

[The following is an updated version of my Financial Health Report presented at the annual meeting this past spring. –TR]

Financial Health of Bet Ha'am, from the viewpoint of the treasurer.

It is great that we have retired the mortgage ten years early. That alleviates a lot of worry and uncertainty. But that doesn't help our operating budget. The mortgage payments came from funds raised during the capital campaigns, not from day-to-day operations which are paid by *machazit hashekel* (count me in for membership) and *nediv lev* (member gifts from the heart) and donations. **Retiring our mortgage has no impact our operating budget.**

We have had some very successful years with an operating surplus, but we appear to be entering a period of growing deficits. If we don't do anything, this will either accelerate or we will have to make some substantial and painful reductions. I believe that there is minimal waste on the expense side. Payroll and Benefits, at 68% of the expenses next year, is already cut back too much. The office staff constantly reports not enough time is available to complete necessary tasks and we are asking them to reduce overtime further next year to minimize the projected deficit. I am pleased that we will now pay all of our eight regular employees more than \$15 per hour, but the financial part of the benefits we offer many of our employees is not acceptable. We should do more. It is the right thing to do. But unfortunately I can't print money, and we can't do it without more income. We would need about 9% more in contributions to offer reasonable benefits. We would need between 5% and 9% more in contributions to wipe out the deficit next year. Fortunately, we have had some good years, so there is enough reserve cash to handle a couple of tougher years.

On the income side, besides contributions, two areas of concern are the *A Storied Affair* event and Rental Income. Rental income is projected to decrease next year, primarily because we already know we lost two large events (not because of anything we did) and we will not be catering anymore due to the major disruption this had on our staff time. In addition, rentals in general are a disruption throughout the building and cause additional wear and tear. We need to have a healthy balance and get more lay people involved if we want to see more revenue from this line. As to *A Storied Affair*, with a reduction in Benjamin's involvement next year, we will also need to see the volunteer base increase to sustain this wonderful event. And it is critical for the operating budget. The net budgeted income from this event is \$25,000!

I've given some major reasons why we need an increase in contributions by at least 15% and an increase of participation by our membership to continue to do what we do now. And part of what we do is to help subsidize the Hebrew School so all children have an opportunity to learn about their history and community, just like we did. It is so everyone, including the third of our membership that has minimal financial security, and those that contribute generously, can have a safe, welcoming place to go for worship, support, education, community, and much more.

That's my report on the annual operating budget, but not the biggest issue we face. That would be the endowment, or more specifically, a lack of a meaningful one.

As the building, now eleven years old, ages, there will be a much greater need for repairs. Pointing the brick on the old school building, to the tune of around \$50,000, has been one item we have postponed for a few years. There will be the need to replace the air handlers in a few years for around \$20,000. In the next ten years, the divider wall, exterior cladding, concrete floor, elevator, school glazing and windows, and electrical systems will need to be repaired or replaced. Estimates are around \$150,000. In the next twenty years, skylight glazing, roofing, and boilers will need work or replacement. Estimates are around \$200,000. And that is just what we know. Healthy organizations our size should have an endowment of around three million or more. An endowment this size would spin off about \$120,000 a year to help fund a maintenance replenishment fund and to help reduce our reliance on increased annual contributions to balance the budget. An endowment also makes it easier to survive a few lean years.

We will need to start another capital campaign in a few years. It is common for non-profits to have campaigns. That is how they survive. Although it won't make a difference in the short-term, I am pleased that we finally have a Legacy committee, led by Bill Welch. If we had had such a committee years ago, to help individuals with planned giving, we would be in much better shape today.

This is a partnership. My, and my committees', job is to manage the budget, work with what we have, and to give you an honest appraisal of our condition. It is everyone's responsibility to help us survive and improve.