

District Finance Committee Meeting Minutes February 15, 2023

Present: Dean Cooper, Wes Drewlo, Mark Hutchinson, Erin Knott, Nicholas Lai, Mark Peters

Absent: Brad Boyd

Mark Hutchinson opened the meeting in prayer at 12:35pm. Dean was welcomed to the Committee in his role as Interim Director of Finance.

Approval of Agenda

Moved (E. Knott) and seconded (W. Drewlo) that the Agenda be approved.

CARRIED

Declaration of Conflict of Interest

Mark Peters and Erin noted a potential conflict of interest with the discussion of the increase to the benefits plan rate.

Approval of Minutes

Nicholas noted that he and Mark Hutchinson intend to meet with Tim Bonkes to explore potential investment opportunities once he returns from holidays.

Moved (N. Lai) and seconded (W. Drewlo) that the minutes of the meeting on December 12, 2022 be approved.

CARRIED

Monthly Financial Statements

Mark Peters joined the meeting at 12:45pm.

Dean reviewed the Summary Income Statement as of December 31, 2022, and noted that Canadian Ministries' income was continuing to decline. It was below budget by \$15K. The employee insurance income was \$51K above budget and the anticipated estate donation of \$52K has not yet been received. It was noted that the interest expense for benefits has been increasing with the recent rate plan increase.



The Loan Development Fund (LDF) has been costing the district until the recent two loans to Fraser Lands Church and Living Hope Christian Fellowship were taken out. This was due to the higher amount of cash on hand and the differential between what lenders were being paid and the interest received. Dean believed we could safely lend out another \$500K.

Dean reviewed the Balance Sheet Summary and noted that the premium bank account has very little in it as there is no advantage to using it currently. The cash balance is lower due to the two recent loans to Fraser Lands Church and Living Hope Christian Fellowship. The employee benefits deferred revenue has a surplus of \$79K as compared to \$59K at the end of November 2022. The non-redeemable GIC comes due in August and it is not recommended to renew the entire amount to provide added financial flexibility.

Dean reviewed the loans to churches as of the end of December 2022 and noted that several churches are making additional principal payments. Dean took a deeper dive into the length of church loans and found that multiple loans were beyond the allowed 15-year amortization period.

Of note:

- Chilliwack Chinese Alliance Church will take 156 years if they only continue to make their current payment. Genghis is working with the church on making a principal payment and increasing regular payments.
- Lake Country Church has not made any payments since October 2022 on their loan and the loan has been in place since 1984. Additionally, the church has not paid benefits or District Operating Budget (DOB) in several months. It was noted that this is a District Superintendent and Lead Team conversation at this point.
- Mountainview Alliance Church and Nanaimo Alliance Church will likely pay off their loans within one year.
- Summerland Alliance Church has had its loan since 1999 and is currently only paying interest.
- Richmond Alliance Church will pay off its loan in 36 years at the current rate of payment, which would mean that it is a 60-year loan.
- Timbers Community Church is only paying interest currently.

Mark Peters commented that there is a pattern of churches paying what they want when they want rather than meeting their loan obligations and that the district has not been following up on this. At a district and church level, this does not reflect good stewardship and should trigger conversations to address unhealthy patterns.



This is a District Office responsibility to follow up with churches given the existing relationships but there is no mechanism in place to review loan agreements in place and follow up with churches. He expressed that increased communication for the Lead Team would be helpful.

It was noted that the district does not receive annual financial statements from churches, but that T3010 submissions and the Local Church Annual Report provide financial information annually. It was suggested that churches with existing LDF loans submit financial statements annually as they would need to for a bank.

Moved (N. Lai) and seconded (M. Hutchinson) to require churches with an active Loan Development Fund loan to submit annual financial statements to the district within six (6) months of their fiscal year-end.

CARRIED

Dean noted that there is an anticipated \$50K LDF withdrawal coming next week and that Vernon Alliance Church may have the opportunity to purchase a house adjacent to their property. Should the property purchase move forward, the church anticipates withdrawing \$268K from the LDF and would like to borrow approximately \$250K.

Moved (M. Peters) and seconded (N. Lai) that the financial statements are accepted and recommended to DEXCOM.

CARRIED

The Global Advance Fund monthly report was received without comment.

South Hazelton Property

Nicholas reviewed the status of the property and the investigation underway to determine if subdivision was possible. The crown property was granted to the district for church use, and legal advice on possible use for the property was obtained. The lawyer noted that it is complicated and further investigation may be needed, however, Nicholas does not think this is worth the expense given the situation.

