



Community of Christ

CHRIST'S MISSION, OUR MISSION

Financial Update May 2020 (All dollars reported in USD)

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THE UPDATE...

1. Pre-Pandemic Planning Identifies Need for Budget Cuts

In August 2019, World Church leaders began planning for 2021 through 2023. The goal was to set Worldwide Mission Budget levels for the next several years. This multiyear period provides a longer discernment process for supporting the church's mission in the coming decade and beyond.

Calendar year 2020 will complete a 3½-year period that began 1 July 2017 in which the World Church preserved current ministries and services while providing for annual pay raises and other expense increases. This was possible because:

- The World Church Finance Board approved a three-year plan for ministries and services if Worldwide Mission Tithes stayed at or above \$12 million.
- The church responded by giving at least \$12 million to Worldwide Mission Tithes through calendar year 2019, although each year has brought a decline in the amount given.
- The 2020 Worldwide Mission Tithe goal of \$12.9 million was attainable based on the church contributing that amount in 2019. However, this goal was set before the COVID-19 pandemic.

In an ideal scenario, the church would sustain—or even grow—2020 ministries and services as it moves into the 2021–2023 period. Unfortunately, that is not the reality.

Planning for 2021–2023 began with estimating available income for the budget. This was done by assuming a range of \$12 million to \$12.9 million for 2020 Worldwide Mission Tithes and adjusting downward each year based on historical trends. Initial expense estimates started with the 2020 budget for ministries and services, adjusted upward each year for increasing expenses. Based on these income and expense projections, the 2020 ministries and services were not sustainable for 2021 through 2023.

A new budget level was necessary, either by increasing income—offsetting the decline in Worldwide Mission Tithes—or decreasing overall expenses while accommodating anticipated necessary increases in compensation and other nondiscretionary expense increases. The World Church Human Resource Committee and Presiding Bishopric make annual decisions about compensation adjustments based on the financial circumstances at the time.

- World Church leaders asked for and received pledges for designated gifts to support specific items in the budget for the three-year period starting with 2021. The church is blessed by those who are able and willing to lend support in this new way. World Church leaders invite others to make pledges to support mission through designated gifts.
- Historic sites will begin to operate as budget neutral starting in 2021. Budget neutral means preservation and rental fees, bookstore income, and Historic Sites Foundation support must cover all operational expenses. Annual increases in preservation and rental fees will be necessary.

In the end, these income increases were not enough to continue the 2020 budget for ministries and services into the 2021–2023 period. To fit within the three-year projected income plan beginning in 2021, expenses must be \$1.21 million lower by 31 December 2020. Although reducing non-staff expenses is included, we must eliminate about 18 positions in the field, International Headquarters, and the World Church Leadership Council. Where possible, planned retirements, resignations, realignment of positions, and elimination of open positions were used. Based on what we know—and as heart-wrenching as it is—eight positions must be reduced involuntarily to meet the approved budget assumption.

To provide sustainable ministries and services for another three-year time frame (2021–2023), World Church leaders created a budget-neutral plan for the full period, not just one year at a time. This means in the first year the budget produces excess income to cover shortfalls toward the end of the three-year period.

Before the World Church Finance board could review and approve the three-year plan, the COVID-19 pandemic hit. It has hastened a decline in Worldwide Mission Tithes and other income without an easy way to forecast what future levels will be. Therefore, the World Church Finance Board decided to carry out the pre-pandemic, three-year budget plan, allowing time for World Church leaders to assess what extra cuts might be needed in response to the pandemic. More on this later in this report.

On 18 and 19 May, World Church leaders reviewed the pre-pandemic financial challenges with World Church paid staff and mission center officers, including the need to involuntarily reduce eight positions. Staff notices of specific positions to be reduced will be made in June. We ask members and friends to hold World Church employees in prayer as we move through this difficult time.

2. Impact of Global Pandemic

Gathering and Support

Starting Sunday, 22 March, Community of Christ jurisdictions around the world stopped physically gathering for worship and other group activities, practicing physical distance to help limit the spread of COVID-19. Priesthood and leaders around the world have risen to the challenge of how to remain socially and spiritually connected and living Christ's mission while upholding guidelines for physical distancing.

