



Community of Christ

CHRIST'S MISSION, OUR MISSION

Financial Update Questions and Answers March 2017

- 1. Where do I find the fiscal year 2017 Worldwide Mission Budget?**
www.CofChrist.org/common/cms/resources/Documents/FY17-Budget-ENGLISH.pdf
- 2. What is the World Church's fiscal year?**
The World Church's fiscal year starts July 1 and ends June 30. For example:
Fiscal year 2016 began July 1, 2015, and ended June 30, 2016.
Fiscal year 2017 began July 1, 2016, and will end June 30, 2017.
Fiscal year 2018 will begin July 1, 2017, and will end June 30, 2018.
- 3. Where do I find the Presiding Bishopric's previous financial report?**
The Presiding Bishopric's reports to the 2016 World Conference are available at
www.CofChrist.org/common/cms/resources/Documents/World-Conference/2016-World-Conference-Presiding-Bishopric-Financials-Booklet.pdf.
- 4. Where can I get current information about how much in Worldwide Mission Tithes has been given?**
In the announcement section of the church's website at www.CofChrist.org/announcements.
- 5. Where can I read about the grassroots effort from March 2016?**
www.CofChrist.org/common/cms/resources/Documents/UpdateonGrassroots03-24-16.pdf
- 6. What is the three-year budget model?**

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
Original Tithing Estimate	\$ 13,000,000	\$13,000,000	\$13,000,000
Tithing Commitments Received			
Additional Staff Added Back	950,000	950,000	950,000
3-percent Provision for Inflation and Cost Increases		520,000	1,060,000
Total Tithing Commitments Received*	950,000	1,470,000	2,010,000
Other Rental and Service Income	3,500,000	3,500,000	3,500,000
Total Proposed Budget	\$ 17,450,000	\$17,970,000	\$18,510,000
* Includes provision for some unfulfilled tithing commitments			

7. Is the auditor's report available to membership?

The audits are available only in English.

The fiscal year 2013 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY_2013_CofC_Audited_FS.pdf.

The fiscal year 2014 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY-2014-CofC-audit-FS.pdf.

The fiscal year 2015 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY-2015-CofC-Audit-FS.pdf.

The fiscal year 2016 audit will be posted online by the end of June 2017.

8. Can you summarize the decrease in the World Church's net assets and what caused it?

The table below shows the decrease in net assets and then lists the four causes. The first cause is the lower appraised value for the Harmony Project. The second cause is the increase in retirement obligations based on the need to lower the assumed interest rate. The third cause is the result of using a spending rate from the endowments and reserves in fiscal year 2016 to provide income to the budget. The fourth cause is deconsolidation of the World Church assets held in Canada from the World Church assets managed through International Headquarters.

Change in Net Asset Report			
NET ASSETS as of	30-Jun-15	30-Jun-16	Difference
	Audited	Unaudited	
	(Million \$)	(Million \$)	(Million \$)
Unrestricted Assets	\$ 45.205	\$ (25.882)	\$ 71.087
Temporarily Restricted	\$ 5.561	\$ 3.871	\$ 1.690
Permanently Restricted	\$ 48.422	\$ 33.000	\$ 15.422
TOTAL	\$ 99.188	\$ 10.989	\$ 88.199
DETAILS OF NET ASSET LOSS	(Million \$)		
Real Estate Write-down	\$ 60		
Increased Retirement Liability	\$ 15		
Fiscal Year 2016 Budget Spending	\$ 6		
Canada Deconsolidation	\$ 7		
	\$ 88		

9. What is the Harmony Project?

The church owns 3,250 acres in the Little Blue River Valley of Jackson County, Missouri. The first stage in the Harmony Project includes a 130-acre housing development by Whitaker Homes.

Whitaker Homes is known nationally for its use of New Urbanism, which promotes compact, walkable, mixed-use projects. Homes with front porches are built on wide streets in neighborhoods that include some stores, parks, and schools. The design encourages relationship-building in community.

