**Annual Meeting**

**Treasurer's Report**

**June 19, 2017**

I am happy to have the have the opportunity to present the Treasurer's report tonight. I am grateful to Len Berman, the assistant treasurer, and my fellow officers for their work on the budget and finances and would like to convey a special thank you to our Controller, Polina Berdich, who works tirelessly and does a terrific job.

One of our goals is to provide you with financial transparency and best-in-class financial practices in the non-profit world. I am pleased to report that our audit committee, led by Moshe Fruchter, worked with our independent accounting firm, Loeb & Troper, to complete The Jewish Center's 2016 audited financial statements. The JC once again received an unmodified opinion. On behalf of all of the officers, I would like to thank Moshe and the other members of the audit committee, Harriet Gordon Wagman, Howard Brodie and Scott Black, for their dedication and support. As Scott will become an officer, we are in the process of searching for a suitable replacement for him on the audit committee.

Before I offer details on our 2017 budget, I would like to remind you of two guiding principles that are at the core of the budget allocation process. First, our goal is to not only remain a leading and vibrant Modern Orthodox institution but to constantly enhance the overall membership experience. To that end, we try to be attuned to the membership wishes and to address members' priorities while maintaining a balanced budget.

Second, we aim to be prudent and conservative in our budgeting while improving the visibility of our budget. This is not always easy to achieve, given the costs of maintaining an 11-story 100 year-old building, an Upper West Side location and the wide array of programming required by various interests of a diverse community. Still, we've managed to achieve this second principle as well.

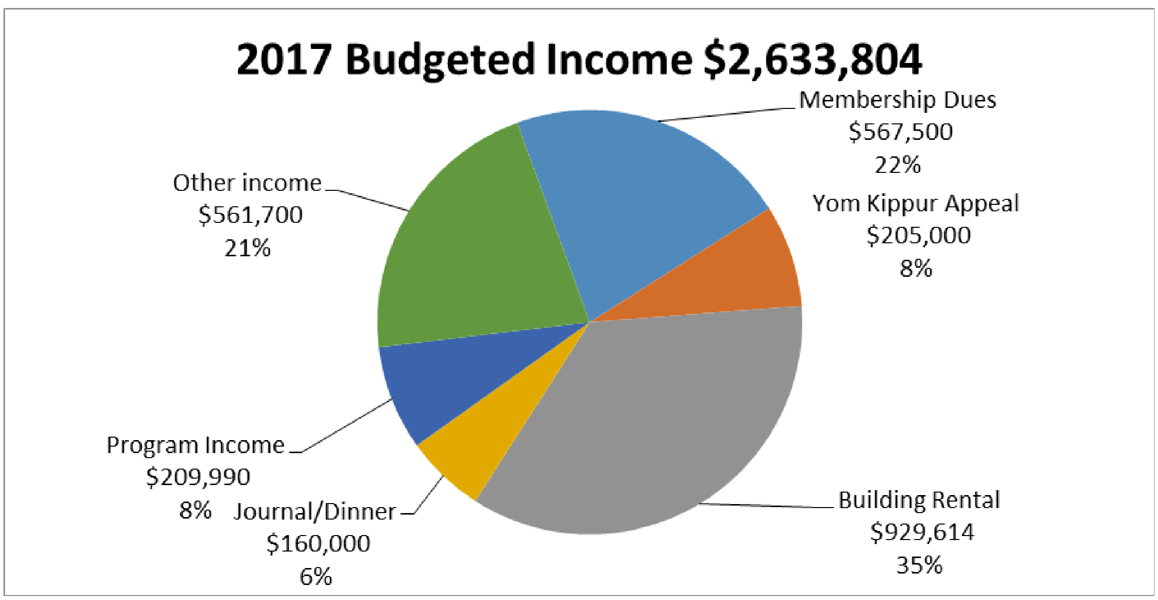
We ended 2016 with a surplus of $117,000, which comes to about 5% of our budget. The surplus can be equally attributed to stronger-than-budgeted income and lower-than-budgeted expenses. The better-than-expected income was largely the product of (a) improvement in membership dues, which were roughly 10% better than the prior year and the budget and (b) One Gift contributions, which improved by 66% year-on-year and were 25% above budget.

