
District Finance Committee Virtual Meeting Minutes

Thursday, February 18, 2021 – 1:00pm

Zoom

Present:

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

Guest: Erin Knott

Time of Prayer

Mark opened in a time of prayer.

Approval of Agenda

No items were added.

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

Conflict of Interest

Nicholas Lai noted that he is associated with Nest Society and will abstain from any related decisions. No other conflicts of interest were expressed.

Approval of Minutes

M/S/C – Minutes of the virtual committee meeting on November 25, 2020 are approved.

Action Items from the November 25, 2020 Meeting

The following previous action items were discussed:

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

Mark noted that this item is complete and will be included for discussion at a future meeting.

Financial Statements

Aaron reviewed the Summary Income Statement ending January 31, 2021 and noted that there is a balanced budget for the year. District Operating Budget income for 2020 was a record high and included an estate donation from Surrey Alliance Church. There was also a special donation in January of \$10K from a Loan Development Fund depositor. Canadian Ministries (CM) is slightly above budget but much below the January 2020 amount.

Errol provided a brief history of the CM Fund and noted that it was primarily a church planting fund in the past. It has a broader use now and for Errol's eight years as District Superintendent (DS) it has seen an annual 1-2% decrease. The Christian and Missionary Alliance (C&MA) Board of Directors have given districts the freedom to do what they would like to with CM funds, and Errol has chosen not to do anything to date as it made sense to him that the next DS review this fund and address its future use.

Aaron noted that Employee Insurance expenses are relatively high, and that this is common each January. There has been a large jump in expenses in the last five months and \$17K of deferred revenue has been transferred to cover this increase.

Aaron reviewed the Balance Sheet ending January 31, 2021 and noted that there is an increase in the bank balance of \$200K compared to December due to loans to churches decreasing by \$120K. He noted that this is good in that churches are repaying loans faster than expected, but also results in a lower amount of interest received. Deferred revenue funds have decreased compared to the high in August.

Church loans were reviewed, and Aaron noted that Chilliwack Alliance Church made a \$71K payment and Lake Country made a \$26K payment in January. All churches have resumed paying interest and principal on their loans, except for Summerland Alliance Church and Timbers Community Church, who are still paying interest only. Neither church has indicated when they would resume paying principal.

Errol's perception is that things are normalizing for Summerland & Timbers and noted that Summerland was affected by the increase for compilation engagement costs. Summerland was previously engaged in an affordable housing project but the vision for the project was ahead of the infrastructure and this is currently on hold.

The Global Advance Fund monthly report was received without comment.

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

Employee Benefits Plan Increases

Errol reviewed the Decision Profile and commented on the impact the pandemic is having on workers that came to light through the COVID survey. The rationale of Lead Team in proposing these changes is that practical help is needed now to support workers and families in the district. There is pent up demand after people were not using their benefits initially in the pandemic, and they believe this is being expressed in increased claims of late. The Lead Team is not persuaded that expenditures will increase at the same rate in 2021 and therefore are proposing changes with an estimated annual impact to the district of \$31.5K.

Aaron noted that he believed that the last premium increase was in 2016. Errol noted that if there is a continual increase of claims that depletes revenue, that it would be an option to increase premiums. There appears to be enough deferred revenue to cover at least two years of increased claims before the reserve of \$250K would be in danger.

AC noted that the \$17K of increased benefits cost of the claims in January mentioned in the financial statements review meant that there was \$17K of costs above the total premiums received from the churches.

There was discussion of making the increase in coverage temporary given that it is in response to the pandemic, and Errol responded that it is very difficult to take something back once it has been offered. There is also risk of damaging good will in the district if the increased benefits were later removed.

M/S/C – That the Finance Committee recommends to DEXCOM an increase to personal coverages per year in the District Employee Benefits Plan for the following benefits:

- chiropractic coverage from \$500 to \$750
- massage therapy coverage from \$500 to \$1000
- clinical counselling from \$500 to \$1000

Suggested Advocacy Actions Regarding Compilation Engagements

ER gave two positive updates:

- 1) George Brodie, Senior Pastor of Revelstoke Alliance Church and a Chartered Professional Accountant (CPA), has volunteered to assist smaller churches affected by compilation engagement costs to help them prepare their books. He has also negotiated with his former employer for the possibility of a group rate to save costs for churches.

- 2) At a recent meeting of executive pastors, several churches asked for the district's assistance in providing financial assistance to other churches in need after they ended the year in a position of financial surplus. This is short term assistance, but the donor churches may help a few smaller churches through the current transition period.

Erin reviewed the Discussion Profile and noted that the two suggested advocacy actions are recommending to DEXCOM that the C&MA Board of Directors either enact a change in the *Local Church Constitution* or recommend to General Assembly 2022 to:

- remove the *Accounting Standards for Not-for-Profit Organizations* (ASNPO) requirement for compilation engagements.
- increase the annual revenue threshold for compilation engagements from \$250K to \$500K.

