



Community of Christ

World Church Financial Update March 2018

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2017 Worldwide Mission Tithes: Thank you! Together We're Financially Supporting Worldwide Mission

The Presiding Bishopric extends a big THANK YOU to the faithful contributors who supported worldwide mission in 2017 through Worldwide Mission Tithes. Following President Stephen M. Veazey's challenge in September 2017, "A Time to Act!," the church stepped up.

Giving Tuesday was a huge success again in November 2017. Worldwide Mission Tithes received for Giving Tuesday were \$397,448 (USD). The Presiding Bishopric is grateful to the contributors who promised to match dollar-for-dollar the first \$190,000 (USD) contributed. We also are grateful to the contributors who rose to the challenge and exceeded the \$190,000 (USD) by over \$17,000 (USD). For those who participated, thank you for your spontaneous generosity! If you missed it in 2017, plan to participate November 27, 2018.

The Presiding Bishopric also had hoped to receive \$3.5 million (USD) in Worldwide Mission Tithes during November and December. Giving Tuesday helped us with that goal. Plus, for the second year in a row we received more than \$2 million (USD) in December. So the combined contributions for November and December were over \$4 million (USD), significantly exceeding our hopes. Amazing generosity. Thank you to all who made this happen!

In addition to the generous support of Worldwide Mission Tithes by individuals and families, a growing number of congregations and mission centers chose to share generously with Worldwide Mission Tithes. Sixty-two congregations and mission centers made one-time contributions, totaling more than \$694,865 (USD), in 2017. Thirty-one more congregations and mission centers contributed in 2017 to Worldwide Mission Tithes *and* pledged to contribute over \$224,700 (USD) in 2018. The Presiding Bishopric is grateful for the collective stewardship and generosity.

Total contributions to Worldwide Mission Tithes for calendar year 2017 were approaching \$14.9 million (USD). The wonderful generosity of November and December helped us get really close to our mid-year adjusted goal of \$14.9 million (USD). Worldwide Mission Tithes were under budget at the end of summer, so getting close to the goal is wonderful news. It shows our capacity as a community.

Fiscal Year 2017: Improved Net Asset Position

The World Church's financial audit has been completed for fiscal year 2017. The First Presidency and Presiding Bishopric are waiting for the independent auditor to issue the report. The World Church Finance Board will consider this audit report at its June 2018 meeting. Once the board accepts the audit report, it will be posted on the church's website. The Presiding Bishopric updated the World Church Finance Board at the February 2018 meeting about the unaudited total of World Church net assets as of June 30, 2017.

The unaudited results indicate the World Church's net assets increased \$4 million (USD) from June 30, 2016, to June 30, 2017. Several factors affected net assets in fiscal year 2017.

First, as was announced in June 2017, the Presiding Bishopric commissioned a new appraisal of the Harmony land in Independence, Missouri, to establish a better understanding of market value as it sells various parcels. The new appraisal was about \$18 million (USD) more than the appraisal from the previous fiscal year. The Presiding Bishopric and its consultants feel this new appraisal better represents the property's marketable value. This created an \$18 million (USD) increase in assets.

Second, as was previously announced, the Presiding Bishopric was tracking future gifts to the Worldwide Mission Endowment. They accounted for \$13 million (USD) of assets that were included in the fiscal year 2016 financial statements. With the change in designation of these future gifts to Bridge of Hope Tithes, the Presiding Bishopric, in consultation with the independent auditor, decided to report the gifts in the years they are received, rather than carry the amounts on the gift plan as part of the financial statements. This created a \$13 million (USD) decrease in assets.

Third, several changes in assumptions by the actuary and good investment returns resulted in a decrease in the church's retirement responsibility. This positively affected the World Church's net assets. All of these changes in the actuary report created nearly a \$9 million (USD) increase

in net assets. Market returns and actuarial assumptions will continue to cause fluctuations in the unfunded retirement obligation. The Presiding Bishopric primary’s focus is in adding new assets to the funds that support benefit payments. More about these efforts is reported later in this update.

Fourth, for the first time, the Presiding Bishopric included on the financial statements an estimate of the retirement responsibility for people outside Western countries. In our estimate for the retirement responsibility of \$115 million (USD) described in the November 2017 Financial Update, the Presiding Bishopric had used \$5.5 million (USD) for this liability. After more detailed work, this number came in closer to \$4 million (USD). Including this number in the financial statements caused a \$4 million (USD) decrease in net assets.