While we are very pleased with these results, I would like to remind the membership that our budget is a cash budget, with income and expenses recorded at the time the cash income or outlay occurs, as opposed to when it is accrued or incurred. In 2016, this was a positive, in the sense that we were able to collect several prior-year receivables during the year.

The main drivers for below budget expenses in 2016 were (a) administrative salaries (b) the annual dinner and (c) program expenses. As a reminder, at last year's membership meeting the officers highlighted the need for better expense discipline as well as in collection of pledges. I am happy to report that we were able to live up to this target and want to thank the office and staff for their diligence and attentiveness regarding expenses last year. Administrative salary expenses were 8% below budget as a result of the Programming director position, which has been vacant since last summer.

I would now like to review with you our 2017 operating budget. The budget reflects the costs of providing unparalleled pastoral care, learning, services, events and programming for our diverse demographic base, as well as the sources of funding these costs.

## 2017 Budgeted Income



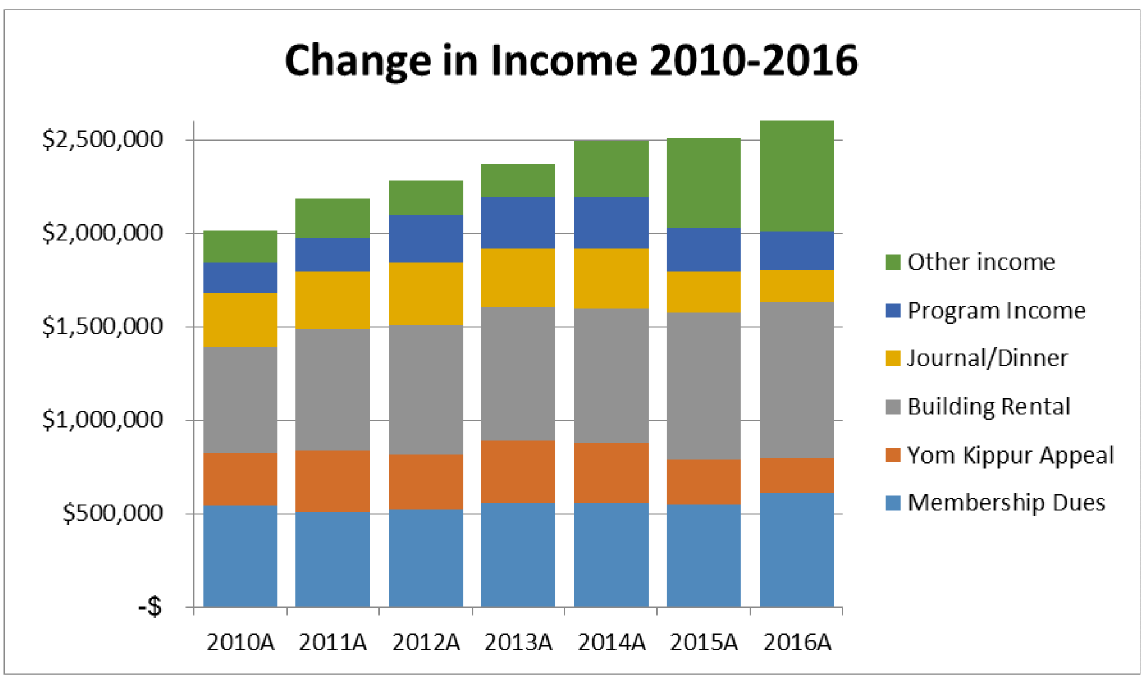

As you can see in the Income pie chart above, membership dues, although a significant commitment on all our parts, cover only about 20% of The Jewish Center operating budget income while income from the Annual Dinner and Yom Kippur Appeal accounts for roughly another 15% of the total. Note that the Dinner and Yom Kippur Appeal account for a considerably smaller portion of overall income compared to prior years, while the Other Income category, which now accounts for over 20% of the budget, has grown. These changes reflect the roll-out of the One Gift Program. I would note that we are budgeting a $43,000 decrease in One Gift donations in 2017, $367,000, for 2017. This decrease is merely a function of a collection catch up from prior years in 2016. I would like to emphasize that we carefully follow and analyze One Gift contributions to ascertain that they are accretive to overall income.

