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# Treasurer's Report

## 2017 - 2018

### CMC-Global (ICMCI)

Presented to the  
2018 CMC-Global Annual Meeting

MILAN

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# Treasurer's Report (2017 – 18)

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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. This Introduction
2. Commentary on 2016 – 17 Audited Financial Statements
3. Treasurer's Remarks
4. The Audited 2016 - 17 Financial Statements (attached)

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 second year. The firm Pricewaterhouse Coopers - Jordan has again been engaged to do this work and their report accompanies this document.

As this is the second 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. This first had impact on the two-year budget of 2016 – 2018 which reflected a significant increase in Year 1 (2016-17), and a smaller increase in Year 2 (2017-18), to allow for a phased implementation of the new baseline. At that time we predicted that with a properly financed and stable Secretariat that 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 will be seen 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.

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

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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.

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 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, commentary on our fiscal position.

Respectfully submitted,



Dwight Mihalicz  
Treasurer, CMC-Global

## Commentary on 2016 – 17 Audited Financial Statements

The 2017-2018 Independent auditors Report is attached to 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 involves are issued a challenge because in 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 continue to be in the €30,000 range. This is approximately 20% of the Membership Fees. 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 were 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.

It is the policy of CMC-Global not to forgive membership fees, and that would not be fair to the other members. We do however work with IMCs to enter into agreements for staged payment when circumstance warrant.

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 2017-18 the second part of the two-part member fee increases were applied. This resulted in an increase in 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. This initiative is just under way and additional revenue can be expected in the coming years.

One of the Task Force on Strategic Funding recommendations was to track revenue and expenses in two categories:

- a. Fixed Revenue against core expenses of running the Secretariat
- b. Variable revenue against total variable, non-core expenses

The audited statements do not make this differentiation 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 higher in 2017/18 to reflect the second step in the normalization of membership fees at a higher level. 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 were issued in 2018/19.
- c. Revenue was generated from the sale of the ISO 20700 standard, but this is offset by the cost of acquiring the licenses. This was treated as a service to IMCs, and in fact each IMC was provided with one free license.
- d. Salaries were higher in 2016/17 as they reflect the final payment to our Secretariat service provider MoS. The cost savings are reflected on the 2018/19 salaries entry.
- e. Treasury expenses were far above budget in 2018/19 because of activity to regularize our banking signatories and to establish an electronic payment system. Because of our legal structure and the nature of our global operations there were many regulatory and administrative challenges which have now been successfully overcome.
- f. 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 Treasurer I have been blessed to watch the maturation of the organization 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 our common vision:

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

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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, and CMC-Firm 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. During 2017-18 the accountability and authority relationships between the Treasurer and the Executive Director continued to evolve and mature.

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.

**INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES  
(CMC-GLOBAL)**

**FINANCIAL STATEMENTS**

**30 JUNE 2018**

**INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES (CMC-GLOBAL)**

**FINANCIAL STATEMENTS**

**30 JUNE 2018**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE DIRECTORS OF INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES  
(CMC-GLOBAL)**

**Our opinion**

In our opinion, the accompanying financial statements of International Council of Management Consulting Institutes (CMC-Global) (later the "Organization") are prepared, in all material aspects in accordance with the basis of accounting described in Note (2).

**What we have audited**

The Organization's financial statements comprise:

- the statement of financial position as at 30 June 2018;
- the statement of financial performance for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

**Emphasis of Matter - Basis of accounting and restriction on distribution and use**

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the directors and should not be distributed to or used by parties other than directors and any other previously agreed recipients. Our opinion is not modified in respect to this matter.



## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies described in Note (2) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

The Organization's maintains proper accounting records and the accompanying financial statements are in agreement therewith the accounting records of the Organization. We recommend that the General assembly of Shareholders approve these financial statements.

For and behalf of PricewaterhouseCoopers "Jordan" L.L.C.



**INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES (CMC-GLOBAL)**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**AT 30 JUNE 2018**

	<u>Note</u>	<u>30 June 2018 Euro</u>	<u>30 June 2017 Euro</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Inventory		498	557
Account receivables	3	31,747	30,777
Cash and cash equivalents	4	92,289	71,656
<b>TOTAL ASSETS</b>		<u>124,534</u>	<u>102,990</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Net assets		122,495	94,469
<b>Total Equity</b>		<u>122,495</u>	<u>94,469</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payables	5	2,039	8,521
		<u>2,039</u>	<u>8,521</u>
<b>TOTAL ASSETS AND LIABILITIES</b>		<u>124,534</u>	<u>102,990</u>

**The attached notes from 1 to 7 are an integral part of these financial statements**

**INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES (CMC-GLOBAL)**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 Euro	30 June 2017 Euro
Revenue	6	174,262	171,384
Administrative expenses	7	(146,236)	(111,766)
<b>Total operating surplus revenues for the year</b>		<u>28,026</u>	<u>59,618</u>
Other comprehensive income items		-	-
<b>Surplus revenues for the year</b>		<u>28,026</u>	<u>59,618</u>

**The attached notes from 1 to 7 are an integral part of these financial statements**

**INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES (CMC-GLOBAL)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE ENDED 30 JUNE 2018**

	<u>Net Assets Euro</u>	<u>Total Equity Euro</u>
<b>Balance at 1 July 2016</b>	34,851	34,851
Total comprehensive income for the year	59,618	59,618
<b>Balance at 30 June 2017</b>	<u>94,469</u>	<u>94,469</u>
	<u>Net Assets Euro</u>	<u>Total Equity Euro</u>
<b>Balance at 1 July 2017</b>	94,469	94,469
Total comprehensive income for the year	28,026	28,026
<b>Balance at 30 June 2018</b>	<u>122,495</u>	<u>122,495</u>

The attached notes from 1 to 7 are an integral part of these financial statements

**(1) GENERAL INFORMATION**

CMC-Global is an international membership organization and a network of the management advisory and consultancy associations and institutes worldwide, who have a common purpose and shared values and goals registered in Zurich under the name International Council of Management Consulting Institute on 14 August 2008 as not for profit organization under registration number CHE-114.457.872

The registered address of the Organization is c/o Dr. Hans Maurer und Hans- Peter Stäger, Advokaturbüro, Maurer & Stäger, Fraumünsterstrasse 17, 8001 Zürich.

The financial statements were authorized for issue on 19 September 2018.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements are presented in Euro.

The financial statements have been prepared under the historical cost convention.

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of the organization are measured and presented in 'Euro, being the currency of the primary economic environment in which the organization operates.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

Foreign exchange gains and losses are presented in the statement of financial performance.

**2.3 Account receivables**

Account receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Account receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

**2.4 Impairment of financial assets**

For receivables, the amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

**2.5 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**2.6 Account payables**

Account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Account payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**2.7 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Organization's activities.

Revenue from organization operations represents amounts charged to Institutes for renewal the membership during the year. Revenue in respect of services is recognized when these are accepted by the institutes and the amount of revenue can be measured reliably.

**(3) ACCOUNT RECEIVABLES**

	30 June 2018	30 June 2017
	Euro	Euro
Accounts receivable	43,583	34,375
Provision	(11,836)	(3,598)
	<u>31,747</u>	<u>30,777</u>

INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTING INSTITUTES (CMC-GLOBAL)  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2018

**(4) CASH AND CASH EQUIVALENTS**

	30 June 2018	30 June 2017
	Euro	Euro
Cash on hand	447	521
Cash at banks	91,842	71,135
	<u>92,289</u>	<u>71,656</u>

**(5) ACCOUNT PAYABLES**

	30 June 2018	30 June 2017
	Euro	Euro
Accounts payable (CMC-GI)	2,039	8,521
	<u>2,039</u>	<u>8,521</u>

**(6) REVENUE**

	30 June 2018	30 June 2017
	Euro	Euro
Membership and assessment Fees	142,899	128,211
Breakthrough Strategy	-	25,646
Events revenue	8,295	7,940
Application Fees	4,000	3,950
Projects revenue	8,550	3,100
CMC-Firm	1,650	-
ISO 20700 Licensed Copies	5,025	-
Others	3,843	2,537
	<u>174,262</u>	<u>171,384</u>

**(7) OPERATING EXPENSES**

	30 June 2018	30 June 2017
	Euro	Euro
Salaries	73,800	85,277
Executive director Travel & Accommodation costs	6,710	5,615
Breakthrough Strategy website construction expense	-	5,564
Treasury expenses	10,820	5,452
Dues and subscriptions	1,427	2,894
Board and Governance expenses	3,135	2,322
Swiss VAT	4,173	2,262
Website Development expenses	4,167	1,500
ISO Development expense	12,096	-
Bad debt expense	13,098	-
Outreach expense	8,203	-
Assessor Travel Expenses	6,098	-
Global directory	1,750	-
Other	759	880
	<u>146,236</u>	<u>111,766</u>