524,036)</u>

See **Exhibit 2** for a detailed presentation of Popejoy Hall operations with subsidies for FYs 2012-2015.

To help offset accumulated deficits, Popejoy received an auxiliary loan of \$2,180,000 (\$2,000,000 on July 1, 2013; and \$180,000 on July 1, 2015). The purpose of the loan was to turn around the deficit in Popejoy Hall's reserve balances. Repayment of the loan is made by Institutional Support Services department on behalf of Popejoy Hall, with the annual payment of \$92,910 commencing on July 1, 2013. The annual loan payment will increase to \$102,201 on July 1, 2015.

Utilities, maintenance and landscaping costs are estimated. Electricity is directly metered to Popejoy Hall, while heating and cooling are allocated based on Popejoy Hall's square footage. Likewise, estimated annual costs for maintenance and landscaping are allocated based on Popejoy Hall's square footage.

The University also pays a portion of the general liability insurance and property insurance allocable to Popejoy Hall. The various insurance premiums cover UNM as a whole. There are several instances, however, where the university allocates premiums to individual auxiliary divisions, the Branch Campuses and the HSC. Overall, this can be viewed as the exception, since the portion of the allocable premiums, such as Popejoy Hall, is not easily determinable.

**Ticket Sales by Show Series**

For its feature presentations, Popejoy presents three main categories of shows:

- Broadway in New Mexico Series
- Ovation Series
- Schooltime Series

Each year, Popejoy presents approximately six premiere shows in the Broadway in New Mexico Series. The shows in the series are typically top touring Broadway shows and are presented in partnership with Magic-Space Entertainment in Salt Lake City, UT, a national production

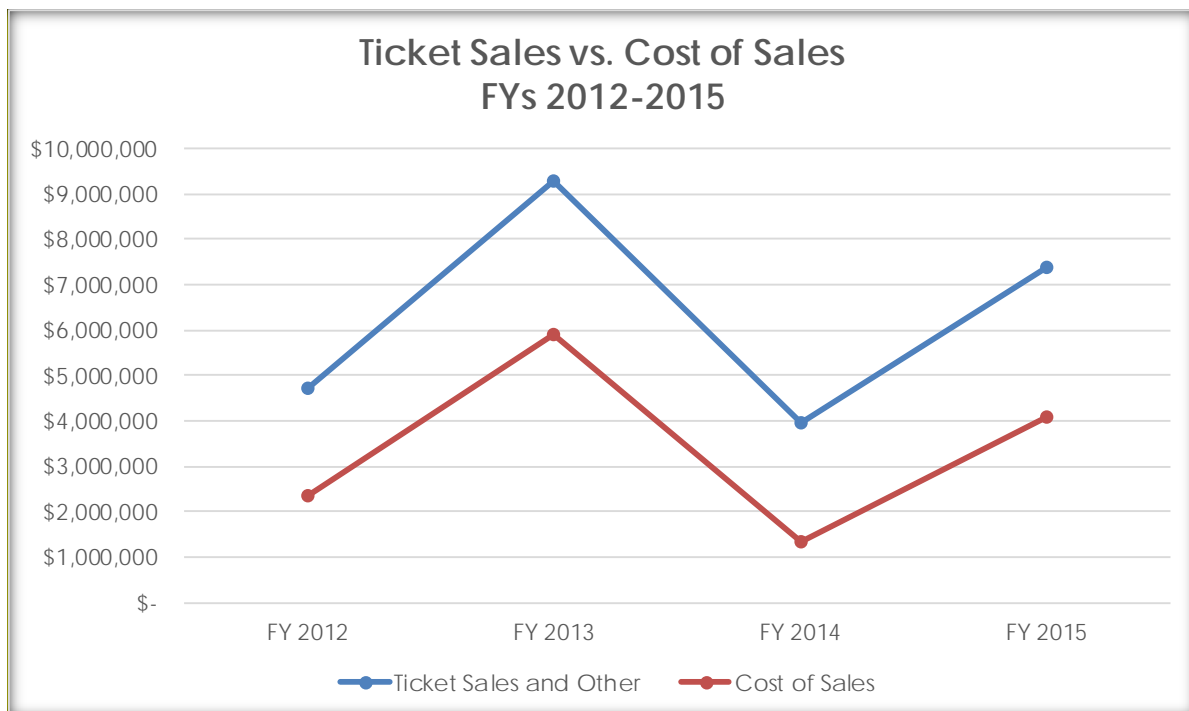
company that promotes Broadway shows to venues throughout the country. Generally, every other year the Broadway Series features a marquee production of a top selling Broadway hit show. In the 2013-14 season, the marquee Broadway production featured *Wicked*, the 2014-2015 marquee production was *Book of Mormon*, and in 2015-16, the marquee show will be *The Lion King*.

In addition to the Broadway Series, Popejoy Hall attracts some of the best touring artists available and showcases them through the Ovation Series, a yearly package of approximately 24 events representing Broadway musicals, dramas, dance, music and other cultural programming.

Popejoy Hall also serves as the performance venue for the Schooltime Series with cultural programs specifically for schoolchildren, serving over 58,000 students in 2014-2015. The Schooltime Series is an education and outreach program of Popejoy Hall aimed at striving to enrich, educate and entertain the community through the presentation of the performing arts. The Schooltime series program is designed to share the arts with the local community through three distinct goals:

- Develop and manage one of the nation's largest theater arts education programs designed for school-aged children
- Bring low-income seniors to Popejoy Hall to enjoy performances with others, and contribute to their quality of life and community
- Offer opportunities for local groups that serve at-risk and underserved communities to bring their constituents to performances for educational and social benefits