Program income accounts for a little less than 10% of our budgeted income for the year. As a reminder, with the notable exception of the Youth Department, we strive to have a neutral budget for most of our programming.

Combined, the five income categories above account for 65% of The Jewish Center income budget, exhibiting how very significantly The Jewish Center relies on all of us, not only for payment of membership dues but also for participation in the Annual Dinner, Yom Kippur appeal, sponsorship and other donation opportunities.

The last source of income, Building Rental, is expected to generate just over a third of The Jewish Center's 2017 income. Ideally, we would aim to have a larger percentage of our operating budget come from member donations and to allocate more of our building rental income for capital improvements and reserves. Reserves amounted to $94,000 at year-end 2016 but have been built back up to around $180,000 as of May of this year.

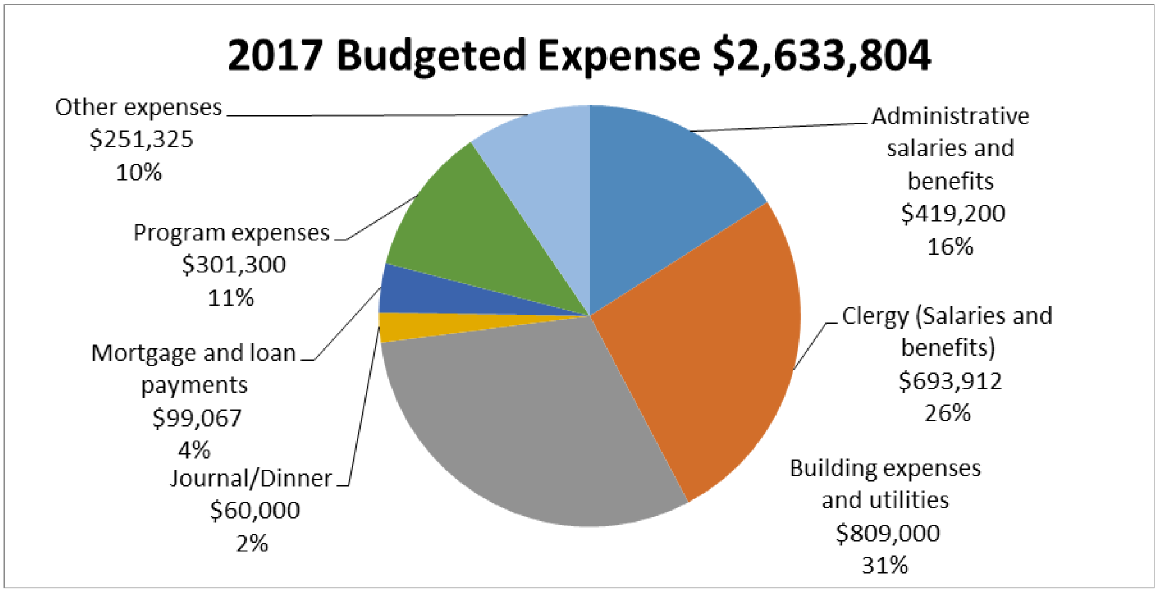
We had tapped into our reserves in 2016 to fund some of the upfront costs associated with the Centennial capital campaign, and 2016's surplus replenished these reserves. Though we have not yet officially launched our Centennial capital campaign, contributions have already begun to come in through a soft launch, and we have roughly $300,000 in our segregated Centennial account.



