

2020 Budget Commentary

Canadian Conference of MB Churches (CCMBC)

CCMBC Income:

As in 2018 and 2019, the 2020 CCMBC budget is balanced using church support rather than relying on a cash transfer from Legacy. In anticipation of the Collaborative Model, the budget reflects church contributions going to the provincial conferences with a percentage flowing through to CCMBC. The budget of \$1,172,000 is based on 2017 church contributions to both the provincial conferences and CCMBC. The income budget also includes a small amount of donations and other expected revenue in several areas of CCMBC.

CCMBC Expenditures:

Following is a summary of the budget changes from 2019 to 2020:

- Governance, under the Collaborative Model, includes the National Assembly (AGM), the National Assembly Executive (Executive Board), the National Ministry Team, and the national director. The increase in budget from \$127,900 to \$189,600 anticipates additional travel needs under the new model and includes a \$24,000 contingency.
- The increase in the Spiritual Health/Theology (BFL) budget to \$75,000 reflects travel requirements for both the National Faith and Life Team and the National Faith and Life director that were not anticipated when the 2019 budget was prepared. The National Faith and Life director became a new role within CCMBC in 2019.
- The Leadership Development budget reflects a \$40,000 proposed increase for MB Seminary support and a \$10,000 decrease for ETEQ support. It should be noted that ETEQ receives a \$120,000 rent subsidy through Legacy.
- The Mission budget was reduced from \$312,700 to \$140,000. A new strategy for church planting will be used under the Collaborative Model. The \$100,000 budget for Multiply/MB Church Plants fulfills CCMBC's commitments to current MB church plants.
- The reduction in the 2020 budget for Communications represents a proposed change to the communications strategy.
- The only significant change to the Partner Support budget is the elimination of Provincial Conference support for Alberta due to the change in structure under the Collaborative Model.
- All staff compensation has been moved to the Administration & Compensation section for this report. We expect a decrease in staff compensation for 2020.

CCMBC Legacy Fund Inc. (Legacy) and CCMBC Investments Ltd. (CCMBC Investments)

In May 2019, we incorporated CCMBC Investments Ltd., a for-profit company, with the purpose of raising funds to provide mortgage loans to MB churches, agencies, and pastors. This structure meets the requirements of both the securities commissions and Canada Revenue Agency in order to make the investments eligible for RRSPs and TFSAs. Excess investments beyond those required for mortgages are invested in accordance with approved investment guidelines.

On August 30, 2019, we completed the reorganization of the traditional Stewardship operations. This resulted in all the non-MB Family loans to the conference (registered and non-registered) being transferred to CCMBC Investments. We transferred to CCMBC Investments the mortgage loans and enough third-party investments to balance the assets and liabilities in CCMBC Investments.

The budget process for Legacy and CCMBC Investments has followed the same format and procedures as in prior years, although for 2020 there are two separate budgets.

CCMBC Investments Ltd.

We based the 2020 budget for CCMBC Investments on the opening balances and knowledge of the prescribed rates for interest expense and interest earnings.

As in prior years, revenue consists of interest from loans to MB churches, organizations, and pastors as well as the earnings on the excess investments, which will now be managed by Capstone Asset Management as our portfolio manager.

Expenditures consist of interest paid to investors under the Offering Memorandum (OM), of legal and audit fees, of investment fees to Capstone, and of administrative fees to Canadian Western Trust (CWT) (for registered accounts) and Legacy.

We have taken a relatively conservative approach for the 2020 budget and have used the August 30, 2019, opening balances with only a 1.3 percent increase in the OM investments. The result is an operational surplus of \$1,680,100 of which 75 percent will be donated to Legacy. The residual taxable income of \$420,025 will draw taxes of \$117,607 (28 percent). This will leave a net surplus of \$302,418.

CCMBC Legacy Fund Inc.

With the August 30, 2019, reorganization, the operational assets and liabilities remaining in Legacy include the current assets and liabilities, facilities, and internal loans. They also include the loan liabilities from MB churches, conferences, and agencies, which we have identified as MB Family loans and have deemed exempt from the OM registration. As in the past, Legacy

operates as the administration management entity for CCMBC under the Memorandum of Understanding that has been approved by both entities.

The Legacy operating budget considers the revenues and costs of performing these operational activities, the costs of maintaining facilities, and interest for the loans. The Legacy budget also includes donations from CCMBC Investments in the amount of \$1,260,075 and loan administration fees of \$440,600. We are projecting a deficit of \$455,175.

To understand the projected deficit, it is important to look at both entities on a consolidated basis and compare this to the prior year budget. Total revenue for 2020 is \$8,545,300 (adjusted for the intercompany donations and fees) versus a budget of \$5,296,720 for 2019. The consolidated expenditures are \$8,580,450 (net of intercompany fees) versus a budget of \$5,296,720. This results in a deficit of \$35,150 before the tax liability (a liability arising from CCMBC Investments's for-profit status). The majority of the increase in revenue and expenditures relates to the higher interest rate we are using in 2020.

We are committed to sustaining profitability in both entities as we work to finalize sales of investment properties, to raise more funds in the investment entity, and to reduce the agency subsidies.

**Report submitted by Bertha Dyck
chief financial officer, CCMBC Legacy Fund Inc.**