Fifth, the Presiding Bishopric has continued to evaluate our investment properties around the world. Several property values were reduced based on a new understanding of what is available to the World Church. This change created a \$6 million (USD) decrease in assets.

Here’s a summary of the unaudited net assets for the World Church (please note the totals are rounded):

| UNAUDITED NET ASSETS | | | |
|------------------------|----------------|----------------|---------------|
| (in millions USD) | 6/30/17 | 6/30/16 | CHANGE |
| Unrestricted | \$ (6.1) | \$ (25.9) | \$ 19.8 |
| Temporarily restricted | 4.7 | 3.9 | 0.8 |
| Permanently restricted | 16.3 | 33.0 | (16.7) |
| Total (Rounded) | \$ 15.0 | \$ 11.0 | \$ 4.0 |

Investment Real Estate Sales: Over \$2 Million (USD) Sale in Harmony

The Presiding Bishopric is pleased to report that one of the 10 major parcels of Harmony was sold since we reported in November 2017. The 474-acre parcel, known as Area 33, was sold for \$2.4 million (USD). This is the first major sale of the Harmony property since a deal was made with Homes by Whittaker in 2014. The church continues to receive proceeds from Whittaker as houses sell. Area 33 was a land sale, and the church’s ownership interest in this area has now been sold.

The Harmony property is part of the World Church’s investment portfolio. As reported previously, most World Church investments are held in Harmony, including the endowments. When the Presiding Bishopric sells the property for the appraised value, the sale does not increase church assets, but it does convert them into marketable securities, which can provide investment income. When the Presiding Bishopric sells property for higher-than-appraised value, the increase grows the World Church’s net assets and endowments. The sale of Area 33 increased the financial assets of the church slightly. The final sale was 1 percent over the appraised value.

The Presiding Bishopric will follow the policy, “Spending Rate on World Church Endowments” (June 1, 2017). That means income from the endowments, based on a spending rate applied to investments in church-owned real estate, still will not be used to support the Worldwide Mission Budget. As a reminder, this was a lesson learned from February 2015 as reported in earlier financial updates to the church.

World Church Finance Board: *Approved Worldwide Mission Tithes Goals for Calendar Years 2018 and 2019*

On February 22, 2018, the World Church Finance Board met by teleconference to:

- Hear updates about the fiscal year 2017 audit report.
- Review the fiscal year 2018 expenses for July 1, 2017, through September 30, 2017.
- Approve the Worldwide Mission Tithes goals for calendar years 2018 and 2019.

Based on the contributions to Worldwide Mission Tithes for calendar year 2017, the World Church Finance Board approved the Presiding Bishopric’s recommendation to develop the next budgets based on annual contributions to Worldwide Mission Tithes of \$14.7 million (USD).

In the Presiding Bishopric’s November 2017 update we said, “The church’s generosity over the next several months will influence the final budget level taken to the World Church Finance Board for consideration at the February 2018 meeting and for final approval at the June 2018 meeting.” Your generosity has made a HUGE difference.

The annual budget amount that will be developed and reviewed by the World Church Finance Board in June 2018 will include an assumption of \$14.7 million (USD) for Worldwide Mission Tithes and a total budget of \$16.95 million (USD). The generosity of the church cut the reduction from \$5 million (USD) as originally announced as a possibility by President Veazey in September 2017 to just under \$2 million (USD). Thank you for your strong outpouring of financial support for worldwide mission.

The World Church Finance Board also reviewed a proposal for changing the accounting year for the World Church to a calendar year. Currently, the fiscal year is July 1 to June 30. This creates challenges in providing helpful communications to the church since most people plan contributions on a calendar-year basis. The board supports changing to a calendar year if the World Church’s banking requirements can be met. This change is being evaluated and will be finalized by the June 2018 World Church Finance Board meeting.

Related to changing the fiscal year, the World Church Finance Board supports the Presiding Bishopric’s plan for providing an audit report that is not consolidated with Graceland University. Graceland University already produces an independent audit report. The World Church then creates a consolidated audit report to comply with Generally Accepted Accounting Principles (GAAP).

Many from the board and church have asked for the World Church to have a separate audit report. The World Church Finance Board and World Conference are responsible only for the

World Church's finances. The Graceland Board of Trustees is responsible for Graceland University's finances. The plan being pursued is for the World Church's audit to be accomplished on a contractual basis and be GAAP-compliant in all material respects except consolidation.

