

## **World Church Financial Update June 2018**

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### **1. Together We Make a Difference: *Thank You for Supporting Mission***

The Presiding Bishopric and First Presidency have received feedback that some people feel there is too much talk about money in the church. Is that possible? Money helps us support Christ’s mission around the world and meet the church’s commitments to current and previous employees who have faithfully supported and led this mission over many years. We know communities that openly discuss their finances work together better. That’s why the Presiding Bishopric and First Presidency have been diligent about sharing information.

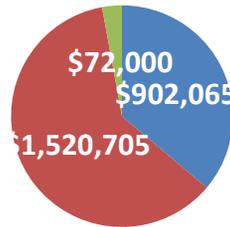
The church’s financial issues will not be resolved in six months, a year, or even five years. Recovering from the financial challenges shared with the church in March 2016 will be a long journey. Together we are making progress and can continue to support and grow the mission of the church through our whole-life stewardship of tithing, time, talents, and testimony. Thank you for your faithfulness in making this journey together. We know it will take perseverance, patience, wise stewardship, and generosity to succeed, and we know the church is up to the challenge.

The church generously gave more than \$14.9 million (USD) to Worldwide Mission Tithes in 2017, exceeding the year’s goal. This is an update to the March 2018 report. At that time, the Presiding Bishopric predicted the church would be close to goal. But as jurisdictions completed entering data we were excited to see the church exceeded the goal. BRAVO! World Church leaders are grateful for this generous response and hope it will be sustained. The church started the year significantly behind budget in 2017 but individuals AND jurisdictions responded to President Steve Veazey’s challenge in “A Time to Act!” in September 2017. The below pie charts

show how the church responded. Thank you for rising to the challenge individually and collectively.

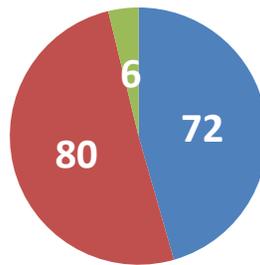
## Time To Act!—Total \$ Committed

Shown in USD



- Worldwide Mission Tithes
- Bridge of Hope
- Presiding Bishopric Designated

## Time to Act!—Total Jurisdictions



- Worldwide Mission Tithes
- Bridge of Hope
- Presiding Bishopric Designated

Those who made pledges during the grassroots effort of March 2016 met 103 percent of their 2017 pledges. This is amazing! Thanks to those who fulfilled their pledges and those who exceeded them. We are now in the third and final year of the pledges made in the March 2016 grassroots effort. We hope as people fulfill their pledges they will be intentional about considering what ongoing sustainable support of Local and Worldwide Mission Tithes they can continue to share in coming years.

The church is off to a good start for 2018. As of 1 May, contributions to Worldwide Mission Tithes are tracking on budget. This is wonderful news, and again, we are very grateful to everyone's ongoing support of worldwide ministries. Based on 2017, jurisdictional responses will be important in helping meet the Worldwide Mission Tithes goal in 2018.

The World Church Finance Board reviewed the third-quarter budget to actual report for the fiscal year 2018 (1 June 2017–30 June 2018) Worldwide Mission Budget. Total income received was 80 percent of the approved annual budget. Total expenses for this period were 65 percent of the approved annual budget. Budget managers continue to support mission by providing ministries and services as planned while working within their available budgets. Major expenses, such as capital, were deferred until the fourth quarter to make sure the income was sufficient to cover them.

The church still is adjusting to the changed workload and priorities caused by the staff reductions in the first half of the fiscal year. World Church leaders understand the church looks forward to the day when more full-time ministers can be employed to support the missional opportunities in various fields. Leaders also know people sometimes are frustrated by slow turnaround time and reduced services from International Headquarters. Leaders are grateful for the ongoing grace extended by the church as we work together to apply the Worldwide Mission Tithes and other income to support Christ's mission through the ministries and services of Community of Christ.

## **2. Improving Financial Health: *Approved Fiscal Year 2017 Audit Report Online***

The World Church Finance Board approved the fiscal year 2017 (1 June 2016–30 June 2017) audit report. It's available at: [www.CofChrist.org/resources?tags=budget|audit#/](http://www.CofChrist.org/resources?tags=budget|audit#/).