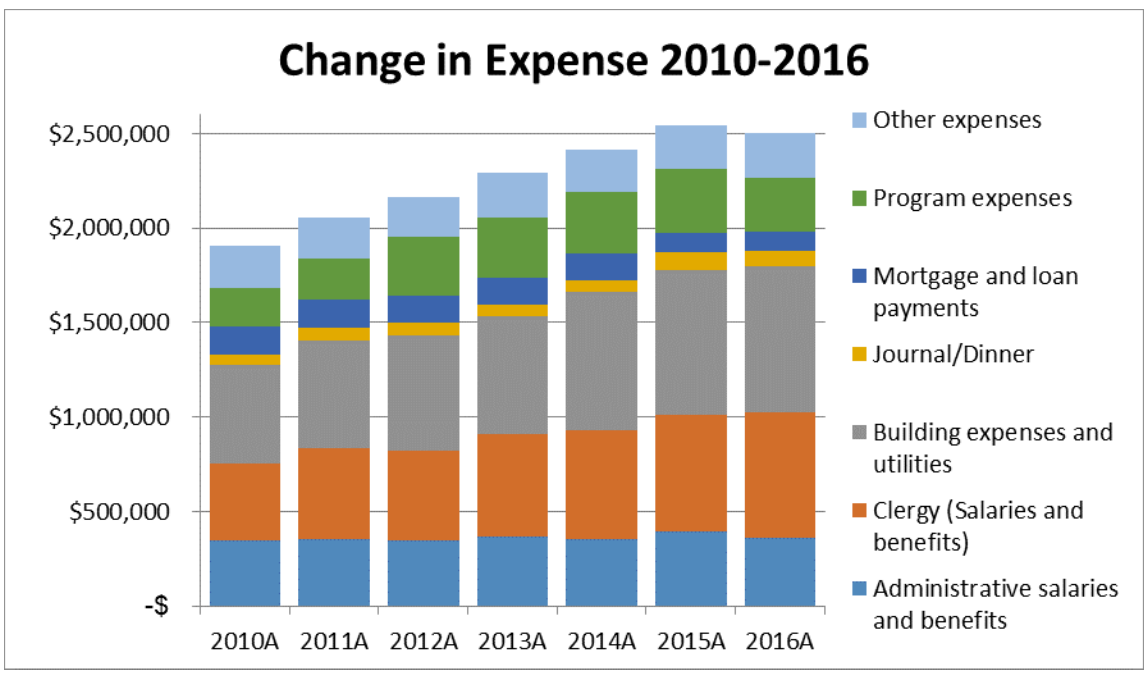

Since 2010, our income annual growth rate income has been 4%. The fastest growing sources of income have been Other Income (+24%) and Building Rental (+7%). Save for

2015, we recorded a surplus over each of the years over the measured time period, used to build up our reserves.

## **2017 Budgeted Expenses**




The Expenses pie chart above indicates that physical plant costs (utilities, maintenance, security, service, repairs, etc.) represent over a third of expenses – included interest charges on our mortgage. Programming accounts for over 10% of expenses. 42% of all expenses are related to clergy and administrative salaries and benefits. The remaining 12% of expenses are divided over various categories.



Since 2010, the our personnel compensation expense lines have grown at an average annual rate of 5%, the annual Building and Mortgage expense lines have grown by 7% on average and our Program and Other expenses have grown at an average annual rate of 5%. Mortgage costs have decreased as a result of the payment of one loan and refinancing of another loan.

With the goal of cutting expenses where possible and increasing income, we are hoping with your help to build up reserves. Looking forward, we would be grateful for your participation in coming up with new ideas on these fronts. Until such time as our reserves are adequate, we are heavily dependent on prompt payment of dues and pledges in order to continue to offer the quality program offering and to support our seasonal cash flow. Please feel free to contact me or any of the officers at officers@jewishcenter.org with any questions, suggestions or ideas.