



## The Report of the District Treasurer

Mrs. Joanne Janzen

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It has been a privilege to serve as the Treasurer for the WCD since early 2018 and to work along side the District Finance team, DEXCOM, and the District Finance Committee as well as others to help provide oversight to the District's finances.

Through this report and my presentation at District Conference 2021, I will provide an update on the financial activities of the District during the last two years.

### 1. Financial Statement Review

As part of this report, I have included two attachments:

- Appendix A – Externally Reviewed Financial Statements for the year ended June 30, 2019
- Appendix B – Externally Reviewed Financial Statements for the year ended June 30, 2020

These statements supplement my written report and presentation by providing additional financial details.

The District financial statements have been prepared on a review engagement basis, internally reviewed by the District Finance Committee, and approved by DEXCOM. Starting with the statements for the year ended June 30, 2019, the District has engaged a new accounting firm (KPMG) to conduct the annual review.

As of December 31, 2019, due to changes implemented by the National Office, the historic Canadian Ministries Fund (CMF) ceased to exist. All required external allocations of the CMF funds were made as of December 31, 2019. Within the WCD, the CMF was then merged with the District Operating Fund, and a new fund, called the New Ventures/CM Fund, was created effective January 1, 2020. Due to these changes, the presentation of the 2019 and 2020 financial statements differs and any comparison between these two sets of statements should be done on a 'total' basis rather than by fund.



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## Statement of Financial Position – June 30, 2020

- As of June 30, 2020, the total assets of the District were \$62.7 million. These assets were predominantly comprised of \$51.7 million of loans advanced to various District churches, camps, and ministries to assist mainly with capital expansion and \$10.3 million of investment in land and buildings for ministry and future development.
- The District assets were acquired or funded by over \$18 million of accumulated equity, \$29 million in funds invested with the District by member organizations as well as associated individuals and entities, a bank line of credit plus overdraft of \$13.9 million, and other payables/liabilities of about \$1 million.
- The funds invested by churches, individuals, and other entities with the District is flexible and offers an interest rate of RBC prime less 0.5%.
- The District utilizes these invested funds along with a credit facility from RBC to make loans to churches to fund qualified capital projects. These funds are loaned at RBC prime plus 0.5%.
- The difference between the interest paid to investors/RBC by the District and the interest received by the District from borrowers becomes income to the District and is utilized to fund District activities.
- The bank overdraft of \$12.6 million represents interest free borrowing from RBC due to the District's participation in the RBC Consolidated Offset Balance (COB) program. The COB program effectively reduces the amount of funds needed to be borrowed from the District's Line of Credit by the sum of the collective surplus cash balances each participating church has in its RBC operating account at the end of each day.

## Statement of Operations

- Overall, although total revenues increased slightly between 2018 and 2019, they decreased about 10% from 2018 to 2020.
- This decrease was impacted by several factors including the transition from CMF to NV/CM Fund, reduced income from CP Trust which regularly donates a portion of its income to the WCD, reduced interest income due to reduction in interest rates, and the impact of COVID-19 on revenues for the latter part of 2020 which was partially offset by government assistance.
- The WCD ended 2019 with a surplus of revenue over expenses which contributed to the district's accumulated equity. The \$331K surplus exceeded a budgeted surplus of about \$281K.



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- The WCD ended 2020 with a slight deficit of (\$28K). Although the original budget for 2020 reflected a surplus of \$318K, once COVID became an issue, the budget for the remainder of the year was revisited to reflect a breakeven position. The amended 2020 budget as well as the deficit results were both reviewed and approved by DEXCOM.

## 2. 2020/2021 Year to Date Results

Preparation for the 2020/21 fiscal year began in early-2020 with the development of the budget for the coming year. Just as the first budget draft was prepared, it became apparent that COVID was likely going to be a significant and long-term event. The budget was revised with conservative revenue and expense estimates and the following parameters:

1. Where possible, to implement internal District office austerity so that funds continue to be available to benefit the ministry of the local church and have room for vision; in particular, there may be opportunities arising out of our current situation that will require funding.
2. After years of operational surpluses, the proposed 2020/21 budget is a deficit budget due to the uniqueness of the COVID situation and anticipated impact on operations.
3. Although a deficit budget is being proposed for 2020/21, if there are more permanent or long-term impacts of the existing COVID situation and/or the current economic downturn in Alberta, the intention would be to make the necessary adjustments to present balanced budgets in future years.

