Long Term Planning: What Is It?

“Do we have sufficient funding to meet our needs as the class matures?”

- Joe Mannes, Class of 1980
- A tool to develop a line of sight into the class financial future, and identify changes you may need to make today
- Every class is different

What is your plan?
Long Term Planning: Summary

1. Time Horizon
2. Annual Budget
3. Assumptions: Revenues & Expenses
4. Income Statement & Balance Sheet
5. Sensitivity Analysis

Key Levers

- Cash reserves
- Dues participation and amount
- Future project needs and funding model (pass-through vs. funded)
- Other costs (e.g., major and mini reunions)
- Mortality rates
Overview

- While the Class of 1980 has compiled a significant amount of cash over the years, the question was raised by our Co-presidents as to whether it was sufficient to meet our needs as our class "matures".

- Class of 1980
  - Next reunion, 40th, is 2020
  - [950] classmates living
  - Good historical dues participation: 45-50%
  - Cash balances in excess of $130,000

- This effort attempted to address this question.
  - Tried to take conservative approach
Process

- Set horizon: 60th reunion (2040)
- Start with annual budget
  - Each year the treasurer presents projected budget to EC
- Key assumptions
  - Revenues: Dues
  - Expenses: Projects and reunions
- Build long term financial statements in Excel
  - Income Statement
  - Balance Sheet
Key Assumptions: Revenues

- **Primary Driver:** Dues
  - Who’s paying? How much?
- **Went to the CDC webpage for mortality rates**
  - % projected to pass away each year.
  - Uses general population, our group may be different
- **Reduced our headcount annually using the CDC mortality data.**
  - These are 10 year cohorts, so the mortality rate stairsteps up every 10 years.
- **Left our dues participation % level**
  - Even during reunion years, which typically have higher participation rates
- **Left our dues amount, $45, level**
  - For the entire 21 year period.

- **Impact:**
  By the 60th reunion year headcount is projected have gone from 954 to 521, and dues payers from 448 to 245.
### Extract from Mortality Tables

**Source webpage:**
https://www.cdc.gov/nchs/nvss/mortality/gmwk23r.htm

**Document:**

- Match up classmates’ age to mortality table
  - Used VLOOKUP
Key assumptions: Expenses

- Various project needs
  - Two pass-through projects
    - No incremental requirements
  - One hybrid pass-through: Memorial Book Fund
    - Classmates contribute and class makes up difference
    - Assumed that the class collected no more $$ for the Memorial Book Fund from classmates after 2018
    - Class then assumed to fund $2,000 per year until 2040
    - Total need is estimated at $50,000 (about $50/classmate)
    - We believe that will cover all the costs of the program.
  - Funded the reunion-based Parker Small award each reunion year, escalating slightly each time to $2,750 in 2040.
- NON-pass-through projects
  - Two current projects funded out of class resources
  - Assumed $6,000 annually (current level: $3,000 each)
  - $1,000 increases every five years (the reunion years, so $7,000 starting in 2025, $8,000 in 2030, etc.)
Key assumptions: Expenses

- **Mini-Reunions**
  - Assumed mini-reunion expenses of $2,500 per year
  - Escalated $500 every five years (in reunion years).

- **Full Reunions**
  - Assumed the class funds each reunion
    - $10,000 typically
    - $15,000 for our 50th
  - Note: while we have budgeted this in the past 3 reunions, we have not actually had to touch the funds--but we are still budgeting this for the purpose of long term planning.

- **Other**
  - Assumed expense levels consistent with previous years.
Numbers

- Develop projected income statements
- Build projected balance sheet
  - Plug for cash
- Review over time
- Do sensitivity analysis
  - Increase dues!
  - Reduce project commitments
Summary Information

- Class population assumptions
- Dues payment assumptions
- Displaying 5 year intervals

<table>
<thead>
<tr>
<th>Reunion Years</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues Calculation</td>
<td>Age</td>
<td>62</td>
<td>67</td>
<td>72</td>
<td>77</td>
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<tr>
<td></td>
<td>Beginning Headcount</td>
<td>938</td>
<td>878</td>
<td>793</td>
<td>673</td>
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<tr>
<td></td>
<td>Mortality rate</td>
<td>0.878%</td>
<td>2.011%</td>
<td>2.011%</td>
<td>5.012%</td>
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<tr>
<td></td>
<td>Participation rate</td>
<td>47.0%</td>
<td>47.0%</td>
<td>47.0%</td>
<td>47.0%</td>
</tr>
<tr>
<td></td>
<td>Dues payers</td>
<td>441</td>
<td>413</td>
<td>373</td>
<td>316</td>
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<tr>
<td></td>
<td>Annual Dues</td>
<td>$45.00</td>
<td>$45.00</td>
<td>$45.00</td>
<td>$45.00</td>
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<tr>
<td></td>
<td>Gross Dues Collection</td>
<td>$19,845</td>
<td>$18,585</td>
<td>$16,785</td>
<td>$14,220</td>
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</tbody>
</table>
Summary Information

- Income Statement/Balance Sheet
- Note: for purpose of projections, Book Fund assumes no disbursements

<table>
<thead>
<tr>
<th>Summary Income Statement</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
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</thead>
<tbody>
<tr>
<td>Income (Dues Collection)</td>
<td>$19,845</td>
<td>$18,585</td>
<td>$16,785</td>
<td>$14,220</td>
<td>$11,025</td>
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<tr>
<td>Expenses</td>
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<tr>
<td>Class Projects</td>
<td>$10,000</td>
<td>$11,250</td>
<td>$12,500</td>
<td>$13,750</td>
<td>$15,000</td>
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<tr>
<td>Reunions</td>
<td>$12,500</td>
<td>$13,000</td>
<td>$18,500</td>
<td>$14,000</td>
<td>$15,000</td>
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<tr>
<td>Other Expenses</td>
<td>$5,250</td>
<td>$5,250</td>
<td>$5,250</td>
<td>$5,250</td>
<td>$5,250</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$27,750</td>
<td>$29,500</td>
<td>$36,250</td>
<td>$33,000</td>
<td>$35,250</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>$(7,905)</td>
<td>$(10,915)</td>
<td>$(19,465)</td>
<td>$(18,780)</td>
<td>$(24,225)</td>
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<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Memorial Book Funds</td>
<td>$19,515</td>
<td>$29,515</td>
<td>$39,515</td>
<td>$49,515</td>
<td>$57,515</td>
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<tr>
<td>Residual Cash</td>
<td>$106,302</td>
<td>$108,832</td>
<td>$89,927</td>
<td>$58,462</td>
<td>$2,367</td>
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</tbody>
</table>
The short answer: Cash net of Memorial Book commitments at our 60th reunion is projected to be about $2,300.

Sensitivity Analysis

- Increasing annual dues one-time to $50 starting 2025 increases residual to $29,500.
- Project gifts, 2019-2040, are $226,750
- Reunion support, 2019-2040, is $127,500
Conclusions

- Every class is different
  - Size/Mission/Age
- We wanted to be able to make long term commitments and see the impact.
- What is your plan?