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Treasurer's Report

2016 - 2017

CMC-Global (ICMCI)

Presented to the
2017 CMC-Global Annual Meeting
ASTANA

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Dear CMC-Global Colleagues,

Following is the Treasurer's Report for the financial activities of CMC-Global. The report comprises the following sections:

1. The audited 2016 - 17 Financial Statements (accompanying this report)
2. Commentary on 2016 – 17 Profit and Loss
2. Commentary on 2016 – 17 Balance Sheet
3. Treasurer's Commentary

This report is provided on an annual basis to CMC-Global Delegates by the Treasurer. The CMC-Global Treasurer is accountable for the stewardship of the funds provided by Member IMCs to CMC-Global for the secretariat function and its global operations.

Following is the basis for the financial reporting:

- a. the official currency of CMC-Global is Euros (€);
- b. the fiscal year of CMC-Global is from July 1 through June 30;
- c. the accounts are maintained on an accrual basis.

Financial reports (P & L, Balance Sheet, and Accounts Receivable) are prepared and presented to the Finance Committee each month, and to the CMC-Global Board at each of its meetings. The Finance Committee meets several times throughout the year to review the statements and discuss the financial matters of CMC-Global. The main work of the Finance Committee has been in financial stewardship. This involves the review of financial statements to ensure the good fiscal health of CMC-Global. It also involves, at a more fundamental level, a review of how CMC-Global funds its global operations in order to achieve its strategy.

This year the CMC-Global financial statements will be subject to a full audit. The firm Pricewaterhouse Coopers - Jordan has been engaged to do this work and their report accompanies this document.

As this is the first year of audited statements, PwC - Jordan did not include comparative numbers. This will not be a problem next year, so for this year we have provided a more traditional Excel comparative spreadsheet to show how the numbers compare to last year and to budget.

Although the statements have had independent professional reviews before, I believe this is the first time we have had the statements audited. This is completely consistent with our maturation as an organization.

The 2016-17 fiscal year follows two years of deficits. Our attempts to generate new revenue from alternative sources has taken longer than any of us had anticipated. While we were fiscally prudent on the expense side, the revenue side of the equation did not materialize.

This situation led to excellent, if difficult, discussions in Toronto to decide how we would fund our strategic aspirations as a global organization. As your Treasurer, I commend the frank and open discussions we had which allowed us to find the common ground. The principle is that we will fund the basic operations of the Secretariat through membership fees. As stated by one of the delegates, the membership should keep the lights on and the door open. New program development and project work will be funded from variable revenue. This allows us to make the investment we need in our Secretariat to maintain a baseline of services and coordination from which we can enhance our service offerings.

The recommendations of the Task Force on Strategic Funding provided us with a fairer means of distributing these costs across our Membership.

The result was an approved two-year budget with a significant increase in Year 1 (2106-17), and a smaller increase in Year 2 (2017-18), to allow for a phased implementation of the new baseline.

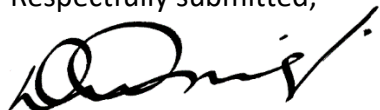
As Treasurer, it is my absolute pleasure to present to you financial statements that represent a healthy organization that is appropriately funded for its mission. Thank you to all of the IMCs who are pulling together as a family to fund our strategic ambitions.

I must point out that these financial statements do not reflect the volunteer effort of those involved in the operations of CMC-Global. The funds expended reflect an investment that is leveraged several-fold in volunteer effort. This volunteer activity is reflected in other reports; here we concentrate on the financial activities of CMC-Global.

We should stress also that no Director or volunteer of CMC-Global receives any compensation for their time. We do try to cover direct expenses in some cases, but for the most part even these are covered by the home IMC or by the volunteer personally. As we become more professional as a global organization we do not want to lose this strength that we have as an organization. A professional Secretariat, led by a full time Executive Director, does not replace volunteer effort. Rather it supports, coordinates, and leverages that effort, and by building on those successes, can recruit even more volunteer contributors.

I am honored to be part of the work of CMC-Global at this exciting time, and am pleased to present, herein, the financial statements and financial related commentary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Mihalicz', with a stylized flourish at the end.

Dwight Mihalicz

Treasurer, CMC-Global

Treasurer's Report (2016 – 17)

Commentary on 2016 - 17 Profit and Loss Statement

Fixed Revenue.

