
District Finance Committee Virtual Meeting Minutes

Thursday, March 17, 2022 – 1:00pm

Zoom

Present: Aaron Chan, Tami Cooke, Mark Hutchinson – Chair, Erin Knott, Nicholas Lai, Wes Drewlo, Mark Peters – District Superintendent

Erin was welcomed to the Finance Committee and opened the meeting in a time of prayer.

Approval of Agenda

Moved (N. Lai) that the meeting agenda be approved.

CARRIED

Conflict of Interest

No conflicts of interest were expressed.

Approval of Minutes

Moved (W. Drewlo) that the minutes of the meeting on December 9, 2021 and the email minutes from January 6, 12, and 31 February 9, 2022 be approved.

CARRIED

Action Items from the December 9, 2021 Meeting

Action Item – Erin Knott to reach out to the Western Canadian District to learn about their real estate investment and use of that income for ministry purposes.

Erin spoke with Steven John, Development Consultant for the Western Canadian District (WCD). He is the land and property development consultant for the WCD and its churches. The WCD has a complex structure for their real estate assets, including a general partnership, limited partnership, and trust company. They also have a non-profit side and own their office building which is a commercial and office space mix. Profits are disbursed back to the district for special ministry needs.

The WCD currently has a land bank of 18-20 properties either owned by a church or pointing to a future church that are in outer growth rings of municipalities. They have a strategic vision to invest in future ministry through land and are also working with churches for mixed-use of church properties.

Action Item – Mark Peters, Aaron Chan, and Erin Knott to discuss potential uses and purposes for the Canadian Ministries Fund and Operating Reserve Fund prior to the next meeting and bring discussion items back to the committee for discussion.

Mark Peters noted that a change to the Operating Reserve Fund Policy may be proposed. The District Lead Team will bring this to the Finance Committee when appropriate.

Action Item – Mark Peters to talk to other district superintendents to gather information on how they have rebranded their Canadian Ministries Fund and used the rebranded fund for ministry.

Mark Peters reported that the Canadian Midwest District has rebranded their Canadian Ministries (CM) Fund and giving has increased under the new vision shared. They use funds almost exclusively for New Venture ministry and initiatives. He noted that a significant portion of funding for New Ventures in the CPD is coming from the operational reserve and that there isn't another funding stream currently. Changes to CM Fund may be needed in future.

It was noted that exploration of real estate investment options will be discussed later in the agenda.

Financial Statements

Aaron noted that year-to-date net income (before Legacy Stewardship Initiative & Operating Reserve) is \$56K, which is \$75K better than budget thanks to the exceptionally strong District Operating Budget (DOB) income in January. DOB income in February, however, was \$7K below budget.

Employee benefits claims in February remained high, although they were lower than in January. The deficit in February was \$18K, which brought the deferred revenue reserve down to \$220K from \$276K.

Aaron further noted that up to March 8th, \$84,230 was received in donations for the BC Emergency Fund. After disbursing \$75K to Yarrow Alliance Church and \$45K to Fraser Lands Church for flood relief, \$27K is left in the fund. Yarrow, however, informed the District that they would be returning \$95K as they received funding from the province and the Abbotsford Foundation. Upon receiving the refund from Yarrow, there will be \$122K in the fund.

Aaron commented that the rest of the line items were more or less on budget. Mark Peters noted that the DOB percentage for every other district is 3% and for the CPD it has been 2.5% since 2003. Aaron noted that the DOB has been consistently strong.

Aaron reviewed the Balance Sheet Summary and noted that there is \$539K less in the bank balance due to a new church loan.

Aaron reviewed the loans to churches as of the end of February and noted the new loan to Fraser Lands of \$600K, which corresponds to the decreased bank balance. The church will be taking an additional \$820K in April. No other significant changes were noted. Summerland and Timbers are still paying interest only on their loans.

The Global Advance Fund (GAF) monthly report was received without comment.

Moved (M. Hutchinson) that the financial statements are accepted and recommended to DEXCOM.

CARRIED

Proposed District Benefits Plan Premium Increase

Aaron presented six potential options for a benefits premium increase and the corresponding effect deferred revenue. He noted that the increase could be implemented in May at the earliest as DEXCOM approval is needed.