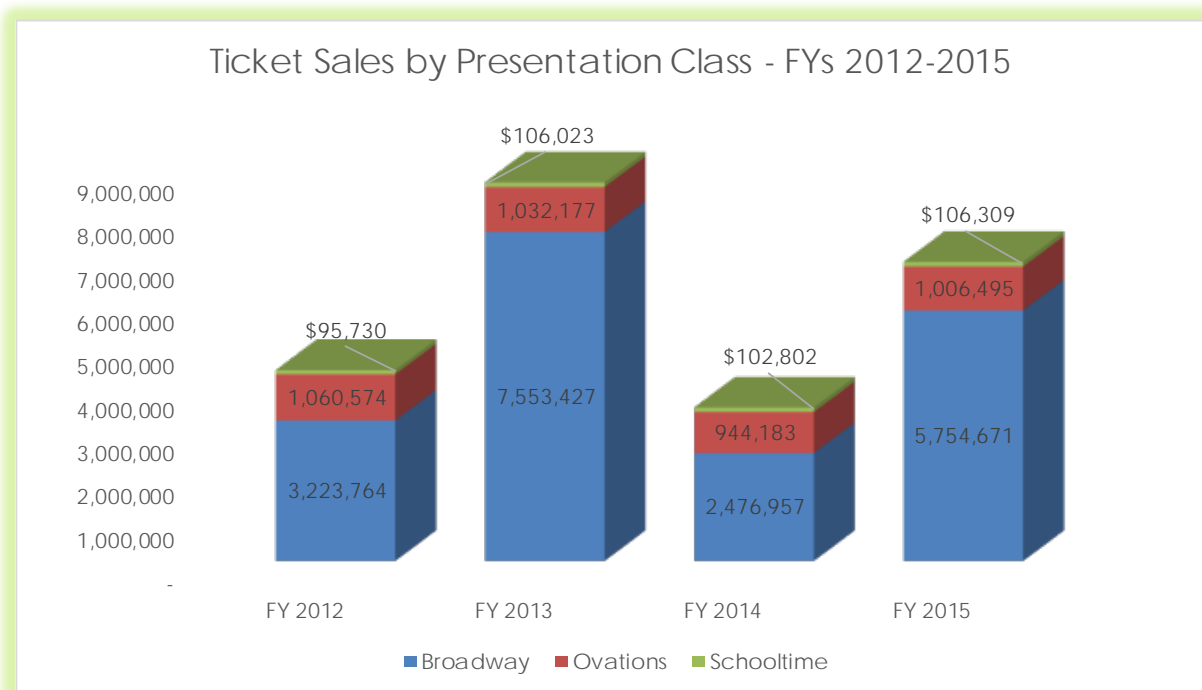
Each year, the education outreach program provides complimentary tickets to over 5,000 students and seniors.



Source: UNM MyReports

Ticket sale revenues in FYs 2013 and 2015 were significantly higher due to gross revenues generated from Popejoy's top two partnered presentations for the year. Popejoy presents a top Broadway hit every other year, with these shows being larger productions with longer runs, higher ticket prices, and higher attendance levels. Thus, the ticket sales fluctuate between years that have a top Broadway show run.

In FY 2013, the *Lion King* and *Jersey Boys* grossed approximately \$5.8 million; in FY 2015, *Wicked* and *The Grinch* grossed approximately \$4 million. The top two Partnered presentations in FYs 2012 and 2014 grossed approximately \$1.4 million (*Les Misérables* and *Mary Poppins*) and \$988,351 (*War Horse* and *Addams Family*), respectively. Ticket sales from the Broadway series shows are the primary source of theatrical presentation revenue accounting for 84% of sales for FY 2015. Ticket sales by presentation series during FYs 2012-2015 are presented in the graph below.

