



Community of Christ

CHRIST'S MISSION, OUR MISSION

November 2017

Financial Update: Questions and Answers

1. What is the unaudited preliminary budget compared to actual income and expenses for the fiscal year 2017 Worldwide Mission Budget?

Through good stewardship practices by World Church budget managers, fiscal year 2017 expenses were managed slightly below the available income. The total income was just over \$17 million. The expenses were just over \$16.4 million. This resulted in about a \$600,000 surplus.

2. What is the World Church's fiscal year?

Currently, the World Church's fiscal year starts July 1 and ends June 30. For example:

- Fiscal year 2017 began July 1, 2016, and ended June 30, 2017.
- Fiscal year 2018 began July 1, 2017, and will end June 30, 2018.
- Fiscal year 2019 will begin July 1, 2018, and will end June 30, 2019.

3. How does the World Church Finance Board participate in the review and acceptance of the independent audit report?

As a result of World Conference Resolution 1306 approved at the 2016 World Conference, the World Church Finance Board reviews and accepts the annual audit report on behalf of the World Conference. Starting with the fiscal year 2017 audit, the Presiding Bishopric and First Presidency refined the process based on feedback from the World Church Finance Board. An Audit Review Team was established with five members from the elected positions on the World Church Finance Board and the Corporate Body of Community of Christ. The Audit Review Team will:

1. Meet via teleconference with the independent auditor and key fiscal team members to identify any areas of concern the auditors need to focus on. Team members will have the opportunity to contact the auditor privately after this teleconference to identify any confidential concerns.

2. Receive and review the audit and auditor's required communication package before it is submitted to the World Church Finance Board for approval in June.
3. Meet via teleconference with the independent auditor and key fiscal team members to review material and ask questions after reviewing the audit. Again, team members will have the opportunity to contact the auditor privately after this teleconference to identify any confidential concerns.
4. Report on the auditor's required communication package at the June World Church Finance Board.

4. What is the status of discharging the debts mentioned in the June 2017 financial update in Point 4 of "The Way Forward"?

The June 2017 financial update FAQ reported that as of May 31, 2017, the church had drawn \$8 million from the available \$17 million external line of credit used to manage cash flow. It also was reported that the plan was to continue to pay down this balance. As of June 30, 2017, the balance was \$2.5 million. As cash-flow management was reviewed late in September during the fiscal year 2017 closing process, the Presiding Bishopric felt it was prudent and feasible to pay off the line of credit in October. The \$17 million line of credit remains available but will be used only as needed to manage cash flow.

5. Where do I find the approved fiscal year 2018 Worldwide Mission Budget?
www.CofChrist.org/financial-updates

6. What is the current projection for fiscal year 2018 income for the Worldwide Mission Budget?

The Presiding Bishopric is continuing to monitor Worldwide Mission Tithes, which are the largest income source for the budget. At the end of the first quarter of the fiscal year, Worldwide Mission Tithes are slightly behind budget. However, the Presiding Bishopric is hoping for a successful Giving Tuesday (November 28) and \$3.5 million in Worldwide Mission Tithes for November and December.

Undesignated bequests for fiscal year 2017, which are used as revenue for fiscal year 2018, were \$393,000 below budget. The Presiding Bishopric already has eliminated a \$575,000 expense line item from the fiscal year 2018 budget to account for the loss of income from undesignated bequests.

Other income and netted income are anticipated to meet the budget.

7. What is happening with Harmony?

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 Homes by Whittaker (www.newtownatharmony.com). Whittaker 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.

Originally plans called for a regional or national company to develop the rest of the valley with housing, commercial, and retail sites. No company has been found, so the Presiding Bishopric is looking at options for selling the property more expeditiously. This process is continuing as different methods for selling the property in various groupings of parcels are being explored with investors.

A new appraisal was completed June 30, 2017. It has not yet been audited. The unaudited appraised value is \$40.4 million. This is a \$20.5 million increase from last fiscal year's audited appraised value.

