
Decision Profile

Advocacy Action for Churches Regarding Compilation Engagements

Decision Required:

Whether to advocate with The Christian and Missionary Alliance Board of Directors for a revision to the *Local Church Constitution* (LCC), Article 12.2, to increase the annual revenue threshold for churches utilizing a compilation engagement.

Background:

In June 2020, the Board of Directors of The Christian and Missionary Alliance in Canada enacted a change to the LCC, Article 12.2 that is subject to ratification by General Assembly 2022. The enacted change to the LCC, Article 12.2 now reads:

All financial records shall be prepared and maintained according to Accounting Standards for Not-For-Profit Organizations, and shall be subject to an audit, review, or other independent evaluation annually as prescribed by the bylaws, with the following exception: churches with an annual revenue not exceeding \$250,000 may by special resolution of the membership choose instead to utilize a compilation engagement to be completed by an independent Chartered Professional Accountant if permitted by federal, provincial or territorial regulations. To remain in effect until such time as annual revenue exceeds \$250,000 or revoked by a special resolution of the membership²⁶.

²⁶ In effect by resolution of the Board of Directors from May 1, 2020 to General Assembly 2022 where it may then be confirmed, rejected, or amended by the Members.

All organized churches in the CPD were sent letters informing them of this important change at the end of October 2020. For churches with annual revenue over \$250,000, the option to use a compilation engagement is not available. Churches that have annual revenue under \$250,000 may use a compilation provided they meet the requirements outlined above.

The District Office has received responses from multiple churches regarding the impact of the increased costs for compilation engagements to be in accordance with *Accounting Standards for Not-For-Profit Organizations* (ASNPO) and for reviews if they are over the \$250,000 annual revenue threshold. In response, the District Office and the Finance Committee have discussed ways to support churches with increased costs.

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One support has come from George Brodie, Lead Pastor at Revelstoke Alliance Church. George is also a Chartered Professional Accountant (CPA) and has reached out to his previous accounting firm about this situation. The firm offered a competitive rate and if several smaller churches signed with them, the possibility of negotiating a small discount. George has also graciously offered to help churches by informing them how to prepare their financial statements well so as to incur the lowest possible cost.

Current Statistics

Based on 2019 church annual revenue, CPD records show the following:

- Churches under \$250K – 35[^]
- Churches \$250-\$500K – 21
- Churches \$500K-\$1M – 11
- Churches \$1M+ – 15

[^]Two (2) churches are included here where their annual revenue is not known but believed to be under \$250K.

Churches under \$250K are using the following financial reporting method as recorded in their bylaws:

- Notice to Reader (required to amend bylaws) – 5
- Compilation Engagement – 10^{*}
- Review – 10
- Audit – 0
- Unknown – 10^{**}

^{*}There are currently seven (7) churches approved to use a compilation and three (3) in the approval process.

^{**} Six (6) churches included in the 'Unknown' group are developing churches and have not yet been required to adopt bylaws. Four (4) churches have not yet completed an initial bylaw review and the financial reporting method is not known.

Churches \$250K-\$500K are using the following financial reporting method as recorded in their bylaws:

- Compilation Engagement – 3[†]
- Review or Review/Audit – 17
- Audit – 1
- Unknown – 0

[†]All churches had annual revenues under \$290K in 2019.

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Of note, Ken Pelissero was asked for his thoughts on potentially increasing the current \$250K threshold in the LCC, and he was reluctant that it be increased out of a desire for healthy stewardship and accountability. He noted that when the Board of Directors deliberated on DEXCOM's request for the \$500K threshold that a CPA on the Board had commented that there is legislation in Ontario that prevents a higher threshold and as the LCC is a national document, the \$250K threshold was deemed appropriate.

The Finance Committee examined the impact on churches, particularly small churches, with increased in costs for compilation engagements completed in accordance with ASNPO. After multiple discussions on the issue, there was consensus to recommend that DEXCOM advocate for a change in the LCC, Article 12.2, to increase the annual revenue threshold from \$250K to \$400K. It was felt that this amount would strike a balance between healthy stewardship and financial accountability and lowering costs for churches.

Recommendation/Motion:

THAT DEXCOM advocate with The Christian and Missionary Alliance Board of Directors for a revision to the *Local Church Constitution* (LCC), Article 12.2, to increase the annual revenue threshold for churches utilizing a compilation engagement from \$250K to \$400K.