Errol noted that he is not aware if this issue and its implications are being felt or addressed in other districts.

Aaron responded to Ken Pelissero's thoughts and noted that it is possible to do a compilation without complying with ASNPO. He finds it difficult to agree with Ken on his analogy of ASNPO to a building code and would recommend that it be removed for compilations. Janet Kirby wrote in the *Use of Compilation Engagements in Church Bylaws* document that CPAs cannot refer to ASNPO in a compilation prior to Feb 2020, but he wondered if ASNPO is now essential. He further noted that only practicing accountants in firms would be familiar with ASNPO.

Mark asked if it will be difficult to advocate given Ken's position. Errol responded that if DEXCOM does advocate for removal, that it would potentially be done in opposition to the C&MA Finance Director and would be on the General Assembly floor.

This item was tabled until later in the meeting to allow for a presentation.

Mountainview Alliance Church Presentation

Stan Braun (advisor to the Board), Gord Schutz (Lead Pastor), and Dan Werner (elder) joined the meeting at 2:00pm. They form the building and land committee of Mountainview Alliance Church (MVA).

Gord framed the discussion around MVA's history and ministry. Desire for vision was expressed when Gord candidated and vision and purpose statements based on Matthew 5 grew out of this. Ministry and relationships in the community of Langley have brought the vision to life and the church and its leaders are excited about this.

The Mandarin congregation was recently grafted into the church and they are seeing flourishing through this addition. MVA is more than just a Sunday gathering place, but a place for the community and weekday ministry as well. They see opportunities for community development and growth along with the affordable housing project (AHP).

Stan noted that they see God doing wonderful things in their community and shared a story of a connection with the high school next door. He noted that the purpose of MVA's report was to raise awareness of the aging church building as part of the AHP.

Dan identified the opportunity with their land use and noted that MVA is excited about the possibility of affordable housing on the site. The challenge is that as a church MVA believes God has called them and given them a vision for this time in their neighbourhood. The church made a conscious decision to stay on site to accomplish this vision and has sacrificed the financial rewards of selling or subdividing their land.

As MVA looked at the Nest proposal and their own vision, they recognized gaps that need to be resolved, the biggest being the need for an upfront cash injection. Their understanding is that to develop property there are a host of upfront costs (ex. site servicing) and if they were to greenlight the AHP, they would be unable to pay these estimated \$2 million costs.

The viability of moving the AHP forward is also impacted by the timeline. As a church, they have not been able to gather in person to discuss the project and are very cautious to make a 60-year commitment.

The model proposed by MVA shifts the agreement from an annual lease payment to a one time lease pre-payment which would provide the church an upfront cash injection. The church believes it would give Nest the ability to reach out to other financial lenders and shifts the potential for loss and risk away from MVA. The church recognizes how little loss tolerance it has and prefers a risk-averse system that would still allow Nest to go ahead with the AHP.

It was noted that the goal of today's presentation was to receive feedback on the proposal. No formal ask had been brought to Nest yet and they are not aware of the proposal as the Finance Committee is first to see it. It was further noted that BC Housing has received the AHP business proposal based on the current lease model.

Wes noted that upfront costs are typically born by developer. He believed the question to be asked is, "How do you capitalize the church facility in the best way to achieve ministry objectives?" and suggested that the church may need to be open to other alternatives.

Errol expressed warm encouragement for the ministry the church is doing and the steps it has been taking. He noted that there wasn't anything in the proposal on selling the frontage property on 200th Street to raise funds for the church property. Dan replied that MVA is looking to sell the frontage property, that the second parcel would be for the AHP, and the third parcel for the church building.

Dan noted that the property assessment used in the Nest proposal is based on outdated 2018 numbers. MVA expects that the land could be valued north of \$5 million per acre and Nest is asking for 1.35 acres. They see a gap in the value in the current funding model and would like to revisit this before approval to see a fair deal.

Nicholas acknowledged his involvement in Nest and recognized that the AHP is pioneering work. He believed that the assessment would dictate the value of the long-term lease along with the value of the commercial site. Nicholas encouraged MVA to create a business plan and noted that this would also assist the Finance Committee and Nest. He saw potential to subdivide and sell off the frontage property to fund the church building project and the lease income could fund ministry goals.

Dan noted that Nicholas' suggestion is the plan Nest has proposed. He noted that if you sell un-serviced land you do so at a discount and the church would prefer to sell serviced land. The church would like to complete a business plan and then have it vetted by a third party before bringing that forward.

Mark noted that Nest would need to completely revise their business plan if the funding model shifts. He suggested that the church determine if it is comfortable agreeing to a 60-year lease and believed that MVA should focus its efforts on selling the frontage property, either serviced or un-serviced, to address the needs for the church building.

Errol asked if the MVA committee has considered seeking the \$2 million in loan money to develop the frontage property to sell it and leaving the AHP lease alone. He further asked if the church is asking if the district would front that loan to the church.