Fixed Revenue is higher than the previous year €132,161 vs €105,099. This compares favourably to the budgeted amount of €132,200. This is as a result of the inclusion of member assessment fees and the related assessor expenses as part of the membership fee.

The assessor expense fees will be tracked separately to assure that the allocation represents actual requirements. This will be noted in future reports.

Flexible Revenue.

Total flexible revenue is shown in the audited statement under Events and Projects Revenue.

Conference revenue (Events) is higher than budget (€7,940 vs €7,500) in spite of the fact that both EuroHub and Asia Hub contributions will be shown in the next fiscal year. This is also higher than previous year of €6,608.

Projects revenue includes unbudgeted revenue of €1,800 in flexible revenue from CMC-GI for the provision of Secretariat services, and unbudgeted revenue of €1,300 from fees for web site development to support IMCs.

Other Revenue of €3,100 includes sales of pins and certificates and interest revenue.

Our challenge in this area continues to be in the CMC Firm where €7,500 was budgeted but there was no revenue. However, agreements were reached with IMC Netherlands and IMC Ireland just before the end of the fiscal year. This will result in the conversion of ACPs to CMC Firms and a critical mass of CMC Firms. Applications are in progress from some individual firms, so the corner has finally been turned in this area.

Total Revenue.

Total revenues are €9,677 higher than the last fiscal year (€171,384 vs. €111,707), and €24,184 more than the budgeted revenue of €147,200.

This must take into account the termination of the Breakthrough Strategy reserve fund of €25,646, as approved at the Annual meeting last year. As the Breakthrough Strategy projects have now been completed, it makes more sense to track any related expenditures through the regular and ongoing expense statements.

Taking the transfer of the Breakthrough Strategy reserve fund into account, Total Revenue is slightly below budget (€145,738 vs. €147,200)

Core (Fixed) Expenses.

For reporting purposes, we are concerned about four primary categories. This comparison can be seen in the attached spreadsheet.

1. Core Secretariat
2. Board and Governance
3. Reassessment Expenses
4. Treasury

The audited statements provide a slightly different view on the expenses, although both reflect the actual activity. For next year's statements we will reconcile these two views to provide on the one hand audited statements, but on the other hand the degree of detail that delegates would expect. For example, a separate expense line for Reassessment expenses is important to track these costs and adjust the assessor expenses fees accordingly.

Total Fixed expenses of €111,766 were slightly higher than the €101,236 of the previous year. This was significantly less than the budgeted amount of €132,200.

In general, expenses were lower than anticipated for two main reasons:

1. With the change of Chairs of QAC, while the reassessments have been scheduled the target of one third of Members in each year did not take place. Many of these have now been scheduled.
2. The budget was only approved in Toronto, and due to the significant changes, activity was not scheduled pending this approval. Some of the activity that would have taken place in this fiscal year has rolled over into the next fiscal year.

Variable, non-Core Expenditures.

Activity was budgeted from variable revenue in three areas:

1. CMC Directory (€3,000)
2. CMC Global Consulting Report (€2,000)
3. ISO (€10,000)

Activity in the first two areas was delayed into the next fiscal area because of the late approval of the budget. Now that CMC-Global is back on a two-year budget approval cycle this problem will be avoided in future.

ISO expenses were lower than budgeted as it was not necessary to maintain membership in this organization for the full fiscal year, as work on ISO 20700 was completed. Travel expenses were also not as high as expected.

Breakthrough Strategy.

As agreed at the 2016 Annual meeting, we will no longer track the Breakthrough Strategy initiatives separately. The remaining amount of €25,646 has been taken into revenue, where it will contribute to our reserve fund going forward, and will therefore be available for special projects.

Surplus of Revenue over Expenses

Total operating surplus revenues for the year are €59,618. This compares very favorably with a net loss in the previous year of €1,629. The operating surplus is higher than one would expect for three reasons:

1. Some budgeted activity did not take place before the end of the fiscal year, but is planned to take place in the 2017-18 fiscal year
2. An amount of €25,646 has been taken into revenue from the dissolution of the Breakthrough Strategy contingency fund
3. The amount of €10,000 set aside for assessor expense has not been used this year but will be used for scheduled activity in 2017-18.

Commentary on 2015 / 16 Balance Sheet

Current Assets

We maintain a small inventory, which is reflected on the Balance sheet (€557).

Accounts Receivable continue to be of concern. Standing at € 30,777 compared with the amount last year of €31,484, this is a high amount for an organization with the budgeted revenue of CMC-Global. In fact, it reflects almost 1/3 of annual member dues.