With these parameters in place, a conservative 2020/21 budget with a (\$552K) deficit was approved by DEXCOM.

This budget anticipated a significant drop in church revenue and the resultant District revenue as churches were not able to meet in person. However, as the year has progressed, we have been very blessed with substantially higher income than budgeted through contributions to the District Operating Budget (DOB = 3% of local church general fund donations) as well as the ability to take advantage of some of the grants offered by the government. In addition, expenses remained low due to restrictions on meetings, travel, conferences, etc.

Therefore, at the end of December 2020, revenues were about \$480K ahead of budget and expenses were \$370K below budget with a significant portion of this due to the cancellation of Prayer Retreat. Based on these December 2020 figures, the District updated its 2020/21 forecast to reflect an anticipated net income for the



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2020/21 year of just under \$60K which is due to a significant increase in forecasted revenues (including government grants) and a slight decrease in forecasted expenses. Thanks to God for his provision during this unusual time!

As of the end of March 2021, YTD revenues remain just above the revised YTD forecast because of continued government subsidies. In addition, YTD expenses are lower than the revised YTD forecast, due primarily to the timing of those expenditures. Although these two factors contribute to a substantial net income YTD at the end of March 2021, we anticipate ending the year with expenses and net income near forecast levels.

## 3. COVID-19 Impacts

Since March 2020, COVID has had a significant impact on the lives of people worldwide and the WCD and District churches are no different. The District worked to support the churches during this time to assist with operational needs, provide resources, advice, and guidance, and respond to other requests. In addition, some financial supports were offered to the churches:

- WCD churches were given an extension to pay their 2020 liability insurance invoice until September 30, 2020.
- The WCD did not charge churches for dental premiums from April 1 to September 30, 2020. Full premiums commenced on October 1, 2020. Medical, basic life, dependent life, AD&D, disability, and optional life (as applicable) were charged as usual during this period.
- Churches that had loans with the WCD could pay interest-only payments from March 24 to August 31, 2020. Principal plus interest payments resumed on September 1, 2020. Loan terms were extended accordingly.

Due to the uncertainty around finances at both the church and District level, the District also put a temporary hold on approving new capital projects/loans. We are now able to consider these again.

The District also applied and received the Canada Emergency Wage Subsidy (CEWS), the Temporary Wage Subsidy (TWS), and the Canada Emergency Rent Subsidy (CERS), which make a significant impact on District revenues.

## 4. Other Finance Activities

During the last two years, the District Finance team has undertaken or is in the process of completing several projects. These include:



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- Conversion to a substantially more paper free work environment using EFTs to replace cheques, accommodating receipt of electronic deposits, upgrading the accounting system to a cloud-based system, and the use of DocuSign to replace manual signatures on documents.
- On-going renegotiation of the District's bank credit facilities in order to continue to accommodate capital loans for District churches.
- Review and documentation of the capital project/loan approval process.
- Review of other policies/procedures within the Finance department to ensure consistency and efficiency.
- A review of the blanket liability insurance policy for the District churches and an increase in the coverage levels.
- Redesigning the annual budget, forecast, accountability, and reporting processes within the District office.

## 5. Budget 2021/22

The 2021/22 District Budget process started in late March. After getting input from all the internal District departments, the budget will be reviewed and amended within the District office before being presented to the Finance Committee for review/feedback and ultimately DEXCOM for review and approval. Final approval of the budget is anticipated to be completed the first week of June. A summary of the approved 2021/22 budget will be provided to the constituency via WCD Snapshot in the month of June.

The District finance team consists of Finance Manager - Luisa Castiblanco, Finance Administrator – Zona Wilson, and Director of Operations – Sheri McKenzie. I am grateful for all their time and effort in ensuring the District finances are well managed while supporting the District churches and District office staff. As well, I extend my appreciation to the volunteers who serve on the Finance Committee and provide wise oversight as well as practical assistance through their roles.

Thank you for this opportunity to serve as your District Treasurer during these last 3 ½ years.

Respectfully submitted,

Joanne Janzen  
District Treasurer