

Congregational Meeting
Budget Presentation Summary
By
Harris Smith, Treasurer

The 2024 Annual Congregational Meeting will take place on Wednesday, June 5, 2024 and those in attendance will be asked to approve the FY 2024-2025 budget on recommendation of the Board of Trustees.

To facilitate the budget discussion, attached are two spreadsheets that summarize the proposed FY 2024-2025 budget. As we continue to deal with the after-effects and uncertainties from the October 7, 2023 matter, increased antisemitism, COVID-19, a potential recession, the unique labor market, inflation, geopolitical issues, among others, the Budget Committee will continue to monitor and meet as necessary to review the budget as we begin to see revenue actualize.

The highlights of next year's budget:

The upcoming FY 2024-25 budget shows an operating deficit of (\$48,491). While any projected deficit is not sustainable in the long term, this budget is based on what we believe to be conservative revenue and expense numbers given the environment.

Please refer to the two summary spreadsheets: the spreadsheet called "Budget Summary" shows the FY 2024-2025 budget by major net revenue and expense drivers and the net projected budgeted deficit of (\$48,491); the second spreadsheet called "Major Revenue Drivers and Programs Summary Detail" provides summary information about revenues and related expenses for membership, our schools, camps and other net revenue sources.

The budget revenue is based on various projections and assumptions:

- With the exception of a mandatory \$200 security fee, membership dues and membership units will approximate the level we attained in FY 2023-2024 with a slight increase. Once again, being a member of Isaiah remains at the forefront of everything we do and retaining members even during challenging times is critical.
- The Religious School projected revenue has been increased by 5% (\$29,040) over FY 2023-2024 projected actuals. The Religious School anticipates its growth to come from adding additional programming to attract additional students. The Budget Committee believes that K12 education is absolutely fundamental to what Isaiah is, and while the department is not a profitable revenue generator, we need to think of it as a core Temple "service". As a matter of comparison, Temple Isaiah's Religious School budget is in line with all similar sized synagogues.
- We have raised the Annual Giving goal to \$900,000. We will be having in-person High Holiday services as well as live streaming services in which to make the Annual Appeal achievable.
- Preschool tuition is budgeted at \$3,409,730 which represents a 1% increase from FY 2023-2024, including a 5% increase in tuition. As of this meeting we still have approximately 21 open slots (49 open slots this time last year) in our preschool. Given the changes to the availability of free public pre- kindergarten and the economic environment, we still believe with an effective marketing campaign we will fill these slots. We believe Temple Isaiah is the only Jewish preschool on the Westside to offer year-round programming which we continue to believe is a positive for dual-working parents who want to send their children to a Jewish oriented preschool. The tuition for this year-round programming is approximately the same as the 9-month programs at our competition. Finally, our teacher-to-student ratio is significantly better than that of the public school environment. The Budget Committee wants the Board and our Congregation to know that this is a "financial

risk” to achieving our budgeted results and that management is focusing on filling these open slots. In prior years we have always had a gap and it has always been met, but this year with the headwinds described above, we want to be clear that this is financial risk to achieving our budgeted results. We were not able to fill all the open slots in FY 2023/2024 and the revenue mix was different than planned.

- The Sales Community Center is fully operational. The Innovation Center is housed in the Sales Community Center and we anticipate additional programming and hiring a director in FY 2024/2025 to get the Innovation Center fully operational.
- The Design Advisory Committee and the Finance Committee worked closely with our engineering and construction consultants to determine what improvements we can and/or need to make and how we plan to pay for these improvements. The Finance Committee and the Board of Trustees approved the use of \$1.8 million to make the near-term improvements which are capitalizable versus expenses.

We still anticipate receiving an additional Employment Retention Tax Credit (ERTC) of \$300K. This amount has been budgeted, yet we do not know when during the fiscal year we will actually receive these funds.

On the expense side, all overhead areas for spending in the FY2024-2025 budget have been looked at closely by management, the Budget Committee and various department leaders. While we need to be conservative with respect to our expenses for this budget year, we are realistic in investing in both people, programs and infrastructure. Certain costs continue to increase including wages and security costs and they have been budgeted.

In accordance with our by-laws our FY 2022-2023 financial statements were “reviewed” by our outside accountants, Gursej/Schneider. Highlights from the report include:

- As of June 30, 2023, we had cash and cash equivalents of \$6.5 million and investments (including those in our designated endowment) at fair market value of \$2.9 million. During FY 23/24 we reallocated \$4 million of cash and cash equivalents into U. S. Treasury Money Market funds at an interest rate in excess of 5%.
- Our liabilities (not including deferred revenues which related to the timing of when we recognize our dues and tuition revenues received) amounted to about \$330,260 for accrued expenses and \$1,650,207 for loans payable [(\$1,502,741 for Sales Community Center mortgage, \$147,466 EIDL (Economic Injury Disaster Loan)].
- Our Total Net Assets were comprised of Unrestricted Net Assets Without Donor Restrictions of \$9,535,529; \$1,859,790 Without Donor Restrictions but designated by the Board as Reserves; and \$2,392,913 with various donor restrictions. In total, Temple Isaiah has \$13,788,232 in Total Net Assets.

