



Community of Christ

Financial Update November 2018

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THE UPDATE...

1. Fiscal Year 2018: Tough Decisions and Generous Responses

The church faced budget-reduction needs as the fiscal year began 1 July 2017, and it successfully moved through them. There is much to celebrate, even as we know we have miles to go in gaining the financial stability we want and need to live Christ’s mission.

The November 2017 Financial Report stated:

Two risk factors identified by the World Church Finance Board in the approved fiscal year 2018 Worldwide Mission Budget were Worldwide Mission Tithes and undesignated bequests assumptions...

Based on presentations made November 2, the World Church Finance Board supported the draft baseline budget for fiscal year 2019. It includes the staff reductions needed to move to a more sustainable budget...

In his “A Time to Act!” address, President [Steve] Veazey shared what the church could do to lessen the overall financial reductions.

Fortunately, staff reductions were less than originally anticipated, and the bulk of the budget reductions were achieved through reducing non-staff expenses. Through the course of the fiscal year, the church responded to the challenges of supporting those who lost their positions in the

downsizing while also sharing abundant generosity. Worldwide Mission Tithes exceeded the budget for fiscal year 2018, making up some of the shortfall in undesignated bequest income.

2. Fiscal year 2018: Let the Audit Begin

The Fiscal Services team has been busy since 30 June 2018 closing fiscal year 2018 and preparing for and supporting the annual independent financial audit. Jurisdictions around the world have been supporting this process as final information for the fiscal year was collected and integrated.

The World Church Finance Board Audit Review team met with the church's independent auditor, RSM, in September as the fiscal year 2018 audit process began. Information about RSM can be found at <https://rsmus.com/>. Field work with RSM and the Fiscal Services team occurred in October.

This year's audit report will look different from the last several years. The Bank of Kansas City (the church's bank), RSM, and the World Church Finance Board approved a contractual basis of accounting for the World Church. This means the audit report will comply with generally accepted accounting principles (GAAP) in all material respects except consolidation with Graceland University. In the past, the audit reports complied with GAAP in all respects. As a result of not consolidating the church's financial statements with Graceland University, the format and content of the fiscal year 2018 audit report will look different than the fiscal year 2017 report, which can be found at www.CofChrist.org/common/cms/resources/Documents/FY17-CofC-Audit-Report.pdf.

The fiscal year 2018 audit report will include only one fiscal year and not financial information from the previous year for comparison. This is because the fiscal year 2017 financial information is consolidated with Graceland University. Therefore, side-by-side reporting between 2017 and 2018 would not be helpful. The Presiding Bishopric is moving in this direction because all parties agreed this method would provide an audit report that is more useful to everyone, including church members. It will make the financial health of the church easier to understand for all English-speakers. Unfortunately, due to the expense, the World Church Finance Board chose not to have the Presiding Bishopric contract with RSM to produce the fiscal year 2018 audit report in French and Spanish.

3. New Plan for Converting to a Calendar-year Accounting Cycle: Fiscal Year 2019 Followed by a Six-month Budget

The June 2018 Financial Update stated:

At the June 2018 meeting, the World Church Finance Board approved two budgets that cover 18 months. Reviewing and approving two budgets is part of the transition plan to move to a calendar year for the church's accounting cycle.

The budgets approved by the World Church Finance Board were for a six-month budget for 1 July 2018 through 31 December 2018 and a calendar-year budget for 2019. Working with the provider of the church's current enterprise resource planning (ERP) system (the World Church's accounting software), the Presiding Bishopric learned that a costly temporary upgrade would be required to make this transition. The Presiding Bishopric already had an ongoing project to replace the ERP system by 1 January 2020. Consideration was given to accelerating the process to bring the new system online a year earlier. With open positions on the Fiscal Services Team, this was not possible.

This led the Presiding Bishopric to develop an alternative plan for converting to a calendar-year accounting cycle in 2020 instead of 2019. Without objection through email coordination, the Presiding Bishopric received World Church Finance Board approval to use the 18 months of budgets approved by the board in June 2018 and reorganize the information into a fiscal year 2019 budget from 1 July 2018 through 30 June 2019 and a six-month budget from 1 July 2019 through 31 December 2019. The November 2018 World Church Finance Board reviewed and approved these new budgets. The December 2019 World Church Finance Board, which will include new members elected by the 2019 World Conference, will consider the calendar-year 2020 Worldwide Mission Budget as previously planned.

