

## **Annual Meeting**

### **Treasurer's Report**

**June 17, 2020**

Welcome to the first ever (and hopefully last) “virtual” Zoom Treasurer’s Report! On the bright side, at least we saved a bit on the printing costs...

As will be discussed below, the current situation has made the preparation and monitoring of our budget extremely challenging this year, and for that I owe a great deal of gratitude to my fellow officers, our Controller, Polina Berdich, and our Executive Director, Aaron Strum, all who have worked tirelessly in maintaining a semblance of order during a period of potential chaos. As you will see, while our shul will certainly face financial challenges in the months ahead, we find ourselves relatively well-situated due in no small part to the efforts all of those listed above, which gives me great confidence that we will emerge from this pandemic financially healthy and ready to return to a sense of normalcy.

### **2019 Financial Statements & Operating Results**

One of our goals is to provide you with financial transparency and achieve best-in-class financial practices in the non-profit world. This marked the second year we have worked with our outside auditors, S. Adelsberg & Co. While the process for preparation of the 2019 financial statements has generally proceeded smoothly, the Covid pandemic has delayed their finalization. We anticipate that the statements will be completed in the near future and that we will once again receive an unmodified opinion. On behalf of all of the officers, I would like to thank Meir Rotenberg and Lyat Salomon for their work on the Audit Committee.

We ended 2019 with essentially a balanced budget, incurring a \$20,843 operating deficit, which represented less than 7/10 of 1% of the budget. Significantly, on the expense side, 2019 marked the final year of payments relating to NYC’s “Local Law 11,” which mandates our building’s inspection every 5 years. Approximately \$63,000 of these expenses were paid from the operating budget, and this line item (along with the façade washing which was fully paid for in 2019) should not recur for the next several years. Apart from the Local Law 11 expenses, however, general building expenses and utility costs continue to increase substantially year over year on account of increases in the maintenance contract, security costs and other items. While, as discussed below, this

year's expenses in this category will most likely be lower on account of us being temporarily away from the building, once we return, these costs will continue to escalate over the next few years and this is an area that the Board continues to monitor closely. Unlike building expenses, 2019 saw a decrease in clergy and administrative salaries and benefits due, in part, to the departure of our chazzan and certain changes in office staff. Depending on how we choose to proceed moving forward, these expenses will increase going forward.

On the income side, membership dues, dinner/journal and building rental came in slightly below budget. While we don't anticipate this to be a permanent trend, we are closely monitoring these areas. Last year marked the first time in several years that our income decreased (albeit nominally) from the prior year. While at first glance this appears to be a reversal of the recent trend, the decrease from 2018 was largely attributable to an elevated level of income generated by the 2018 Centennial dinner (which increase was offset by elevated dinner expenses). Had the 2018 dinner income line been consistent with prior years, 2019 would have had an approximately 2% income increase over 2018.

When studying these figures, I once again 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. Accordingly, a year over year comparison is not always an "apples to apples" comparison, as expenses incurred in one year may roll over to the next, while certain categories of income may arrive later than they would have been accrued (such as membership dues for 2019 not being paid until 2020).

This past year also saw the successful refurbishing of our sanctuary. Total costs for this project came in at approximately, \$830,000, all of which were paid from the Centennial account. Our Centennial bank account currently has \$1.25 million, with another approximate \$1.2 million in receivables outstanding and owing.

Finally, I am pleased to report that despite the considerable financial challenges we have faced of late, we have been able to maintain a healthy reserve of at \$309,000, the same as last year. We hope to be able to grow the reserve gradually over the next few years.

