



Community of Christ

CHRIST'S MISSION, OUR MISSION

Presiding Bishopric Financial Update March 2017

The September/October *Herald* included a financial update covering the actions of the June 25–26, 2016, World Church Finance Board. At that meeting, the board accepted the fiscal year 2015 audit (www.CofChrist.org/common/cms/resources/Documents/FY-2015-CofC-Audit-FS.pdf) and approved the fiscal year 2017 Worldwide Mission Budget (www.CofChrist.org/common/cms/resources/Documents/FY17-Budget-ENGLISH.pdf).

Since the June 2016 meeting, the World Church Finance Board has met twice by teleconference: November 3 and February 23. This report summarizes content reviewed in these meetings. This includes updating several actions presented in the Presiding Bishopric oral and written financial reports to the 2016 World Conference (www.CofChrist.org/common/cms/resources/Documents/World-Conference/2016-World-Conference-Presiding-Bishopric-Financials-Booklet.pdf).

Starting with this report, the Presiding Bishopric will provide a financial update to the church after each World Church Finance Board meeting.

First, deepest gratitude goes to the church for its generosity in calendar year 2016. In a year when gifted and valued World Church staff members were laid off, the church dug deep to increase Worldwide Mission Tithes. The church received 99 percent of the onetime pledges made in response to the March 2016 grassroots effort to increase tithing. The church also received 86 percent of the first installment of the multiyear pledges.

As previously reported, the church had a successful Giving Tuesday response of over \$300,000 and met the \$2 million challenge for Worldwide Mission Tithes shared in December. The church's generosity in calendar year 2016 led to exceeding the Worldwide Mission Tithes goal by almost \$1 million. The goal was \$15.1 million, and people around the world shared more than \$16 million. This number may change as congregations around the world finalize their reporting for calendar year 2016. This is fabulous news, and World Church leaders are tremendously grateful.

The support for Worldwide Mission Tithes, including the grassroots pledges fulfilled, is consistent with the three-year budget model presented at the 2016 World Conference and reviewed by the June 2016 World Church Finance Board. This means the continuing generosity is supporting the church's current staffing levels as budgeted in fiscal year 2017 and being planned for fiscal year 2018.

World Church leaders are grateful for the people who faithfully support mission through Local and Worldwide Mission Tithes and for those who have been able to increase their giving. The stories leaders have heard about people who are giving sacrificially are testimonies of people living to their true capacity as generous disciples.

Thank you to each one who contributes to Local and Worldwide Mission Tithes. Together we are supporting Christ's mission around the world.

In addition, World Church staff members are doing an excellent job in managing the fiscal year 2017 expense budget. World Church leaders are grateful for the stewardship of the church's staff, which works diligently and prudently to support mission through the responsible use of Worldwide Mission Tithes.

The World Church's financial audit has been completed for fiscal year 2016. The First Presidency and Presiding Bishopric are waiting for the independent auditor to issue the report. The World Church Finance Board will consider this audit report at the June 2017 meeting. Once the board accepts the audit report, it will be posted on the church's website. The Presiding Bishopric updated the World Church Finance Board at the February 2017 meeting about the unaudited total of World Church net assets on June 30, 2016. As anticipated and reported earlier, the World Church's net assets fell significantly from June 30, 2015, to June 30, 2016. Four causes contributed to the decline.

The first was the impact of using a 6 percent spending rate on the church's endowments and reserves to provide income to the fiscal year 2016 Worldwide Mission Budget. As explained in the 2016 World Conference's Presiding Bishopric presentation, the use of income from the endowments and reserves caused a decrease of the church's net assets since these funds are held mostly in investment real estate. They did not earn enough cash to support a spending rate to provide income for the budget.

