Annual Meeting

Treasurer's Report

June 17, 2021

Last year we conducted what I noted at the time was the first and hopefully last "virtual" Zoom Treasurer's Report. While it turns out that the second half of that statement has not come to fruition, we are fortunate to gradually be working our way towards a return to normalcy and I look forward to presenting you with next year's report in person, I"YH.

Let me begin again by thanking my fellow officers, our Controller, Polina Berdich, and our Executive Director, Aaron Strum, who have all worked so hard to see us through what has been a challenging 15 month period. And a special thanks to Aaron, who facilitated our application for, and receipt of, two Paycheck Protection Program (PPP) loans from the Small Business Administration (SBA), which will be discussed further below.

2020 Operating Results

We ended 2020 slightly in the red, incurring a $35,698 operating deficit, which represented just a little over 1.5% of the budget, and, in light of the circumstances, could have been far worse. Note that this deficit included a fulfillment of our continued commitment to fund the reserve ($18,500), so in actuality, the operating deficit was half this size.

The most significant impact the pandemic had on our operating budget was in a considerable reduction in building rental income. Unsurprisingly, the pandemic impeded many of our tenants' ability to maintain their rental obligations, and, like many landlords across the country, we ended up on the short end of the stick. As we have previously noted, building rental has historically accounted for the single largest component of our income, typically constituting up to 35% of total receipts. Prior to the pandemic, we had budgeted for building rental to contribute 37% of our 2020 total income. While building rental did end up comprising approximately 31% of our 2020 total income, given the decrease in the overall budget caused by the pandemic, that number fails to reflect the magnitude of the actual dollar decrease in rental income we incurred. Ultimately, we collected only slightly over 63% of what we were owed under our leases, resulting in a loss of just over $375,000 from what we had budgeted. Membership dues and One Gift income was also less than budgeted, but, as discussed below, these income categories appear to be trending in a positive direction.

When reviewing 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 (even in years unaffected by a pandemic), 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 2020 not being paid until 2021).

Despite these financial challenges I am pleased to report that we have been able to maintain a healthy reserve of over $310,000. We hope to be able to grow the reserve gradually over the next few years.

Finally, although it increases our expense line a nominal amount, the Officers, Board of Trustees and Administrative Committee have determined that it is important from a transparency perspective to continue providing our members with audited financial statements. While the pandemic has delayed the process somewhat, we are currently in the process of working with our auditors, S. Adelsberg & Co., to complete the audit of our 2020 financial statements, which we will post to our web site once complete. On behalf of all of the officers, I would like to thank Meir Rotenberg and Lyat Salomon for their continued work on the Audit Committee.

SBA Loans

Last year the SBA implemented the PPP loan program to, among other things, enable small businesses to maintain staff during the pandemic. The loan program consisted of two separate rounds, and we were able to obtain loans in both rounds, consisting of $207,923 in the first round last year and a second one earlier this year in the amount of $168,170. The loans had certain conditions that, if met, qualified them to be forgiven in their entirety. I am pleased to report that our first loan has been forgiven and we expect the second one to be as well. Receipt of these loans bolstered our balance sheet, but did not have any impact on the operating budget discussed above. Accordingly, they should serve to soften the blow that the pandemic will ultimately have on our financial condition. A special thanks, once again, to Aaron for all his hard work in obtaining both the loans and their forgiveness.