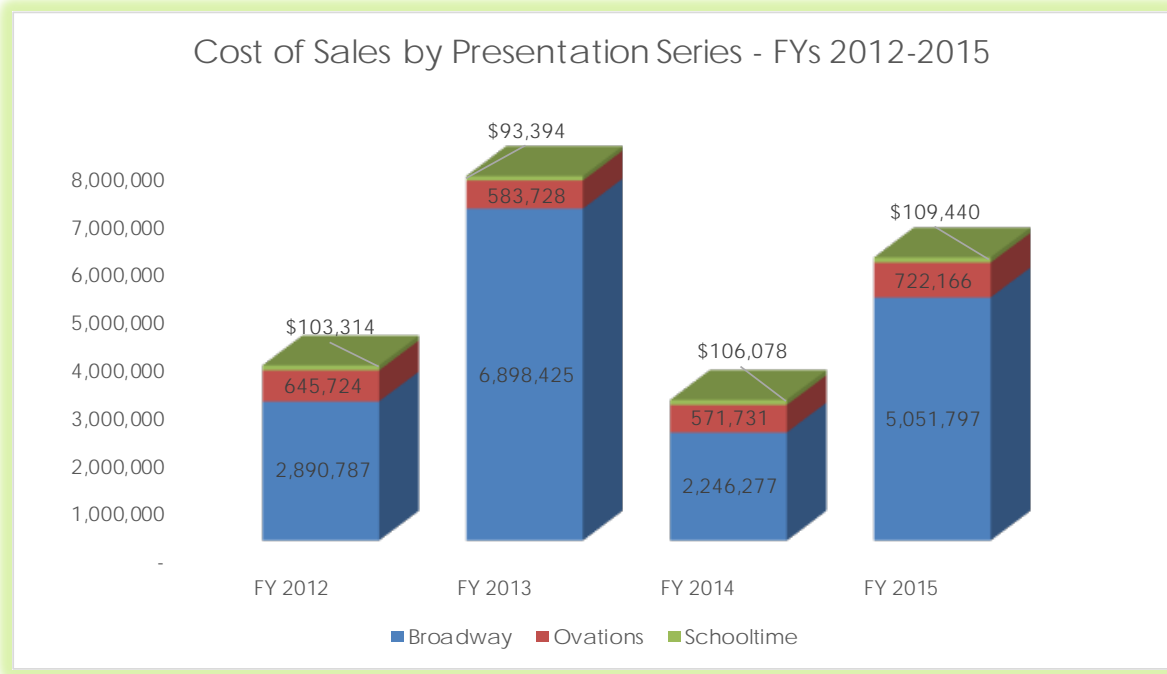


Source: UNM

MyReports

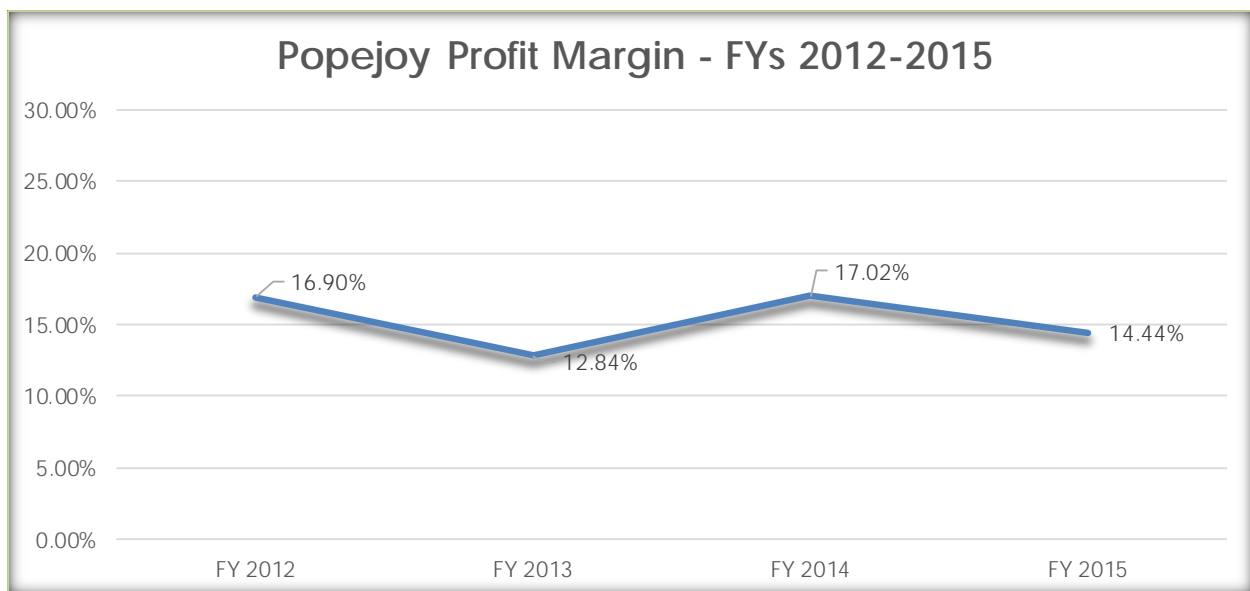
Cost of sales is made up of several cost components, the primary component being artist fees paid to the production company. Other costs included in cost of sales are production costs, other professional services, marketing and promotion expenses, and credit card fees. Cost of sales in FYs 2013 and 2015 were significantly higher due to the costs associated with the top Broadway hit shows presented during those years. Cost of sales from the Broadway series make up the primary cost of sales amount, accounting for 86% of total cost of sales for FY 2015. Cost of sales by theatrical presentation series during FYs 2012-2015 is presented in the graph below.





Source: UNM MyReports

Although the profit margin is lower when Popejoy presented *Lion King* (FY 2013) and *Wicked* (FY 2015), total gross profit for these years were significantly higher due to higher ticket prices and more showings of these larger presentations. Gross profits were \$1,116,080 and \$984,072 in FYs 2013 and 2015 compared to \$740,243 and \$599,856 in FYs 2012 and 2014. The following chart presents the combined gross profit margin of all theatrical presentations by Popejoy for FYs 2012 -2015.



Source: UNM MyReports

See **Exhibit 3** for a detailed presentation of the ticket sales and gross profit of individual shows in each theatrical series for FY 2015. Note that while both the Broadway Series and Ovation Series shows are profitable on a gross margin basis, the Schooltime Series shows generally operate at a loss. This is due to the community service nature of the Schooltime Series, the lower ticket prices and the number of complimentary tickets given away.

## **REVIEW OF POPEJOY CONTRACTS**

Internal Audit reviewed the largest of Popejoy's labor contracts for compliance with certain state laws and contract procedures. Specifically, the review focused on whether the contracts were compliant with the Davis-Bacon Act, and whether bidding companies were properly awarded in-state preference points. We also reviewed the Request for Proposals (RFPs) and any protests entered by other candidates that were not awarded the contract.

Popejoy's largest labor contract is for Stage Services, Inc., a local company that contracts for stagehand services for all Popejoy's live theater performances. Stagehand services include various functions related to theatrical presentations such as carpentry, electrical work, spotlight operations, sound engineering, rigging, loading, and stage crew supervision and stage management. The amount paid on the contract for FY 2015 was approximately \$538,000.

Based on RFP #1212-9, the Stage Services, Inc. contract was issued in September 2008, and was extended on an annual basis over eight years to end in June 2016. Popejoy will send out a new Request for Proposal for these services during FY 2016.

The results of our review were as follows:

- The RFP scoring categories did not mention preference for in-state bidders
- The Davis-Bacon Act does not apply to this contract
- Two protests filed by the losing bidder were researched, addressed, and found to be without merit. Final decisions were timely communicated in writing by the UNM Chief Procurement Officer to the company that filed the protests
- No audit exceptions to the review were noted

## **Other Revenues**

*Facilities Rental* - Popejoy facilities are available for rental to outside entities and other UNM departments, including events supported by the UNM President's Office. UNM Departments are charged a nominal rental rate of \$1,000 plus stage labor costs associated with the facility rental. In general, outside rentals are documented by a formal rental agreement and consist of a \$3,500 base rate to outside organizations, up to \$1,500 additional rent based on ticket sales less facility fees, a \$2,000 fee for rehearsal usage, and any credit card fees associated with ticket sales. Popejoy collects an advance payment for the rental, and after the performance, a settlement sheet is prepared. Any outstanding balance is collected from or paid to the renter. For FY 2015, facilities rental fees totaled \$189,778.

