

## CCMBC Financial Update

Any financial conversation is really a mission conversation because finances are a tool God has given us to serve the church. The pages that follow offer a significant amount of financial information that will hopefully provide greater clarity and insight. I ask that, as you read the information, you keep in mind the mission we have affirmed together: **“to multiply Christ-centred churches to see Canada transformed by the good news of Jesus Christ.”**

You have entrusted us, the CCMBC Executive Board (EB) and Senior Leadership Team (SLT), with funds for the purpose of fulfilling this shared mission. It is our goal to manage these resources in ways that make the greatest impact for our churches. Believing that God transforms Canadians, one life at a time, through the local church, we desire to use every dollar in the best way possible to empower local ministry.

We also appreciate the ministry our partners provide through MB Seminary, MB Mission, l'École de théologie évangélique du Québec (ETEQ), camps, provincial conferences, the International Community of Mennonite Brethren (ICOMB), Mennonite World Conference and Mennonite Central Committee. Our financial decisions impact all of these organizations, some more significantly than others.

Thank you for your interest in the finances of CCMBC and your prayers and financial support.

Willy Reimer

Executive Director

### Note from the Executive Board

Members of the CCMBC Executive Board, the Senior Leadership Team and current and past Finance Committees (including former moderator Harold Froese) worked together to provide this update. Questions coming out of Gathering 2016 revealed the need for a more detailed financial update this fall. The intent is to outline our recent financial history (where we have come from), update you on our current year (where we are now) and clarify the 2017 budget motion and the plan to build reserves for the future (where we are going).

This is not meant to be the final word, but hopefully a large and helpful step toward more clarity for those who have had questions. We continue to invite questions and conversations and will look for additional opportunities to respond. In addition to the discussions at the provincial conferences in the new year, we will host a moderated conference call **Dec. 13 at 1:00 p.m. PST** for those interested in asking follow-up questions. We will continue to communicate around these topics for as long as necessary.

God has given gifts of finances, people and incredible ministries that we are to steward for his Kingdom purposes. In the past month, as a pastor in our conference, I have had the privilege of

being part of numerous conversations within our CCMBC family of ministries – including a C2C event, SKMB events, MB Mission meetings, MBBS interactions and a national discussion on discipleship with L2L. With each one of these, it has been so exciting to see what is happening in our MB family and the way God is working in a unique way – God has given us a generous gift! We can do so much more together than we can alone.

Our finances matter as part of this Kingdom impact, and our desire is the same as Paul's, who put in place accountability **"to guard against any criticism for the way we are handling this generous gift. We are careful to be honorable before the Lord, but we also want everyone else to see that we are honorable"** (2 Corinthians 8:20–21 NLT). This is our prayer and our commitment as well.

Bruce Enns

Acting Moderator

There have been many conversations and questions about the budget since Gathering 2016. We committed to providing a summarized financial review, detailing where we have come from, decisions that have been made and plans for going forward.

As an Executive Board, Finance Committee (both current and previous) and Senior Leadership Team, we have recognized the current financial situation as serious. Our desire is to be as transparent as possible with our member churches, to whom we are accountable, as we move toward greater financial health as an organization. This process could serve as a template for future CCMBC financial conversations.

Starting in 2013 and continuing through 2015, in conjunction with KPMG, our external auditors who were appointed in 2012, the finance staff evaluated our mortgages receivable and our investment properties. We determined that valuation adjustments were required to ensure we were in compliance with Generally Accepted Accounting Principles. The evaluation resulted in a cumulative adjustment that reduced the Stewardship Investment Reserve in the amount of \$15,417,622. During the same period \$3,689,020 was added to the reserve as a result of profitable stewardship operations.

Four key events in the last six years, as outlined below, have resulted in the reduction in the CCMBC Operating Reserves and the Stewardship Investment Reserve.

1. The decision made at the 2012 Gathering, to increase church planting ministry and to fund the increased activity by using reserves, reduced the CCMBC Operating Reserves by \$4,209,477.

2. Adjustment in accounting treatment used to value land held for development and operating properties resulted in a charge of \$9,460,705 to the Stewardship Investment Reserve.
3. The allowance for credit losses on mortgages in 2014 and 2015 reduced the Stewardship Investment Reserve by \$3,705,069.
4. In 2015, a charge of \$2,251,848 was taken from the Stewardship Investment Reserve for impairment of property values.

Items 2, 3 and 4 total \$15,417,622 and are all accounting adjustments which are made at the time of the audit for the years identified. Further details of these events are explained below and in the attached chart labelled Figure 2.