The Presiding Bishopric presented a series of financial documents to the board to provide a thorough understanding of the report's financial statements, including background material. The lead auditor from RSM presented a summary of the audit report and responded to questions.

The summary stated:

- RSM issued a "clean/unmodified opinion" regarding the financial statements, the best category available.
- RSM acknowledged the statements provided a new way of reporting the Statement of Cash Flows that better represents the unrealized gain/loss specific to funds held on behalf of others (jurisdictions and affiliates) and impact to net cash provided by operating activities of the World Church.
- In Note 1, RSM highlighted recently issued or implemented accounting pronouncements, specifically ASU No. 2016-04, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and the impact these changes will have on future audit reports of the church.
- In Note 3, RSM highlighted the details of the write-down of contributions receivable in the future due to revising donor gift plans so the church is not required to report pledges until contributions actually are received.

- In Note 6, RSM noted a significant reduction in investments in international real estate.
- In Note 16, RSM provided the subsequent event footnote for changes that happened after the audit process began.
- RSM identified areas where significant accounting estimates were provided in the financial statements:
  - Depreciable life and salvage value of property and equipment.
  - Estimated discount rate and expected long-term rate of return used in actuarial determination of the postretirement and pension obligations.
  - Market value adjustment of real estate investments.
  - Gift annuity and charitable remainder trust liabilities.
- RSM provided a summary of the current year's changes in net assets as follows:

<b>ACTIVITY</b>	<b>Millions USD</b>
Recognition of multi-nations retirement plan obligation	\$ (4.00)
Write-off of pledges receivable	\$ (13.00)
Increase in appraised value of real estate	\$ 18.00
Decrease in retirement obligation	\$ 9.00
Write-down of international real estate	\$ (6.00)
<b>TOTAL</b>	<b>\$ 4.00</b>

For reference, details of the changes in net assets were shared in the March 2018 Financial Update before the audit process was complete. The above table remained unchanged as the audit was completed. The summary of unaudited net assets for the World Church as presented in the March 2018 Financial Update now is provided as summary based on audited results (please note the totals are rounded):

<b>NET ASSETS (In millions USD)</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>CHANGE</b>
Unrestricted	\$ (6.1)	\$ (25.9)	\$ 19.8
Temporarily restricted	\$ 4.7	\$ 3.9	\$ 0.8
Permanently restricted	\$ 16.3	\$ 33.0	\$ (16.7)
<b>TOTAL (Rounded)</b>	<b>\$ 15.0</b>	<b>\$ 11.0</b>	<b>\$ 4.0</b>

The June 2017 appraisal of the Harmony property in eastern Jackson County, Missouri, greatly improved the balances of the General Operating, Temple, and Worldwide Mission endowments. As a result, the donor-restricted assets of each endowment no longer are negative. This is great news. Also, the Presiding Bishopric was able to move undesignated assets of nearly \$6.5 million (USD) into the Temple Endowment to strengthen it. However, these three endowments still do not have sufficient liquid assets to provide income for the budgets

approved at the June 2018 board meeting. The Presiding Bishopric is continuing to follow the new spending rate policy established in consultation with the World Church Finance Board.

The fiscal year 2017 audit process was improved through creation of an Audit Review Team to extend representation of the board beyond receiving the audit report when it is finished, as was done for fiscal year 2016. This team was comprised of five elected members of the World Church Finance Board who were selected at the June 2017 board meeting. The team also included the six members of the World Church's corporate body: the First Presidency, Presiding Bishopric, and president of the Council of Twelve. This team met three times with the auditor's team lead:

1. When the audit was being planned
2. When the field work was complete
3. When the draft audit report and auditor's required communication package were complete

Members of the team had the opportunity to speak with the auditor's team lead without the Presiding Bishopric present and were invited to contact the auditor's team lead directly as needed.

The five elected members also prepared a summary letter regarding the required communication package for presentation to the whole board. The auditor's required communication package is not released to the entire board because it sometimes has confidential information, such as particular contributor information or employee data. It is a best practice to have a smaller group receive and review this information for any concerns that require the board's intervention with management. No concerns were identified in the auditor's required communication package. The team did suggest how the Presiding Bishopric could continue to improve the overall financial-management process.

