

## **Funding a new sound system.**

August 14, 2021

### **Summary**

The new sound system is estimated to cost about \$52,000. There are 2 ways we could fund this:

1. Take it all from Endowment Fund.
2. Takes it mostly from Building and Memorial Funds

If all the money for this system comes from the Endowment fund, we will have taken 6.4% of the fund's value in 2021, which would require votes from both the Vestry and the Endowment committee.

If the bulk of the money comes from our Building and Memorial funds, we will have decreased our best source of emergency and capital funds to a lower level than is comfortable.

It is of course possible to blend these two funding methods.

It might be wise to start a capital campaign among our congregation to prepare for the inevitable and expensive HVAC replacement and other capital needs.

### **Recommendations from others.**

Pat Brown, our assistant treasurer, favors taking the money from the Endowment fund. Several years ago the vestry and treasurer agreed that the Building fund should hold \$45,000 to be used for emergencies.

I spoke with Matt Myre, our financial adviser from Edward Jones, on Friday. He said that he would be concerned about running our liquid reserves down to a low level, and that with the market at a high point it would be "as good a time as any" to take money from the Endowment Fund. Also, he said that it would be better to take money from the Endowment Fund now rather than at a time when the market is depressed.

Mthr. Barbara and I spoke with Tim O'Brien, the diocesan advisor to congregations on financial affairs, on August 13. He thought we should take the bulk of the money from our Building Fund and launch a capital campaign to replenish the fund.

My personal opinion is that at least the majority of the funding should come from the Endowment fund. I am uncomfortable with running our ready cash down to a low level. I also want to point out that we may have a proposal for new sanctuary lighting, and I don't want to have to go back to the Endowment committee for any more money this year.

### **Overall condition of budget.**

I believe we are generally OK for this year, and won't need any more from Endowment for operating expenses. But, next year we are not going to have PPP money (\$27,000) or a pledge from the Roberts family (\$30,000), meaning about \$57,000 shortfall in income. We are almost certainly going to need more than 5% from Endowment in 2022 to fund our budget.

The Endowment Fund by-laws say that we are entitled to 5% of the previous year's balance. The average account balance for the previous 12 months is \$2,366,380, and 5% of that is \$118,319. We have already taken \$100,000 for operating expenses. Before the end of the year, I intend to take the final \$18,000. This money could partially fund the sound system project, or it could be used for next year's operating expenses.

**More details on alternate funding methods.**

Taking all the money out of the Endowment Fund. The stock market is at a record high, but I believe the opinion is widely held that a significant "market correction" is likely in the near future. Another widely held opinion is that inflation has been very low, but it is starting to rise, making everything more expensive in the future. But, the future is unknowable for us mortals.

We have already taken \$100,000 from the Endowment Fund for operating expenses this year. If we take another \$52,000 to fund this project, we will have taken \$152,000, which is 6.4% of the most recent 12 month average value.

The percentage of the Endowment Fund we can take in a year can be modified by majority votes of the Endowment Fund committee and of the Vestry. There is no mention of percentages or modifying them in the current church by-laws, especially, no mention of a need for a vote of the congregation.

Taking the money primarily from the Building Fund and Memorial Funds. Here is a scheme that I think will work. It makes me uncomfortable, but not panicky. It is a large depletion of funds that might be needed in an emergency.

Endowment Fund up to the 5% limit:	\$18,000	
Building Fund	\$10,000	(leaving \$6,800 in this fund)
Leonard Fund	\$18,000	(leaving \$12,000 in this fund)
Puzz George Fund	\$6,000	(leaving \$5,000 in this fund)
 Total	 \$52,000	 (leaving \$23,800 in these funds)

Recall that these funds are spread across 2 bank accounts, the Heartland Bank checking account and the Edward Jones Capital/Building Fund. Looked at from this perspective, this funding method involves taking:

Endowment Fund	\$18,000	
Ed. Jones Building/Capital Fund	\$16,000	(leaving \$15,000 in this account)
Heartland Bank checking account	\$16,000	
 Total	 \$52,000	