### **Pension Plan**

This analysis is not related to the CCMBC Pension Plan. The Pension Plan, which we administer on behalf of approximately 1,000 employees, had \$75,086,148 of assets as of December 31, 2015. It has been well managed by our provider, who meets with our Finance Committee regularly and provides quarterly statements to us. The plan has done better than the industry norm. It is also fully compliant from a documentation and regulatory perspective. The one item our Finance Committee has recommended is that we have a Pension Plan participant serve on the Finance Committee as it pertains to the Pension Plan.

### **Where have we come from?**

At the 2012 Gathering, the Executive Board and staff were given a number of specific directives. The decision was made to create a new entity responsible for managing the Stewardship funds. Today, CCMBC Legacy Fund Inc. is nearing reality.

We also began a review of the policies and procedures that ensure we are practising due diligence in our Stewardship function. This has taken time to complete and has resulted in a number of financial impacts (such as item 2 above), resulting in a reduction of our Stewardship Investment Reserve.

In 2012, CCMBC appointed KPMG, LLP as our external auditors. Since the time of that appointment, we have worked closely with KPMG to ensure that we are in complete compliance with all of our statutory responsibilities. We have received a clear audit opinion from KPMG in each of the three years that they have reported on our financial statements.

During the audit for the year that ended December 31, 2013, KPMG suggested the conference change the method that had been used to recognize revenue and value the assets held for investment. The result was a restatement of the balances at December 31, 2012, in the amount of \$9,460,705. This was charged against the conference assets. This restatement reduced the Stewardship Investment Reserve to \$3,490,716, the balance we would have reported in 2012, had we implemented our current accounting policies from 2006 through 2012.

Subsequent to 2012, the Stewardship Investment Reserve has decreased by \$2,267,897, which is composed of an allowance for credit losses of \$(3,705,069), a re-valuation of assets held for resale of \$(2,251,848) and funds generated from the Stewardship function of \$3,689,020. (The details of this summary can be found in the attached chart Figure 2.)

Also during the period 2013–2015, the CCMBC Operating Reserves decreased by \$4,209,477. This reduction occurred over three years as approved by the churches in CCMBC’s annual budgets based on the decision to invest reserves in the ministry activities of CCMBC. Much of the CCMBC Operating Reserves (operating reserve, stabilization reserve and tithe reserve) had been earmarked for the previous Regenerate 21-01 ministry program.

In each of the last three years, the actual amounts received from church giving were below the amounts that were budgeted and approved at the Annual General Meetings (AGM). The cumulative giving shortfall over the last three years was \$768,647. Actual spending for all ministry areas was reduced below the approved budget levels each year.

We recognize that the expenditures for the C2C Network are significant. It should be noted that in 2015, approximately 32 percent of these expenditures were funded by CCMBC using approved budgeted funds. The balance was raised by the C2C Network. The allocations from CCMBC to the C2C Network have been reduced from \$1,700,000 in 2013 to the projection of \$940,000 in 2017, a 44 percent reduction. Some of the revenue information (2015) and spending trends and allocations for C2C can found in the charts labelled Figures 4 to 7

### **Where we are now?**

Our September internal financial statements bring both encouraging news as well as some challenging news.

The good news is that our investment funds are providing a greater rate of return than we had forecasted, which will enable us to grow the Stewardship Investment Reserve in 2016. Also, our expenditures are under budget by more than \$500,000 year to date, which will allow the CCMBC Operating Reserves to increase (subject to any unforeseen events in the remaining three months and year-end adjustments which may be identified by the auditors).

The challenging news is that church giving is lagging behind 2015 levels at this time. We value your participation in supporting the ministry of CCMBC with your church giving. We continue to celebrate what God is doing across Canada and the engagement so many of our churches and leaders are initiating with CCMBC ministries.

The Executive Board (EB) and Senior Leadership Team (SLT) are implementing the motion that was passed by the membership at CCMBC’s Annual General Meeting in July 2016. (See specific actions toward the end of the document.) We are carrying out a plan that balances dreaming big for future ministry, adhering to approved budgets and replenishing the CCMBC Operating and Stewardship Investment Reserves to levels that will ensure we remain sustainable in times of revenue shortfalls or unforeseen expenditure requirements.

## **Where are we going?**

In 2016, all net capital gains, all profits generated in CCMBC Holdings Ltd. (Land holdings and CP Print Ltd.) and all net recoveries from the allowance for credit losses will be added directly to the Stewardship Investment Reserve.