4. World Church Finance Board: November 2018 Virtual Meeting Summary

As stated, the primary business of the November 2018 World Church Finance Board was to review and approve the updated Worldwide Mission Budgets for 1 July 2018–31 December 2019. The updated budgets had minor adjustments in the overall total income and expenses for the 18 months previously approved by the board. These adjustments were because there was more current data about actual income and expenses since the budgets were developed last March. The Worldwide Mission Tithes goal was not changed. The new budgets remain balanced in that income covers expenses. The budgets are cash-neutral, meaning sufficient cash is coming in as income to cover the cash needs of the expenses. The primary difference in the new budgets is how the 18-month period is covered by the two budgets. The transition to a calendar-year accounting cycle now will start in 2020. The updated and approved budgets can be found at www.CofChrist.org/financial-updates.

Additionally, the board reviewed unaudited financial reports and closing actions by the Presiding Bishopric for fiscal year 2018. They included the Worldwide Mission Budget to Actual report, the Sources and Uses of Bridge of Hope Tithes, and Special Project Funding. As part of closing fiscal year 2018, the Presiding Bishopric reviewed the balances of several supporting funds of World Church operations such as the fringe benefit funds and the risk reserve fund. The Presiding Bishopric transferred funds to ensure adequate resources were available in each category to support fiscal year 2019 operations. Where balances were higher than needed, funds were moved to cover other needs. Income not spent on expenses in fiscal year 2018 was distributed to strengthen fund balances as needed.

The Presiding Bishopric reported to the board that the closing process showed positive progress since 2016 in the World Church's financial health. This doesn't mean the financial challenges are over. It does mean that together the church is facing the challenges. The church also has the capacity to move to a better, stronger financial future while continuing to respond faithfully to mission now and planning for mission in the future.

Several new special projects were created and given funds during closing. One is for special capital needs that previously had been deferred at the Temple complex and historic sites. Other major projects included legal consulting fees for one-time research supporting the church's mission in various countries and implementing funds for any actions generated by the 2019 World Conference.

The extra Worldwide Mission Tithes plus the undesignated bequests received in cash in fiscal year 2018 were directed to the Bridge of Hope Project. Bridge of Hope was increased by more than \$7.5 million (USD) through the fiscal year 2018 closing activities. More details about Bridge of Hope are provided in section 7 of this report.

One special project report reviewed by the board was about Disaster Relief support. The report provided the status of Disaster Relief contributions received in fiscal year 2018 and the projects supported. Nearly \$517,000 (USD) was given generously to provide relief for various disasters around the world. Projects included post-flooding support in Nepal, damage repair from Hurricanes Maria and Harvey, securing the Kolwezi Congregation building in Democratic Republic of Congo, and typhoon repair on the Philippines' Shaw Centre. About \$180,000 (USD) is available to support any needs identified during the current hurricane and typhoon season.

The board also received updates related to the early start of fiscal year 2019. The first quarter has not been closed since efforts have been focused on the field work for the audit process. However, there are no cash-flow concerns and no major unexpected expenses at this point. Worldwide Mission Tithes for calendar year 2018 are behind budget. Contributions to Worldwide Mission for September were \$975,000 (USD). As of 30 September 2018, overall contributions for calendar year 2018 are about \$413,000 below budget.

Projections for total contributions for calendar year 2018 indicate tithing could be \$600,000 (USD) below the budget of \$14.7 million (USD) without strong end-of-year support. However,

based on historical trends, the church has the capacity to meet or exceed the \$14.7 million (USD) goal, especially with a strong November and December.

Giving Tuesday will be 27 November 2018. The Presiding Bishopric shared communication plans with the board for encouraging end-of-year giving. With Giving Tuesday and a little attention to the needs, the church is well within its capacity to meet the calendar-year goal. Together we can meet the \$14.7 million (USD) budget.

The Presiding Bishopric provided the board an update on the status of filling critical positions on the Fiscal Services team. One accounting position was filled in September. The search for the controller/director of Finance position is ongoing. The Presiding Bishopric and Human Resources team have been using recruiters and other consultants to provide guidance and expertise in this important process.

5. Generosity Cycle: Thank you for Your Input!

Thank you to the more than 700 people who responded to the Generosity Cycle survey. Eighty-eight percent of those who responded listed tentative to full support for the new model. Twelve percent indicated little to no support. A breakdown of the full survey results is included as an attachment to this report. Because the survey was available only in English, the results are provided only in English.