10. Why did the church invest in real estate in eastern Jackson County?

Over the years, generous disciples donated land there. This substantial land holding was not an investment strategy. To optimize the value of this gifted land, past Presiding Bishoprics bought some property to form contiguous acreage that could be developed to create increased funding for mission.

11. What is the current plan for the Harmony Project?

For the last year, the Presiding Bishopric has worked with a consulting firm that specializes in finding land developers from the USA. After an extensive search and detailed conversations with a potential national developer, the Presiding Bishopric concluded that fulfilling the original dream for the Harmony Project is several decades away. Because of the church's current finances, the Presiding Bishopric no longer can afford to be a patient landowner. This means the church cannot wait for the ideal developer to buy and improve the land in a way that aligns with the church's vision for community building. The Presiding Bishopric now is preparing a more expeditious approach. The goal is to balance maximum earnings with shorter timelines for sales. Net proceeds will go to the funds that hold the church's investments. With this new approach, the Presiding Bishopric expects it still could take more than a decade to fully sell the Harmony property.

12. What is the two-part approach for improving the church's financial health?

The first part is supporting mission today through Worldwide Mission Tithes.

The second part is supporting the mission in the future through the Bridge of Hope Project.

13. What is the Bridge of Hope Project?

The Bridge of Hope Project is the effort to strengthen the World Church's financial future by funding the retirement responsibility and strengthening the Temple, Worldwide Mission, and Canadian Reserve endowments. Funds given to this project will be designated Bridge of Hope Tithes. Bridge of Hope Tithes will be used first to fund the retirement responsibility and then to strengthen the endowments. Contributions to specific purposes within the Bridge of Hope Project will be honored.

14. How are funds being raised for the Bridge of Hope Project?

Funds are being raised in three ways:

1. Sale of historic assets and other properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated.
2. Asking congregations, mission centers, and other groups with investments to make a one-time or recurring contribution to Bridge of Hope Tithes.
3. Asking those who donated or pledged funds to the Worldwide Mission Endowment to redesignate their gifts to Bridge of Hope Tithes and inviting others to give from their abundance or through bequests to Bridge of Hope Tithes.

15. Should I give to Worldwide Mission Tithes or Bridge of Hope Tithes?

Contributions to Local and Worldwide Mission Tithes are the heart of generous support of the church and should be the priority. Regular contributions to Worldwide Mission Tithes by individuals, congregations, or jurisdictions provide financial strength and stability, allowing current vital ministries and services to be maintained.

We sometimes are blessed with financial gifts that exceed our needs or expectations. Such times may offer an opportunity to consider a gift to Bridge of Hope Tithes. As the retirement responsibility is funded and endowments begin to grow, income will flow to the budget to support and sustain ministries in the future. You can give to Bridge of Hope Tithes by sending a check to the Presiding Bishopric payable to Community of Christ and with a note designating the purpose. You also can put a check in your offering envelope and write in Bridge of Hope Tithes on the worldwide side.

16. What historic assets and other properties is the Presiding Bishopric considering selling?

The Presiding Bishopric is exploring several potential sales that do not directly support the church's mission. The specifics cannot be shared at this point. Details need to remain confidential to avoid adversely affecting potential negotiations. Assets will be sold only if a satisfactory price can be negotiated.

17. What happened to the proceeds from the Atherton/historic sites sale in April 2012?

Net proceeds were \$15.3 million. These funds were used in fiscal years 2013–2016 to increase the retirement trust balance and support the Worldwide Mission Budget and operational projects.

18. Is the World Church drawing on congregational/mission center dollars that are in the Affiliate Investment Pool?

Legally, the presiding bishop is the trustee of all church funds: congregations, mission centers, and World Church. Concerns have been expressed that the Presiding Bishopric is spending congregational and mission center funds from Pool A and Pool B to cover World Church expenses. This is not the case. The Presiding Bishopric would not spend funds held by congregations or mission centers for World Church expenses without first coordinating with the stewards of the accounts. Additionally, the affiliate investment pool agreement allows the Presiding Bishopric to issue internal loans from Pool A and Pool B. When these loans are made, this is explained to the stewards of the accounts. At this time, the Presiding Bishopric uses funds in Pool B to provide House of Worship loans so interest paid on the loans provides earnings in Pool B. The Presiding Bishopric also issued a loan of up to \$15 million from the fixed-income segment of Pool A for the Post Retirement Plan benefits. This loan pays the same interest as the other fixed-income holdings in Pool A.