The unaudited fiscal year 2016 financial reports estimate that using income from the endowments and reserves contributed to about a \$6 million drop in net assets. As reported last year, World Church leaders stopped using a spending rate on the endowments and reserves to provide income to the budget in fiscal year 2017. The Presiding Bishopric is upholding the commitment made to the church to not use a spending rate on the endowments and reserves until enough of the balance is invested in marketable securities to provide cash income. The second cause of the decrease in reported net assets was the need to separate Canadian assets from other World Church assets. The Presiding Bishopric previously explained this deconsolidation was required to allow the World Church to continue to receive charitable contributions from members and friends in Canada. This deconsolidation removed about \$7 million from the net assets audited and reported through the financial reports of the World Church. These net assets now are audited and reported only through the Canadian Corporation, which is the World Church presence in Canada.

The third cause of decreased value of net assets was a change in the appraised value of our major investment real estate. The Presiding Bishopric committed in the spring of 2016 to find

an additional firm to appraise the 3,250 acres in eastern Jackson County, Missouri, known as the Harmony Project. For the sake of comparison, two appraisals were completed. The firm that performed the appraisal for the last decade or so provided one appraisal. The second was completed by a new firm the Presiding Bishopric hired after interviewing several firms and checking references. After reviewing both appraisals and consulting experts, the Presiding Bishopric went with the new firm's numbers for fiscal year 2016. The new appraised value of the Harmony Project on June 30, 2016, was significantly lower than the June 30, 2015 appraised value. The difference resulted in about a \$60 million write-down in the value of Harmony. Since the endowments hold the majority of the church's investments, the write-down further eroded the value of the General Operating and Temple endowments. If the Presiding Bishopric sells some acreage for more than the appraised value, this will help rebuild the endowment balances. The Harmony Project is a significant portion of the World Church's investment real estate.

For the last year, the Presiding Bishopric has worked with a consulting firm that specializes in finding land developers from the USA. After an extensive search and detailed conversations with a potential national developer, the Presiding Bishopric concluded that fulfilling the original dream for the Harmony Project is several decades away. Because of the church's current finances, the Presiding Bishopric no longer can afford to be a patient landowner. This means the church cannot wait for the ideal developer to buy the land and improve it in a way that aligns with the church's vision for community building.

The Presiding Bishopric now is preparing a more expeditious approach. The goal is to balance maximum earnings with shorter timelines for sales. Net proceeds will go to the funds that hold the church's investments. With this new approach, the Presiding Bishopric expects it still could take more than a decade to fully sell the Harmony property.

The fourth cause of the decrease in net assets was the actuary's increased estimate of the church's retirement obligation. The Presiding Bishopric is committed to funding the church's retirement benefits as provided in the Defined Benefit and Post Retirement plans. As previously announced, the Defined Benefit Plan was frozen December 31, 2015, with only a few exceptions. The Post Retirement Plan contains various benefits provided to different categories of staff members over the years. Some Post Retirement benefits will be paid fully within the next decade or so. Other benefits will continue longer. The Presiding Bishopric has completed two critical steps in developing a plan for funding the church's total retirement responsibility. First, an outside firm completed the annual actuarial report in December 2016. This was the first report completed since the Defined Benefit Plan was substantially frozen in December 2015. Freezing the plan reduced the church's liability somewhat. However, the Presiding Bishopric needed to lower the interest-rate assumption from 7.5 to 6.1 percent to achieve a more realistic understanding of the liability. The interest-rate assumption is used to project earnings to determine the church's liability beyond what current pension plan assets are projected to provide. The lower interest rate contributed significantly to increased projections of how much the church will need to fulfill all retirement benefits. The result: The church's liability went up about \$15 million.

The total impact of the four causes resulted in the loss of \$88 million in net assets from fiscal year 2015 to fiscal year 2016. The total dropped from \$99 million June 30, 2015, to \$11 million June 30, 2016. The World Church's net assets include only the cost of construction for the Temple, Auditorium, and historic sites. The World Church's net assets do not include the value of congregation buildings, campground buildings, and other properties held for mission. They also do not include bank accounts or investments of congregations, mission centers, campgrounds, or other affiliates. Detailed financial statements will be available online at the end of June, when the fiscal year 2016 audit is posted. In addition to the drop of the World Church's net assets in fiscal year 2016, the Presiding Bishopric is quantifying an additional decrease expected in fiscal year 2017. More about this will be provided in future financial update reports.