It has been amazing to recognize the connectedness of the body as disciples young and old worship and respond together through the blessings of technology. Many jurisdictions have reported larger online gatherings than in-person fellowship. Also, online giving use has increased. In the USA, 166 and 244 new contributors used eTithing in March and April, respectively. We invite all disciples to choose eTithing or other automated methods of giving where available to support Local and Worldwide Mission Tithes.

The Community of Christ Facebook page has become the gathering spot for the Daily Prayer for Peace on Saturdays and Sundays as leaders around the world share the prayer via Facebook Live. The worldwide church celebrated Easter together via Facebook, YouTube, and www.CofChrist.org. Time outside our normal worship and fellowship routine is leading to deeper insights into what matters most for the journey ahead as we live Christ's mission.

For the whole church, larger gatherings, such as camps and reunions, have been canceled through at least 30 August 2020. Local jurisdictions are canceling some events beyond the timeframe of the church's recommendation based on guidance from local authorities. Spectacular in July 2020 at Graceland University has been canceled. Similarly, the Temple Complex and Historic Sites will remain mostly closed to the public through the rest of 2020. World Church employees and volunteers around the world continue to support the church's mission through remote work arrangements.

The church generously supported Worldwide Mission Tithes through our first experience with *Giving Tuesday Now* on 5 May. With \$50,000 in matching funds from two generous donors, those giving electronically or mailing in checks (received after 5 May) contributed a total of \$102,262.34! World Church leaders are tremendously grateful for this response. It will help as the church works to keep people employed and supports mission while income is reduced significantly.

As part of Abolish Poverty, End Suffering, Oblation aid totaling \$75,000 was provided to Central and South America, India, Jamaica, Dominican Republic, Haiti, and Africa to provide food and other critical supplies during the pandemic. If you or your family are having financial struggles caused by the pandemic, please reach out to your congregation or mission center financial officer for possible help.

Local and Worldwide Budgets

With Mission Tithes significantly down and other income lost for 2020, World Church leaders are concerned about congregational, mission center, campground, and World Church budgets and cash flow. In deciding how to use resources to navigate these complex times, World Church leaders, in partnership with local leaders, are taking a holistic look at financial needs across the church. Together, we must balance the needs of local budgets with World Church operations, so one is not sacrificed unfairly for the other.

World Church leaders are deeply grateful for the continuing support individuals, families, and jurisdictions share through Local and Worldwide Mission Tithes. However, the pandemic has hastened the 30-plus-year trend of declining Local and Worldwide Mission Tithes.

Historically, 80 percent of Mission Tithes are shared through passing the offering plate during worship. Therefore, the need to suspend physical gatherings for worship has reduced Mission Tithes significantly. At this point, we do not have enough information to forecast accurately what to expect in Mission Tithes in 2020 and beyond or how the pandemic will impact the Bridge of Hope Project.

World Church leaders encourage all who can to maintain or increase, as capacity allows, their giving to Local and Worldwide Mission Tithes. This is accomplished easily through eTithing, other electronic-giving means, or by sending funds by mail to their congregational financial officer. We hope other contributors affected financially by the pandemic will have the capacity to return to previous levels of giving to Local and Worldwide Mission Tithes in the coming months. We also hope that plans created to raise funds for the Bridge of Hope—retirement responsibility can be fulfilled. Only time will tell. Even if Worldwide Mission Tithes return to previous levels, the church still is facing a more-than-30-year declining trend in Worldwide Mission Tithes.

The World Church Finance Board discussed how to respond to the financial unpredictability introduced by the pandemic. To offset a significant decline in income, the World Church received a USA Paycheck Protection Program (PPP) loan of \$1,533,900. The World Church decided to apply for the PPP loan to ensure cash flow would cover payroll while income was significantly reduced during the eight-week period of 9 April 2020 through 4 June 2020. The World Church is using the funds in eligible ways so the loan will be forgiven by the USA Small Business Administration. Any funds not needed for eligible purposes will be returned in June. The

Bishop of Canada applied to the Canadian pandemic relief program, but the church has not received notice about the status of this application.

World Church leaders will continue to watch income, analyze projections, and cut non-staff expenses in 2020 where possible. Also, in the near term, World Church leaders will not fill positions when retirements or resignations occur with positions that are covered in the new budget levels. Depending on what happens with Worldwide Mission Tithes during the pandemic, more position cuts may be needed toward the end of 2020 or early in 2021.