More than 2,000 comments were shared. They helped the team identify questions and concerns, as well as prioritize what resources would be most helpful. Among the most frequent comments:

- Develop resources suitable for smaller congregations.
- Create materials that are easy and straightforward to use.
- Focus on holistic generosity and not just financial tithing.

A selection of congregations across the USA and Canada have volunteered to test some initial materials that have been developed. These materials include invitation letters, worship resources, bulletin inserts, a daily spiritual guide, giving commitment cards, and a 21-day gratitude challenge for kids. As this process unfolds, the team and participants will gain more insights. These will be used for improvements before materials become available to more congregations. Meanwhile, it continues to be clear that the generosity cycle happens as part of our ongoing support of mission. The resources seek to increase the church's intentionality in moving through the generosity cycle together.

6. Working Together: Church-wide Capital Pause Continues

As a reminder, the worldwide church has a capital-pause process that requires approval to accomplish any capital project over \$5,000 (USD). This process applies to all fields. This process was announced by President Veazey in his “A Time to Act!” address in September 2017.

The November 2017 Financial Update stated:

This pause is not short term. It will take several years to have the necessary missional and fiscal conversations throughout the church. The status of this process will be reviewed at least annually at September World Church Leadership Council meetings. Any changes will be announced during the November financial update each year.

The September 2018 World Church Leadership Council discussed the ongoing pause, and no changes will be made to the process this year. The document describing the process and how to request an exception is available at

www.CofChrist.org/common/cms/resources/Documents/legal/Capital-Projects-Pause-Process.pdf.

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

Overview

As efforts continue to build a bridge of hope to the future, the Presiding Bishopric is grateful for the church’s progress.

As previously described, the Bridge of Hope Project is focused first on funding the retirement responsibility and second on building the church’s endowments. The 10-year goal (2017–2028) for the Bridge of Hope project is \$168.75 million (USD) or \$150 million (USD) and \$25 million (CAD):

- \$115 million (USD) retirement responsibility
- \$25 million (CAD) or \$18.75 million (USD) Canadian Mission Endowment
- \$35 million (USD) Worldwide Mission Endowment

The first five years of Bridge of Hope are focused on reaching \$115 million (USD) for the retirement responsibility by January 2022. The goals by country for the retirement responsibility:

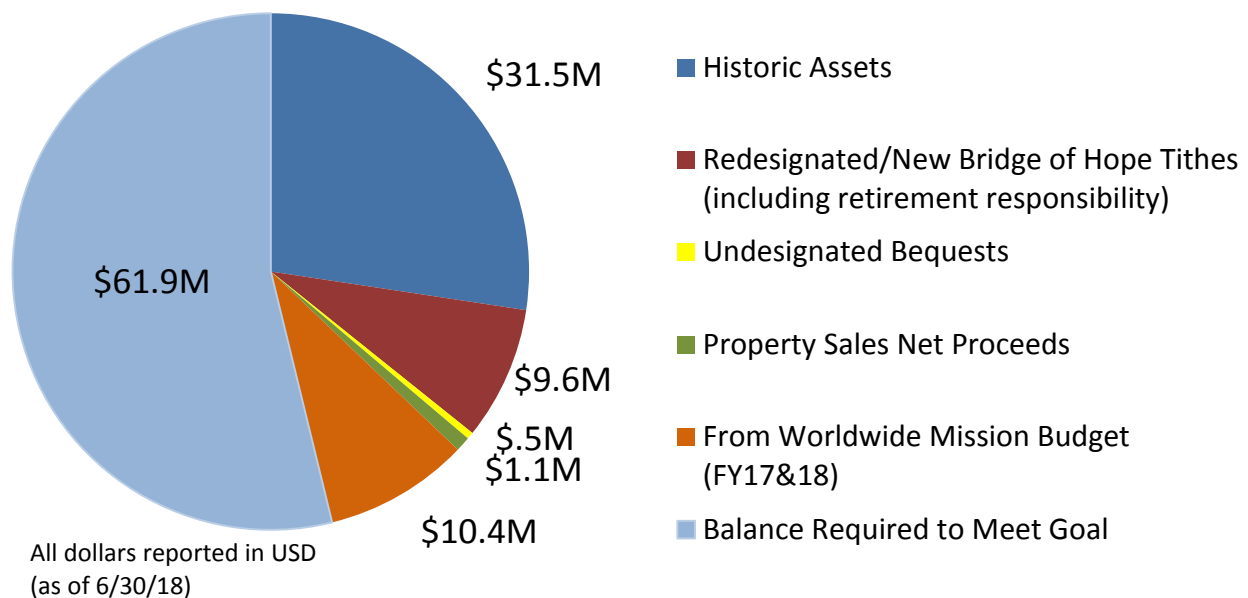
- Canada: \$10 million (USD) or \$13.3 million (CAD)
- USA: \$104 million (USD), including net proceeds from historic-asset sales
- Other countries: \$1 million (USD)