This significant decline in the value of World Church net assets does not directly affect continuing operations since the annual Worldwide Mission Budget is based on Worldwide Mission Tithes and other cash income. As previously stated, our current forecast from these sources will allow us to preserve a similar staffing level in fiscal year 2018.

The updated actuarial report gave the Presiding Bishopric the data needed to perform the second critical task in developing a plan for meeting the church's retirement responsibility. The second task was to model the payments needed over time and calculate how much more is needed to fully fund the retirement obligations.

At the 2016 World Conference, the Presiding Bishopric report stated, "It is an acceptable business practice to not fully fund the liabilities of a defined benefit plan at a particular time." Although this generally may be true as interest and actuarial results change over time, further research has indicated the Presiding Bishopric needs to develop a plan that shows how the full obligations will be met based on our best estimates each year. In January 2017, the World Church Leadership Council agreed that we intend to do what it takes to fulfill the financial retirement responsibility to retirees and families. At this time, the most pressing priorities are to fund the church's retirement responsibility and build the World Church endowments for the future.

When President Steve Veazey announced the goals for the Worldwide Mission and Canadian Reserve endowments at the 2016 World Conference, he challenged the church in a statement to "Build a Bridge of Hope to the Future." The First Presidency and Presiding Bishopric remain committed to working with the church in building this Bridge of Hope, but we need to broaden the focus beyond building the two endowments announced at World Conference.

To provide a way forward, the Presiding Bishopric has developed a two-part plan for improving the church's financial health. The first part is to continue to invite the church to support the annual Worldwide Mission Budget through generous contributions of Worldwide Mission Tithes by individuals, families, and groups such as congregations or mission centers. This supports the current ministries and services of the worldwide church today.

The second part is to ask members to give from their abundance to support the Bridge of Hope Project. This project will help fund several critical needs: the retirement responsibility, the

Temple Endowment, the Worldwide Mission Endowment, and the Canadian Reserve Endowment. Funding will be raised in several ways. As funds are received, the first goal will be to meet the retirement obligation fully. Additional funds then will strengthen the endowments. As reported at the 2016 World Conference, the Presiding Bishopric is evaluating the prospect of selling some historic assets. Assets will be sold only if a satisfactory price can be negotiated. The Presiding Bishopric also continues to look at the sale of other properties around the world that do not directly support the church's mission. Net proceeds from the sale of historic assets or other properties will go into the Bridge of Hope Project. They will be used first to fund the retirement obligation. If we are able to fully fund the retirement obligation, this will free funds for mission in the Worldwide Mission Budget that currently are being used to help with annual retirement expenses.

To build on the generosity provided by several congregations in calendar year 2016, the Presiding Bishopric will reach out to congregations, mission centers, and campgrounds that have funds in investment accounts. These groups will be invited to contribute a one-time or recurring gift or to allow the Presiding Bishopric to apply a 4-percent spending rate to a specific balance for a fixed number of years. Contributions, recorded as Bridge of Hope Tithes, will help fund the Bridge of Hope Project in priority order, starting with the retirement responsibility. If the groups prefer, they can designate their contribution for a specific item within the Bridge of Hope Project.

People who already have donated or pledged to the Worldwide Mission Endowment are being asked if they are willing to redesignate their gifts to Bridge of Hope Tithes. Then the funds can cover the retirement responsibility first before moving to endowments. Several families already have done this. Additional individuals and families also will be invited to share from their abundance or through their bequests to support Bridge of Hope Tithes. If people want to continue to provide contributions to specific items within the Bridge of Hope Project, those designations will be honored.