A local realtor estimated the sale price to be \$450K, and a local Christian group is interested in paying \$150-200K, which is a significant difference in value.

Misty River may be able to continue using the property, however, the future viability of the ministry is in question given Bart Metcalf's retirement in the coming years. Ongoing financial support is required for the ministry.



Nicholas suggested that the property be sold. Wes asked if there were any circumstances where land would be redesignated or if it would revert to the Crown, and Nicholas expressed concern that this could be a black hole of investigation. It was suggested to speak to a realtor about marketing the property and asking the realtor to research how to best market it and what would be required in revealing the restrictions present.

Mark Peters commented that the viability of ministry in the area was challenging and suggested that some of the profits from the property could be used to bolster the Misty River ministry. He noted that Mistry River is not a church, and while Bart is licensed with the Alliance, the ministry is not a CPD entity. Bart is seeking successors for the ministry.

Moved (N. Lai) and seconded (W. Drewlo) to pursue the sale of the South Hazelton property by approaching the interested party directly and failing that possibility, to appoint an appropriate real estate agent to market the property.

CARRIED

Action Item – Nicholas to provide Dean Cooper with contact information for Maurice Yee to reach out to the interested party directly, as well as the contact information of a local realtor.

Action Item – Dean Cooper to reach out to Maurice Yee, about an interested party in the South Hazelton property that has been identified to him, and a local real estate agent if needed.

Cranbrook Alliance Church Property Subdivision

The church sent a letter to Kootenay Christian Academy which summarized well the offer and conversations between the committee and the Board to date. Wes noted that the reduction specified in the first bullet point of the letter is the differential between \$3.8M and \$3M rather than \$6.8M.

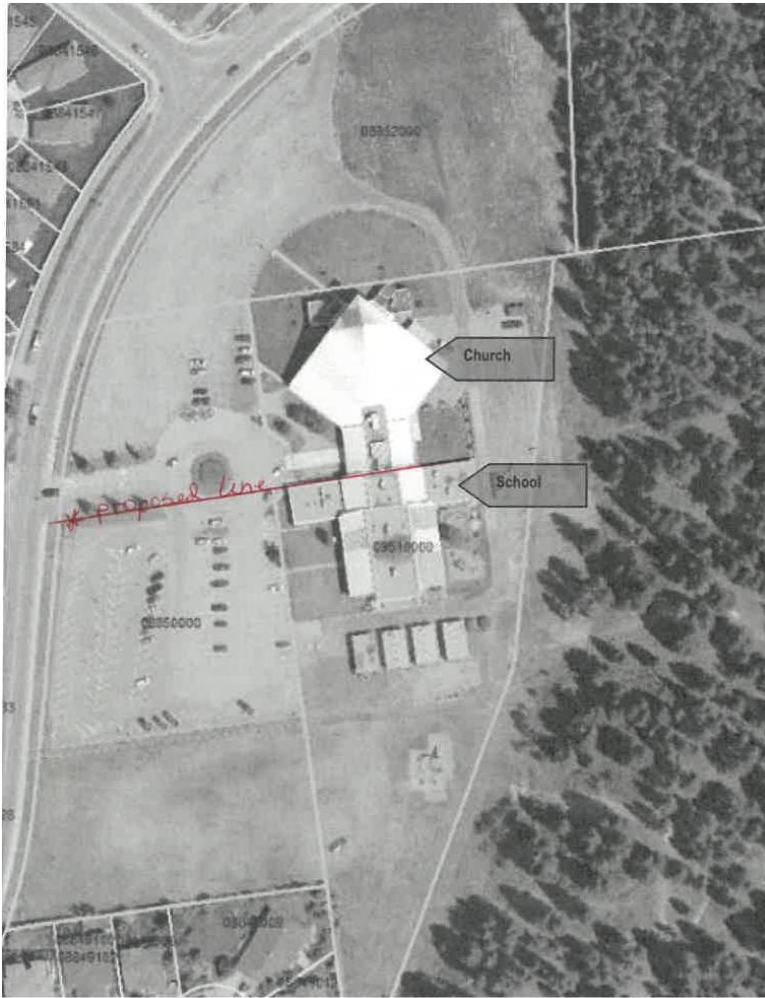
Moved (M. Hutchinson) and seconded (W. Drewlo) to recommend to DEXCOM that the adjusted property subdivision of Cranbrook Alliance Church and its sale to Kootenay Christian Academy be approved with the following conditions:

- **A purchase price of \$3 million**
- **That the proposed parcel to be sold to Kootenay Christian Academy be according to the diagram below and include a parking easement for Cranbrook**
- **That Kootenay Christian Academy provide evidence of financing for the purchase to Cranbrook Alliance and the CPD**



- That the Cranbrook Alliance Church membership approve of the revised subdivision by special resolution.