As of the end of September, we have recognized capital gains in the amount of \$384,908 and we have recovered \$300,000 of the allowance for credit losses. These amounts will be added to the Stewardship Investment Reserves. In addition, we are currently showing a surplus in the Stewardship operations, which will be added to the Stewardship Investment Reserve.

This focus on rebuilding the Stewardship Investment Reserve will continue through 2017 and into the future as part of CCMBC Legacy Fund Inc. For 2018, the SLT and EB will continue to plan as directed by the motion at the 2016 AGM and will bring forward a budget motion to the 2017 AGM for 2018.

We will provide a preliminary update on our financial situation around the beginning of February.

## **The Direction of Gathering 2016**

Two actions that are of interest to the wider denomination:

1. A C2C Task Force has been established and has met three times. They will help bring clarity regarding C2C operations, revenues and expenditures.
2. The following is the motion that was passed by the membership at the Annual General Meeting of CCMBC in July 2016. The SLT and EB are working diligently to fulfill the directions of the motion and amendment.
  - a. M/S: to approve the CCMBC 2017 Budget as presented, that CCMBC take all necessary actions to achieve a balanced ministry budget (in accordance with designations page 21 of 2015 audited statements) by reducing expenses and/or increasing revenue. Progress is to be monitored by the Finance Committee of the Executive Board, and that CCMBC direct the Stewardship fund (Legacy Fund Inc.) to take all necessary actions to replenish Investment reserves by annually directing:
    - i. All net capital gains
    - ii. All profits from “for profit” companies
    - iii. All net returns on impaired mortgages
    - iv. 10% of net investment returns (beginning 2018)

and that after these annual provisions have been fulfilled each year, monies from Legacy may be transferred for ministry support. The annual provisions will continue to be applied until the Investment reserve reaches a level of 6% of total funds under deposit

Figure 1

## Proposed 2017 Budget for CCMBC

	2016 Budget Allocation	2017 Budget Proposed
<b>Funding</b>		
Church Support in cash	1,575,000	1,400,000
Legacy Support in cash	1,480,431	1,250,000
Legacy Support in non-cash services	2,678,307	2,300,000
Designated Donations / Ministry Revenue	3,791,595	3,676,016
	<u>9,525,333</u>	<u>8,626,016</u>
<b>Expenses</b>		
Building Community	928,031	750,000
Multiplying Churches	1,250,000	940,000
Developing Leaders	877,400	960,000
Resourcing Ministry supported by Legacy	398,581	400,000
CCMBC Administration supported by Legacy	1,847,185	1,900,000
Legacy Administration (will move in 2017)	432,541	-
Designated Donations / Ministry Revenue	3,791,595	3,676,016
	<u>9,525,333</u>	<u>8,626,016</u>
	<hr/>	<hr/>
Balance	-	-

The motion and amendment accepted at Gathering signaled a clear direction for the Senior Leadership Team (SLT) and Executive Board (EB) to follow. SLT and EB received this and began to work toward fulfillment of the direction.

The 2017 budget has been recast to include significant spending reductions, so that approximately \$500,000 of the \$1.25 million contribution to the CCMBC ministry budget will remain in CCMBC Legacy to increase the Investment Reserve. Plans are being formulated for a 2018 budget that will include the further reduction of the need for any transfer from Legacy to the CCMBC ministry budget. The step-down approach to this year's budget honours the condition in the amendment that "CCMBC take all necessary actions to achieve a balanced ministry budget...by reducing expenses and/or increasing revenue." The Finance Committee met with Jim Davidson shortly after Gathering and directed that a recast of the 2017 budget be undertaken – in compliance with the condition that the Finance Committee of the EB monitor progress toward a balanced budget.

As Legacy moves toward fruition, the Legacy Board will reopen the conversations about the size required for its Investment Reserves. Any changes in thought will flow through the EB and the AGM if required.

