



CMC - GLOBAL

Treasurer's Report

2018 - 2019

CMC-Global
(ICMCI)

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Treasurer's Report (2018 – 19)

Dear CMC-Global Colleagues,

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

1. This Introduction
2. Commentary on 2018 – 19 Audited Financial Statements
3. Treasurer's Remarks

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, Accounts Receivable, and YTD Budget to Actual) are prepared and presented to the Finance Committee, and to the CMC-Global Board at each of its meetings. A synopsis of these reports is posted with the minutes of each Board meeting so they are available for viewing by any IMC at any time.

The Finance Committee meets several times throughout the year to review the statements and discuss the financial matters of CMC-Global. In the past, 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. During 2018/19 the Finance Committee has begun to reorient itself with more of a governance role to review and recommend how CMC-Global can best fund its global operations in order to achieve its strategy.

This year the CMC-Global financial statements have been subjected to a full audit for the third year. The firm Pricewaterhouse Coopers - Jordan has again been engaged to do this work. As this is the third year of audited statements, PwC is now able to provide us with comparative figures.

Our fiscal approach continues to follow the recommendations of the Task Force on Strategic Funding which provided us with a fairer means of distributing these costs across our Membership. At this time we have a properly financed and stable Secretariat and going forward we should be able to hold the line by financing growth objectives out of variable revenue. This has proven to be the case as we see in the 2018 – 2020 budget which has increased global activity, many of which will create revenue for IMCs, while at the same time holding membership fees at a 0 increase.

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

Membership Fees are held steady at 0% increase while variable revenue supports our growth activities.

all of the IMCs who are pulling together as a family to fund our strategic ambitions.

In addition, I must recognize the volunteer effort of those involved in the operations of CMC-Global. The funds we discuss in this report 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 coordinates, supports 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, commentary on our fiscal position.

Respectfully submitted,



Anca Bors
Treasurer, CMC-Global

Commentary on 2018 – 19 Audited Financial Statements

The 2018-2019 Independent auditors Report is presented in this report. Following are some observations that may be helpful in its review.

The first section of the report, and Notes 1 and 2 provide an overview of the findings, general information about our financial procedures, and a summary of the significant accounting practices.

Assets and Liabilities

The assets and liabilities section describes an organization in a healthy fiscal state. Our practice is not to commit funds that are not in the bank. This makes expending funds within the year the membership invoices are issued a challenge because of the delay between the issuance of the invoice and the settlement by our member IMC.

In this respect, Accounts Receivable continue to be a significant challenge. As documented in Note 3, our Accounts Receivables have increased to be in the €50,000 range. This is approximately 35% of the Membership Fees. Considering that IMCs with a rather unstable financial position accumulate overdue invoices over the years, hence the increase in the A/R. We do however work with IMCs to enter into agreements for staged payment when circumstance warrant. A great amount of time of the treasurer and the Executive Director is consumed following up with IMCs to encourage payment of overdue invoices.

In 2017/18 the membership of two IMCs was revoked. In one case there is no likelihood that the Institute will continue, and that debt was written off. In the other case, the Institute continues to exist in its country, so the debt remains as potentially collectable, but a provision has been established as the likelihood is low. In a third case, the IMC appears to be in financial difficulty, and although we are working with that IMC, a provision has been set up as there is a good possibility that the fees will not be collected. The provisions established in the last financial year was maintained as the amounts remain potentially collectable, though the likelihood is low.

It is the policy of CMC-Global not to forgive membership fees, and that would not be fair to the other members.

As shown in Note 4, the cash position of CMC-Global continues to strengthen. This can be thought of as a reserve against future difficult times. The Finance Committee has recommended that a reserve of one year's operating costs would be a responsible balance, and we are now approaching that level. During the early implementation of the breakthrough strategy recommendations we had been forced to rely on our reserves and without them we would not have been able to build the momentum we are now beginning to enjoy.

Revenue and Expenses

Revenue is tracking very well. In 2018-19 the member fee increases were not applied. This resulted in maintaining a stable level of member fees to cover the core expenses of the Secretariat and global activities.

In addition variable revenue has begun to solidify with the landmark issuance of CMC-Firm invoices, ISO 20700 training services and Global Directory. The initiatives are just under way and additional revenues can be expected in the coming years.

The audited statements do not make this differentiation between fixed and variable revenues in their reporting, but the full revenue and expense categories aligned into the categories can be seen in the budget documents.

The following comments will help understand major changes in revenue and expenses from year to year:

- a. Membership and assessment fees are slightly higher in 2018/19 to reflect the change in IMCs members. The commitment made at the beginning of the process was that Membership fees should hold steady or decrease thereafter as variable revenue comes on Board. This is the case for the 2019/20- budget.
- b. The first CMC-Firm invoices and CMC Directory were issued in 2018/19.
- c. Revenue was further generated from the sale of the ISO 20700 standard, with limited costs during the year.
- d. The Task Force on Strategic Funding recommended that Member reassessment costs be centralized to even the burden of their cost across all IMCs. We committed to show these expenses separately so Members can track them over time. At the end of the first three year cycle we will reassess the costs against the allocations and will make adjustments as necessary.

Statement of Financial Performance

The Statement of Financial Performance simply shows our history of rebuilding our net assets over the past two years.

Treasurer's Commentary

During my time as Interim Treasurer I had the pleasure to ascertain that CMC-Global has transformed into a maturing federation. Success for a federation is marked by a network of highly functioning members who are tightly networked to collaborate and coordinate in order to learn from and leverage each other. This collaboration and coordination is facilitated by a strong and specialized Secretariat that leads the global programs of common interest.

I am pleased as your Treasurer to watch this transformation, and I am excited to see the continued maturation as we seek to attain CMC-Global common vision:

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

From the financial perspective of attaining this vision, there are four key components at the global level that have been put in place.

The first and the most foundational is that we are working together within a global strategy. Your Board has worked hard at developing our strategy and our strategic goals. These goals become milestones against which the Board reports.

The second has been the Task Force on Strategic Funding, which has put in place membership fees that support the Secretariat to do what it must to coordinate our actions. These membership fees cover the core expenses of the Secretariat. Any strategic goals are supported financial through variable revenue from products and services generated by the work of the breakthrough strategy working group. These products and services are also designing to create revenue for participating IMCs. Seeing these revenue lines begin to fill in (Events, CMC-Firm, CMC-Directory to begin) is a tribute to the many volunteers driving these projects.

The third, which one would not normally think of as a major achievement, was the implementation of the e-banking system for CMC-Global. Because of our legal framework and global operational base, it has been a long and drawn-out process to establish the simple capability of paying for services online. This is now in place and will be launched by the time of our annual meeting in Milan.

Finally, the establishment of a Secretariat with a full time Executive Director and a full time administrative support position have created the stability and perseverance necessary for the successful coordination and implementation of new initiatives. The successes we are now seeing would not have been possible without that focus.

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.

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.

Thank you to the members of the Finance Committee who give so freely of their time and expertise. Thank you also to Reema for her enthusiastic and committed support, and to Khuzaima who is always available to support our activities. And finally, thank you to the delegates for the opportunity to serve CMC-Global as your Treasurer.