2021 Budget

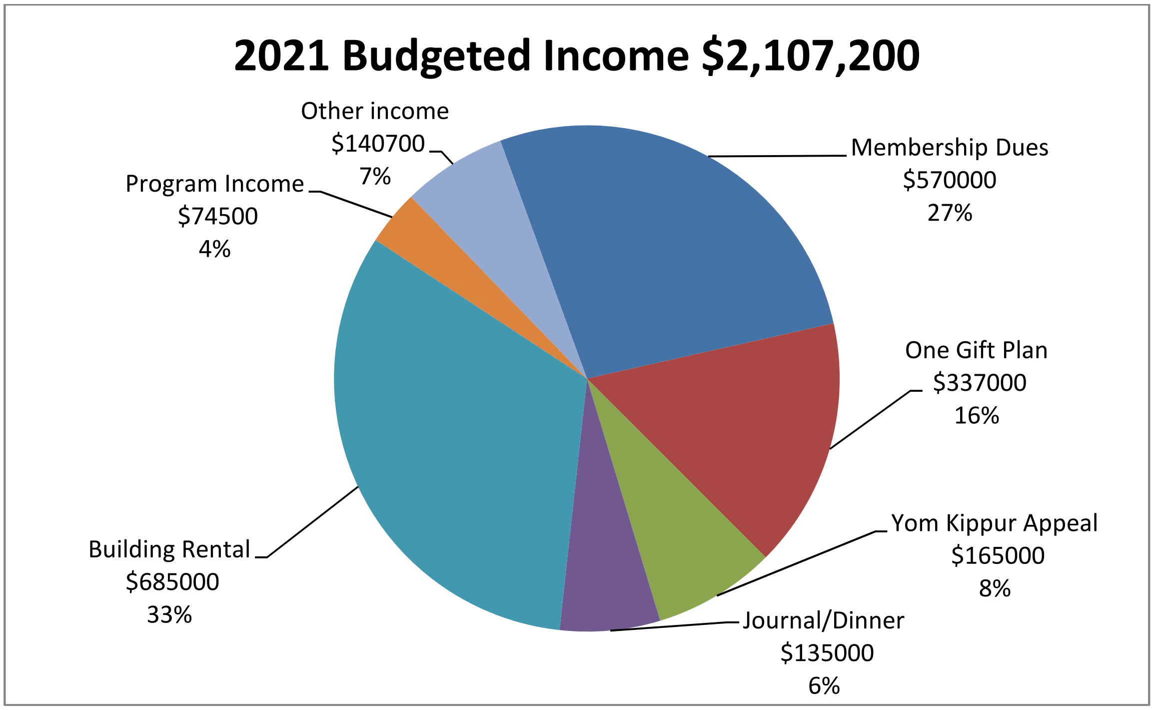
At the time we prepared the 2021 budget, there remained considerable uncertainty in how this year would look from a financial perspective. We decided to adopt a conservative approach, estimating that the building would not be fully operational until the middle of the year, a projection that appears to have been prescient. As a result, the overall budget, while higher than last year's final numbers, represents approximately a 33% decrease from 2019's final numbers. This decrease affects both the income and expense sides of the ledger, as discussed below.

Even while assuming a return to normalcy in terms of building operations for the latter part of the year, we recognized that a return to normalcy from an income perspective was still some time away. As discussed in more detail below, recognizing the continuing financial challenges faced by our tenants, we budgeted for only a slight increase in rental income year over year and projected only nominal increases in our membership dues and One Gift income line items. We believe this cautious approach will serve us well as we continue to work our way through the lasting impacts of the pandemic.