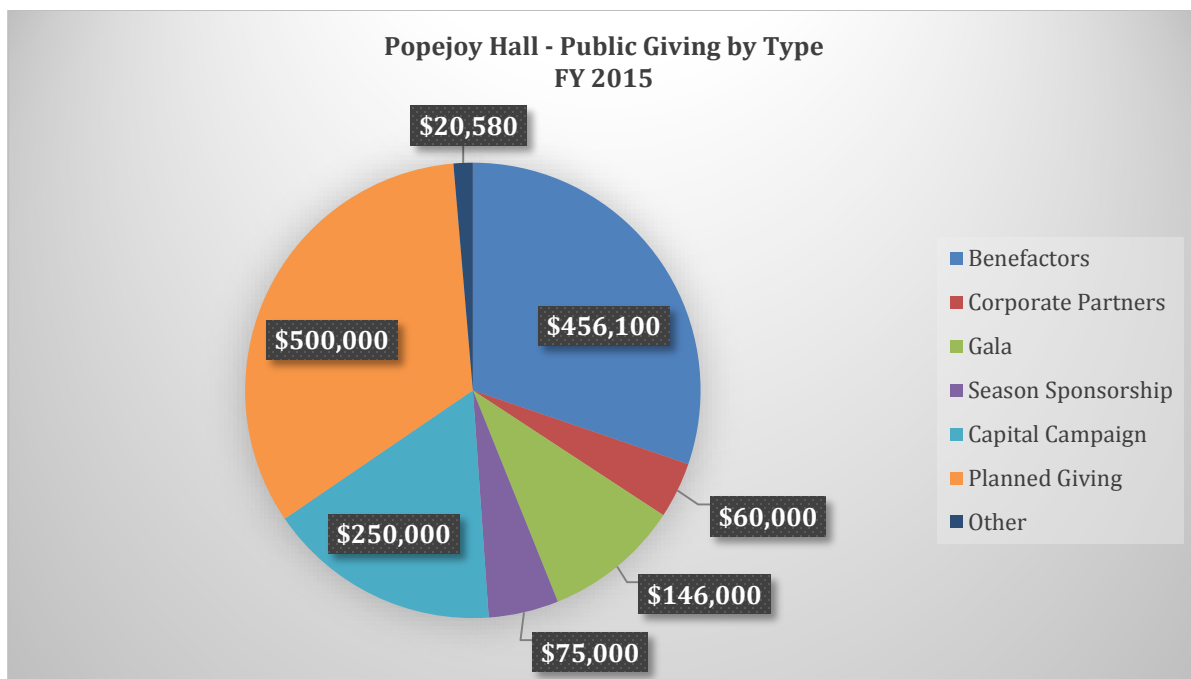
*Equipment Rental* – Popejoy Hall owns unique stage lighting and sound equipment that is available for rental to outside entities. Equipment rentals are not advertised and are generally executed upon request. Each rental is quoted on a case by case basis. Documentation of the agreement is informal, and is generally completed via email with regard to initial request for equipment rental and quoted fees. The amount settled upon is invoiced by Popejoy and payment is received and recorded in Banner. For FY 2015, equipment rental fees totaled \$33,480.

Internal audit conducted tests of rental revenue to ensure amounts were collected in accordance with rental agreements, receipts were posted to correct indices, and funds were timely deposited in accordance with University Administrative Policy and Procedure (UAPP) 2000. No audit exceptions were noted.

## DEVELOPMENT AND GIVING

### Non-Endowed Giving

Popejoy relies heavily on donations and gifts from its patrons and the general public to support its operations. The following chart presents public giving by type to Popejoy for FY 2015.



Source: UNM Popejoy Hall

The \$500,000 Planned Giving amount is an estate gift from Judi Mersereau, a longtime patron and employee of Popejoy Hall. This generous gift will be realized in the future and is designated for support of the Schooltime Series, at the request of Ms. Mersereau. The \$250,000 Capital Campaign amount is a pledged gift from Mrs. Margaret Moses Branch, which will be collected in the future, and is designated to help fund the recent expansion of the Benefactor's Lounge.

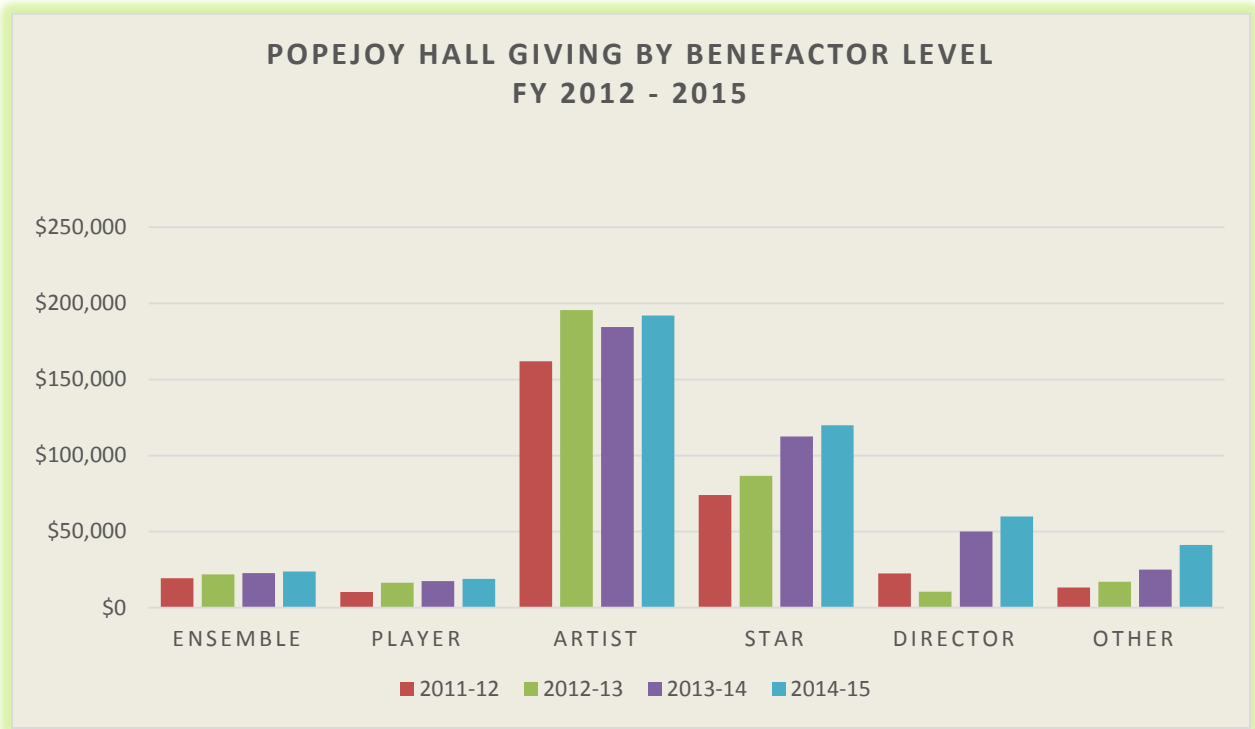
The sources of public giving to Popejoy and the internal processing of the gift receipts are presented in **Exhibit 4**. Internal Audit performed walkthroughs of the gift receipt processes and conducted testing of receipts to verify appropriate posting of the gifts to the proper accounts. No audit exceptions were noted.

*Popejoy Hall Benefactor Program*

The Benefactor Program is the foundation of Popejoy fundraising efforts. Giving levels begin with the Chorus Level at a \$100 donation annually, up to the Patron of the Arts Level at a \$15,000 annual donation. Each of the levels of giving come with unique benefits to the patron. Depending upon the level of financial support, the Benefactor Program benefits include private dinners hosted by Popejoy Hall, premium passes to Broadway in New Mexico Series' shows, photo opportunities in Popejoy Hall playbills, backstage tours, and meet and greet sessions with the Broadway (and often Hollywood) stars. The following are the different levels of support under the Benefactor Program:

- Patron of the Arts - \$15,000 and above
- Producers' Circle - \$10,000 and above
- Directors' Circle - \$5,000 and above
- Stars' Circle - \$2,500 and above
- Artists' Circle - \$1,500 and above
- Player - \$500 and above
- Ensemble Level - \$250
- Chorus Level - \$100

The most popular level of support is the Artists' Circle which is the level at which the patron is granted access to the Benefactor's Lounge, a popular venue for socializing before and after show presentations and during show intermissions. Giving under the Benefactor Program for FYs 2012-2015 is presented in the graph below.



