



# Community of Christ

CHRIST'S MISSION, OUR MISSION

April 18, 2016

## Financial Questions and Answers

*Additional financial questions sent during the April 3 President's Address and Q&A webcast were answered by the First Presidency and Acting Presiding Bishopric. See more at [www.CofChrist.org/presidents-address](http://www.CofChrist.org/presidents-address).*

### I. What contributed to the decision to significantly reduce the budget?

The decision was based primarily on three factors:

1. The Harmony development project did not start in calendar year 2015 as planned, and all indications were that it would not generate sufficient cash in the next few years to support the original assumptions in the cash-flow model supporting the plan.
2. Cash-flow needs in fiscal year 2015 resulted in the last of the marketable securities being spent from the World Ministries and Temple endowments, leaving only investment real estate.
3. With limited liquid assets in the World Ministries and Temple endowments and the principal levels low, the decision was made not to include endowment income in the budget for the foreseeable future.

These factors led to the conclusion that the church could not use our endowments at this time to provide income to the budget. The decision was made to move to a budget supported only by cash coming into the church annually: tithing income, undesignated bequests, and service/rental income. Other options likely would have put the church in an increasingly difficult situation, including the possibility of burdening it with increasing liabilities. These other options also would have further decreased balances in the World Ministries and Temple endowments. In addition to these factors, leaders were mindful of the decreasing and aging contributor base in the USA and the ongoing need to give attention to this.

### 2. What exactly is the Harmony Development Project?

The church owns 3,250 acres in the Little Blue River Valley of Jackson County, Missouri. The first-stage in the Harmony Development 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 creates opportunities that encourage relationship-building in community.

In addition, the Acting Presiding Bishopric is working with a company, Arcadia, which is searching nationally for a developer to plan and manage development of part or all of the Harmony acreage.

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

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

**4. Why not sell the Harmony land now?**

The property is undeveloped with a portion generating income as farmland. Currently, it is more prudent to continue to use the land to generate farming income than to liquidate it for a onetime sale at a reduced rate. By continuing to work with Whitaker and eventually other developers, land value will increase as homes and retail are built. As lots are sold, the church will make significantly more money than if it sold the land now as farmland. Additionally, an ongoing development plan allows land to be sold at a rate that does not flood the area with more property for sale than the market can support. If the church were to put all of the land up for sale, it would drive the prices below even the current value of farmland.

**5. What is the impact of the financial situation on the Affiliate Investment Pool? Is the World Church drawing on mission center/congregational dollars that are in the Affiliate Investment Pool?**

Legally, the presiding bishop is the trustee of all of the church's funds: congregations, mission centers, and World Church. Concerns have been expressed that the Acting 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 Acting 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 Acting 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 Acting 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 Acting Presiding Bishopric also issued a loan from the fixed-income segment of Pool A for the post-retirement benefits plan. 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 2016. These reports are accurate. All of these funds are invested according to the asset-allocation plan developed by the Investment Committee.

**6. What happened to the \$40 million given to the church by a generous family in 2004?**

The family put no restrictions on the gift, asking only that funds be used as needed to support the church and promote mission. In fiscal years 2006–2016, the gift provided income to the world ministries budget. As of December 31, 2015, the balance of just under \$20 million was used to fund the health plan reserve, currency exchange, and program real estate funds. The remainder was moved into the World Ministries and Temple endowments.

**7. 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 world ministries budget and operational projects.

**8. Are the operational costs of the Temple and Auditorium part of the budget?**

The operational costs of the Temple complex are part of the world ministries budget, as are capital needs for the facilities. That is why income from the Temple Endowment has been included as an income line into the world mission budget. When income is available from the two endowments (World Ministries and Temple), it is included as income in the world mission budget. It is used to support ministries and projects consistent with the intended purpose of the endowment based on the endowment document.

**9. What is the purpose of the endowments, and what does spending down their principal mean?**

The goal of our endowments is to fund the mission of the church in a sustainable way. This is done by using a spending rate to determine how much to withdraw from the endowments each year. The spending rate is the long-term, expected rate of return on investments, less the estimated inflation rate. This means over the long term the endowments' principal will increase because some earnings are not withdrawn. This is to

maintain the endowments' real value or "buying power" in the face of inflation. Because actual earnings fluctuate from year to year, sometimes the principal decreases when the spending rate exceeds actual earnings.

Our endowment documents do not establish a minimum principal level that must be maintained. This was to enable the Presiding Bishopric to respond to unusual circumstances such as major facility needs for the Temple or missional opportunities in the field. Our endowments have experienced an extended period when the spending rate exceeded earnings. Spending the endowment principal for a period is not unique to our endowments. Because of the current level in our endowments, the decision has been made that rebuilding the principal is necessary, though it will result in a major budget reduction.

The total endowments are made of permanently restricted (or donor restricted), quasi-endowment funds (a World Conference decision has been made to treat the funds as restricted, though they are not), and Presiding Bishopric designated funds (the Presiding Bishopric has made a decision to treat the funds as restricted, though they are not). The World Church Finance Board approves the annual spending used to support the world ministries budget.