Nicholas commented that this situation has identified that the current rate and/or benefit levels are not sustainable, and he suggested evaluating the value of the benefits to the users. It was noted that two years previous the picture was very different, which was why benefits were increased.

Aaron commented that it is difficult to say whether the increase in expenses is primarily pandemic-related or due to the enhanced benefits. Tami believes that the value of increased benefits outweighs the increased cost for premiums. It was noted that demographics have not changed significantly and are not a factor.

There was consensus that the benefits plan must get to a sustainable level, that an increase in premiums is needed to do so, and that reducing benefits was not desired. Tami noted that the last premium increase was 3% in 2017 and commented that timing the increase to give advance notice is important, especially for budget planning.

It was identified that splitting the increases over time would add increased work and confusion both to the District Office and churches and noted that any cost-sharing would be the decision of the church as an employer. The increased costs will land with churches primarily, with exception of a small group of churches that don't cover this cost for employees and the Special Ministries group who pay their own premiums.

Erin noted that communication is key and encouraged that it be clear and transparent regarding the desire to support workers during the pandemic with enhanced benefits and that the increase was believed to be sustainable at the time. She suggested communicating that rising inflation and increasing costs necessitated the current premium increase and that there is potential for future increases, noting that the previous increase was five years ago. It was noted that it may be helpful to share the average costs for a comparable benefits plan compared to the lower costs for ours.

Moved (T. Cooke) to recommend to DEXCOM an increase in the district benefits premium rate by 10% effective May 1, 2022.

CARRIED

Action Item – The committee to evaluate the impact of the increased benefits premium rates and expenses at the fall meeting to determine if a second increase is required.

CPD 2021 DRAFT Audit Letter and Audited Financial Statements

Mark Hutchinson reported that the District Conference Audit Review Committee earlier that day with the auditor, who was very pleased and presented a clean report. Appreciation was expressed for Aaron and his work.

One administrative note from the audit was that in past some church loans were classified as short term but have been re-classified as long term. These changes do not affect the financial position in any way. The statements are recommended to DEXCOM for approval and the final statements will be presented to the Annual General Meeting on April 5th.

Investment Opportunities

Aaron and Mark Hutchinson reviewed their conversation with RBC and Chris Becker at Kuhn & Co regarding using land assets for investment. RBC believed this was possible but suggested seeking legal advice. Chris Becker advised that this would be possible as it is not an unrelated business. It would be up to DEXCOM to approve this type of investment. Partnership with specific churches would be needed, requiring approval of their membership and an agreement on profit sharing.

A maximum of 50% of the value of a property could be borrowed due to the charitable status of the district. Chris Becker felt this was a low-risk option for investment and was favourable towards utilizing assets in this way.

Mark Peters noted that it is important to determine the best investment strategy for the district before determining a partner in the work. Mark Hutchinson suggested that Westbow be invited to speak to the committee as part of the investigation of potential investment options and Wes suggested inviting Steven John from the WCD to speak.

It was noted that any church involved would have their property tied up for several years and it was agreed that any option must be favourable to all parties. The goal would not be to make money, but rather to increase ministry reach and opportunities.

Nicholas noted that during the formation of The Nest Housing Society in 2019, work was done on the governance model regarding a potential CPD housing ministry and land stewardship structure. In addition, some work had been done in the establishment of a CPD church property inventory pertaining to land use policies and regulations. Nicholas will provide a copy of the document regarding the governance model to committee members.

Mark Peters expressed gratitude for having these types of future-focused conversations.

Action Item – Erin Knott to ask Steven John to present on real estate investments in the WCD at 9:00am and Mark Hutchinson to ask Westbow to present at 10:15am on June 1, 2022.

Wes and Nicholas noted their willingness to support Pacific Community Church as they work with the City of Surrey. The new hospital will be built directly across the street from the church. It was suggested to add a discussion on this potential project to a future meeting.

Next Meetings

Two meetings were scheduled:

June 1, 2022 | 9:00-11:30am | District Office

Presentations regarding real estate investment

June 30, 2022 | 1:00-3:00pm | Zoom

Regular committee meeting

Mark Peters prayed to close the meeting and the meeting adjourned at 2:38pm.