Current Progress toward \$115 million (USD) Goal

Since the June 2018 Financial Update, the church has made additional progress toward the \$115 million (USD) retirement responsibility portion of the Bridge of Hope Project.

As of 30 March 2018, \$43.7 million (USD) had been received. As of 30 June 2018, \$53.1 million (USD) had been received, an increase of \$9.4 million (USD). This included about \$0.4 million (USD) received from pledges and one-time gifts, \$0.5 million (USD) applied from undesignated bequests, and just over \$1 million (USD) from net proceeds of program property sales. As budgeted, the fiscal year 2018 Worldwide Mission Budget provided \$2.9 million (USD) to the Bridge of Hope. Also, because of the generosity of the church, the fiscal year 2018 budget provided \$4.6 million (USD) more to the Bridge of Hope.

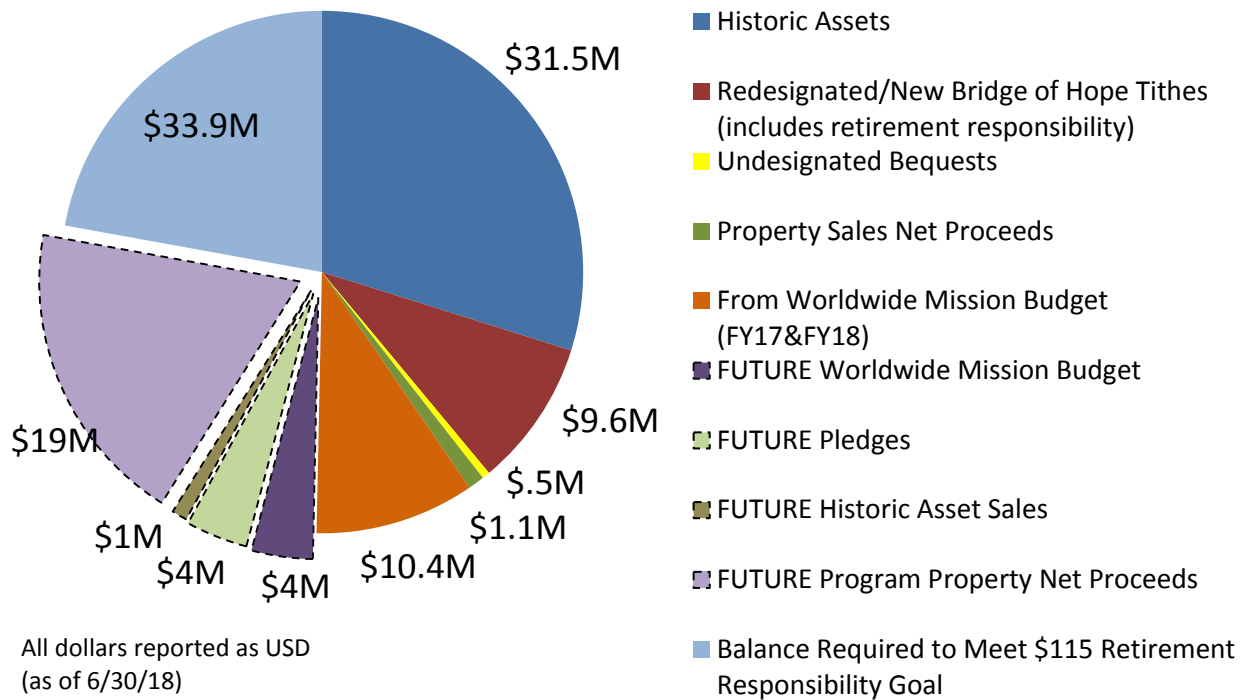
The following chart shows the sources of funding. The \$61.9 million in light blue shows the balance still to be raised to meet the \$115 million (USD) retirement responsibility goal by January 2022.



Projected Progress toward \$115 million (USD) Goal by 2022

World Church leaders estimate \$28 million (USD) more in funding will be received by 31 December 2021. These projected funding sources are shown in the next chart.