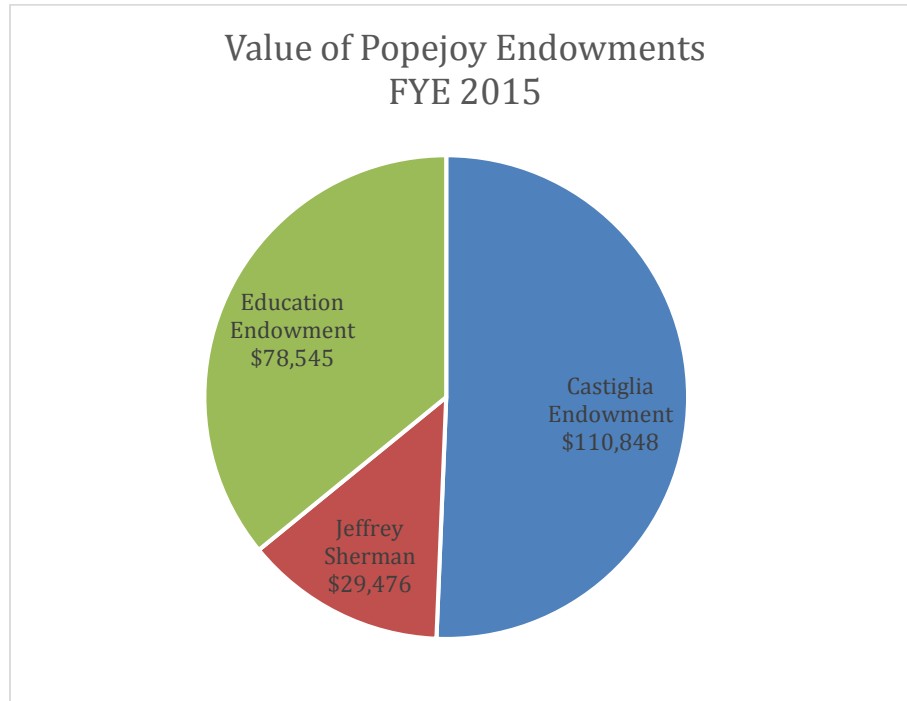
Source: UNM Popejoy Hall

### Popejoy Hall Annual Gala

Each year, Popejoy produces its annual fund raising gala entitled “A Taste of Broadway.” Usually held in June, the gala is an evening of fine dining, dancing, and live entertainment, along with a lively auction for the benefit of Popejoy Hall. The gala usually has different corporate sponsorship each year, and patrons and donors can also purchase varying levels of sponsorship packages ranging from \$2,500- \$10,000. Tables of ten and individual tickets are also available. In FY 2015, the gala raised a total of \$146,000 for the benefit of Popejoy Hall.

### Endowed Giving

Popejoy has three longtime endowments: the Jeffery Sherman Memorial Scholarship, the Gene and Marion Castiglia Endowment for the Popejoy Children’s Schooltime Series, and the Education Endowment. The Castiglia Endowment was established in 2010 with the purpose of supporting “Popejoy Hall’s acclaimed ‘Schooltime Series,’ the largest performing arts education program in New Mexico.” The Jeffery Sherman Endowment dates back to the 1960’s and was established to provide scholarships to students working at Popejoy Hall. The balances in the endowments for FYE 2015 are presented in the chart below.



Source: UNM Foundation

#### Donor Intent Test Work

In FY 2015, Popejoy received spending distributions from the Castiglia Endowment of \$4,142, and from the Jeffrey Sherman Endowment of \$1,101. Internal Audit conducted test work on the endowed spending distributions for FY 2015. For each endowment spending distribution, all transactions agreed to the supporting documentation, each disbursement was in compliance with donor intent, and all funds were recorded in the correct accounting index.

Internal Audit also selected a sample of gift receipts from non-endowed gift revenue accounts and tested whether the transactions in Banner agreed with supporting documentation. Internal Audit also tested whether the transactions were recorded in the proper accounting index and if they complied with any donor restrictions. No audit exceptions were noted.

#### Benefactor's Lounge Cost Analysis

In fiscal year 2015, Popejoy initiated a capital project to expand the Benefactor's Lounge. The project is complete, but a final reconciliation is contingent upon minor finishing work yet to be complete. The funding of the capital project was from donated funds as follows:

Poole Estate	\$301,159
Margaret Branch Pledge	<u>193,621</u>
Total Funding	<u>\$494,780</u>

The Poole Estate donated \$301,159 toward the Benefactor Lounge expansion, and Margaret Branch pledged \$250,000 for the capital project, of which \$193,621 was used to complete the

project. The funds were transferred from Popejoy Hall to the UNM Planning, Design and Construction Department to manage the construction project.

Although the Benefactor's Lounge has been constructed, the project at UNM Planning Design & Construction is not yet closed. Below are the cost details as of October 2015.

Funding of project	\$494,780
Architect/engineering costs	60,776
General contractor cost	380,875
Administration fee	25,000
Miscellaneous costs*	<u>12,384</u>
Total spend to date	<u>\$479,035</u>
Fund Balance	<u>\$ 15,745</u>

\*Note: Miscellaneous costs of \$12,384 consist of such items as Controls for HVAC, thermostats and valves, utilities spotting, and soils and materials testing.

The remaining balance in the Benefactor's Lounge capital project fund is approximately \$15,745. When all costs have been finalized and the actual balance determined, the remaining funds will be returned to Popejoy.

Per the UNM Planning, Design and Construction Department, the project is under the Davis Bacon Act, but UNM does not have the responsibility for certifying compliance with the Act. Compliance with state law on wage rates are the responsibility of the general contractor. Internal Audit reviewed documents submitted by the general contractor to the Planning, Design and Construction Department. Internal Audit did not note any exceptions.