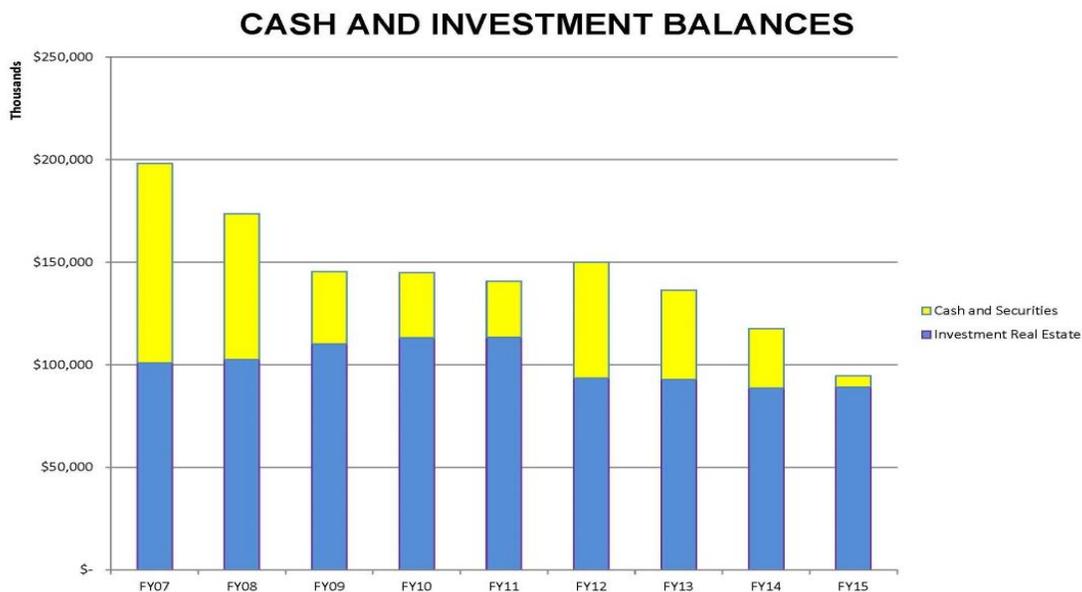
Congregations and mission centers received their calendar-year-end affiliate investment pool statements in February 2017. These reports are accurate. All of these funds are invested according to the asset-allocation plan developed by the Investment Committee in consultation with the church's investment managers.

To build on the generosity provided by several congregations in calendar year 2016, the Presiding Bishopric is reaching out to congregations, mission centers, and campgrounds that have surplus funds in investment accounts. These groups will be invited to contribute a one-time or recurring gift or to allow the Presiding Bishopric to apply a 4-percent spending rate to a specific balance for a fixed number of years. Contributions will be recorded as Bridge of Hope Tithes. They will be used to fund the goals of the Bridge of Hope Project in priority order unless the group wants to make a specific designation.

19. Are the operational costs of the Temple and Auditorium part of the Worldwide Mission Budget?

Yes, as are capital needs for the facilities. That is why income from the Canadian Temple Endowment has been included in the Worldwide Mission Budget.

20. When did the World Church endowments become primarily invested in real estate?



21. When will the World Church endowments be available to provide income to the budget again?

Three World Church endowments are providing income to the fiscal year 2017 Worldwide Mission Budget and will be planned to provide income for the fiscal year 2018 Worldwide Mission Budget. These endowments are the Canadian Temple, the Canadian Worldwide Communication, and the Canadian Reserve endowments. These three endowments are invested in marketable securities. Therefore, a spending rate can be applied to provide cash income to the budget.