If these funds are received as projected, the \$33.9 million (USD) shown in light blue would be the shortfall required to meet the \$115 million (USD) retirement responsibility goal by January 2022.



This chart indicates how important receiving the projected income is in getting closer to the goal by January 2022. It also shows we need to identify other sources to cover the \$33.9 million shortfall. If we are unable to achieve the \$115 million goal by January 2022, the cost of meeting the retirement responsibility will increase because the goal was established based on having the funding invested in the market by January 2022. World Church leaders will continue to work with jurisdictions to increase pledges and commitments for additional funding in an attempt to reach the goal by January 2022.

Contributions in 2022 and Beyond and Endowment Contributions

Additional funds have been received and pledged toward the overall Bridge of Hope Project goal of \$168.75 million (USD). These contributions and pledges are not included in the two pie charts presented because they are scheduled to be received after 31 December 2021, or they were designated for specific endowments.

Bridge of Hope Use Where Needed Most:

- Future Pledges: \$33.8 million (USD) (anticipated after 31 December 2021)

Worldwide Mission Endowment:

- Received: \$958,677 (USD) (as of 30 June 2018)
- Future Pledges: \$10,993,597 (USD) (anticipated after 30 June 2018)

Canadian Mission Endowment:

- Received: \$2,921,158 (CAD) (as of 30 June 2018)
- Future Pledges: \$1,145,841 (CAD) (anticipated after 30 June 2018)

World Church leaders are grateful for those who continue to explore their true capacity to give to support Worldwide Mission Tithes and give from their abundance to the Bridge of Hope project. The only way the church can move beyond this financial challenge is to work together, and much remains to be done. To meet the retirement-responsibility goal of \$115 million (USD) by January 2022, the church must continue to focus on raising funds from:

1. Contributions and pledges to Bridge of Hope Tithes from individuals, families, and jurisdictions, including bequests.
2. Net-sale proceeds from program property sales around the world where program properties are defined as properties originally bought to support the mission of the church and not as investment real estate.
3. Proceeds from the sale of historic assets.
4. Support from the annual Worldwide Mission Budget, provided that Worldwide Mission Tithes meet or exceed the budget for that year.

8. 2019 World Conference: Be Part of Planning Next Steps in Meeting the Retirement Responsibility

In April 2019, church members and friends from around the world will gather for the 2019 World Conference. Many activities are being planned to celebrate 25 years of the Temple and Temple ministries. Events will begin Friday afternoon, 5 April, including the First Presidency reception on Friday night. Please plan to arrive by Friday afternoon so you do not miss anything.

As part of the overall experience, the Conference will explore detailed information of what it means for the church to work together to meet the retirement-responsibility goal. As indicated in the previous section, the current projections by World Church leaders indicate the church will be just under \$34 million (USD) short of achieving the \$115 million retirement responsibility by January 2022. If the projected income is not achieved, the shortfall will be even greater than \$34 million (USD). If \$115 million (USD) is not met by January 2022, then the cost to meet the retirement responsibility will continue to increase. With intentionality and by working together, World Church leaders believe the church has the capacity to meet the retirement-responsibility goal of \$115 million (USD). It will not be easy, and it will require making significant decisions together while remaining faithfully focused on living Christ's mission.

Using the electronic polling system, the Conference delegates will have the opportunity to provide input to the strategic financial plan being developed by World Church leaders to take the church where we need to be in 2022 and beyond. The Presiding Bishopric also will offer a special lunch-and-learn session to answer questions or receive comments not covered as part

of the Presiding Bishopric's Financial Report to the Conference. Don't miss out! Your voice and input are important. Plan to attend the Conference.

9. "The Way Forward": Working the Plan, and the Plan Is Working

The Presiding Bishopric continues to make decisions aligned with the financial strategic plan developed and presented to the church in 2016. The Presiding Bishopric also continues to adapt the plan based on unfolding insights and ongoing progress. The Presiding Bishopric gives thanks for World Church leaders who continue to have the courage to make sometimes-difficult decisions to live within the plan. The Presiding Bishopric also is tremendously grateful for the patience, understanding, and generosity of the church as we work together to support Christ's mission now while we build a bridge of hope to support future mission. The blessings of community are countless as the Holy Spirit leads us together in becoming all that God is calling us to be individually and collectively.

**Watch for the Presiding Bishopric's Financial Report
at the 2019 World Conference.**