8. What is the status of building at New Town at Harmony Project?

The 3,250 acres known as the Harmony Project do not include the 130 acres in the Harmony area previously sold to the Whittaker company to develop New Town at Harmony. The New Town project continues. The World Church is receiving quarterly payments from the Whittaker company. Water and sewer lines are complete. Streets and curbs now support 80 lots.

9. How does the sale of property in Harmony help the church's financial situation?

The Harmony property is part of the World Church's investment portfolio. As has been reported previously, most of the church's investments are held in Harmony, including the World Church's endowments. When the Presiding Bishopric sells the property for the appraised value, the sale does not increase the assets of the church, but it does convert the assets 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.

Since the majority of the endowment balances are in the World Church's investment property and no major sales have taken place as of this report, no income will be planned from the endowments to support the fiscal year 2019 Worldwide Mission Budget.

Where net proceeds from historic assets and non-investment properties are being used to support the Bridge of Hope Project, sales of investment property provide liquid assets to the World Church that support its ongoing operation.

10. What caused the potential \$5 million budget reduction?

Several factors contributed to the potential \$5 million budget reduction referenced by President Steve Veazey:

1. World Church leaders decided to stop using the previous year's unpredictable undesignated bequests as income for the current year's Worldwide Mission Budget. These bequests will be used for the Bridge of Hope Project.
2. Worldwide Mission Tithes are projected to decrease over the next few years without new contributors.
3. The need to reduce the budget brought the projection of a smaller staff at International Headquarters. That resulted in uncertainty of how much "other income" and "netted income" could be planned for the fiscal year 2019 Worldwide Mission Budget.
4. As reported by the Presiding Bishopric in June 2017, the goal for the fiscal year 2019 Worldwide Mission Budget is to be substantially cash-neutral.

11. Can the worldwide church do anything to change the forecast leading to the potential \$5 million reduction?

Yes. The Presiding Bishopric will continue to receive pledges and monitor the ongoing level of giving to Worldwide Mission Tithes. How the church responds over the next several months will influence the final budget level taken to the World Church Finance Board for consideration and approval at the June 2018 meeting.

On November 2, 2017, the Presiding Bishopric presented to the World Church Finance Board an overall draft income plan for the fiscal year 2019 Worldwide Mission Budget. It also presented the assumptions made in developing this plan. At this point, the reduction is projected to be less than \$5 million. The final projection used for Worldwide Mission Tithes for fiscal year 2019 will be reviewed and ultimately approved at 2018 World Church Finance Board meetings in February and June.

World Church leaders also informed the board about reductions that could be made to move to a more sustainable budget in fiscal year 2019 and beyond. As promised by President Veazey, World Church leaders are reducing non-staff expenses as much as possible to minimize staff reductions. The World Church

Finance Board supported the draft baseline budget for fiscal year 2019, including the staff reductions.

In his “Time to Act!” address, President Veazey shared what the church could do to lessen overall financial reductions. While the staffing level for fiscal year 2019 has been set, the church still can help minimize the reduction of non-staff expenses for items such as disciple-formation and worship materials, international leadership development, and special mission projects. This can be done through recurring, sustainable giving to Worldwide Mission Tithes. Achieving the \$3.5 million goal for November and December will have a tremendous impact on our ability to maintain these ministries.

12. What is the level of staff reductions being made in November 2017? What are the changes in ministries and services resulting from the loss of these positions?

There is a net of 13 position reductions, resulting in 240 positions funded in the draft fiscal year 2019 budget. The net change in positions is the total number of positions downsized minus any new positions added. The 13 net position reductions and the 240 funded positions in the draft budget include full-time, part-time, shared funding, and volunteers receiving some support from the budget. The 13 net positions reduced include two positions from the World Church Leadership Council. One or more World Church Leadership Council positions will be filled by volunteers following the 2019 World Conference. The budget savings from the downsizing of the 13 net positions is \$575,000.