	31-May-10	31-May-11	31-May-12	31-Dec-12	31-Dec-12 KPMG Restated	31-Dec-13	31-Dec-14	31-Dec-15
	BDO Audit	BDO Audit	BDO Audit	BDO Audit	KPMG Restated	KPMG Audit	KPMG Audit	KPMG Audit
<b>Stewardship Investment Reserve</b>								
Balance, Beginning of year	\$ (1,107,024)	\$ 6,681,662	\$ 10,235,835	\$ 10,409,226	\$ 12,951,421	\$ 3,490,716	\$ 2,699,341	\$ 4,551,500
Surplus/Deficit from Stewardship operations	1,132,500	1,509,476	1,078,116	2,119,768	-	-	4,649,000	1,176,464
Unrealized gains/losses	6,656,186	2,044,697	(904,725)	422,427	-	(791,375)	546,474	(1,914,258)
Allowance for credit losses				-	-	-	(3,335,447)	(369,622)
Adjustment for property valuation				-	-	-	-	(2,251,848)
Adjustment for CCMB Holdings				-	-	-	(7,868)	30,583
Adjustment for change in accounting principles	-	-	-	-	(9,460,705)	-	-	-
<b>Balance, end of year</b>	<b>\$ 6,681,662</b>	<b>\$ 10,235,835</b>	<b>\$ 10,409,226</b>	<b>\$ 12,951,421</b>	<b>\$ 3,490,716</b>	<b>\$ 2,699,341</b>	<b>\$ 4,551,500</b>	<b>\$ 1,222,819</b>

	31-May-10	31-May-11	31-May-12	31-Dec-12	31-Dec-12 KPMG Restated	31-Dec-13	31-Dec-14	31-Dec-15
	BDO Audit	BDO Audit	BDO Audit	BDO Audit	KPMG Restated	KPMG Audit	KPMG Audit	KPMG Audit
<b>CCMBC Operating Reserves</b>								
<b>Operating Reserve</b>								
Balance, Beginning of year	\$ 1,810,520	\$ 1,810,520	\$ 1,810,520	\$ 1,810,520	\$ 1,810,520	\$ 1,810,520	\$ 1,318,812	\$ 536,627
Surplus/Deficit from CCMBC operations	-	-	-	-	-	(491,708)	(782,185)	(507,492)
<b>Balance end of year</b>	<b>\$ 1,810,520</b>	<b>\$ 1,318,812</b>	<b>\$ 536,627</b>	<b>\$ 29,135</b>				
<b>Stabilization Reserve</b>								
Balance, Beginning of year	\$ 1,673,315	\$ 1,673,315	\$ 1,673,315	\$ 1,673,315	\$ 1,600,315	\$ 1,600,315	\$ 940,315	\$ -
Transfer to CCMBC Ministry	-	-	-	(73,000)	-	(660,000)	(940,315)	-
<b>Balance end of year</b>	<b>\$ 1,673,315</b>	<b>\$ 1,673,315</b>	<b>\$ 1,673,315</b>	<b>\$ 1,600,315</b>	<b>\$ 1,600,315</b>	<b>\$ 940,315</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Tithe Reserve</b>								
Balance, Beginning of year	\$ -	\$ -	\$ -	\$ 162,000	\$ 227,100	\$ 227,100	\$ 227,100	\$ 77,100
Transfer to/from CCMBC Ministry	-	-	162,000	65,100	-	-	(150,000)	(77,100)
<b>Balance end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 162,000</b>	<b>\$ 227,100</b>	<b>\$ 227,100</b>	<b>\$ 227,100</b>	<b>\$ 77,100</b>	<b>\$ -</b>
<b>Evangelism and Other Internal reserves</b>								
Balance, Beginning of year	\$ -	\$ -	\$ -	\$ -	\$ 940,098	\$ 940,098	\$ 765,178	\$ 515,326
Transfer to/from CCMBC Ministry	-	-	-	940,098	-	(174,920)	(249,852)	(175,875)
<b>Balance end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 940,098</b>	<b>\$ 940,098</b>	<b>\$ 765,178</b>	<b>\$ 515,326</b>	<b>\$ 339,451</b>
<b>Total CCMBC Operating Reserves</b>	<b>\$ 3,483,835</b>	<b>\$ 3,483,835</b>	<b>\$ 3,645,835</b>	<b>\$ 4,578,033</b>	<b>\$ 4,578,033</b>	<b>\$ 3,251,405</b>	<b>\$ 1,129,053</b>	<b>\$ 368,586</b>