---

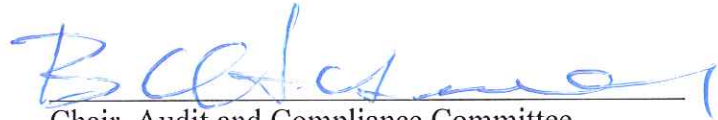
APPROVALS



---

Manu Patel, CPA  
Director, Internal Audit Department

Approved for Publication



---

Chair, Audit and Compliance Committee



**UNM Popejoy**  
**Summarized Revenues and Expenses Analysis**  
**Presented without Subsidies**  
**As of June 30,**

	2012	2013	2014	2015
<b>Revenues</b>				
Student Fees	\$ 93,388	\$ 118,769	\$ 125,095	\$ 165,000
Ticket Sales and Other	4,909,357	9,324,100	4,003,754	7,409,309
Miscellaneous	180,056	332,797	173,697	401,448
Endowments and Gifts	631,980	1,030,068	771,573	702,220
I&G	149,736	149,730	149,730	163,233
Transfers and Allocations	6,106	1,999,700	465	(314,780)
Change in Reserves	-	-	-	-
<b>Total Revenues</b>	<b>\$ 5,970,623</b>	<b>\$ 12,955,165</b>	<b>\$ 5,224,314</b>	<b>\$ 8,526,431</b>
<b>Expenses</b>				
Staff	\$ 642,253	\$ 659,613	\$ 698,738	\$ 785,738
Student	123,721	146,071	183,747	216,863
Benefits	175,757	216,288	239,726	283,410
<b>Total Labor</b>	<b>\$ 941,731</b>	<b>\$ 1,021,972</b>	<b>\$ 1,122,211</b>	<b>\$ 1,286,011</b>
<b>Non-Labor</b>				
Supplies	\$ 104,304	\$ 222,489	\$ 106,381	\$ 134,373
Professional Services	577,811	865,422	656,752	770,881
Scholarships and Awards	1,500	1,375	1,500	1,245
Promotions and Marketing	422,147	730,969	470,776	698,227
Governmental Gross Receipts Tax	219,088	434,814	176,283	343,477
Services and Fees	330,905	509,712	401,781	467,001
Cost of Sales	2,798,450	6,155,445	2,183,313	4,669,062
Travel	28,783	37,940	35,654	36,580
Communications	22,830	50,552	27,370	27,987
Repairs and Maintenance	21,594	215,211	40,421	43,364
Capital	13,746	53,724	5,765	113,300
Other	108,197	163,945	109,778	64,475
<b>Total Non-Labor</b>	<b>\$ 4,649,355</b>	<b>\$ 9,441,598</b>	<b>\$ 4,215,775</b>	<b>\$ 7,369,972</b>
<b>Total Expenses</b>	<b>\$ 5,591,086</b>	<b>\$ 10,463,570</b>	<b>\$ 5,337,986</b>	<b>\$ 8,655,983</b>
<b>Banner Revenues over (under) expenses</b>	<b>\$ 379,537</b>	<b>\$ 2,491,595</b>	<b>\$ (113,673)</b>	<b>\$ (129,552)</b>
Reserves, beginning of the year	\$ (2,114,395)	\$ (1,732,824)	\$ 737,918	\$ 590,344
Reserves Adjustment <sup>1</sup>	\$ 2,034	\$ (20,853)	\$ (33,902)	\$ 4,692
Reserves, end of year	<b>\$ (1,732,824)</b>	<b>\$ 737,918</b>	<b>\$ 590,344</b>	<b>\$ 465,483</b>

Source: UNM MyReports

<sup>1</sup> Reserve adjustment represents an adjustment to eliminate net revenues/losses related to restricted Endowments. Net revenues/losses from these restricted funds are not closed to unrestricted reserve accounts in Banner and must be eliminated for unrestricted reserves to roll from year to year.

**Exhibit 1**

**UNM Popejoy**  
**Summarized Revenues and Expenses Analysis**  
**Showing Other Institutional Support**  
**As of June 30,**

	2012	2013	2014	2015
<b>Revenues</b>				
Student Fees	\$ 93,388	\$ 118,769	\$ 125,095	\$ 165,000
Ticket Sales and Other	4,909,357	9,324,100	4,003,754	7,409,309
Miscellaneous	180,056	332,797	173,697	401,448
Endowments and Gifts	631,980	1,030,068	771,573	702,220
I&G	149,736	149,730	149,730	163,233
Transfers and Allocations	6,106	1,999,700	465	(314,780)
Change in Reserves	-	-	-	-
Total Revenues	<u>\$ 5,970,623</u>	<u>\$ 12,955,165</u>	<u>\$ 5,224,314</u>	<u>\$ 8,526,431</u>
<b>Expenses</b>				
Staff	\$ 642,253	\$ 659,613	\$ 698,738	\$ 785,738
Student	123,721	146,071	183,747	216,863
Benefits	175,757	216,288	239,726	283,410
Total Labor	<u>\$ 941,731</u>	<u>\$ 1,021,972</u>	<u>\$ 1,122,211</u>	<u>\$ 1,286,011</u>
<b>Non-Labor</b>				
Supplies	\$ 104,304	\$ 222,489	\$ 106,381	\$ 134,373
Professional Services	577,811	865,422	656,752	770,881
Scholarships and Awards	1,500	1,375	1,500	1,245
Promotions and Marketing	422,147	730,969	470,776	698,227
Governmental Gross Receipts Tax	219,088	434,814	176,283	343,477
Services and Fees	330,905	509,712	401,781	467,001
Cost of Sales	2,798,450	6,155,445	2,183,313	4,669,062
Travel	28,783	37,940	35,654	36,580
Communications	22,830	50,552	27,370	27,987
Repairs and Maintenance	21,594	215,211	40,421	43,364
Capital	13,746	53,724	5,765	113,300
Other	108,197	163,945	109,778	64,475
Total Non-Labor	<u>\$ 4,649,355</u>	<u>\$ 9,441,598</u>	<u>\$ 4,215,775</u>	<u>\$ 7,369,972</u>
Total Expenses	<u>\$ 5,591,086</u>	<u>\$ 10,463,570</u>	<u>\$ 5,337,986</u>	<u>\$ 8,655,983</u>
<b>Banner Revenues over (under) expenses</b>	<b>\$ 379,537</b>	<b>\$ 2,491,595</b>	<b>\$ (113,673)</b>	<b>\$ (129,552)</b>
<b>Other Institutional Support</b>				
ISS Loan Repayment <sup>1</sup>			92,910	92,910
Utilities <sup>2</sup>	222,188	222,188	222,188	222,188
Maintenance	75,851	75,851	75,851	75,851
Landscaping	3,535	3,535	3,535	3,535
Total Subsidized Costs <sup>3</sup>	<u>301,574</u>	<u>301,574</u>	<u>394,484</u>	<u>394,484</u>
<b>Total Revenues over (under) expenses</b>	<b><u>77,963</u></b>	<b><u>2,190,021</u></b>	<b><u>(508,157)</u></b>	<b><u>(524,036)</u></b>
Reserves, beginning of the year	\$ (2,114,395)	\$ (2,034,398)	\$ 134,770	\$ (407,288)
Reserves Adjustment <sup>4</sup>	\$ 2,034	\$ (20,853)	\$ (33,902)	\$ 4,692
Reserves, end of year	<u>\$ (2,034,398)</u>	<u>\$ 134,770</u>	<u>\$ (407,288)</u>	<u>\$ (926,633)</u>