Additional non-staff reductions still are being finalized. They will depend on the assumption for fiscal year 2019 Worldwide Mission Tithes income to be approved by the World Church Finance Board in June 2018.

Leaders have considered the best way to provide services and ministries given the contextual realities around the world and reduced funding for positions. More information about the changes in ministries and services in the fiscal year 2019 budget will be forthcoming as work is completed to refine how we support mission as a World Church. The budget will be approved in June 2018 by the World Church Finance Board.

13. Since staff reductions already have occurred, does increased giving or pledges for recurring giving to Worldwide Mission Tithes make a difference?

Yes. Your individual, family, congregation, and mission center contributions and pledges for sustainable Worldwide Mission Tithes have made and will continue to make a difference as we finalize the income assumptions for the fiscal year 2019

Worldwide Mission Budget. As the estimate for Worldwide Mission Tithes increases, we will be able to add back non-staff expenses, providing better ministries and services. Thank you for your amazing response so far to President Veazey's challenge of "A Time to Act!" We look forward to receiving additional pledges in the coming days and months. Together we can support mission locally and globally.

14. Is another staff reduction expected in fiscal year 2020?

The new staffing level is the best attempt by World Church leaders to project what is sustainable for multiple years based on longer trends for Worldwide Mission Tithes, other income, and netted income.

15. How will exceptions be processed for building projects that need to proceed?

Any exceptions will have to be approved by the field apostle, director of Field Ministries, and the Presiding Bishopric. Local jurisdictions should work with their field apostle on evaluating what projects might be considered. Mission center officers have been provided a document to help explain the process.

16. Can you explain the \$115 million unfunded retirement responsibility?

The retirement responsibility is the unfunded obligation of the Defined Benefit and Post-retirement plans. As of December 31, 2015, both plans were closed, so that no new employees would receive benefits. No additional benefits are being earned for most employees in the plan, with a few exceptions. The 2016 actuarial report stated the unfunded liability as of June 30, 2016, at \$94.5 million. Unfunded obligations for employees from non-Western nations add \$5.5 million that was not included in the actuary report. Additionally, the Post-retirement Plan had a \$15 million loan from Pool A of the Affiliate Investment Pool. In total, as of September 1, 2017, the Presiding Bishopric's best estimate of the amount required to fund the retirement benefits fully was \$115 million. By the end of September, the net proceeds from the Printer's Manuscript sale reduced the \$115 million unfunded retirement responsibility. See questions 25–27.

17. How does the \$25 million in the retirement trust mentioned by President Veazey in September 2017 relate to the \$115 million unfunded retirement responsibility?

President Veazey said, "Based on recent actuarial studies, \$115 million is needed to fully fund these fixed retirement obligations. We have about \$25 million in the retirement trust." The audited balance in the Defined Benefit pension trust as of June 30, 2016, was \$25.8 million. This represents the funded portion of the retirement obligation. This means that the \$25 million in the retirement trust makes up the funded portion of the church's retirement

obligations. The church needs \$115 million more to cover the estimated unfunded portion of the retirement obligations.

18. How are current employees being provided retirement benefits?

As of January 1, 2016, the church changed its retirement benefit to a defined contribution plan. The plan provides for the church to match employee contributions to the plan up to 3 percent of employee compensation, and allows the church to make up to a 2-percent discretionary (optional) contribution annually. The discretionary contribution for the Community of Christ Savings Plan is an additional contribution that may be made by the church, regardless of the contributions that an employee makes during the year. All eligible employees receive the same percentage discretionary contribution (or a minimum of \$700) annually. For 2016 the church contributed an extra 2 percent (or the minimum of \$700) of an employee's base salary into her or his savings plan. For 2017 the church plans a discretionary contribution similar to 2016. The employer's cost is budgeted and funded annually as part of Worldwide Mission Budget staffing costs.

