



**CMC - GLOBAL**

**OFFICERS**

Chairman  
Sorin Caian CMC  
Romania  
sorin.caian@icmci.org

Treasurer  
Dwight Mihalicz CMC  
Canada  
dwight.mihalicz@icmci.org

Secretary  
Kim Karme CMC  
Finland  
kim.karme@icmci.org

Vice Chairs  
Rob Bodenstein CMC  
Austria  
rob.Bodenstein@icmci.org

Kyeong Seok HAN CMC  
Korea  
kyeong.seok.han@icmci.org

Elena Yuzkova CMC  
Ukraine  
elena.yuzkova@icmci.org

Oliver Matar CMC  
USA  
oliver.matar@icmci.org

Jeremy Webster CMC  
United Kingdom  
jeremy.webster@icmci.org

Immediate past Chair  
Tim Millar CMC  
Australia  
tim.millar@icmci.org

Reema Nasser  
Executive Director  
Jordan  
Reema.nasser@icmci.org

# Treasurer's Report

## 2015 - 2016

### CMC-Global (ICMCI)

Presented to the  
2016 CMC-Global Annual Meeting  
Toronto

Dear CMC-Global Colleagues,

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

1. 2015 / 16 Profit and Loss Statement with Notes
2. 2015 / 16 Balance Sheet with Notes
3. Finance Committee Update
4. Treasurer's Commentary and Recommendations

This report is provided on an annual basis to CMC-Global Delegates by the Treasurer. It is the third year of the operation of the Finance Committee under the Terms of Reference approved by the 2013 Congress in Johannesburg.

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.

The Terms of Reference of the Finance Committee, of which the Treasurer is Chair, create an accountability for reviewing the financing requirements of CMC-Global and recommending financing options and alternatives. The activities of the Finance Committee are therefore included within this report.

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 and ExCom each month. 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. Members were involved in the review of the discussions of the Task Force on Revenue Generation, and providing oversight on the recommendations and their implications. The Finance Committee also reviewed and recommended to the Board for adoption the 2016-2018 budget presented in a separate document.

The budget for 2015 / 16 anticipated an increased focus on strategy execution. Following the significant deficit of some €29,000 in FY 2014-15, I had proposed a significant increase in membership fees to Trustees in Noordwijk. This, combined with revenue from other than membership sources would re-establish the Secretariat with the ongoing funds required to operate.

Member IMCs did not agree to this increase to membership fees, but did agree on a plan for the way forward:

- A one-time increase in fees for 2015-16
- The creation of a Revenue Generation Committee – the sales arm of CMC-Global
- The establishment of a Task Force on Strategic Funding to come back with recommendations on how CMC-Global would finance itself if it were created today.

In 2015-16 the Revenue Generation Committees work was established but did not produce results within the fiscal year. The committee has looked both internally and externally and put ideas on the table, and has investigated them. External activities have taken longer than expected, so a focus was placed on internal activities in order to harvest probabilities of implementing the products and services amongst our member IMCs. The Revenue Generation Committee has made its start, and I am confident that the results will be produced over time. But we should not count on this for our core operating expenses. The approach now being followed for revenue generation is sound: provide products and services that support Member IMCs to carry forward the implementation of services and programs at a national level while at the same time generating additional revenue for the global organization.

The work of the Task Force for Strategic Funding has taken a significant amount of time, and the members of the Task Force are to be congratulated for their efforts. The recommendations included in the Report provides us an excellent framework for allocating the cost of global operations in a fair and equitable way. This is discussed in a separate document.

The net result of all of this was a holding pattern approach for the year, with some good work done, some good progress made, and a roughly balanced budget for the year. This is not a situation that continue indefinitely, which is addressed in the budget proposal documents.

As I did last year, I would also like to 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, coordinates and leverages that effort, and by building on those successes, can recruit even more volunteer contributors.

This continues to be a challenging time for us financially. I do not like deficits, and this is the second year in a row we have had one. We cannot have a third. So together we must establish how we as Delegates and Directors of CMC-Global wish to finance our global operations. Together, I am confident, we will envision the way forward for the benefit of management consulting globally, and together we will accomplish what we have set out to achieve. 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,



