

# Treasurer's Monthly Report

Month Ending April 30, 2019 A.D.

Jim Ulrich, Treasurer

May 14, 2019

## Key Points

- Net income through April was \$26K. Well above zero, but below the budgeted net income of \$29K
- The budget assumes 4 months of vacancy. The extra month will save us around \$5K, which could put our net income back on budget.
- Weekly offerings through April were **\$12K** below budget.
- For the last 5 years, weekly offerings have always been well below budget at this point. See table 1.
- This year's offerings deficit is the highest in the last 5 years.
- I have made a recommendation to the Foundation board to move our investments from Morgan Stanley to WELS investments. I have included some commentary for the Council because of the large amount of money involved.
- I have included Table 4 as a reference for discussion of projects. There is about \$17K in interest that is not designated.

## Synopsis

Bottom line: Our year-to-date net ordinary income is \$26,327, which means we have brought in more than we spent. Nonetheless, the budgeted amount was \$29,372. April's weekly offerings were below budget by **\$4,041**, bringing this year's total to net income was **12,337** below budget year to date. Fortunately, expenses are also below budget by \$2,905 for April and \$6,829 for the year.

With the vacancy lasting one more month, we could be on track for an annual deficit of \$10K, as budgeted.

For some perspective, table 1 shows that over the last 5 years, St. Matthew weekly offerings through April were always below budget. Apparently, our budgets have anticipated greater offerings at Easter than we have actually collected. We rely very heavily

on Christmas giving to make budget. I have begun a file of notes as I begin to assemble my “2020 Vision” for the budget. I will at least revisit our projections of early offerings.

Having said that, this year’s budget shortfall is on the high end of the last 5 years.

Table 1: St Matthew Weekly Offerings through April, 2015-2019

Year	Jan-Apr Offerings	Jan-Apr Budget	Difference	Year-End Offerings	Year-End Budget	Difference
2019	131,172	143,500	-12,238			
2018	134,022	142,000	-7,978	399,078	400,000	-922
2017	131,623	141,500	-9,877	406,271	397,500	8,771
2016	134,557	146,248	-11,691	390,267	430,531	-40,264
2015	146,746	153,720	-6,974			right on

### Budget Notes

The roof loan balance is under \$5,000 and is on schedule to be paid off by September.

Some of the duplex repair will not be paid by insurance. Apparently, some electrical wiring had to be done that was discovered because of the fire, but was not caused by the fire.

### My Recommendation to the Foundation

I have recommended that the Foundation Board move our investments from Morgan Stanley to WELS investments. I have included some data from my report to the Foundation on the performance of our investments.

The blue line on the graph in figure 1 shows the performance of various mixtures of stocks and bonds invested from 2006 to 2018, based on funds in my Vanguard® account. The horizontal axis indicates risk, while the vertical axis indicates returns. The percentages shown are the percentage of stock in the portfolio, with the rest being bonds. For example, a portfolio of 75% stocks had an annual return of about 6.8% and a risk of about 14%. The St. Matthew Foundation returns are clearly well below the **efficient frontier** for the period.

Finally, the WELS Equity fund has performance very similar to that of stocks as shown. The Wels income fund is also very close to bonds, making the WELS investments’ expected performance to be similar to that of the funds used in making the chart. It should be noted that the WELS equity point is back calculated from their investments as of 2016, when they changed investment companies. The actual performance of a portfolio of stocks and bonds for the 5 years ending in 2018 was only about 0.5% better than our Foundation.

Tables 2 and 3 show the reason to believe that WELS investments will continue to outperform Morgan Stanley in the future. I do not have a totally accurate accounting of the costs of running our portfolio, but 2% is a guess based on the fees charged by

the top 10 holdings as of 12/31/2018. Since the cost of WELS investments is around 1.5% lower than Morgan Stanley's, it would take extraordinary stock picking ability for Morgan Stanley's performance to beat that of WELS investments. Morgan Stanley has not, in the past, demonstrated such exceptional abilities.

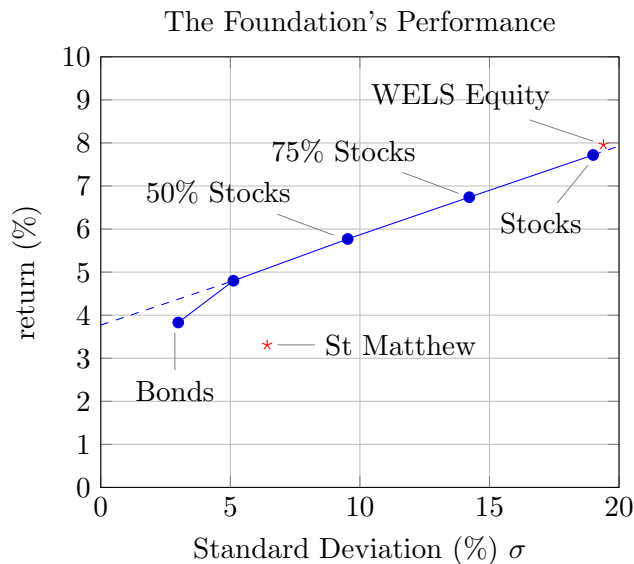


Figure 1: Risk ( $\sigma$ ) versus return for securities from 2006 to 2018. The point labelled “Bonds” represents Vanguard® BND ETF, which is very close to WELS investments’ income fund. “Stocks” represents a mixture of 56% American (VTI) and 44% Foreign (VXUS).

Table 2: Expense ratio of WELS investments for various stock allocations. The funds chosen by Morgan Stanley appear to have management fees of about 1%

Stock Allocation	Bond Allocation	Expense Ratio
0%	100%	0.06%
25%	75%	0.09%
50%	50%	0.13%
75%	25%	0.16%
100%	0%	0.19%

Table 3: Comparison of Morgan Stanley’s management fees to WELS investments

	MS	Wels
Management Fee	1.0%	0.19%
All-in Costs	2.0%	0.32 %

Table 4: Memorial Funds Breakdown. “Memorials” is the total of all the items above it. “Savings 599” is the total balance of our savings account. The difference between the last 2 lines is interest.

Bell Tower	48,167
Building & Properties	1,986
Coffee House	56,231
Handicap	5,438
Mission Outreach	2,245
Offerings Rec’d in advance	8,880
Organ	3,500
Scrip Tuition Percentage	23,136
Tri-caster	10,778
Worship	1,220
Youth Discipleship	2,044
Memorials	163,625
Savings 599	180,995