19. What is the Bridge of Hope Project?

The Bridge of Hope Project is the effort to strengthen the financial health of the worldwide church into the future by funding the retirement responsibility and building the Temple, Worldwide Mission, and Canadian Mission endowments. Funds given to this project will be designated Bridge of Hope Tithes. They will be used first to fund the retirement responsibility and then to strengthen the endowments. As the Presiding Bishopric is able to generate net proceeds from the sale of historic assets and non-investment properties that are not essential for church mission, more Bridge of Hope Tithes will flow into the endowments. Contributions to specific purposes within the Bridge of Hope Project will be honored.

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

Funds are being raised in three ways:

- Sale of historic assets and other non-investment properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated. The Presiding Bishopric was confident a satisfactory price was negotiated for the sale of the Printer's Manuscript.
- Asking congregations, mission centers, and other groups with investment funds to make one-time or multi-year pledges to Bridge of Hope Tithes.
- Asking individuals and families to contribute or pledge from their abundance to Bridge of Hope Tithes.

21. What is the Printer's Manuscript?

The Printer's Manuscript of the Book of Mormon is a copy of the original dictated manuscript. Oliver Cowdery served as the principle scribe. This copy was provided to the printer, E.B. Grandin, in Palmyra, New York. It became the guide by which the type was set for the first edition (1830) of the Book of Mormon.

Less than 30 percent of the dictated manuscript has survived. The Printer's Manuscript is virtually complete, missing only three lines of text. Community of Christ bought the Printer's Manuscript in 1903. It was part of a collection that included several other items, including the Book of Mormon "Caractors" document. The bill of sale for the entire collection was \$2,500.

22. By selling this manuscript, is the church changing its belief about the Book of Mormon?

No. The Book of Mormon remains one of the church's three books of scripture. The Book of Mormon is an important part of our church's heritage and ongoing sacred story. We affirm that these sacred writings do not replace or improve upon the witness of the Bible; they confirm its message that Jesus is the Christ ([Scripture in Community of Christ](#)). We continue to share the Book of Mormon through print editions and technology like the eBook released last November. This version of the Book of Mormon, with a fully linked index, can be bought through [Amazon](#).

Church leaders know that letting go of this document will cause some members sadness and grief. We feel sad, too. However, the church's use of the Book of Mormon as scripture and our appreciation and respect for our history are not dependent on owning the Printer's Manuscript. Letting go of this document does not affect the rights of Community of Christ to publish and protect the copyrights of its editions of the Book of Mormon. When a decision had to be made, we chose the well-being of people and preserving the current and future mission of the church over owning this document.

23. Is \$35 million a good price for the manuscript?

In the last several months, the Presiding Bishopric worked with multiple potential buyers. The Presiding Bishopric, along with its consultants, systematically evaluated what the artifact's market would pay. The Presiding Bishopric proceeded with the sale because it was confident the price represented an appropriate value. The \$35 million price is the highest ever paid for a manuscript. By comparison Bill Gates bought the Leonardo da Vinci *Codex Leicester* in 1994 for just under \$31 million.

24. Why is the church selling it now?

As stated in the Presiding Bishopric's report to the 2016 World Conference and the financial updates in March and June 2017, selling historic assets and other non-investment properties that are not essential for the church's mission is one way we are rebuilding our financial position. In particular, net proceeds from these types of sales will help fund the retirement responsibility.

We continue to be deeply grateful for our heritage while looking forward as we seek new ways to make mission possible all around the world.

25. What other historic assets might be sold?

The Presiding Bishopric is continuing to explore several potential sales of historic assets as well as non-investment properties that are less essential for church mission. The specifics related to additional historic asset sales cannot be shared at this point. Details need to remain confidential to avoid adversely affecting potential negotiations. Information will be shared with the church when it is appropriate without impacting the process. Assets will be sold only if a satisfactory price can be negotiated.