Three World Church endowments are invested mostly in the Harmony Project and therefore are not available to provide income to the Worldwide Mission Budget. These endowments are the Temple, Worldwide Mission, and General Operating endowments. The Presiding Bishopric does not have a projection of when these endowments will provide income to the Worldwide Mission Budget. The two primary factors are the pace of sales in the Harmony Project and the rate of funds raised for the Bridge of Hope Project.

22. What are the First Presidency and Presiding Bishopric doing to avoid the problems that led to the current situation with the World Church's endowments?

We continue to review lessons learned and what policy and process improvements should be implemented. One lesson being implemented through policy is to apply a spending rate on assets in our endowments or reserves only when they are increasing in value and generating cash to cover the spending rate.

23. How are staff retirement benefits funded?

The Presiding Bishopric is committed to funding the church's retirement benefits as provided for in the Defined Benefit and Post Retirement plans. As previously announced, the Defined Benefit Plan was frozen December 31, 2015, with a few exceptions. The Post Retirement plan contains various benefits provided to different categories of staff members over the years. Some Post Retirement benefits will be paid fully within the next decade or so; some benefits will continue many years longer.

At the 2016 World Conference, the Presiding Bishopric report stated, "It is an acceptable business practice to not fully fund the liabilities of a defined benefit plan at a particular time." Although this generally may be true as interest and actuarial results change over time, further research has indicated the Presiding Bishopric needs to develop a plan that shows how the full obligations will be met based on our best estimates each year. In January 2017, the World Church Leadership Council agreed that we intend to do what it takes to fulfill the church's financial retirement responsibility to retirees and families.

The plan for meeting the retirement responsibility includes the pension trust, which is invested in marketable securities and real estate. This trust is a separate legal entity from the church. Its assets are not comingled with church assets. The funding for pension obligations also includes ongoing support from the Worldwide Mission Budget. Lastly, raising funds for the retirement responsibility now is part of the Bridge of Hope Project.

24. If the church "fully" funds the retirement obligations now, will this take care of this problem forever?

Determining how much is required now to fully fund the retirement obligations is an estimating process. The Presiding Bishopric is using best industry standards on determining this amount. If the church is able to fully fund the retirement obligations now, at some point it is possible that additional funding may be required based on interest rates, life expectancy, and other variables that must be assumed when making the calculation.

25. What are the five points of "The Way Forward"?

"The Way Out" was the plan used by the Presiding Bishopric to navigate the church's financial struggles of 1931 to 1938. In February 2016, these points were used to guide the initial planning for responding to the financial struggles of the church today, or "The Way Forward." In the March 2017 Financial Update report, the Presiding Bishopric provided updates on the following five points to strengthen the church's financial health.

1. The church has reduced staff and expenses to work within a balanced and sustainable budget based on Worldwide Mission Tithes and other sources of projected income.
2. World Church leaders will continue to limit expansion until the increase in Worldwide Mission Tithes appears sustainable, and cash income can be provided through endowments.
3. The Presiding Bishopric is evaluating the prospect of selling some historic assets. Consideration also is being given to properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated.
4. Disciples, families, congregations, and other groups are invited to support Worldwide Mission Tithes through sustainable giving and share from their abundance to achieve the goals of the Bridge of Hope Project, which will fund the church's retirement obligation and build endowments while responsibly discharging debts.
5. As disciples and ministers, we all are called to preach and teach generosity and living to our true capacity in all aspects of our lives, including our finances. This calling is not because the church is in the fund-raising business, but because it is in the disciple- and stewardship-formation business.

26. What are the debts mentioned in Point 4 in "The Way Forward" that will be responsibly discharged?

The external debt that needs to be discharged is paying off the line of credit with Bank of Kansas City. The church is preapproved for \$17 million on this line of credit. As of December 31, 2016, we had used \$8 million, which was down slightly from the beginning of the fiscal year. The Presiding Bishopric plans to pay off this balance and use the line of credit only to manage temporary cash-flow needs or other emergency requirements.

The internal debt that needs to be discharged is the loan from Pool A in the Affiliate Investment Pool to support Post Retirement benefit payments. This internal loan is for \$15 million. The Presiding Bishopric will pay off this loan as part of the overall plan to fully meet the church's retirement responsibility.