CARRIED



Action Item – Erin Knott to communicate the committee’s decision regarding the property subdivision to Cranbrook Alliance Church.

Benefits Plan Review and Annual Rate Increase

The annual meeting between CPD staff and the benefits broker was held on February 13, and no adjustment of the self-insured portion of benefits the plan was needed. It was not recommended to increase rates at this point, but a quarterly review of benefits rates was recommended. Dean estimated that there is \$15-20K per month of surplus benefits revenue and agreed that an increase to benefits rates is not warranted at this time.



Dean noted that the long term disability rate has gone up minimally and that the critical illness rate for a family has been costing the district as it has not been billed out at the rate the district was charged. A single benefits user's costs would need to increase by \$1/month and a family's by \$3.85/month to cover the difference.

Moved (D. Cooper) and seconded (N. Lai) to approve the increases required to cover the costs of Long Term Disability coverage and critical insurance for benefits plan members.

CARRIED

Mark Peters and Erin abstained due to a conflict of interest.

Action Item – Dean Cooper to communicate the rate change to churches and increase the rates of the non-self-insured portions on invoices immediately.

District Operating Budget Rate

Mark Peters commented that in conversation with other District Superintendents, he discovered that all other districts have a DOB rate of 3%. The CPD rate of 2.5% has not changed since 2003. Mark noted that it is too close to District Conference to have a discussion this year, but that this increase needs to be implemented long-term. Canadian Ministries' income and operating reserve levels are decreasing, and future ministry needs require current or likely increased income levels. Presently, all New Venture funding is from the operating reserve and at the current rate of use, in three years there will not be any funding available.

It was suggested that it would be helpful to begin discussions now so that at District Conference 2025 churches and workers are well prepared for the decision.

Dean suggested that there are two steps in the process. To increase the DOB rate in the future, and to work with all churches at present to ensure they are paying the current rate and aware of their obligations to pay DOB. It was estimated that if all churches were paying their 2.5%, the district would realize an additional \$150K in income from approximately 50% of CPD churches. Mark Peters noted that it isn't appropriate to ask for increased income when not all churches are meeting their current obligations.

It was noted that the \$150K increase would account for New Venture costs currently, however, an increase in DOB would still be warranted in the near future to grow ministry. The importance of communication was discussed and it was agreed that both casting vision to remind people what their funds are doing across the district as well as being in regular contact with churches that aren't giving what they are supposed to be important. Ongoing communication with churches was encouraged.



Dean noted that increased communication and financial reporting to LT about what churches are paying has started.

Dean left the meeting at 2:15pm.

Action Item – Mark Peters to research District Operating Budget increases and timeframes for other districts.

Action Item – Mark Peters to determine a rhythm for communicating vision and how District Operating Budget is being used for ministry in the district.

Operating Reserve Policy

There was desire to have a policy that aligns with practice and is clear. Erin noted that the *Operating Reserve Policy* has caused confusion with how to access operating reserve funds and there have been differing interpretations of how approval by DEXCOM should be sought. Additionally, the amount of funds available in the operating reserve has not been clearly known.

Erin, Dean, and Mark Peters proposed combining the existing Use of Undesignated Income Policy and the *Operating Reserve Policy* to address this confusion, bring increased alignment, and provide clear approval boundaries. A draft policy was shared with the committee for review and included the creation of a true operating reserve and clarity on the use of funds with flexibility to access funds available.

The draft policy was discussed and it was noted that annually \$80-\$100K is spent out of the operating reserve on New Ventures. Dean estimated that there was \$475K in the operating reserve due to past surpluses. Nicholas agreed that it is good practice to have at least two months of operating funds in case of crisis.

Action Item – The Finance Committee to review the current *Operating Reserve Policy* and the draft *Operational Surpluses and Undesignated Income Policy* and send any suggested edits to Erin Knott by March 10, 2023 for review at the March 20, 2023 meeting.

Information Items

Erin noted that the updated Church Loan Policy was included for the committee's reference.

Future Meeting

The next meeting is scheduled for March 20, 2023 at 11:00am PST on Zoom.

The meeting adjourned at 2:40pm.