Bridge of Hope Project: *Update on Funding the Retirement Responsibility and Endowments*

The unaudited unfunded retirement responsibility dropped from \$94.2 million (USD) to \$86 million (USD) from June 30, 2016, to June 30, 2017. Multiple factors, including positive market returns and changes in the actuary's assumptions, led to the change. This balance does not include reducing the unfunded obligation, which occurred from the sale of the Printer's Manuscript of the Book of Mormon in September 2017. The November 2017 financial update provided the details of how these net proceeds were applied to reduce the unfunded retirement responsibility. The positive effect of this sale will be reflected in the fiscal year 2018 audit report provided next year. Even without the net proceeds included, this is good news. Details will be available in Note 9 when the audit report is posted in June 2018.

The Presiding Bishopric continues to raise funds to meet the unfunded retirement responsibility. The Presiding Bishopric is pursuing four sources of funding for the Bridge of Hope project:

1. Contributions and pledges from individuals, families, and jurisdictions
2. Net proceeds from property sales around the world
3. Proceeds from the sale of historic assets
4. Support from the annual Worldwide Mission Budget

About \$2.4 million (USD) and \$2.3 million (CAD) have been given to the Bridge of Hope project including use of net proceeds since September 30, 2017. Contributions and pledges for future contributions continue to be received from individuals, families, and jurisdictions.

Total contributions received and pledged as well as net proceeds from property sales as of January 31, 2018:

- \$40.7 million (USD) and \$1.8 million (CAD) to Bridge of Hope Tithes—Use Where Needed
- \$5.8 million (USD) from Worldwide Mission Budget
- \$4.3 million (CAD) to Canadian Mission Endowment
- \$2.5 million (CAD) to Canadian Worldwide Communications Endowment
- \$0.3 million (USD) to Temple Endowment
- \$11.9 million (USD) to Worldwide Mission Endowment

Forty-eight congregations and mission centers had made one-time contributions of over \$782,074 (USD) and \$510,000 (CAD) to Bridge of Hope Tithes by January 31, 2018. Eighteen

more congregations and mission centers contributed in 2017 and pledged to contribute over \$362,116 (USD) in 2018 to Bridge of Hope Tithes.

Any future sales of historic assets will be reported as an update to the church when a sale takes place. If you hear rumors that a sale has occurred, look for the information through official Community of Christ statements. If you do not see an official announcement, do not trust the rumor.

In September 2017, President Veazey's announcement in "A Time to Act!" challenged the church with a \$115 million (USD) goal for the retirement responsibility as part of the Bridge of Hope project. The November 2017 financial update and FAQs provided details about how this goal was established. By October 2017, as a result of the net proceeds from the sale of the Printer's Manuscript of the Book of Mormon, \$31.5 million (USD) had been raised to reach the \$115 million (USD) goal. As of December 31, 2017, about \$7.6 million (USD) of Bridge of Hope Tithes had been redesignated or received, and about \$.4 million (USD) had been received from net proceeds of property sales. This provided \$8 million (USD) more, leaving \$75.5 million (USD) to get to the \$115 million (USD) goal.

Additionally, as of December 31, 2017, the Presiding Bishopric had received pledges to Bridge of Hope Tithes of about \$34.1 million (USD). If all pledges are fulfilled, the amount needed to meet the \$115 million (USD) goal would be \$41.4 million (USD). For now, the number to remember is \$75.5 million (USD). In future reports, the Presiding Bishopric will provide updates on progress toward receiving the \$75.5 million (USD) still needed to reach the \$115 million (USD) goal.

Market performance and other actuarial assumptions will continue to cause fluctuations in the unfunded retirement responsibility each year. That is normal for any pension investment. Again, the Presiding Bishopric remains focused on the four methods of raising funds:

1. Contributions and pledges from individuals, families, and jurisdictions
2. Net proceeds from property sales around the world
3. Proceeds from the sale of historic assets
4. Support from the annual Worldwide Mission Budget

As the unfunded balance decreases, the First Presidency and Presiding Bishopric remain committed to ensuring funds cover annual retirement benefit payments as they come due. We are grateful for the many men and women who have served the church over the years. The sacrifices of these employees and their families are commendable, and the church will do all it can to fulfill the retirement responsibility.

New Mission Funding Model: *Invitation to Participate in the Conversation*

As was announced in November 2017, a multination team was chartered with the task of exploring a possible new funding model for the church. This team has been researching and discussing generosity, stewardship formation, and how to help people financially support mission. In January 2018 the team proposed a new framework to the World Church Leadership Council, which approved it for continued development. This is where we need your help.