Source: UNM MyReports

**Exhibit 2**

<sup>1</sup> Popejoy received an auxiliary loan of \$2,180,000 (\$2,000,000 on July 1, 2013; and \$180,000 on July 1, 2015) from the UNM Auxiliary fund's cash reserves. The purpose of the loan was to turnaround the deficit in Popejoy Hall's reserve balances. Repayment of the loan is made by the Institutional Support Services division on behalf of Popejoy Hall, with the annual payment of \$92,910 commencing on July 1, 2013. The annual loan payment will increase to \$102,201 on July 1, 2015.

<sup>2</sup> Utilities, Maintenance and Landscaping costs are estimated. Electricity is directly metered to Popejoy Hall, while heating and cooling are allocated based on Popejoy Hall square footage. Likewise, estimated annual costs for maintenance and landscaping are allocated based on Popejoy Hall square footage.

<sup>3</sup> The University also pays a portion of the general liability insurance and property insurance allocable to Popejoy Hall. The various insurance premiums cover UNM as a whole. There are several instances, however, where the university allocates premiums to individual auxiliary divisions, the Branch Campuses and the HSC. Overall, this can be viewed as the exception, since the portion of the allocable premiums, such as Popejoy Hall, is not easily determinable.

<sup>4</sup> Reserve adjustment represents an adjustment to eliminate net revenues/losses related to restricted Endowments. Net revenues/losses from these restricted funds are not closed to unrestricted reserve accounts in Banner and must be eliminated for unrestricted reserves to roll from year to year.

**Exhibit 2, cont.**

**UNM Public Events/Popejoy Hall**  
**Gross Profit by Individual Show - Grouped by Presentation Series**  
**FYE 2015 (2014-2015 Season)**

Broadway Series	Number of Performances	Ticket Sales <sup>1</sup>	Cost of Sales				Total Cost	Gross Profit
			Artist Expenses	Production Costs	Marketing Costs	Credit Card Fees		
						0	0	
Wicked	24	3,167,246	2,180,469	270,327	378,050	95,920	2,924,766	242,480
How the Grinch Stole Christmas	10	799,396	570,857	78,334	66,126	23,550	738,867	60,529
Chicago	6	481,747	325,534	49,390	42,556	13,828	431,308	50,439
Blue Man Group	3	301,378	221,943	25,475	11,792	9,057	268,267	33,111
Camelot	6	361,750	226,808	25,777	44,764	10,077	307,426	54,324
Mamma Mia	3	272,299	182,187	24,742	32,582	8,070	247,581	24,718
Million Dollar Quartet	6	370,856	253,495	17,767	45,431	10,415	327,108	43,748
Variance/reconciling items							(193,526) 2	193,526
Totals	58	5,754,672	3,961,293	491,812	621,301	170,917	5,051,797	702,875

Ovation Series	Number of Performances	Ticket Sales <sup>1</sup>	Cost of Sales				Total Cost	Gross Profit
			Artist Expenses	Production Costs	Marketing Costs	Credit Card Fees		
Over the Rainbow	1	19,184	15,000	3,528	6,639	471	25,638	(6,454)
ABBA Mania	1	39,563	25,000	3,621	7,322	1,043	36,986	2,577
Manhattan Transfer	1	52,938	27,000	6,694	7,208	1,373	42,275	10,663
Pilobolus	1	57,343	21,000	9,330	8,391	1,520	40,241	17,102
Wuthering Heights	1	33,555	18,100	2,766	7,083	867	28,816	4,739
Mariachi Christmas	1	43,609	18,000	4,258	7,216	1,169	30,643	12,966
Kingston Trio Xmas	1	35,130	16,000	2,705	7,146	929	26,780	8,350
Irish Christmas	1	58,390	22,000	4,747	9,499	1,525	37,771	20,619
Sleeping Beauty	1	70,448	21,000	8,681	2,823	1,837	34,341	36,107
Cirque Zuma Zuma	1	48,700	13,050	3,051	1,918	1,320	19,339	29,361
Downton Abbey	1	29,188	10,500	1,342	7,340	754	19,936	9,252
Canadian Brass	1	56,043	25,000	1,660	7,167	1,461	35,288	20,755
Shaolin Warriors (cancelled)	0	0	0	0	2	0	2	(2)
Ira Glass	1	52,936	40,000	1,794	6,875	1,402	50,071	2,865
Stormy Weather	1	41,780	19,500	4,114	8,707	1,071	33,392	8,388
HMS Pinafore	1	63,024	24,000	6,928	8,298	1,598	40,824	22,200
Women of Ireland	1	45,014	22,500	4,706	8,976	1,173	37,355	7,659
Mark Twain Tonight	1	64,970	31,643	4,101	6,911	1,683	44,338	20,632
Hit Men	1	30,578	17,500	4,316	7,972	766	30,554	25
Midsummer's Night Dream	1	41,850	20,400	6,659	6,600	1,083	34,742	7,108
Martha Graham Dance	1	47,075	25,000	7,724	6,784	1,204	40,712	6,363
David Sedaris	1	75,176	40,000	2,009	6,602	2,011	50,622	24,554
Variance/reconciling items							(18,499) 3	18,499
Totals	21	1,006,494	472,193	94,733	147,479	26,260	722,166	284,328