Dan acknowledged that idea has been floated on their committee. Their committee desires a win-win-win situation that addresses how Nest and MVA's vision can both succeed. Mark encouraged the church to be bold with their needs.

Stan noted that the question their committee had was if there should be a pause to the AHP process as from the church's perspective, the timelines were too tight.

Nicholas responded that Nest is moving ahead but MVA needs to determine their own plan to capture the best value of their land without getting too involved with development given that they are not developers. He noted that if MVA is asking the district for a loan, that the Finance Committee would ask for a business plan.

Appreciation was expressed to Stan, Gord, and Dan and they left the meeting.

Debrief of Mountainview Alliance Church Presentation

Errol observed that MVA has consistently run up against its own limitations of capacity and noted that the church has a highly risk-averse and conservative leadership team, and that their budget has no fat. They believe they can't afford to engage with needed planning steps like architects, planners, etc. and he wondered if there is anything that the Finance Committee can do to help them with this.

Nicholas commented that he has reiterated many times to Stan the need to create a business plan and it seems that they are still struggling with this. Wes noted that Stan reached out to him about determining costs and there hasn't been a plan to understand the parameters of what is needed. There was agreement that the church appears to be unable to move forward.

Yvonne commended MVA for wanting to steward their resources and provide affordable housing, however, as the presentation went on, the conservative attitude and some greediness appeared to creep in, and she felt this was something to watch for. She noted that to do any development they need to be willing to take on some risk and if they aren't willing to take risk, perhaps this is not the right project for them. This appears to be a crucial moment for a pioneering vision team to determine if this is a God-honouring project and she sensed doubts in the leadership team.

She further suggested adding a clause to review the lease every five years for inflation costs and land values.

Nicholas believed that the Nest portion of the AHP is well thought out and planned, but the frontage and church building plan is not as well thought out. The church may want to shop the frontage property around with developers to look at proposals and indirectly they could have developer help work out a business plan. To do this, MVA would need to tell developers what the purpose of the land is.

There was consensus that church needs professional support to develop a business plan. The committee liked Nicholas' suggestion to let the developer do some of the work by shopping the frontage land around. This is a safer option and provides the church control on the land and its usage, provided MVA understands what they desire. Wes suggested he and potentially other committee members could help the church evaluate developer proposals.

Errol believed that the church is struggling to discern the next steps and needs direction and outside help on the 'to do' list and the sequence involved. It was noted that MVA needs to determine what they would like to build, the potential costs involved, and the committee has not heard conversation on what the church building needs are in the past four years.

Action Item – Nicholas Lai and Wes Drewlo to contact Stan Braun with feedback from the Finance Committee's discussion and help the Mountainview Feasibility Committee in their work by providing direction and support on the next steps for their land use and church building project.

Suggested Advocacy Actions Regarding Compilation Engagements (cont'd)

Discussion on this item resumed at 3:11pm.

Aaron noted that Janet Kirby is in the best position to discuss this issue, and it was agreed to share the Discussion Profile and determine if she agrees with advocating.

Action Item – Aaron Chan to share the Discussion Profile with Janet Kirby for feedback on the suggested advocacy actions and to bring her response back to the next Finance Committee meeting.

Nicholas suggested doing further research to argue any advocacy clearly and articulately, including looking at other denominations to see how they work with smaller churches.

Wes and Mark expressed concern with advocating to remove a financial standard and would favour adhering to a standard.

Revision to Finance Committee Terms of Reference

Erin reviewed the proposed changes to the Finance Committee Terms of Reference and noted that aside from a few editorial changes that the purpose was to define the committee's role and responsibilities as they relate to benefits.

M/S/C – That the revisions to the DEXCOM Standing Committee on Finance Terms of Reference be recommended to DEXCOM for approval.

Newbern Memorial Chinese Alliance Church Renovation Project

The church recently realized that they had not brought a renovation project for their sanctuary to the District for approval. Total costs are entirely covered by the church and has not taken on any debt.

M/S/C – That the sanctuary renovation of Newbern Memorial Chinese Alliance Church be approved retroactively.

Next Meeting

Errol noted that the Finance Committee will need to meet to review and recommend the district budgets at the next meeting.

Nicholas asked about timing of the transition to a new DS, given Errol's impending retirement in July. There was consensus that an overview of ministries and funds in light of the pending transition would be appreciated.

Action Item – Errol Rempel and Aaron Chan to prepare an orientation on the role of the Finance Committee, its responsibilities, and a financial overview of the District to help the committee prepare for a DS transition.

District Finance Committee Meeting Minutes

It was noted that the next meeting agenda will address the 2022/2023 District budgets, the review audited financial statements, and feedback on the proposed compilation engagement advocacy actions from Janet Kirby.

The next meeting will be Wednesday, March 31, 2021 at 1:00pm and Erin will send out the Zoom meeting invite.

The meeting adjourned at 3:36pm.