As President Veazey announced in September 2017, there will be a church-wide conversation about funding mission. By April 5 a webpage on www.CofChrist.org will be dedicated to facilitating this conversation. This is your chance to be part of how we approach stewardship and funding mission into the future. It's an opportunity for you to be heard, as we capture your comments and suggestions with an online survey. Again, we need your help. Your participation in this conversation is essential to developing a framework that will cultivate a church culture of generosity.

Stewardship Resources: *Website Updates and Two New Tracts*

World Conference Resolution 1314, "Mission and Tithing" included the following: *Resolved*

That the First Presidency and Presiding Bishopric provide resources to support priesthood and leaders in developing disciples who understand faithful tithing as part of the six principles of A Disciple's Generous Response.

The Presiding Bishopric, with support from the First Presidency, has been working in response to this mandate from the 2016 World Conference. With the help of the Webteam, the Presiding Bishopric, Fiscal Services, and Mission Funding have been working hard to update the information available through the World Church's website. If you haven't seen updated information, check these pages:

- www.CofChrist.org/disciples-generous-response
- www.CofChrist.org/ways-to-fund-mission
- www.CofChrist.org/investments
- www.CofChrist.org/endowments
- www.CofChrist.org/oblation
- www.CofChrist.org/legacy-giving

Additionally, two new tracts are available: *Tithing* and *Whole-life Stewardship*. If your congregation hasn't updated the tracts available for sharing, please consider placing a new order. The new tracts are available at www.HeraldHouse.org/collections/brochures.

The Presiding Bishopric also is excited to announce that a replacement booklet for *Becoming a Generous Disciple* will be available before the 2019 World Conference. Watch for announcements about *In Search of Whole-life Stewardship*.

Working “The Way Forward” Plan: *Celebrating Our Progress and Keeping Focused*

The Presiding Bishopric continues to work “The Way Forward” plan. The good news in this financial update indicates how the plan is working. The church’s collective response to meet the financial needs of worldwide mission and the Bridge of Hope Project is making a difference. World Church leaders have had to make tough decisions, but the improvement in the World Church’s net assets as of June 30, 2017, shows the wisdom of those decisions. Here’s an update on the plan’s five focus areas:

1. In fiscal year 2017, World Church leaders managed Worldwide Mission expenses within the available revenue received. Similarly, leaders are continuing to monitor Worldwide Mission Tithes received, as compared to budget, for fiscal year 2018. They have contingency plans to adjust non-staff expenses to stay within available revenue. In anticipation of the new fiscal year beginning July 1, 2018, World Church leaders, supported by the World Church Finance Board, developed a multiyear sustainable Worldwide Mission Budget baseline level. Based on this plan, staff cuts were made by December 31, 2017, to fit within the baseline budget. The budget plan includes non-staff expenses that can be cut each year if Worldwide Mission Tithes and other projected income are not received as expected.
2. Although numerous opportunities exist to extend the mission of the church into new areas and countries, ongoing Worldwide Mission Budget do not include expansion at this time.
3. All net proceeds from the sale of the Printer’s Manuscript of the Book of Mormon were used to reduce the \$115 million (USD) goal for the retirement responsibility announced by President Veazey in September 2017. The Presiding Bishopric continues to evaluate the prospect of selling other historic assets and the potential impact on mission. Additionally, the sale of properties around the world that do not directly support the church’s mission is being pursued. Assets will be sold only if a satisfactory price is negotiated.
4. Disciples, families, congregations, mission centers, and other groups are encouraged to support Worldwide Mission Tithes through sustainable giving. Sharing from abundance can help achieve the goals of the Bridge of Hope Project, which will fund the church’s retirement obligation and build endowments. Because of the worldwide church’s generosity and the actions being taken, the loan from Pool A in the Affiliate Investment Pool, which was used to make post-retirement benefit payments, has been paid in full. Additionally, as the Presiding Bishopric continues to manage the cash flow of worldwide operations, a line of credit was paid off in October 2017.
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. We continue to grow in our understanding and practice of whole-life stewardship. New tracts on tithing and whole-life stewardship are now available. Also, information related to stewardship, tithing, and World Church finances continues to be updated and improved on www.CofChrist.org.

Watch for the next financial update from the Presiding Bishopric in June 2018.