26. How were the proceeds from the sale used?

- Post Retirement
 - \$15 million to pay off the Affiliate Investment Pool A loan for the Post-retirement Plan
 - \$1 million to support Post-retirement benefit payments in 2018–2019
- Defined Benefit Plan
 - \$15.5 million added to the Defined Benefit Trust
- \$3.5 million for consulting support on Restoration antiquities

27. How much has been pledged to Bridge of Hope Tithes?

Total Pledged as of September 30, 2017:

- USD\$38.3 million to Bridge of Hope Tithes—Use Where Needed
- CAD\$3.3 million to Canadian Mission Endowment
- USD\$1.9 million to Canadian Worldwide Communications Endowment
- USD\$0.3 million to Temple Endowment
- USD\$11.9 million to Worldwide Mission Endowment

28. How does the sale of the Printer's Manuscript and Bridge of Hope pledges reduce the \$115 million of unfunded Retirement Responsibility?

The \$31.5 million of net proceeds from the Printer's Manuscript sale reduces the estimated unfunded retirement responsibility to \$83.5 million.

If the \$38.3 million of pledges to Bridge of Hope Tithes—Use Where Needed are 100-percent fulfilled, this would reduce the estimated unfunded retirement responsibility to \$45.2 million.

29. If the church fully funds the retirement responsibility, will this take care of this financial challenge forever?

The retirement responsibility is a calculation that *estimates* how much would need to be invested today to fulfill all benefits due in the future for about 1,000 people. 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 additional funding would be required based on interest rates, life expectancies, and other variables that only can be estimated.

30. What is the goal for the Bridge of Hope Tithes?

CAD\$25 million and USD\$150 million

Bridge of Hope Tithes will be added to the net proceeds from the sale of assets to fund the retirement responsibility first. Once this need is met, the balance of Bridge of Hope Tithes plus all future Bridge of Hope Tithes will be used to grow the endowments so they can support mission into the future.

31. Should I give to Worldwide Mission Tithes or to 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, and jurisdictions provide financial strength and stability, allowing 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.

32. How can I given to Bridge of Hope Tithes?

You can give to Bridge of Hope Tithes by sending a check to the Presiding Bishopric payable to Community of Christ with a note designating the purpose. You also can put a check in your congregational offering and write in Bridge of Hope Tithes on the worldwide side.

33. Why isn't Bridge of Hope Tithes an option in eTithing?

Sustainable giving to Mission Tithes is our primary focus. eTithing was created to provide a user-friendly method to provide recurring contributions to Local and Worldwide Mission Tithes. The Presiding Bishopric was concerned that if Bridge of Hope Tithes was added as an option on eTithing, people might get confused and redirect giving from Worldwide Mission Tithes to Bridge of Hope Tithes. This would not be helpful.

34. Does the World Church plan to use congregational/mission center/campground 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 of the Affiliate Investment Pool to cover World Church expenses without notifying the account steward. This is not true.

To build on the generosity provided by several congregations in calendar year 2016 and so far in 2017, the Presiding Bishopric is reaching out to congregations, mission centers, and campgrounds that have surplus funds in investment accounts. These groups are invited to contribute a one-time or recurring gift or to allow the Presiding Bishopric to apply a spending rate to a specific balance for a fixed number of years. Contributions can be designated for Worldwide Mission Tithes or Bridge of Hope Tithes. Financial offices can submit approved pledges for 2017 and the next several years at:

<https://CofChrist.wufoo.com/forms/kzjjz6m1su8ob5/>.

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. The Presiding Bishopric recently repaid the \$15 million loan from the fixed-income segment of Pool A for the Post retirement plan benefits. The loan will remain open as an internal line of credit of up to \$15 million should the Presiding Bishopric need to use this line of credit to manage short-term cash-flow needs. At this time, the Presiding Bishopric uses funds invested in Pool B to provide House of Worship loans so interest paid on the loans provides earnings in Pool B.