### **3. Calendars and Leadership: *Changes Occurring***

The World Church Finance Board supported the Presiding Bishopric's recommendation to change the accounting cycle to a calendar year. Fiscal year 2018 will end 30 June 2018, and an independent audit will be performed for this fiscal year. On 1 July 2018, a new accounting period will begin that will last six months, through 31 December 2018. An independent audit will be performed for this six-month period. On 1 January 2019, a new accounting year will begin based on the calendar year.

Several decades ago the church operated on a calendar year. Over time the accounting year was adjusted to make sure audit reports were completed and available for consideration by World Conferences in April. With the World Church Finance Board now responsible for accepting the audit each year (see World Conference Resolution 1306 approved by the 2016 World Conference), the Presiding Bishopric is able to return to a calendar year. Using a calendar year will make reporting to the church much easier, since most people manage contributions

and think about budgets in terms of the calendar year. We anticipate minimal impact to operations around the world as this transition is made.

The new accounting cycle will result in an adjustment to ongoing Financial Updates. A November 2018 update will be provided following the November 2018 World Church Finance Board virtual meeting. A three-year summary report will be provided to the 2019 World Conference. Following the 2019 World Conference, the World Church Finance Board will hold a virtual meeting each year in May and will meet in Independence, Missouri (USA), in December. Financial updates to the church will be provided twice a year after each board meeting.

In May 2018, the First Presidency announced that Bishop Michele McGrath needed to move to Southern California to better support her family. She will be stepping down as Director of Finance. However, arrangements have been made so Michele will continue to provide support until a new Director of Finance is hired. There is also an open accountant position on the Fiscal Services Team. Anyone who is interested in either of these positions should contact Human Resource Ministries at [HRM@CofChrist.org](mailto:HRM@CofChrist.org).

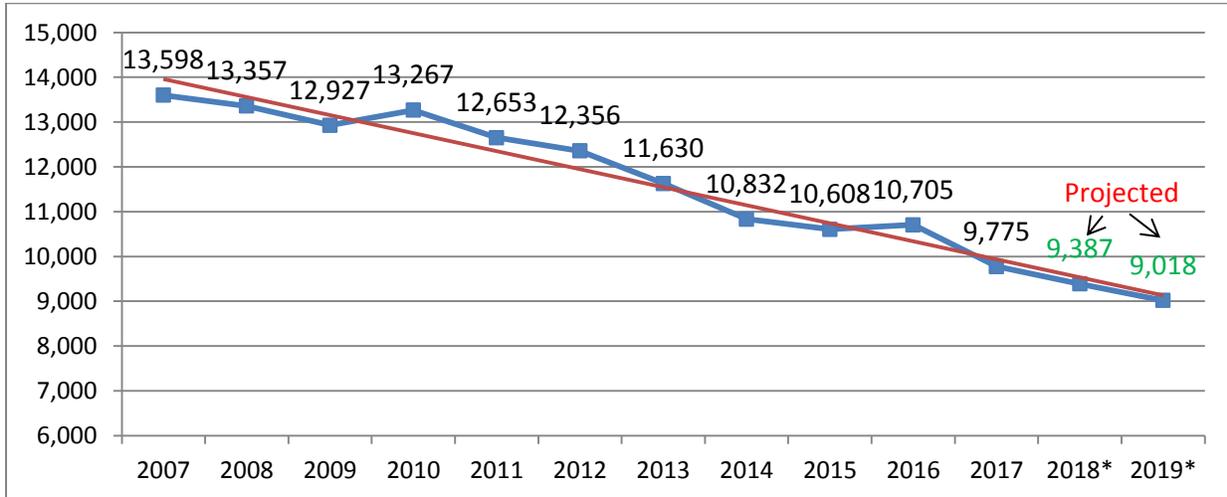
#### **4. Plans in Place for Next 18 Months: *Approved Worldwide Mission Budgets***

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. These budgets provide a continuation of the ministries and services currently provided as part of the church's worldwide mission. These budgets are based on an annual Worldwide Mission Tithing goal of \$14.7 million (USD) for calendar years 2018 and 2019.