Figure 4

<b>Church Planting Actual Expenditures 2010-2015 and 2016 &amp; 2017 Budget Expenditures</b>									
YEAR	BC	AB	SK	MB	ON	QC	ATL	NATIONAL	TOTAL
2010	1,385,431	4,635	94,104	233,880	378,092	113,294	45,935	684,325	<b>2,939,696</b>
2011	1,733,626	3,499	119,915	238,978	309,637	136,294	31,087	805,798	<b>3,378,834</b>
2012	1,490,383	34,280	131,512	245,662	211,630	135,975	2,078	1,330,624	<b>3,582,144</b>
2013	1,661,708	276,000	257,500	248,000	515,000	364,650	100,000	1,083,000	<b>4,505,858</b>
2014	1,255,690	334,476	228,849	299,491	614,666	340,908	130,348	1,110,416	<b>4,314,844</b>
2015	1,041,650	324,662	147,559	286,615	439,065	388,884	231,772	1,408,583	<b>4,268,790</b>
Budget 2016	1,186,000	370,500	311,000	399,000	483,600	372,500	258,000	1,134,900	<b>4,515,500</b>
Budget 2017	1,177,930	340,294	305,090	470,114	386,004	461,940	249,660	1,117,984	<b>4,509,016</b>

Figure 5

This figure shows the 2015 C2C Network income sources. Only 32% or \$1,450,000 came from the CCMBC budget. MB churches and provincial MB conferences contributed 29% or \$1,287,172.

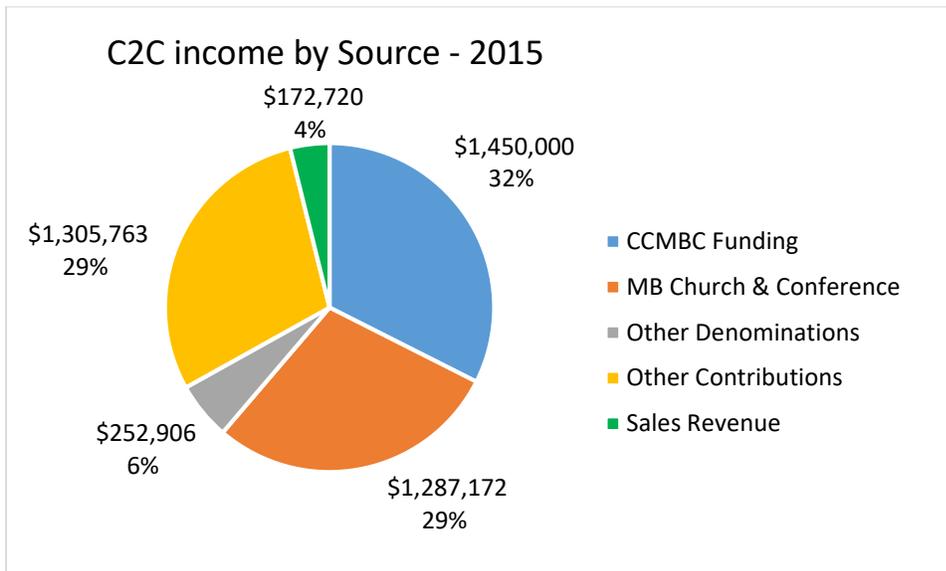


Figure 6

2016 Budget

This figure shows how C2C's 2016 budgeted expenses of \$4,500,000 are spread across each province. It also indicates each type of expense. In the 2016 budget, only 23% or \$1,050,000 will come from the CCMBC budget, of which \$945,000 is distributed to the provinces.