Through the generosity of the church, the goal for Bridge of Hope Tithes is \$150 million plus Can\$25 million. It will be used as follows:

- Meeting the church's retirement responsibility
- Strengthening the Temple Endowment
- Seeding the Worldwide Mission Endowment
- Building the Canadian Reserve Endowment

In February 2016, when the extent of the church's financial circumstances started to become clear, Stassi Cramm, now the presiding bishop, shared the following:

The church has faced financial challenges like this before. I recently was reminded of the debt-reduction years of 1931 to 1938. We are taking lessons from this period, and our hope is based on the outcomes of that situation, where, as F. Henry Edwards wrote, "it was recognized that what was needed was not recrimination but a united front in meeting a situation which posed threats against that which all held dear."¹ We are here

today because of the faithful response of generous stewards who supported the church in those years and in the years leading to this moment.

Now it is our time to pull together as a church while tightening our belts to strengthen our financial future and remaining focused on Christ's mission, which is what matters most...

Building on the 1931 approach called "The Way Out," the Presiding Bishopric continues to learn from our past to inform financial decisions of our present.

1. The church has reduced staff and expenses to work within a balanced and sustainable budget based on Worldwide Mission Tithes and other cash income projected in a fiscal year.
2. World Church leaders will continue to limit expansion until the increase in Worldwide Mission Tithes appears sustainable, and endowments can provide cash income.
3. The Presiding Bishopric is evaluating the prospect of selling some historic assets. Consideration also is being given to properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated.
4. Disciples, families, congregations, and other groups are invited to support Worldwide Mission Tithes through sustainable giving and share from their abundance to achieve the goals of the Bridge of Hope Project, which will fund the church's retirement obligation and build endowments while responsibly discharging debts.
5. As disciples and ministers, we all are called to preach and teach generosity and living to our true capacity in all aspects of our lives, including our finances. This calling is not because the church is in the fund-raising business, but because the church is in the disciple- and stewardship-formation business.

The church is called to prayerfully respond to the challenge in Doctrine and Covenants 147:5a: *Stewardship is the response of my people to the ministry of my Son and is required alike of all those who seek to build the kingdom...*

And more recently from Doctrine and Covenants 165:2a, e:

Free the full capacity of Christ's mission through generosity that imitates God's generosity...Stewardship as response to the ministry of Christ is more than individual giving. It includes the generosity of congregations and jurisdictions that give to worldwide ministries of the church to strengthen community in Christ in all nations.

As stated last year, from the church's history we learn the response was amazing to President Frederick M. Smith's debt-reduction program and the presiding bishop's statement titled, "The Way Out." Through our story, we witness how God is always with us, calling us forward. We also recognize that Blessings of Community are realized not only in the best of times, but in difficult times. We can step out with hope that the actions the church took in the 1930s and the

actions we are taking now are not just “The Way Out.” Our actions are “The Way Forward” as we prayerfully and faithfully respond together with whole-life stewardship for the sake of the kingdom. Together we can live Christ’s mission today and build a Bridge of Hope to the future.

¹Edwards, F. Henry, comp., *The History of the Reorganized Church of Jesus Christ of Latter Day Saints*, volume 8, Independence, Missouri, Herald Publishing House, 1976.



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Financial Update Questions and Answers March 2017

- 1. Where do I find the fiscal year 2017 Worldwide Mission Budget?**
www.CofChrist.org/common/cms/resources/Documents/FY17-Budget-ENGLISH.pdf
- 2. What is the World Church's fiscal year?**
The World Church's fiscal year starts July 1 and ends June 30. For example:
Fiscal year 2016 began July 1, 2015, and ended June 30, 2016.
Fiscal year 2017 began July 1, 2016, and will end June 30, 2017.
Fiscal year 2018 will begin July 1, 2017, and will end June 30, 2018.
- 3. Where do I find the Presiding Bishopric's previous financial report?**
The Presiding Bishopric's reports to the 2016 World Conference are available at
www.CofChrist.org/common/cms/resources/Documents/World-Conference/2016-World-Conference-Presiding-Bishopric-Financials-Booklet.pdf.
- 4. Where can I get current information about how much in Worldwide Mission Tithes has been given?**
In the announcement section of the church's website at www.CofChrist.org/announcements.
- 5. Where can I read about the grassroots effort from March 2016?**
www.CofChrist.org/common/cms/resources/Documents/UpdateonGrassroots03-24-16.pdf
- 6. What is the three-year budget model?**

