
District Finance Committee Virtual Meeting Minutes

Wednesday, November 25, 2020 – 2:00pm

Zoom

Present:

Aaron Chan, Wes Drewlo, Mark Hutchinson – Chair, Nicholas Lai, Errol Rempel – District Superintendent, Yvonne Yua

Guest: Erin Knott

Time of Prayer

Nicholas opened in a time of prayer.

Approval of Agenda

No items were added.

M/S/C – The meeting agenda was approved.

Conflict of Interest

No conflicts of interest were expressed.

Approval of Minutes

M/S/C – Minutes of the virtual committee meeting on September 17, 2020 and the email minutes from September 24, 2020 are approved.

Action Items from the September 17, 2020 Meeting

The following previous action items were discussed:

Action Item – Mark Hutchinson to contact Stan Braun (Mountainview Alliance Church).

Mark noted that he joined a Mountainview Alliance Church Board meeting by Zoom and this item is now complete.

•

Action Item – Errol Rempel to speak to Andy Lambkin about the Finance Committee’s approval of the Mountainview Alliance Church/Nest Housing Society affordable housing project.

Errol noted that this item is now complete.

Action Item – Nicholas Lai to convey to Andy Lambkin that the Finance Committee would like to see more information about governance and the issue of earning on the Nest Housing Society’s part.

Mountainview Alliance Church (MVAC) has approved the affordable housing project and there has been a lot of work for Andy recently. Nicholas believes that Andy is aware of this issue but will continue to bring this up with him. Of note, MVAC wrote an encouraging letter in support of the housing project for BC Housing and the Township of Langley.

Financial Statements

Aaron reviewed the Summary Income Statement ending October 31, 2020. He noted that District Operating Budget income is \$31,000 more than forecast and that the District is only \$29,000 under budget. This represents 96% of the budget, which is a much better performance than expected. Canadian Ministries income is \$1,000 less than forecast and at 81% of the budget. Canada Emergency Wage Subsidy (CEWS) income is above forecast because of extension of the program.

Employee Insurance expenses are \$2,000 more than forecast as expenses have increased since restrictions have been eased and people are able to visit the dentist. Salaries and expenses are \$4,000 below forecast because the National Ministry Centre has received CEWS income that will be refunded to the District.

Aaron reviewed the Balance Sheet ending October 31, 2020 and noted that there is an increase in the bank balance due to a low balance in the Loan Development Fund loans to churches, primarily due to Heritage Alliance Church paying their loan in full. It was also noted that deferred revenue for the employee benefits program has increased \$105,000 this year but decreased slightly in the past few months.

Aaron commented that there is an annual meeting with the District’s benefits advisor to evaluate coverage and costs.

A question was raised about the outcome of the GIC for renewal. Aaron replied that \$650,000 was placed with Bank of Nova Scotia and the committee was emailed on September 22, 2020 about the decision. This amount is locked in for one year at 0.7%.

Yvonne asked what our current mortgage rate is, and Aaron responded that it is currently 3.25%. We pay interest to Loan Development Fund (LDF) investors at 2%, which is approximately \$130,000 per year paid to depositors.

Mark commented that the District is losing money on the GIC compared to loaning it to churches based on our rates and asked what was being done to maximize the return on our investment. Aaron responded that we are currently in a historical low and cannot lower the 2% rate because of the agreement with LDF depositors. Yvonne suggested taking advice from the industry and changing the strategy to navigate this historical low by perhaps considering a better investment vehicle.

There was agreement that these funds be used for the greater good of the Kingdom and not only for financial gain.

Action Item – Yvonne Yua to look for an investment option that would have a better rate than our current GIC and bring this to the next meeting.

In response to a question on why Coquitlam Alliance Church was not given a loan from the LDF, Aaron noted that the requested loan was for \$4.5 million and that amount of money wasn't available. He further noted that if a church asks for a portion of the total loan from the LDF, it can be given provided funds are available.

The LDF was discussed and it was recognized that there is difficulty in knowing when churches will need loans and when depositors will remove funds. Deposits placed in this fund are quickly decreasing and the fund used to be around \$8 million a few years ago, it is now below \$7 million, and with potential upcoming withdrawals, this will only decrease further. In three years' time, Aaron foresees this being down to approximately \$5 million and he advised being very careful when loaning out to churches.

Church loans were reviewed, and Aaron noted that there are now three churches paying only interest. All other churches have resumed paying interest and principal, and Chilliwack Chinese Alliance Church is not currently paying anything. Mark noted that a \$36,000 payment to principal will be coming from Chilliwack Alliance Church.

The Global Advance Fund monthly report was reviewed and a large difference in giving between Fraser Lands Church and Vancouver Chinese Alliance Church was noted. Nicholas will talk to the National Ministry Centre about this potential discrepancy.

M/S/C – That the financial statements are accepted and recommended to DEXCOM.

Church Response to DEXCOM Requirements re: Compilation Engagements

Errol reviewed the impact and increased cost for churches with the requirement to complete a financial engagement in accordance with the *Accounting Standards for Not-For-Profit Organizations (ASNPO)*.

It is estimated that 50% of our churches are affected by increased costs. Aaron estimated that the cost for each church is at least \$3,000 for a compilation engagement, the lowest level of financial engagement. If a church has annual revenue greater than \$250,000 it must move to a review, which Aaron estimated begins at \$7,000.

There were two questions before the committee:

- 1) In light of the impact, particularly on smaller church budgets, do we want to help financially? If so, is there a way to help that is both sustainable and does not create dependence? By sustainable, this means that the District can't be providing continuous support and desires not to create dependence.
- 2) Are there resources that we can provide?

Suggestions of possible help for churches included:

- Taking George Brodie up on his offer to create a training/resource video for smaller churches
 - Mark believed that it would be prudent to pay George to do the work to create a resource.
- Using the Operating Reserve Fund to designate an amount to support churches
- Offering a percentage of the difference in cost between a compilation engagement and a review with a decreasing scale over a set number of years

- Asking for an increase of the annual revenue threshold in the *Local Church Constitution* (LCC)
 - Errol noted that the District doesn't have authority to increase the threshold as the LCC is under the purview of General Assembly. Article 12.1 was enacted in 2020 and up for ratification in 2022.
- Setting up a volunteer accounting group to serve churches or utilize student accountants to lower costs by preparing church books in advance
 - Wes noted that much of the cost is driven by the work involved for the Chartered Professional Accountant.
 - Aaron noted that with the changes in accounting standards there are certain minimums that no matter how well accounting records are prepared it will cost at least \$3,000-\$4,000.
- Commissioning one accounting firm to do all church financial engagements with a volume discount/reduced rate due
 - Yvonne suggested going through a procurement process with accounting firms who could do this for the District.
 - Aaron commented that very few accountants have offices throughout province and perhaps only the top five firms would be able to do this, whose fees are very high. He was unsure whether they would negotiate with the District given their size.
- Offering financial training for churches (potentially online) on how to help lower costs
 - Aaron noted that geographical diversity in BC is a challenge that most church bookkeepers are volunteers or work part-time, which means there is a lot of turnover.
- Determining those that do this well in the District and asking them to coach smaller churches
- Paying a consultant to provide input on potential solutions and bringing back recommendations to the committee for further discussion

Errol thanked the committee for their input and will debrief the conversation with Aaron. He noted that there was not necessarily a clear way forward on what can be done by the District, and in terms of management capacity that a team may need to be pulled together.

Next Meeting

The next meeting will be Thursday, February 18, 2020 at 1:00pm and Erin will send out Zoom meeting invite.

Mark closed in prayer. The meeting adjourned at 3:23pm.