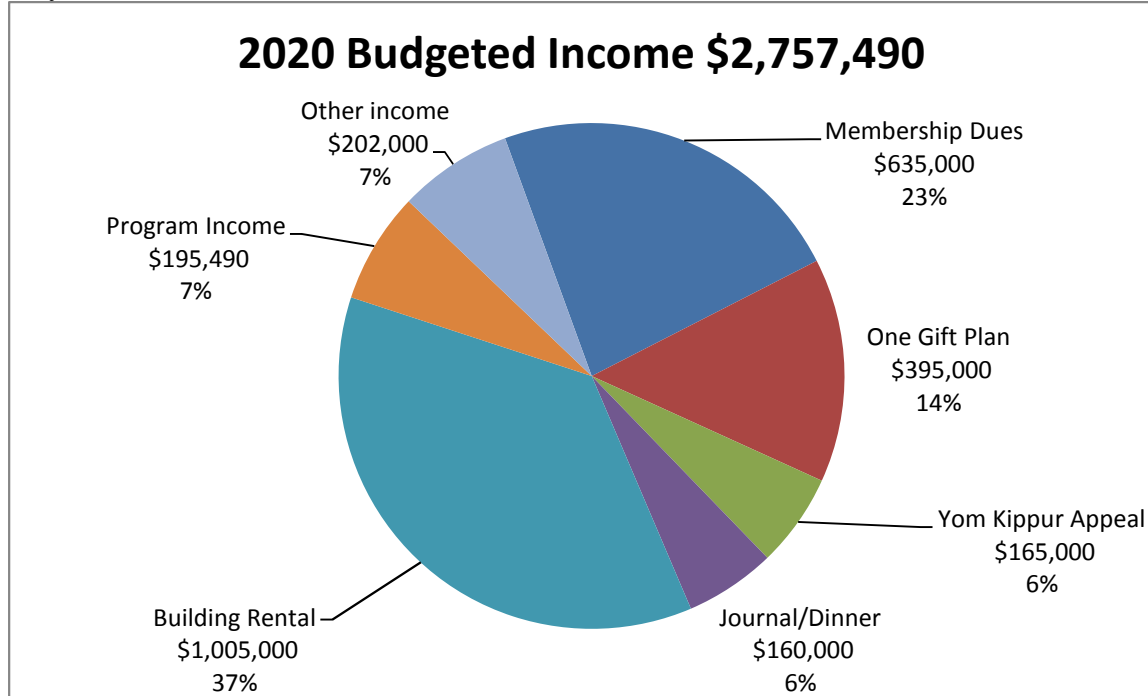
## **2020 Budget and Covid 19**

I would like to preface a review of our 2020 operating budget with the obvious caveat that we are currently in a state of flux and certain financial uncertainty. The 2020 budget was prepared and approved at a time well before the magnitude of the pandemic had become clear. Accordingly, the budget reflects our anticipated income and expense projections in a world far different from the one in which we currently find ourselves and it is of limited utility to scrutinize it in detail. Rather, I will provide an abbreviated discussion of the 2020 budget as originally drafted, before turning to a status update of where we currently stand and our projection for the remainder of the year. The 2020 budget as drafted is most useful for the general income and expense trends it reflects in

our recent past, which we believe will once again return upon a return to normalcy, albeit with certain potential changes, as discussed below.

## **2020 Budgeted Income**

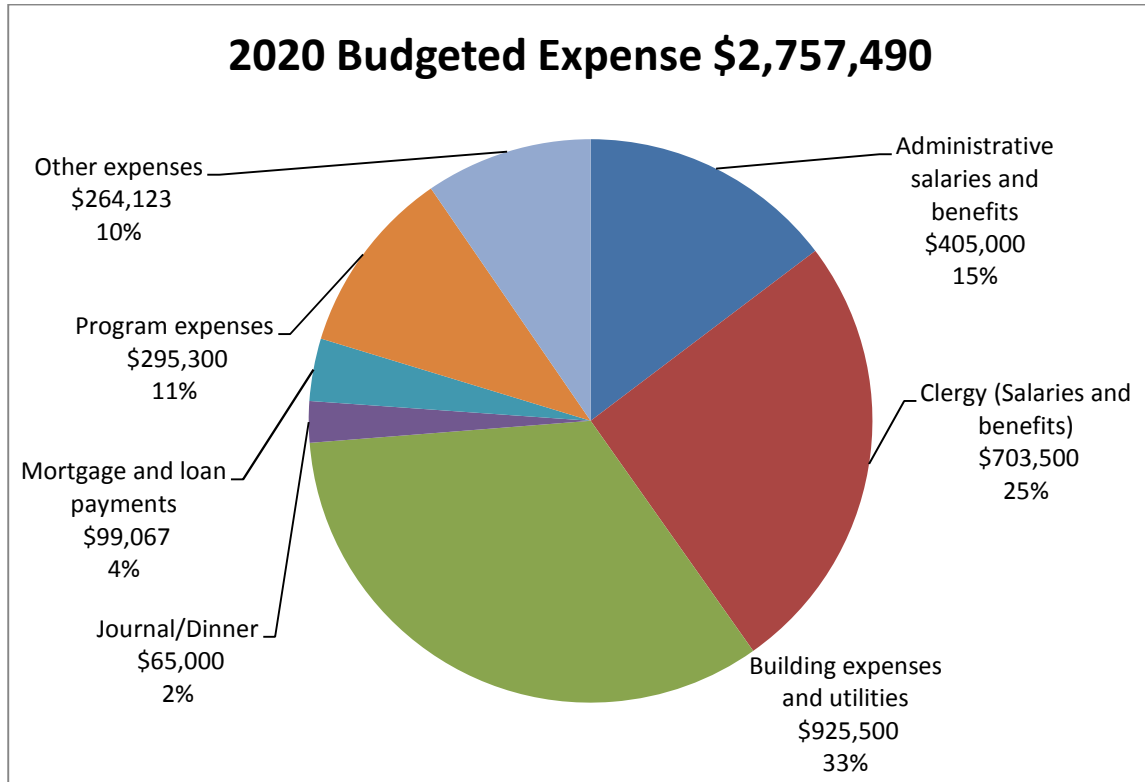
As you can see in the income pie chart below, membership dues, income from the annual dinner and the Yom Kippur appeal and One Gift together comprise approximately half of our annual income. Each member's contribution in these categories are life-sustaining to our shul. Membership dues, although a significant commitment on all our parts, cover only about a quarter of operating income while income from the annual dinner and Yom Kippur appeal accounts for approximately 12% of the total. Note that the trend over the past few years has been that dinner and Yom Kippur appeal account for a considerably smaller portion of overall income, while One Gift, which we now break out as a separate line item, and which accounts for 14% of the budget, has grown. 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 approximately 7% 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.