3. World Church Finance Board Actions

Fiscal Year 2019 Audit Approved

On Thursday, 30 April, the World Church Finance Board reviewed and approved the Fiscal Year 2019 Audit Report for 1 July 2018 through 30 June 2019. RSM, the church’s independent auditing firm, prepared the report. Information about RSM can be found at www.rsmus.com. RSM issued a “clean/unmodified opinion” for Community of Christ and consolidated affiliates as of 30 June 2019 and 2018.

The audit report is on the church’s website: www.CofChrist.org/resources?tags=budget|Audit#/. Net assets decreased from 30 June 2018 to 30 June 2019. There were some increases, but those were offset by a decrease caused by changes in actuary assumptions. Here is a summary:

Change in Net Assets			
Rounded in millions			
	6/30/18	18-19	6/30/19
	(audited)	Change	(audited)
NET ASSETS			
Without Donor Restrictions	\$ 43.3	\$ (8.9)	\$ 34.4
With Donor Restrictions	20.7	\$ 4.8	\$ 25.4
TOTAL NET ASSETS	\$ 63.9	\$ (4.1)	\$ 59.8
CONTRIBUTOR TO CHANGE IN NET ASSETS			
Pension / Defined Benefit Plan		\$ (3.5)	
Post-Retirement Plan		(0.4)	
Multi-Nation Retirement Plan		(0.5)	
Other Net Asset Changes		0.3	
TOTAL		\$ (4.1)	

2021 Budget Assumptions Approved

On Thursday, 21 May, the World Church Finance Board approved 2021 Worldwide Mission Budget assumptions based on the pre-pandemic, three-year plan discussed earlier in this update. The finance board approved the following assumptions:

- Income: \$15 million
 - \$12 million in Worldwide Mission Tithes including designated gifts
 - \$3 million in other income
- Expenses: \$14 million
 - Based on \$1.21 million cut from the 2020 expenses
 - Loss of about 18 positions including eight involuntary reductions

As a reminder, these budget assumptions were based on a budget-neutral, pre-pandemic plan for a three-year timeframe requiring extra income in year one to cover projected shortfalls in year three. They do not reflect any impact the pandemic eventually may cause. More reductions in expenses may be needed later in 2020 or early in 2021.

World Church leaders will develop budget details for 2021 expenses that are \$14 million or less for consideration by the World Church Finance Board in December 2020. World Church leaders and the Finance Board will decide what budget level can be reasonably supported by the church in 2021. World Church leaders will continue to watch what may be necessary beyond 2021. If the World Church's financial circumstances unravel faster than current predictions, the First Presidency will call an emergency Finance Board meeting, as needed.

World Church leaders will continue to update the Finance Board and church on any additional staff reductions that may be necessary toward the end of 2020 and early in 2021 as we better understand the pandemic's financial impact.

Update on 1 July 2019–31 December 2019 Audit Process

The church operated with a six-month budget from 1 July through 31 December 2019 as the accounting cycle shifted to a calendar year starting with January 2020. RSM is working with Fiscal Services to complete the independent audit for this period.

Although Worldwide Mission Tithes were down for this period, other income was above budget, and expenses were below budget. As a result, the budget contributed almost \$400,000 to the Bridge of Hope—retirement

responsibility and added \$1.25 million to the Operating Reserve Fund. The church also sold another portion of the Harmony investment real estate holding for 27 percent above book value. Last, the church bought the 39th Street property from the Defined Benefit Trust so all the trust assets now are invested in more liquid form.