**Exhibit 3**

School Time Series	Number of Performances	Ticket Sales <sup>1</sup>	Artist Expenses	Cost of Sales			Total Cost	Gross Profit
				Production Costs	Marketing Costs	Credit Card Fees		
							0	0
Letters Home	2	2,074	6,500	1,390	485	16	8,391	(6,317)
Berenstain Bears	2	6,600	5,500	1,278	485	129	7,392	(792)
Pilobolus	1	3,383	5,600	1,549	485	45	7,679	(4,296)
Adventures of Robin Hood	2	4,857	6,175	1,500	485	67	8,227	(3,370)
Nutcracker	3	11,053	6,250	5,057	501	195	12,003	(950)
Doktor Kaboom!	2	5,830	4,200	1,051	501	84	5,836	(6)
Mariachi Christmas	2	6,886	4,500	2,928	501	127	8,056	(1,170)
Schoolhouse Rock Live	2	6,370	6,000	2,786	501	91	9,378	(3,008)
Flat Stanley	2	5,728	6,000	3,198	570	71	9,839	(4,111)
Cirque Zuma Zuma	2	7,019	2,500	1,698	570	122	4,890	2,129
Paige in Full	1	2,541	4,300	1,165	570	24	6,059	(3,518)
Lilly's Purple Purse	2	6,709	5,700	1,525	570	106	7,901	(1,192)
Teacher from the Black Lagoon	2	6,981	4,800	1,091	570	69	6,530	451
Banana Slug String Band	2	6,082	5,000	1,094	715	106	6,915	(833)
Nelson Illusions: Smoke and Mirr	2	6,070	5,100	2,661	715	108	8,584	(2,514)
Dino-Light	2	7,196	5,500	1,257	715	116	7,588	(392)
A Midsummer Night's Dream	1	3,697	2,000	2,481	710	50	5,241	(1,544)
Treasure Island	2	7,232	5,880	1,049	710	127	7,766	(534)
Variance/reconciling items							(28,836)	3
Totals	34	106,308	91,505	34,758	10,359	1,654	109,440	(3,132)
Grand Totals	113	6,867,474	4,524,991	621,303	779,139	198,831	5,883,403	984,071

Source: UNM Popejoy Hall

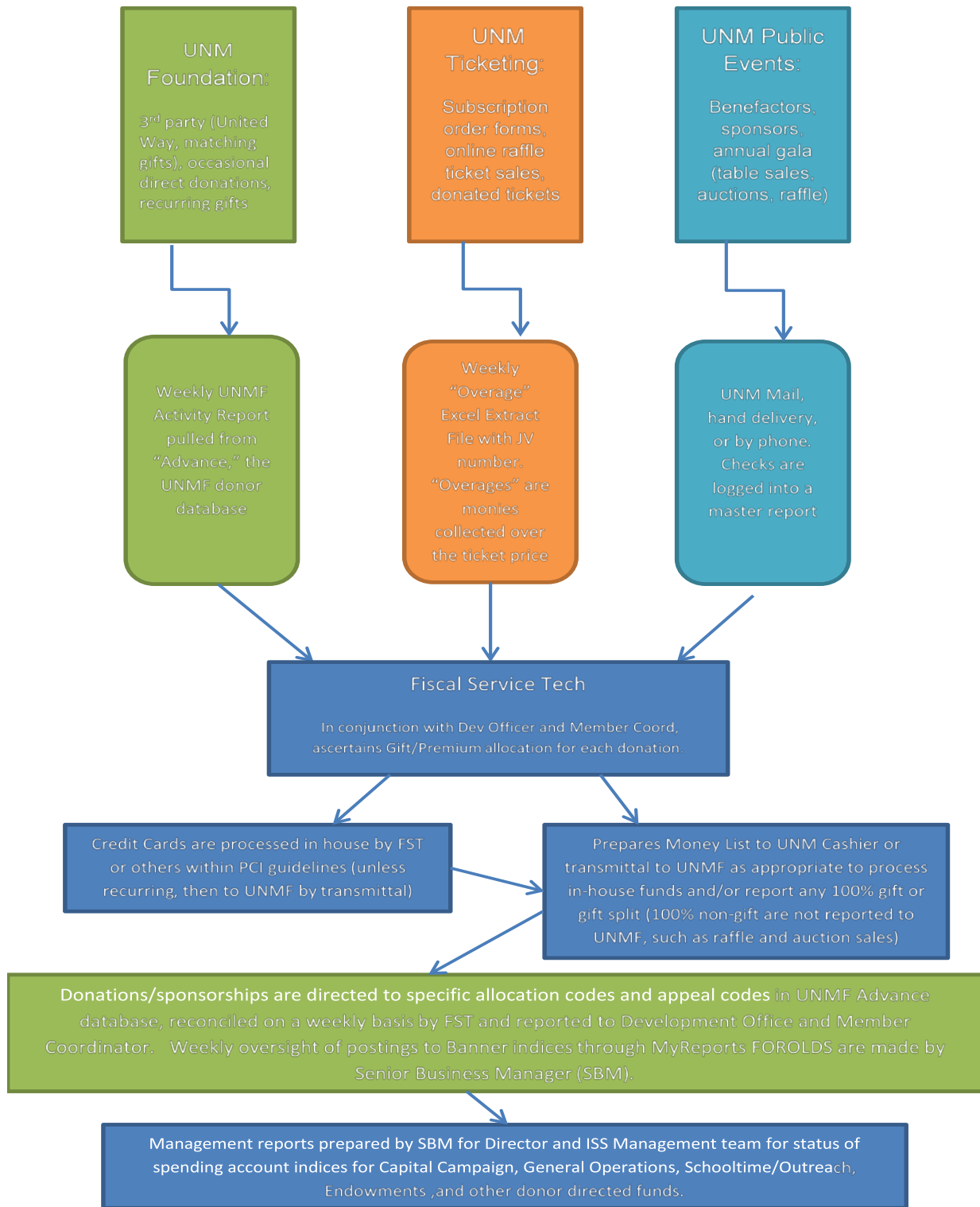
<sup>1</sup> Ticketing office reports all show tickets at face value, which includes a Facility Fee of \$3.00 and NM State Governmental Gross Receipts Tax of 5%. Ticket sales are presented here net of the facilities fee and gross receipts tax.

<sup>2</sup> Variance/reconciling items are due to rent of \$174,000 and \$19,526 of non-allocated marketing expenses included in Popejoy's internal cost of sales but is not separately recorded in a Banner cost of sales account.

<sup>3</sup> Variance/reconciling items is due to non-allocated marketing expenses included in Popejoy's internal cost of sales but is not recorded separately in a Banner cost of sales account.

**Exhibit 3, cont.**

**Popejoy Hall  
Source/Processing of Donated Funds  
2015-11**



**Exhibit 4**