Dwight Mihalicz

Treasurer, CMC-Global

# Treasurer's Report (2015 / 16)

## 2015 / 16 Profit and Loss Statement with Notes

DRAFT PROFIT & LOSS ACCOUNT	Year to 30 June 2016	Budget Year to 30 June 2016	Year to 30 June 2015
All figures in €			
<b>REVENUES</b>			
<b>Fixed Revenues</b>			
Application Fees	0	1,000	1,150
Membership Fees	88,695	87,000	58,642
Bad Debts	8,225	0	3,361
<b>Total Annual Membership Dues</b>	<b>96,920</b>	<b>88,000</b>	<b>63,153</b>
Member Assessment Fees / Costs (Negative)	6,050	6,000	9,900
Bad Debts	0		0
<b>Total Membership Assessment Fees</b>	<b>6,050</b>	<b>6,000</b>	<b>9,900</b>
<b>Total Fixed Revenues</b>	<b>102,970</b>	<b>94,000</b>	<b>73,053</b>
<b>Flexible Revenues</b>			
<b>ICMCI Projects</b>			
Contribution Congress / Conference	6,608	7,500	6,240
Corporate Members	0	25,000	0
CMC-Global Institute	0	3,500	0
CMC-Firm	0	7,500	0
ICMCI Brokered Projects	0	1,000	0
<b>Total ICMCI Projects</b>	<b>6,608</b>	<b>44,500</b>	<b>6,240</b>
<b>Miscellaneous Revenue</b>			
Pin Sales	940	500	1,750
Signed CMC Certificates & Other Income	1,095	2,000	1,620
Miscellaneous Income	0	1,000	0
<b>Total Miscellaneous Revenue</b>	<b>2,035</b>	<b>3,500</b>	<b>3,370</b>
<b>Interest Income</b>	<b>93</b>	<b>500</b>	<b>465</b>
<b>IAF Accreditations</b>			
Accreditation Fees	0	0	0
Administrative Costs	0	0	0
<b>Total on IAF Accreditations</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Flexible Revenues</b>	<b>8,736</b>	<b>48,500</b>	<b>10,075</b>
<b>TOTAL REVENUES</b>	<b>111,707</b>	<b>142,500</b>	<b>83,128</b>

### Notes to Revenues.

1. **Fixed Revenues.** Fixed Revenue is higher than the previous year (€102,970 vs €73,053), and above the budgeted amount of €94,000. This difference is the result of three factors:
  - a. Membership fees are slightly higher than budgeted due to changes in the reported statistics after the generation of the budget;
  - b. A reversal on bad debts that had been provisioned in the last fiscal year, due to the removal of reserves that had been set up for potential bad debts of two member IMCs.

2. **Flexible Revenues.** Total Flexible Revenue is down slightly from the previous fiscal year (€8,736 vs €10,075), but it is nearly €44,000 below budgeted revenue. This has been a difficult area for us, and is one of the reasons that the Task Force has recommended financing our core operations from fixed revenue. We have not yet established a track record for revenue generation from alternative sources. Following are some key comments:
  - a. The contribution to CMC-Global for the Congress in Noordwijk was budgeted to be €7,500. A total of €6,608 was actually received. While this is slightly less than budgeted, the revenue from conferences is a good news story as conference revenue has been seen for some years as a means of generating revenue for global operations.
  - b. CMC-Global Projects Revenue is the area of continued concern for us. We have experienced two years without revenue from sources that we believe to have potential. While we continue to believe in their potential, as your Treasurer I will no longer be budgeting for revenue from sources that are not proven. This is discussed further in the Budget documents.
  - c. Miscellaneous Revenue is difficult to budget for and there are swings from year to year the amounts are not large.
  - d. Interest revenue is down because of our reduced reserves.
3. **Total Revenues.** Total revenues are €28,579 higher than the last fiscal year (€111,707 vs. €83,128), but are €30,793 less than the budgeted revenue of €142,500. Our inability to convert our revenue generation ideas into reality during this fiscal year is reflected in these statements.

INTERNATIONAL COUNCIL OF MANAGEMENT CONSULTANTS INSTITUTES

Financial Year is July 2015 until June 2016

DRAFT PROFIT & LOSS ACCOUNT	Year to 30 June 2016	Budget Year to 30 June 2016	Year to 30 June 2015
All figures in €			
<b>EXPENDITURE</b>			
<b>Executive Office</b>			
Salary & Benefits	43,560	55,000	42,570
Secretariat (MOS Contract)	35,992	40,000	34,896
Secretariat (MOS carry-forward 2013/2014 expenses)	0	0	7,457
Travel & Accommodation costs	1,841	8,000	0
Dues & Subscriptions	276	1,000	284
Postage and Delivery costs	50	500	56
Stationary - Purchase	0	300	0
Printing and Reproduction	318	300	134
Telephone & Fax	45	100	91
Other	151	1,000	732
<b>Total Executive Office</b>	<b>82,232</b>	<b>106,200</b>	<b>86,220</b>
<b>Executive Committee</b>			
Chairperson's Costs	2,601	5,000	5,000
ExCom Meetings	5,530	6,000	4,950
Other Board expenses	628	0	0
<b>Total Executive Committee</b>	<b>8,759</b>	<b>11,000</b>	<b>9,950</b>
<b>Marketing &amp; Communications</b>			
M&C General costs	0	2,300	932
Newsletter	0	500	0
Trademarks	0	0	0
Other Marketing Expenses	0	500	-1,360
<b>Total Marketing &amp; Communications</b>	<b>0</b>	<b>3,300</b>	<b>-428</b>
<b>Internet/Website</b>			
Development cost	0	1,000	0
Technical maintenance	0	0	0
Operational Maintenance	276	0	692
<b>Total Internet/Website</b>	<b>276</b>	<b>1,000</b>	<b>692</b>
<b>Treasury Expenses</b>			
Bank & Credit Card Costs	845	1,200	653
Swiss Lawyer/Tax Expert	1,992	3,000	926
Others Lawyers/Tax Expert/Accountant	1,286	2,000	1,080
Swiss VAT	5,846	5,000	3,938
<b>Total Treasury Expenses</b>	<b>9,969</b>	<b>11,200</b>	<b>6,597</b>
<b>Total Fixed Expenditure</b>	<b>101,236</b>	<b>132,700</b>	<b>103,031</b>

Notes to Fixed Expenditures.