**10. Why weren't the one-time gifts from the grassroots effort fully used to increase staff now?**

In the "What Would It Take?" document, we explained that to add staff back into the budget, leaders needed a response from the church that was timely, reliable, and sustainable. Leaders did not want to keep staff in the budget this year that would have to be reduced next year. Leaders wanted a plan that would allow the staff levels planned for this year to be supported for the next few years, including anticipated staff cost increases. Additionally, based on raising funds for the Temple and Transformation 2000, leaders knew they had to plan on some unfulfilled commitments.

Details about the use of the grassroots effort are at [www.CofChrist.org/common/cms/resources/Documents/UpdateonGrassroots03-24-16.pdf](http://www.CofChrist.org/common/cms/resources/Documents/UpdateonGrassroots03-24-16.pdf).

**11. We understand \$950,000 was added back into the budget for staff as a result of the grassroots effort. How many positions were added back?**

The grassroots effort was unfolding as budget planning was happening. By the time the Council of Twelve Apostles developed budget details for the field, the Acting Presiding Bishopric already had determined some budget support would be available from grassroots effort. It set budget targets in anticipation of what was happening. Numerous versions of field staff lists were created as the Council of Twelve struggled with which positions to keep and which to cut. Meanwhile the Acting Presiding Bishopric kept

updating the director of Field Ministries on how much additional funding the grassroots effort would be able to make available.

As a result, we cannot provide a final count of the positions saved because the Council of Twelve did not have to go through the decision of reducing positions to cut the last \$950,000 from the budget. We could calculate a number of positions based on the average cost of salary and benefits for a staff position, but this number would be a calculation. The average cost also is not a good measure since compensation packages vary widely given the different economic circumstances where World Church ministers serve around the globe.

What we can report is that without the grassroots effort, an additional \$950,000 of positions would have been cut. We are grateful the reductions did not have to go that low.

## **12. Why were no World Church officers included in the staff reductions?**

During the last two staff reductions the First Presidency reduced the number of World Church officer positions and the number of World Church Leadership Council members to help in budget reductions. At the same time, the Presidency fully recognizes the essential role provided by World Church officers and presiding quorums, including those specified in the Doctrine and Covenants. These positions provide the core priesthood and mission leadership to support the mission and message of the church in 59 nations where the church is located. Some World Church officers provide executive leadership, while others provide administrative support for the fields. But all World Church officers are first and foremost ministers who partner with priesthood, staff, and members in the fields to support, teach, and lead the church to live its calling and mission of proclaiming the peace of Jesus Christ.

The First Presidency has reduced staff costs allocated solely to World Church officer positions. These reductions have occurred through early retirements and by certain officers and newly called designates serving in dual assignments. Those in dual assignments: Stassi Cramm: acting presiding bishop and member of the First Presidency designate; Linda Booth: apostle and director of Communications; Jane Gardner: presiding evangelist designate and director of Worship and Spiritual Formation; Janné Grover: apostle designate and team lead for Disciple and Priesthood Formation; Lach MacKay: apostle designate and director of Historic Sites; David Anderson: president of the High Priests Quorum designate and director of Human Resource Ministries; Michele McGrath: acting member of the Presiding Bishopric and director of Finance. Through this integrated approach we have achieved needed budget reductions and reduced the number of people serving only as World Church officers. In addition, some World

Church officers, due to personal life circumstances, have taken reductions in compensation to help trim expenses and retain other positions.

**13. How many staff positions were reduced?**

Seventy-nine staff positions were downsized from around the world: 29 from International Headquarters; 25 in multi-nations fields; and 25 in the USA Field.

**14. How many people remain employed?**

Worldwide, 252 part- and full-time employees.

**15. How are staff retirement benefits funded?**

The church is committed to funding its retirement obligations. The plan for this 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 liabilities also includes ongoing support from the church's annual budget.

It is an acceptable business practice to not fully fund the liabilities of a defined benefit plan at a particular time. Government, corporations, and other entities operate this way. What is considered most important is the ability to pay benefits as they come due. The church's plan indicates how liabilities will be met over the years as cash is needed. The funds from the pension trust and line items in the annual budget are two primary sources of cash to help fund retirement obligations. Additionally, liquidation of other assets not included in our investment real estate will be used to meet obligations.

**16. Is the auditor's report available to membership?**

The 2013 audit is at:

[www.CofChrist.org/common/cms/resources/Documents/FY\\_2013\\_CofC\\_Audited\\_FS.pdf](http://www.CofChrist.org/common/cms/resources/Documents/FY_2013_CofC_Audited_FS.pdf).

The 2014 audit is at: [www.CofChrist.org/common/cms/resources/Documents/FY-2014-CofC-audit-FS.pdf](http://www.CofChrist.org/common/cms/resources/Documents/FY-2014-CofC-audit-FS.pdf).

The 2015 audit is in process and will be available online when it is complete.