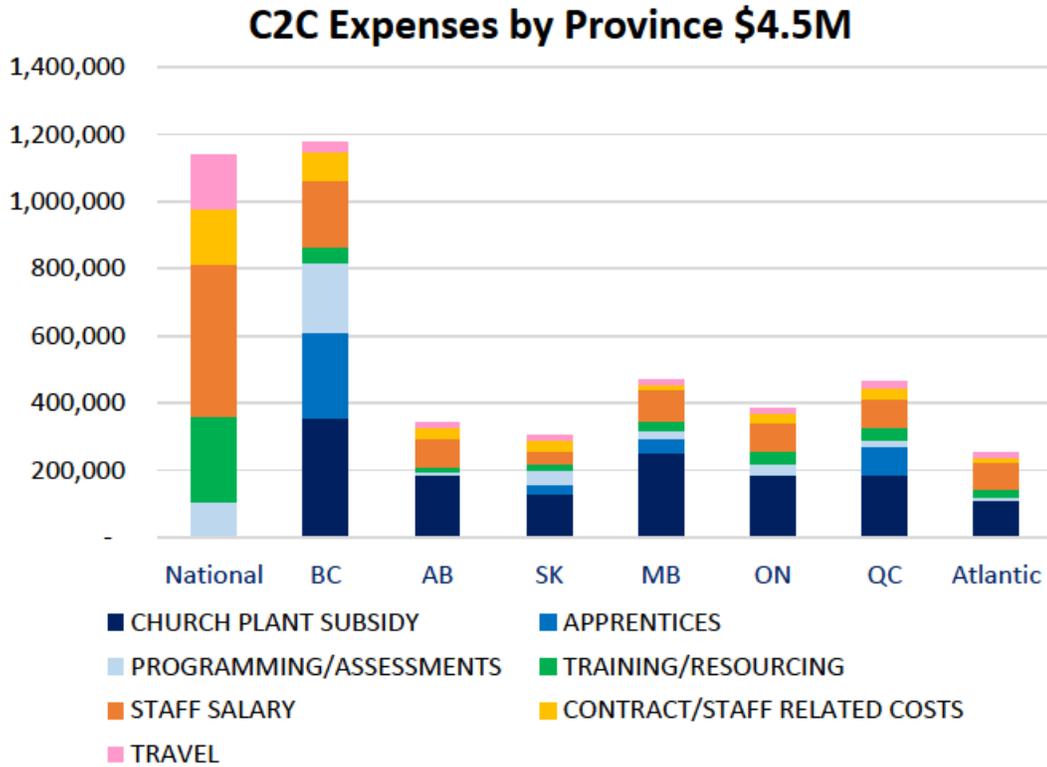
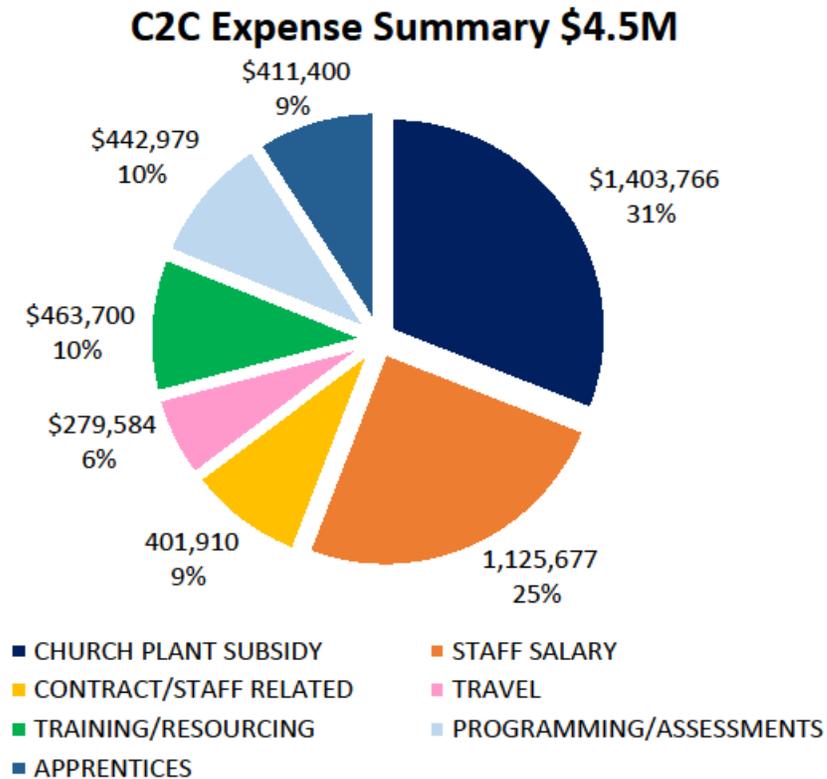


Figure 7

2016 Budget

Like Figure 6, this figure show how the total 2016 budgeted expenses of \$4.5M are distributed based on the type of expense.



**Conclusion**

We trust this information has provided greater insight into the finances of CCMBC.

As you put this document aside, we have several requests of you:

1. Please pray for wisdom and Spirit-led leadership for the EB and staff of CCMBC.
2. Please pray for greater mission impact through the ministry of CCMBC in support of the local church.
3. Please pray for us to lead CCMBC wisely, so we can meet the demands and opportunities coming our way.
4. Please communicate directly with CCMBC’s EB or SLT if you have questions.

5. Prayerfully consider supporting CCMBC with a financial gift before the end of 2016.

As board members and staff, we are excited about the future into which God is inviting us. We continue to hear stories of God's handiwork in new church plants, established churches, camps, schools and the global work of MB Mission.

On behalf of the Executive Board, Finance Team and Senior Leadership Team,

Bruce Enns

Acting Moderator

Willy Reimer

Executive Director

Howie Wall

Finance Committee Chairman