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
Original Tithing Estimate	\$ 13,000,000	\$13,000,000	\$13,000,000
Tithing Commitments Received			
Additional Staff Added Back	950,000	950,000	950,000
3-percent Provision for Inflation and Cost Increases		520,000	1,060,000
Total Tithing Commitments Received*	950,000	1,470,000	2,010,000
Other Rental and Service Income	3,500,000	3,500,000	3,500,000
Total Proposed Budget	\$ 17,450,000	\$17,970,000	\$18,510,000
* Includes provision for some unfulfilled tithing commitments			

7. Is the auditor's report available to membership?

The audits are available only in English.

The fiscal year 2013 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY_2013_CofC_Audited_FS.pdf.

The fiscal year 2014 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY-2014-CofC-audit-FS.pdf.

The fiscal year 2015 audit is at

www.CofChrist.org/common/cms/resources/Documents/FY-2015-CofC-Audit-FS.pdf.

The fiscal year 2016 audit will be posted online by the end of June 2017.

8. Can you summarize the decrease in the World Church's net assets and what caused it?

The table below shows the decrease in net assets and then lists the four causes. The first cause is the lower appraised value for the Harmony Project. The second cause is the increase in retirement obligations based on the need to lower the assumed interest rate. The third cause is the result of using a spending rate from the endowments and reserves in fiscal year 2016 to provide income to the budget. The fourth cause is deconsolidation of the World Church assets held in Canada from the World Church assets managed through International Headquarters.

Change in Net Asset Report			
NET ASSETS as of	30-Jun-15	30-Jun-16	Difference
	Audited	Unaudited	
	(Million \$)	(Million \$)	(Million \$)
Unrestricted Assets	\$ 45.205	\$ (25.882)	\$ 71.087
Temporarily Restricted	\$ 5.561	\$ 3.871	\$ 1.690
Permanently Restricted	\$ 48.422	\$ 33.000	\$ 15.422
TOTAL	\$ 99.188	\$ 10.989	\$ 88.199
DETAILS OF NET ASSET LOSS	(Million \$)		
Real Estate Write-down	\$ 60		
Increased Retirement Liability	\$ 15		
Fiscal Year 2016 Budget Spending	\$ 6		
Canada Deconsolidation	\$ 7		
	\$ 88		

9. What is the Harmony Project?

The church owns 3,250 acres in the Little Blue River Valley of Jackson County, Missouri. The first stage in the Harmony Project includes a 130-acre housing development by Whitaker Homes.

Whitaker Homes is known nationally for its use of New Urbanism, which promotes compact, walkable, mixed-use projects. Homes with front porches are built on wide streets in neighborhoods that include some stores, parks, and schools. The design encourages relationship-building in community.

10. Why did the church invest in real estate in eastern Jackson County?

Over the years, generous disciples donated land there. This substantial land holding was not an investment strategy. To optimize the value of this gifted land, past Presiding Bishoprics bought some property to form contiguous acreage that could be developed to create increased funding for mission.

11. What is the current plan for the Harmony Project?

For the last year, the Presiding Bishopric has worked with a consulting firm that specializes in finding land developers from the USA. After an extensive search and detailed conversations with a potential national developer, the Presiding Bishopric concluded that fulfilling the original dream for the Harmony Project is several decades away. Because of the church's current finances, the Presiding Bishopric no longer can afford to be a patient landowner. This means the church cannot wait for the ideal developer to buy and improve the land in a way that aligns with the church's vision for community building. The Presiding Bishopric now is preparing a more expeditious approach. The goal is to balance maximum earnings with shorter timelines for sales. Net proceeds will go to the funds that hold the church's investments. With this new approach, the Presiding Bishopric expects it still could take more than a decade to fully sell the Harmony property.