The board approved a six-month budget of \$9.293 million (USD) for church operations from 1 July 2018 through 31 December 2018. This budget is based on a goal of \$8.075 million (USD) in Worldwide Mission Tithes and \$1.218 million (USD) in other income. The board also approved an annual budget of \$17.234 million (USD) for 1 January 2019 through 31 December 2019. This budget is based on a goal of \$14.7 million (USD) in Worldwide Mission Tithes and \$2.534 million (USD) in other income. Both budgets are balanced in that the income and expense are equal. Both budgets are cash neutral, meaning the money needed to cover the expenses will be received within the period of the budget. Both budgets can be found at [www.CofChrist.org/resources?tags=budget|audit#/](http://www.CofChrist.org/resources?tags=budget|audit#/).

Based on current trends, the ability to maintain the current level of ministries and services funded through the 2018 and 2019 budgets seems likely. Contributors remain very generous and consistent in their support. In addition, we hope jurisdictions will continue their generous response. However, the World Church Finance Board discussed the possibility of needing further reductions as early as 2020 because the church's contributor base continues to decline from aging membership and limited growth in new contributors. The below graph shows projections based on the trend.

**TOTAL CONTRIBUTORS to WORLDWIDE MISSION TITHES**  
(Canada and USA only)



As discouraging as this graph looks, the church must remember that data trends do not create a predestined future. Data trends show us what is likely if we don't work to create a different path. The Presiding Bishopric remains hopeful as the church responds to President Veazey's challenge that "Our chief purpose is to birth, nurture, and multiply communities of disciples and seekers engaged in spiritual formation and compassionate ministry and action. This basic blueprint—spiritual formation, community, compassionate ministry, and action—is true to the vision of Christ" ("A Time to Act!" September 2017). As we faithfully respond to the leadings of the Holy Spirit, we will become what God wants us to become, and together we will meet the financial needs of the worldwide church as we develop new disciples who practice whole-life stewardship.

### **5. The Generosity Cycle: *Learn More and Share Your Thoughts***

Part of the church becoming what God calls us to be is in learning to imitate God's generosity and inviting others to do the same. The Generosity Cycle is being developed as a life practice to help us individually and collectively grow in our grace and generosity.

The Generosity Cycle continues to be explored as a thoughtful approach to help us respond to God's rich, grace-filled invitations. During this exploration process, we're asking three basic questions:

1. Why is generosity best when practiced as a community?
2. Why is something more meaningful if done intentionally?
3. How are grace, gratitude, and generosity connected?

World Church leaders hope that as congregations and jurisdictions engage with The Generosity Cycle, we can begin to explore and discover the powerful role community plays in our generosity—as well as the role generosity plays in our community. We believe that as we stop, pause, and reflect, we become more mindful, intentional, and connected, making our individual and collective responses more meaningful and rooted in gratitude.

If you haven't done so yet, we invite you to watch *The Generosity Cycle* video and join the ongoing conversation through the survey at [www.CofChrist.org/generosity-cycle](http://www.CofChrist.org/generosity-cycle). We're grateful to the nearly 600 people who have responded so far. We've already received more than 1,800 comments that have begun helping us shape and refine the model.

## **6. Bridge of Hope Project: *A Long Journey We Take Together***

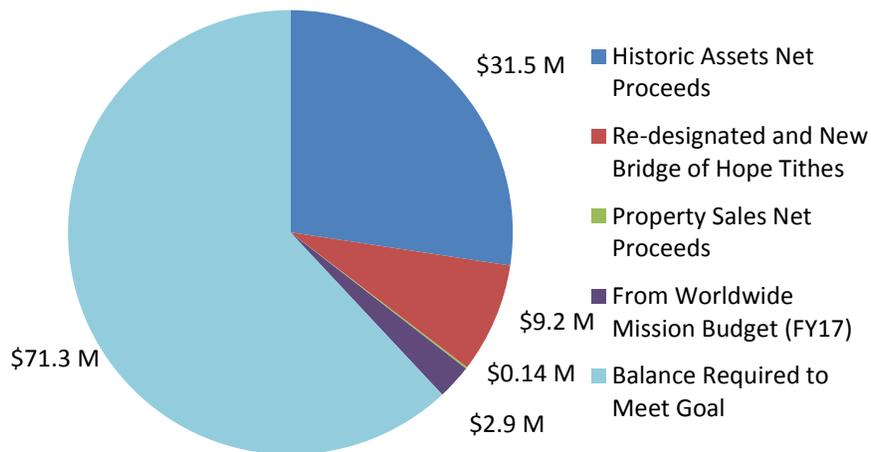
Efforts to build a bridge of hope to the future continue. As a reminder, the Bridge of Hope Project is focused first on funding the retirement responsibility and second on building the church's endowments. The 10-year goal (2017–2028) for the Bridge of Hope project is \$25 million (CAD) and \$150 million (USD). This includes:

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

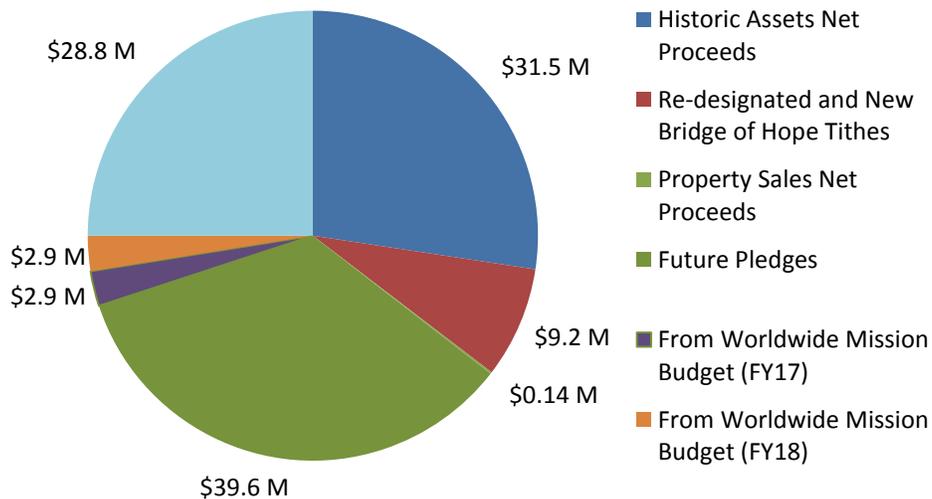
The \$115 million (USD) retirement responsibility is a five-year goal (2022) and is shown by country as follows:

- 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)

The below pie chart shows the progress toward the \$115 million (USD) retirement responsibility goal as of 31 March 2018. At this point, we have \$71.3 million (USD) left to raise. Working together, we have made tremendous progress.



Meeting the Bridge of Hope Project goal is dependent on pledges by individuals, families, and jurisdictions. As of 31 March 2018, the church has received \$39.6 million (USD) in pledges. Pledges are scheduled to be fulfilled over the next 20-plus years. The Presiding Bishopric is extremely grateful for the generosity expressed through these pledges and the ongoing commitment as they are fulfilled. The below pie chart shows there would be \$28.8 million (USD) left to raise if all of these pledges are fulfilled and \$2.9 million (USD) is provided as planned from the fiscal year 2018 Worldwide Mission Budget:



This pie chart represents how important the pledges are to meeting the long-term goal. The Presiding Bishopric is grateful to the people and jurisdictions that have pledged ongoing support of the Bridge of Hope Project.

As we continue to build the bridge of hope, the Presiding Bishopric remains focused on four methods of raising funds to achieve the \$71.3 million (USD) needed to meet the retirement responsibility of \$115 million (USD). The contribution of these four sources is shown in the above pie charts, and below is some additional explanation about these sources.

First, we are thankful for the ongoing support of individuals, families, and jurisdictions in providing from their abundance to help meet the retirement responsibility goal through Bridge of Hope Tithes. Their generosity has helped the church make progress toward the goal. World Church leaders are humbled and grateful for the outpouring of support. We will continue to reach out to people and jurisdictions that have the capacity to help reach the retirement-responsibility goal through Bridge of Hope Tithes.

Second, thoughtful evaluation is occurring on how best to use all our gifts and assets to address missional challenges and opportunities locally and globally. This evaluation includes considering what program properties are critical to ongoing mission support and growth. Program properties originally were bought to support the church's mission. They are held for the sake of mission, not as investment real estate. Where program properties are not helping support mission, the Presiding Bishopric will support the field in selling them to provide funding for local mission and support of the Bridge of Hope Project. Also, the pause in capital projects will continue for the foreseeable future to ensure appropriate considerations are accomplished first.