The situation does continue to improve. The amount looks worse since invoices were issued in December as opposed to our preferred late-August, early-September. Nonetheless this means that the outstanding Member Invoices are over 180 days old. It is obvious that many Members treat these invoices as debts to pay when convenient as opposed to a fundamental operating cost of keeping the doors open.

This is being addressed by Membership Committee, and it is hoped that Members can pay their dues in a timely way.

The resolution of outstanding debts continues to take a great deal of the Treasury effort, with significant support from the Chair of the Membership Committee, the Executive Director and other members of the Board. This is an unfortunate waste of energy that could be used productively in so many other ways.

Cash and cash equivalents stand at €71,656.

Current Liabilities

Total liabilities (€8,521) reflect the cash-on-hand being held for CMC-GI. CMC-Global manages the finance of GI on its behalf. This is the equivalent of a positive balance on the books of CMC-GI.

Treasurer's Commentary

Organizational activities must be driven by a strategy. This is a truism for management consultants. We also know that financing follows strategy. This is followed by strategy execution, and only then by financial reporting.

Your Board has worked hard at developing our strategy and our strategic goals. These goals become milestones against which the Board reports.

*CMC-Global will be a leader in the development of
management consulting as a global profession
that drives social and economic success.*

As your Treasurer, it falls to me to report on the stewardship of the membership fees and other revenue generated at the global level. Or the overview of our achievements towards strategy, the annual report of the Board will be your resource. In this report, we discuss the financial aspect of doing this work.

While this is a financial report, we must recognize that the vast majority of our work is carried by volunteers. In the short term we cannot afford to engage a fully staffed Secretariat. The role of our Executive Director and her administrative support is to manage, coordinate, and motivate. They cannot do all of the work that must be done. We must depend on the volunteer effort of individuals who are very busy in their own professions. We all owe a debt of gratitude to these hundreds of individuals that work for us locally, nationally and globally.

At our annual meeting in Toronto last year, we agreed to a balanced approach to funding that combines increased membership fees with sustainable alternative revenue generation. We agreed to:

- Establish the right balance between revenue from membership fees and alternative sources of revenue
- Fund core operations from membership fees
- Revise the base Member Fee, CMC member and non-CMC management consultant member fee approaches
- Revise the allocations system to ensure equity and fairness in how the required investment for global operations is carried by Members

This has resulted in a fundamentally sound global Secretariat that is resourced to carry out a baseline of services for the Members and to initiate the key activities necessary for strategy execution.

In 2016-17 we are once again in a surplus situation. The surplus is not as large as it appears, as many commitments have been made in 2016-17 for which the expenditures have not taken place. Because the budget for 2016-18 reflected a significant increase, it would not have been prudent to spend to those levels until it was approved by the Annual Meeting. With a late October meeting, Member fee

invoices were not sent out until December, and Members did not begin paying their fees until January. As a result, we had less than half a fiscal year to ramp up to the approved levels of activity.

This situation should normalize through 2017-18, as the budget for that fiscal year has been known since Toronto.

In summary:

1. After two years of deficits, CMC-Global is once again in a surplus situation. The surplus is moderated by some activity that will take place in the next financial year, by a transition of the Breakthrough Strategy into regular funds, and a slow start to the reassessment work of QAC.
2. The second step of the two-part budget increase will be implemented in the 2017-18 budget which was approved in Toronto will be reviewed in Astana as part of the two-year .
3. CMC-Global has laid solid groundwork for alternative revenue generation which should enable CMC-Global to manage within that financial framework throughout the execution of the current strategy.

In the coming year the work of the Treasurer and the Finance Committee will continue in terms of monitoring and advising on the financial activities of CMC-Global. We will also continue to improve the financial practices of CMC-Global to achieve global best practices. For example, during 2016-17 the accountability and authority relationships between the Treasurer and the Executive Director have been reviewed and implemented to better reflect the new operating structure of CMC-Global's Annual meeting and Board. The authority of the Board as a governance body and its relationship to the operational authority of the Executive Director should now be reviewed to ensure that our financial practices reflect our desire for best practices governance.

CMC-Global is on an excellent path. It is very well positioned to deliver the programs and services that have been detailed in its strategy. As your Treasurer, I am looking forward to continued support of these exciting initiatives.

Thank you for the opportunity to serve CMC-Global as your Treasurer.