12. What is the two-part approach for improving the church's financial health?

The first part is supporting mission today through Worldwide Mission Tithes.

The second part is supporting the mission in the future through the Bridge of Hope Project.

13. What is the Bridge of Hope Project?

The Bridge of Hope Project is the effort to strengthen the World Church's financial future by funding the retirement responsibility and strengthening the Temple, Worldwide Mission, and Canadian Reserve endowments. Funds given to this project will be designated Bridge of Hope Tithes. Bridge of Hope Tithes will be used first to fund the retirement responsibility and then to strengthen the endowments. Contributions to specific purposes within the Bridge of Hope Project will be honored.

14. How are funds being raised for the Bridge of Hope Project?

Funds are being raised in three ways:

1. Sale of historic assets and other properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated.
2. Asking congregations, mission centers, and other groups with investments to make a one-time or recurring contribution to Bridge of Hope Tithes.
3. Asking those who donated or pledged funds to the Worldwide Mission Endowment to redesignate their gifts to Bridge of Hope Tithes and inviting others to give from their abundance or through bequests to Bridge of Hope Tithes.

15. Should I give to Worldwide Mission Tithes or Bridge of Hope Tithes?

Contributions to Local and Worldwide Mission Tithes are the heart of generous support of the church and should be the priority. Regular contributions to Worldwide Mission Tithes by individuals, congregations, or jurisdictions provide financial strength and stability, allowing current vital ministries and services to be maintained.

We sometimes are blessed with financial gifts that exceed our needs or expectations. Such times may offer an opportunity to consider a gift to Bridge of Hope Tithes. As the retirement responsibility is funded and endowments begin to grow, income will flow to the budget to support and sustain ministries in the future. You can give to Bridge of Hope Tithes by sending a check to the Presiding Bishopric payable to Community of Christ and with a note designating the purpose. You also can put a check in your offering envelope and write in Bridge of Hope Tithes on the worldwide side.

16. What historic assets and other properties is the Presiding Bishopric considering selling?

The Presiding Bishopric is exploring several potential sales that do not directly support the church's mission. The specifics cannot be shared at this point. Details need to remain confidential to avoid adversely affecting potential negotiations. Assets will be sold only if a satisfactory price can be negotiated.

17. What happened to the proceeds from the Atherton/historic sites sale in April 2012?

Net proceeds were \$15.3 million. These funds were used in fiscal years 2013–2016 to increase the retirement trust balance and support the Worldwide Mission Budget and operational projects.

18. Is the World Church drawing on congregational/mission center dollars that are in the Affiliate Investment Pool?

Legally, the presiding bishop is the trustee of all church funds: congregations, mission centers, and World Church. Concerns have been expressed that the Presiding Bishopric is spending congregational and mission center funds from Pool A and Pool B to cover World Church expenses. This is not the case. The Presiding Bishopric would not spend funds held by congregations or mission centers for World Church expenses without first coordinating with the stewards of the accounts. Additionally, the affiliate investment pool agreement allows the Presiding Bishopric to issue internal loans from Pool A and Pool B. When these loans are made, this is explained to the stewards of the accounts. At this time, the Presiding Bishopric uses funds in Pool B to provide House of Worship loans so interest paid on the loans provides earnings in Pool B. The Presiding Bishopric also issued a loan of up to \$15 million from the fixed-income segment of Pool A for the Post Retirement Plan benefits. This loan pays the same interest as the other fixed-income holdings in Pool A.