Third, the Presiding Bishopric continues to explore options for the sale of certain historic assets. We know there are many rumors on social media and in other venues. If the sale of a historic asset is made, official information will be released by the church. Until then, please do not listen to rumors or contribute to spreading rumors.

Fourth, the six-month 2018 Worldwide Mission Budget and 2019 Worldwide Mission Budget will provide funding to the retirement responsibility if the Worldwide Mission Tithes goals are reached.

In summary, the Presiding Bishopric and others are working to meet the \$71.3 million (USD) balance remaining on the \$115 million (USD) goal for the retirement responsibility through four sources:

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.

The Presiding Bishopric has developed an overall plan for ongoing administration of all of the church's retirement plans. This plan was developed with the help of a team of retirement-benefit experts who volunteered to share their expertise. Because of this work, the Presiding Bishopric has hired a company to provide an integrated approach for the church's ongoing planning and administration of retirement benefits. The company will accomplish actuarial work for all church retirees around the world, administer the defined benefit plan, manage the investments of the defined benefit trust, annually review the defined contribution plan, and develop suggested strategies regarding asset allocation and benefit fulfillment as additional funding is available.

Together the church has the ability to achieve the retirement-responsibility goal in the Bridge of Hope Project. World Church leaders are grateful for the progress made to date. We look forward in anticipation of meeting this \$115 million (USD) goal by January 2022.

### **7. Working "The Way Forward" Plan: *Celebrating our Progress and Keeping Focused***

As a reminder, the Presiding Bishopric announced in March 2016 that it was turning to the church's history in 1931 and the corrective steps followed under "The Way Out" plan (Edwards, F. Henry, comp., *The History of the Reorganized Church of Jesus Christ of Latter Day Saints*, volume 8, Independence, MO., Herald Publishing House, 1976). Here's a summary of that plan's five key points and how these principles have been applied in the "Way Forward" plan:

1. **1931:** Arrest expansion and provide for future growth on a "cash and carry" basis.  
**2016–2018:** Staff reductions were completed in December 2017 to support a reduced budget that is supportable annually with the cash available.
2. **1931:** Stop the leaks from costly operations, diversions of liquid resources to fixed investments that increase maintenance costs.  
**2016–2018:** Adjusting priorities but not expanding mission. Deferring non-critical maintenance but nothing critical to long-term safety and operations. Moving to solar-supplemented electric bills at International Headquarters. Continuing to support outside events that provide rental income to aid the annual budget.
3. **1931:** Liquidate assets as rapidly as possible by diverting to productive uses or converting into cash those not required in pursuit of our church objectives.  
**2016–2018:** Working to sell investment real estate at an appropriate pace that yields, on average, at least the current appraised value of the properties. We identified four sources to raise funds (defined above) to meet the retirement-responsibility goal. They include the use of net proceeds from program properties and historic assets.
4. **1931:** Work under a balanced budget.  
**2016–2018:** Continue to manage the annual budget by adjusting expenses to stay within available income and cash.
5. **1931:** Begin and continue discharging debts until the church stands free; carry on thereafter with building funds from income, with superannuation costs placed on a pension basis, and the needs of the church institutions properly provided for.  
**2016–2018:** Paid off the line of credit and lowered the available balance from \$17 million (USD) to \$10 million (USD) based on stable cash flow, lowering interest

payments. Paid off the internal loan from the Affiliate Investment Pool used to cover post-retirement benefit payments. Continuing to raise funds through four major sources to meet the retirement-responsibility goal. Continuing to provide resources for developing generous disciples around the church.

Over the two years since “The Way Forward” plan began, the church has made tremendous progress. As we continue to move faithfully forward, together we can build a bridge of hope and strengthen the church’s financial health while responding to the opportunities to live Christ’s mission all around us. As Doctrine and Covenants 161:7 reminds us:

The Spirit of the One you follow is the spirit of love and peace. That Spirit seeks to abide in the hearts of those who would embrace its call and live its message. The path will not always be easy, the choices will not always be clear, but the cause is sure and the Spirit will bear witness to the truth, and those who live the truth will know the hope and the joy of discipleship in the community of Christ. Amen.

The next financial update will be following the November 2018 World Church Finance Board virtual meeting.