4. Bridge of Hope—Retirement Responsibility

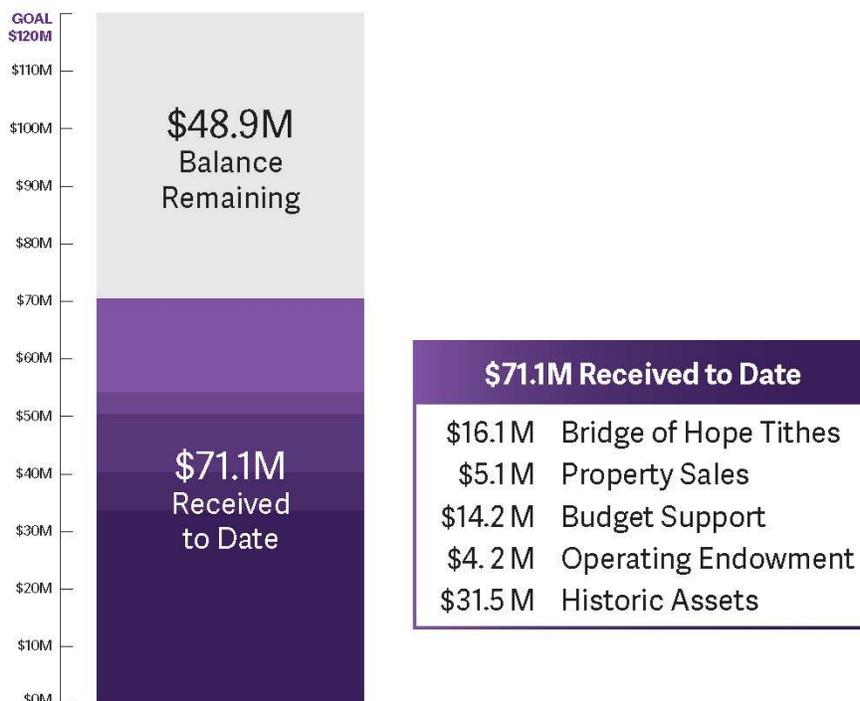
Progress Towards Goal

Funding the retirement responsibility is the first of two priorities for Bridge of Hope with growing the endowments as the second. As of 31 December 2019, \$71.1 million had been raised for the retirement responsibility.

BRIDGE OF HOPE RETIREMENT RESPONSIBILITY

As of 31 December 2019

GOAL: \$120M (USD) by 1 January 2024



All dollars reported in USD

As stated earlier in this report, World Church leaders are watching how the pandemic will impact reaching the \$120 million goal for the retirement responsibility by 1 January 2024. We anticipate that carrying out property sales or meeting pledges may be more difficult. Meeting the retirement responsibility remains the top priority of World Church leaders.

Historic-asset Sales

On 10 March 2020, Community of Christ sold two seer stones to a private buyer for \$1.5 million. The net proceeds contributed to the Bridge of Hope—retirement responsibility was \$1.35 million with a 10-percent commission paid for support in coordinating the sale. The other historic-asset sale was the Printer’s Manuscript of the Book of Mormon sold in September 2017 with net proceeds of \$31.5 million.

The Presiding Bishopric continues to evaluate potential historic-asset sales. As announced at World Conference, World Church leaders are prayerfully considering all church assets to decide the best way to align them with financial and missional needs in the future.

Minimum Balances on Investments

As discussed at the 2019 World Conference, the Presiding Bishopric continues to manage minimum balances on jurisdictional investments to be available to borrow as needed to fulfill the retirement responsibility in January 2024. As progress is made toward the \$120 million goal for the retirement responsibility, the minimum balances can be reduced.

For now, the Presiding Bishopric is leaving the minimum balances at their current levels as set in local currency. This decision was based on two major reasons. First, the progress made toward the \$120 million Bridge of Hope—retirement responsibility goal since the 2019 World Conference was less than expected. Second, the economic uncertainties surrounding the pandemic could hurt investment performance and the potential sale of program properties (for example, congregations and campgrounds). The Presiding Bishopric will reevaluate minimum balances for potential decreases in May 2021.

The minimum balance represents the amount that must be kept in the account. With reduced income in 2020 caused by the pandemic, the Presiding Bishopric is aware that minimum balances may affect jurisdictions’ ability to manage cash flow. Jurisdictions with financial struggles due to the pandemic should work with their field apostle and the Presiding Bishopric as we navigate this difficult financial time together.

5. What Lies Ahead?

What lies ahead is always somewhat of a mystery. World Church leaders do their best to anticipate the future and plan accordingly. Of course, none of us foresaw a global pandemic of this magnitude when we began 2020. Nor did we fully understand the likely long-term ramifications when we first were told to “stay-at-home.”

World Church leaders are committed to making the best decisions possible with available information. The coming months will help the church understand better what steps may be necessary as we work together to navigate 2020. Whatever lies ahead, together we will make faithful decisions and be wise stewards in responding to Christ’s mission around the world.

Watch for the next Financial Update Report in December 2020.