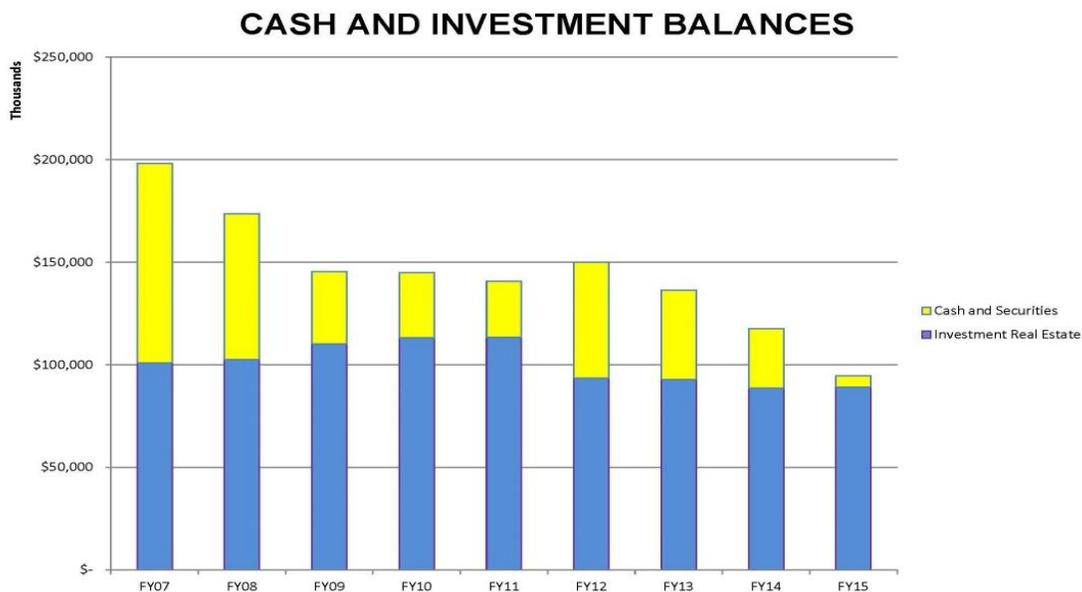
Congregations and mission centers received their calendar-year-end affiliate investment pool statements in February 2017. These reports are accurate. All of these funds are invested according to the asset-allocation plan developed by the Investment Committee in consultation with the church's investment managers.

To build on the generosity provided by several congregations in calendar year 2016, the Presiding Bishopric is reaching out to congregations, mission centers, and campgrounds that have surplus funds in investment accounts. These groups will be invited to contribute a one-time or recurring gift or to allow the Presiding Bishopric to apply a 4-percent spending rate to a specific balance for a fixed number of years. Contributions will be recorded as Bridge of Hope Tithes. They will be used to fund the goals of the Bridge of Hope Project in priority order unless the group wants to make a specific designation.

19. Are the operational costs of the Temple and Auditorium part of the Worldwide Mission Budget?

Yes, as are capital needs for the facilities. That is why income from the Canadian Temple Endowment has been included in the Worldwide Mission Budget.

20. When did the World Church endowments become primarily invested in real estate?



21. When will the World Church endowments be available to provide income to the budget again?

Three World Church endowments are providing income to the fiscal year 2017 Worldwide Mission Budget and will be planned to provide income for the fiscal year 2018 Worldwide Mission Budget. These endowments are the Canadian Temple, the Canadian Worldwide Communication, and the Canadian Reserve endowments. These three endowments are invested in marketable securities. Therefore, a spending rate can be applied to provide cash income to the budget.

Three World Church endowments are invested mostly in the Harmony Project and therefore are not available to provide income to the Worldwide Mission Budget. These endowments are the Temple, Worldwide Mission, and General Operating endowments. The Presiding Bishopric does not have a projection of when these endowments will provide income to the Worldwide Mission Budget. The two primary factors are the pace of sales in the Harmony Project and the rate of funds raised for the Bridge of Hope Project.