In summary, we will end FY 2023-2024 in a secure and strong fiscal position. The forgiveness of the two PPP loans (\$2,110,376) in the prior two years, the \$935,407 in ERTC money received in FY 22/23, and the January 2023 \$1.8 million unrestricted gift from the Dean Freidman estate, have significantly helped our cash situation. The unrestricted Dean Friedman gift will be reclassified from unrestricted to designated similar to how we account for the Rabbi Gan Family Endowment. This turnaround was truly nothing short of incredible and we are fortunate to be in the position we are currently in, but it is important to note that we generally operate at a small operating deficit as our revenues over time are fairly stable but our operating expenses increase annually.

As a reminder, these documents are for Temple Isaiah Congregation members only, so please do not distribute them to others. If you would like a copy of the financial review, please reach out to me directly. I look forward to seeing you at the June 5th Congregational meeting and discussing in more detail our projected results from FY 2023-2024 and the FY 2024-2025 budget. If you have questions, feel free to email me at: harrissmithcpa@gmail.com.

Temple Isaiah			
Budget Summary			
Description	July 1, 2023 - June 30, 2024 Approved Budget	FY23/24 Projected Actuals	FY24/25 Proposed Budget
Major Net Revenue Drivers and Programs Sch A			
Membership Dues, net of expenses	2,013,853	1,939,428	2,133,234
Preschool, net of expenses	855,865	595,317	589,985
Annual Giving, net of expenses	850,000	857,665	900,000
Security Assessment, net of expenses	(84,560)	(66,460)	(84,900)
Religious School, net of expenses	(124,098)	(173,249)	(117,237)
Center for Innovation, Net of Expenses	(17,058)	125,000	395
Total Net Revenues from Major Drivers and Programs	3,494,001	3,277,702	3,421,477
Other Sources of Revenues	50,000	52,400	237,435
Total Net Revenue (Budgeted)	3,544,001	3,330,102	3,658,912
Operating Expenses			
Administrative Personnel Costs			
Clergy and Executive Compensation	1,314,585	1,314,585	1,361,352
Office Salaries	881,532	756,389	750,900
Health Insurance, Payroll Taxes, Workers Comp	210,510	261,010	276,349
Total Administrative Personnel Costs	2,406,627	2,331,984	2,388,601
Program Costs			
Rituals	265,579	272,905	259,500
High Holiday, net of ticket sales	133,500	118,781	132,000
Social Justice	57,000	57,000	57,000
Adult Education - net	55,000	65,000	55,000
Library	1,200	1,200	-
Total Program Costs	512,279	514,886	503,500
General and Administrative Expenses			
Building Expense	455,606	438,606	475,803
Overhead	357,000	349,500	297,000
Office Expense	50,000	50,000	42,500
Total General and Administrative Expenses	862,606	838,106	815,303
Total Operating Expenses (Budgeted)	3,781,512	3,684,976	3,707,404
Net Operating Loss from Operations	(237,510)	(354,875)	(48,491)
Net Other Income (Nonbudgeted)			
Endowment Funds	-	196,361	93,993
Extraordinary Income	-	212,495	300,000
SCHWAB Interest Income	120,000	190,000	83,872
Restricted Funds Income	-	-	-
Operations Building Depreciation	(385,496)	(385,496)	(385,496)
Capital Campaign Funds	-	(25,000)	(100,000)
Extraordinary Expenses	-	(62,000)	-
Total Net Other Income (Nonbudgeted)	(265,496)	126,360	(7,631)
Total Net Loss	(503,006)	(228,515)	(56,122)

Temple Isaiah Budget			
Major Revenue Drivers and Programs Summary Detail			
Description	July 1, 2023 - June 30, 2024 Approved Budget	FY23/24 Projected Actuals	FY24/25 Proposed Budget
Membership Dues Revenue, Net of Expenses			
Membership Dues Revenue	2,346,000	2,243,875	2,414,708
Membership Expenses	332,147	304,447	281,474
Net Membership Dues Revenue	2,013,853	1,939,428	2,133,234
Preschool, Net of Costs			
Preschool Revenue	3,710,643	3,387,050	3,409,730
Preschool Expenses	2,854,778	2,791,733	2,819,745
Net Preschool Revenues	855,865	595,317	589,985
Annual Giving, Net of Costs			
Revenue	850,000	859,200	900,000
Expenses	-	1,535	-
Net Annual Giving Revenue	850,000	857,665	900,000
Security Assessment, Net of Cost			
Security Revenues	-	26,000	36,000
Security Expenses	84,560	92,460	120,900
Net Security Assessment	(84,560)	(66,460)	(84,900)
Religious School, Net of Costs			
Religious School Revenue	625,351	553,755	549,840
Religious School Expenses	749,449	727,004	667,077
Net Religious School Revenues	(124,098)	(173,249)	(117,237)
Center for Innovation, Net of Costs			
Center for Innovation Revenue	135,000	135,000	115,000
Center for Innovation Expenses	152,058	10,000	114,605
Net Center for Innovation Revenues	(17,058)	125,000	395
Facility Rentals/Commissions, Net of Costs	20,000	20,000	20,000
Other Revenues	30,000	32,400	217,435
Total Program Net Revenues plus other revenues	3,544,001	3,330,102	3,658,912