As of the time the 2020 budget was created, building rental was expected to generate over 37% of the Jewish Center's 2020 income. This is our largest single source of income by a considerable amount, and, unfortunately, one of the areas being most highly stressed this year as discussed below.

## 2020 Budgeted Expenses



The expenses pie chart above indicates that physical plant costs (utilities, maintenance, security, service, repairs, etc.) were expected to represent approximately 37% of 2020 expenses – including interest charges on our mortgage. As we did last year, we once again budgeted for increased expenditures toward building security, which the Board and Administrative Committee view as a high priority. While these expenses will come in lower than expected on account of our time away from the building, going forward, we anticipate that these expenses will continue to grow. Note that our largest area of fixed costs (other than mortgage payments) is clergy and administrative salaries and benefits, which collectively account for 40% of the total expense budget. While the vacancy in the chazzan role will generate some savings this year, going forward, the composite salaries, absent a change in our staffing, will continue to increase. Overall, we budgeted a slight increase in expenses from 2019.

## Covid 19's Impact Thus Far and Looking Forward

While Covid-19 has negatively impacted us in many ways, fortunately, from a purely budgetary view, the impact to date has been somewhat muted, due in no small part to our ability to obtain slightly over \$200,000 from the Small Business Administration as part of the federal government's Paycheck Protection Program emergency legislation. Under the

terms of the Program, the proceeds are categorized as a low interest loan which will be forgiven in its entirety if the funds are used for payroll costs, interest on mortgages, rent and utilities, with at least 60% of the proceeds used for payroll. We have already applied the proceeds of the loan to eligible expenses for May and we anticipate applying the remainder in June. We also believe that we will be able to meet all criteria for having the loan forgiven in full. A special thanks to Aliza Herzberg for her assistance in walking us through the process, and to Aaron Strum, for navigating through all the administrative red tape in our successful application.

The SBA loan, of course, is a temporary, not long term, reprieve. While there has been discussion of additional federal assistance, we cannot expect or rely on any additional external aid. With the use of slightly under half of the total loan, our year to date (through May) is approximately \$50,000 below where we were from a surplus/deficit perspective at this point last year.

Thus far in 2020, building expenses and utilities have been significantly lower than budgeted on account of our time away from the building. However, these savings have been offset by decreases in rental income on account of our tenants' inability to access the building and the stress on their own income streams. While none of the leases allow for our tenants to withhold rent, as a practical matter, we have had to negotiate various arrangements with each tenant on an individual basis depending on their situation, with the result being that we are behind budget in this source of income. While this is unfortunate, we believe that it is in our long term interest to preserve the relationships with our tenants in anticipation of the situation returning to some degree of normalcy. We are continuing to monitor the situation, but anticipate that rental income for the remainder of this year will be negatively impacted.

Given the negative impact of the pandemic on our rental income, we are hopeful that the other main sources of income – membership/donation categories (including the Yom Kippur appeal/annual dinner and One Gift – will not be as greatly impacted by the pandemic, on account of individual financial hardship. Fortunately, our projections thus far indicate that these categories will only have slight decreases, but we emphasize that it is imperative that all of us continue to provide financial support to the greatest extent possible. A large portion of our expenses, such as mortgage payments and administrative and clergy salaries and benefits, are fixed and, pardon the pun, immune to the pandemic.

Fortunately, our shul has been able to provide an abundance of remote programming during this time, and our community remains strong. With all of your continued support, we will hopefully be able to pull through this difficult time successfully and in a financially healthy state moving forward.

Please feel free to contact me or any of the officers at [officers@jewishcenter.org](mailto:officers@jewishcenter.org) with any questions, suggestions or ideas.