22. What are the First Presidency and Presiding Bishopric doing to avoid the problems that led to the current situation with the World Church's endowments?

We continue to review lessons learned and what policy and process improvements should be implemented. One lesson being implemented through policy is to apply a spending rate on assets in our endowments or reserves only when they are increasing in value and generating cash to cover the spending rate.

23. How are staff retirement benefits funded?

The Presiding Bishopric is committed to funding the church's retirement benefits as provided for in the Defined Benefit and Post Retirement plans. As previously announced, the Defined Benefit Plan was frozen December 31, 2015, with a few exceptions. The Post Retirement plan contains various benefits provided to different categories of staff members over the years. Some Post Retirement benefits will be paid fully within the next decade or so; some benefits will continue many years longer.

At the 2016 World Conference, the Presiding Bishopric report stated, "It is an acceptable business practice to not fully fund the liabilities of a defined benefit plan at a particular time." Although this generally may be true as interest and actuarial results change over time, further research has indicated the Presiding Bishopric needs to develop a plan that shows how the full obligations will be met based on our best estimates each year. In January 2017, the World Church Leadership Council agreed that we intend to do what it takes to fulfill the church's financial retirement responsibility to retirees and families.

The plan for meeting the retirement responsibility includes the pension trust, which is invested in marketable securities and real estate. This trust is a separate legal entity from the church. Its assets are not comingled with church assets. The funding for pension obligations also includes ongoing support from the Worldwide Mission Budget. Lastly, raising funds for the retirement responsibility now is part of the Bridge of Hope Project.

24. If the church "fully" funds the retirement obligations now, will this take care of this problem forever?

Determining how much is required now to fully fund the retirement obligations is an estimating process. The Presiding Bishopric is using best industry standards on determining this amount. If the church is able to fully fund the retirement obligations now, at some point it is possible that additional funding may be required based on interest rates, life expectancy, and other variables that must be assumed when making the calculation.

25. What are the five points of "The Way Forward"?

"The Way Out" was the plan used by the Presiding Bishopric to navigate the church's financial struggles of 1931 to 1938. In February 2016, these points were used to guide the initial planning for responding to the financial struggles of the church today, or "The Way Forward." In the March 2017 Financial Update report, the Presiding Bishopric provided updates on the following five points to strengthen the church's financial health.

1. The church has reduced staff and expenses to work within a balanced and sustainable budget based on Worldwide Mission Tithes and other sources of projected income.
2. World Church leaders will continue to limit expansion until the increase in Worldwide Mission Tithes appears sustainable, and cash income can be provided through endowments.
3. The Presiding Bishopric is evaluating the prospect of selling some historic assets. Consideration also is being given to properties that do not directly support the church's mission. Assets will be sold only if a satisfactory price can be negotiated.
4. Disciples, families, congregations, and other groups are invited to support Worldwide Mission Tithes through sustainable giving and share from their abundance to achieve the goals of the Bridge of Hope Project, which will fund the church's retirement obligation and build endowments while responsibly discharging debts.
5. As disciples and ministers, we all are called to preach and teach generosity and living to our true capacity in all aspects of our lives, including our finances. This calling is not because the church is in the fund-raising business, but because it is in the disciple- and stewardship-formation business.

26. What are the debts mentioned in Point 4 in "The Way Forward" that will be responsibly discharged?

The external debt that needs to be discharged is paying off the line of credit with Bank of Kansas City. The church is preapproved for \$17 million on this line of credit. As of December 31, 2016, we had used \$8 million, which was down slightly from the beginning of the fiscal year. The Presiding Bishopric plans to pay off this balance and use the line of credit only to manage temporary cash-flow needs or other emergency requirements.

The internal debt that needs to be discharged is the loan from Pool A in the Affiliate Investment Pool to support Post Retirement benefit payments. This internal loan is for \$15 million. The Presiding Bishopric will pay off this loan as part of the overall plan to fully meet the church's retirement responsibility.