

## BUDGET PROJECTIONS USING ENDOWMENT FUNDS TO SUPPORT HIRING FULL TIME MINISTER AND DLRE

There are numerous unknown parameters related to both the income and expenses of the congregation. All of the attached models include these basic assumptions. Significant changes in any of these parameters would change the overall results:

- Pledge Revenue does not increase or decrease over the 2022-2026 Fiscal Years (\$154,420 / year)
- Most expenses increase @ 5% / year
- Starting Salary of Full Time Minister is \$75,000, with 5% annual increases, and Starting Date is August 1, 2023. Cost of minister includes FICA, Retirement, Education Fund, Life/Disability, Sabbatical Fund.
- Starting Salary of Full Time DLRE is \$40,000, with 5% annual increases, and Starting Date is May 1, 2024. Cost of DLRE includes FICA and Retirement.
- Starting Balance of Endowment at end of December 2022 is same as June 2022 ( \$1,712,551), with no significant rebound or further drop in the markets.

There are 2 majorly influential parameters that I have included into making 2 different scenarios for the hire of both a Full Time Minister and a Full Time DLRE:

- With regards to the amount of money required to be withdrawn from the endowment greater than the 4% annual withdrawal, it is unknown if either hire will required medical insurance coverage for a single person, a family, or none. The difference between the cost for a hire with family coverage and a hire with no medical coverage for both positions is \$40,000 to \$45,000 per year.
- With regards to the long-term effects on the endowment of a continued annual withdrawal in addition to the 4% annual withdrawal, it is unknown how the markets will perform over the next decade. I have prepared analysis using a relatively low annual market performance with net increase of 5% per year, and a more favorable annual market performance with net increase of 8% per year.

In summary, depending on the medical insurance costs and the rate of return on the endowment investments, the endowment could support sustained spending on both a full time minister and a DLRE for between 7 years and 14 years before reaching a balance below \$1 million. Any increases in membership pledge revenue over the next 7 years, or any additional gifts to the endowment, would significantly extend the time-window before the endowment would reach a balance below \$1 million. If annual membership pledge grows to meet the budgeted costs in any year, the endowment would return to annual growth rather than annual reduction in value.

SCENARIO 1: Maximum Cost (both Minister and DLRE require family medical coverage):

- Fiscal Year 2023-2024 would require an additional withdrawal of \$75,000 from the endowment
- Fiscal Year 2024-2025 would require an additional withdrawal of \$150,000 from the endowment
- Fiscal Year 2025-2026 would require an additional withdrawal of \$170,000 from the endowment.
- For a 5% annual return on the endowment investments, if there is no increase in pledge revenue, continuing to withdraw \$170,000 per year, the balance of the endowment would remain above \$1 million until the end of the 2029-2030 fiscal year (the 7<sup>th</sup> year of the minister's tenure). Given the mathematics of this situation, the endowment would rapidly decline once it drops below \$1 million, and would reach a zero balance within the 2035-2036 fiscal year (the 13<sup>th</sup> year of the minister's tenure)
- For an 8% annual return on the endowment investments, if there is no increase in pledge revenue, continuing to withdraw \$170,000 per year, the balance of the endowment would remain above \$1 million until the end of the 2031-2032 fiscal year (the 9<sup>th</sup> year of the minister's tenure). Given the mathematics of this situation, the endowment would rapidly decline once it drops below \$1 million, and would reach a zero balance within the 2038-2039 fiscal year (the 16<sup>th</sup> year of the minister's tenure)

SCENARIO 2: Minimum Cost (both Minister and DLRE require no medical coverage):

- Fiscal Year 2023-2024 would require an additional withdrawal of \$65,000 from the endowment
- Fiscal Year 2024-2025 would require an additional withdrawal of \$110,000 from the endowment
- Fiscal Year 2025-2026 would require an additional withdrawal of \$125,000 from the endowment.
- For a 5% annual return on the endowment investments, if there is no increase in pledge revenue, continuing to withdraw \$125,000 per year, the balance of the endowment would remain above \$1 million until the end of the 2030-2031 fiscal year (the 8<sup>th</sup> year of the minister's tenure). Given the mathematics of this situation, the endowment would rapidly decline once it drops below \$1 million, and would reach a zero balance within the 2039-2040 fiscal year (the 17<sup>th</sup> year of the minister's tenure)
- For an 8% annual return on the endowment investments, if there is no increase in pledge revenue, continuing to withdraw \$125,000 per year, the balance of the endowment would remain above \$1 million until the end of the 2036-2037 fiscal year (the 14<sup>th</sup> year of the minister's tenure). Given the mathematics of this situation, the endowment would rapidly decline once it drops below \$1 million, and would reach a zero balance within the 2039-2040 fiscal year (the 24<sup>th</sup> year of the minister's tenure)