2021 Budgeted Income

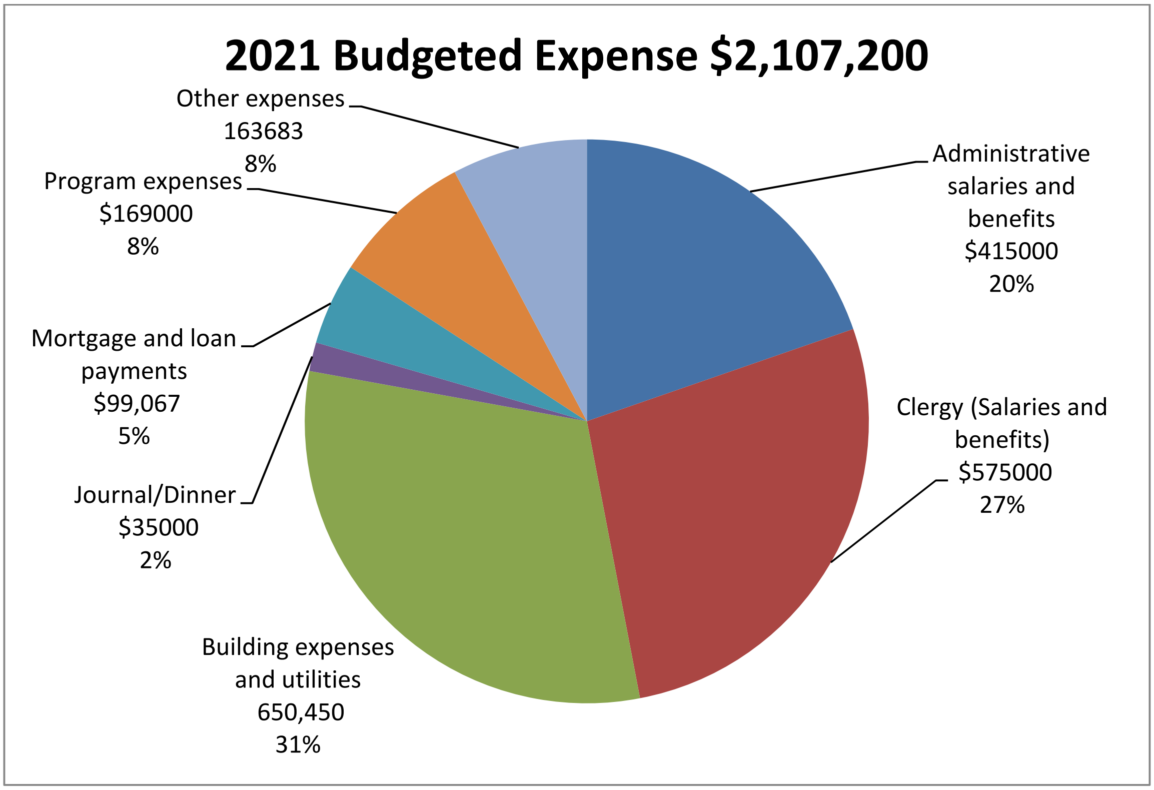
As you can see in the income pie chart below, membership dues, income from the annual dinner and the Yom Kippur appeal and One Gift together comprise well over half of our annual income. We have projected these categories to constitute a slightly higher percentage of our total income than they have historically, because we anticipate that we will continue to face challenges in our building rental income, as our tenants continue to work their way through the impact of the pandemic. This year's projection of $685,000 in building rental income reflects a 32% decrease over the 2020 (pre-pandemic) budget projection, and closely mirrors our total actual income from this category in the pandemic-impacted 2020. This is an income stream that may well continue to present challenges for us in the years to come, especially considering the limited number of options we face of finding replacement tenants and the challenges small businesses will likely continue to face in the slow emergence from the pandemic. These developments place even greater importance on our ability to meet our goals from our other primary income streams: membership dues and donations raised from the Yom Kippur appeal, annual dinner and One Gift programs. To date, the trend this year has seen slight increases in projected membership dues and One Gift donations, so we remain optimistic on this front and ask that you keep in mind the significance of these income streams when considering your level of giving to our shul.

Program income accounts for approximately 4% 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.



<u>2021 Budgeted Expenses</u>

The largest expense category affected by reduced building use is in building expenses and utilities. In keeping in line with previous years, the 2021 budget assumes that this category will constitute 31% of total expenses, which is about 3% higher than last year's totals. Payroll expenses (for both clergy and administrative staff) were not affected year over year and we accordingly budgeted slight increases from last year. Program and other expenses were adjusted to be consistent with our expectation of half a year of normal operations.



Trends Looking Forward

While we can all breathe a sign of relief now that the worst of the pandemic appears to be behind us, the full lasting impact of its implications on our budgets over the next several years remains unknown. As discussed above, we expect that the largest source of our income – building rental – will remain challenged in the near future. Similarly, it remains unclear how large an impact the pandemic will have on the city's longer term demographics, which could significantly impact our other major income streams – membership dues and donations. Finally, with the recent hiring of Jon Green as chazzan and our search for a community educator, we anticipate an increase in our clergy salary line. While we believe we have budgeted prudently for the current year, we will continue to keep an eye on these trends going forward. Depending on how they evolve, we may need to re-evaluate our operational structure in order to adjust to any longer term developments. Nevertheless, for the time being, we remain cautiously optimistic that the forward trajectory will be a positive one and that 2021 will look more like 2019 than 2020.

Please feel free to contact me or any of the officers at officers@jewishcenter.org with any questions, suggestions or ideas.