1. **Executive Office.** This category covers all of the costs of the staffed positions and outsourced administrative services of CMC-GI. After the successful trial of an Executive Director position in 2014 - 2015, the position was retained on a full time contract basis in 2015-16, and has been continued into the next budget year.

The MoS (our outsourced expenses) are slightly under budget as some of the variable items were not required. At the end of this fiscal year, notice was provided to this service provider that we will end the contract at the end of the calendar year.

We will be moving to contract administrative support for some significant net savings to this line item.

Other expenses were well below budget as we realized during the year that the flexible revenue would not be available and we did not wish to increase the deficit.

2. **Executive Committee.** A budget is established to subsidize one face-to-face meeting of ExCom. This amount is used to cover the hotel, meal and incidental expenses of the meeting. Travel costs are borne by the individual or their IMC. This category also includes a subsidy for the Chairperson's travel expenses. The majority of these expenses are covered by the Chairperson personally or their IMC.
3. **Marketing and Communications.** While funds were budgeted for this year we did not incur any costs in this year due to the constraints caused by lack of flexible revenue.
4. **Internet / Website.** The website was under development and implementation through a contract funded out of Breakthrough Strategy. Since the new site was not fully operational during most of the year, maintenance costs are also lower than anticipated. We are therefore well under budget in this area.
5. **Treasury Expenses.** Treasury expenses are lower than budgeted due to overall financial and legal activity that was lower than budgeted. It has however increased over the previous year, and we can expect continued slightly higher costs in this areas as overall global activity increases.

#### Notes to Fixed Expenditures.

1. **ISO Costs.** These are expenditures with respect to obtaining an ISO standard for the CMC certification. This expense will no longer be required once the standard is attained, probably after the next fiscal year, but is an important activity for CMC-Global. The annual costs are variable, and this year we are well over budget as attendance was required at two meetings due to the final stages of drafting the standards.
2. **Other Expenditures** relate to miscellaneous costs primarily to do with creation of or obtaining materials for the Other Revenue section of our activities.

Financial Year is July 2015 until June 2016

DRAFT PROFIT & LOSS ACCOUNT	Year to 30 June 2016	Budget Year to 30 June 2016	Year to 30 June 2015
All figures in €			
<b>BREAKTHROUGH STRATEGY</b>			
<b>Breakthrough Strategy Contributions</b>			
Breakthrough Strategy fee	0	0	0
Revenues from reversed BS provision	6,550	10,799	10,892
Supplementary BS	0	0	0
	<u>6,550</u>	<u>10,799</u>	<u>10,892</u>
<b>Breakthrough Strategy Costs</b>			
Executive Director	0	0	0
Web Site Construction	6,550	10,799	4,620
Support to IMC's	0	0	0
General Costs	0	0	0
Other Activities	0	0	6,272
Bad Debt Provision	0	0	0
	<u>6,550</u>	<u>10,799</u>	<u>10,892</u>
<b>Net Income on Breakthrough Strategy</b>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
<b>RETAINED NET INCOME</b>			
From ICMCI Activities	-1,629	3,000	-28,319
From Breakthrough Strategy	0	0	
<b>TOTAL NET INCOME</b>	<u><u>-1,629</u></u>	<u><u>3,000</u></u>	<u><u>-28,319</u></u>

### Notes to Breakthrough Strategy.

We use the Profit and Loss statements to track special activities of the Breakthrough Strategy initiatives. This is the last year we will report in this way as the last major initiative has been the development and implementation of the new web site. A total of €6,550 was drawn from the BTS reserve for payment of contract fees for the construction and implementation of the new CMC-Global web site.

### Notes on Retained Net Income

Total Net Income for the 2015 - 2016 fiscal year was a net loss of €1,629.

## 2015 / 16 Balance Sheet with Notes

BALANCE SHEET as at 30 June 2016

All figures in €

		30 June 2016	30 June 2015
<b>CURRENT ASSETS</b>			
<b>Cash</b>	<b>1</b>		
Current Accounts		15,595	4,794
Deposit Accounts		<u>20,000</u>	<u>65,099</u>
		<u><b>35,595</b></u>	<u><b>69,893</b></u>
<b>Accounts Receivable</b>	<b>2</b>		
Accounts Receivable		31,484	35,534
Provision for Doubtful Debts		-3,598	-11,824
CMC-GI Advances		<u>2,527</u>	<u>0</u>
		<u><b>30,413</b></u>	<u><b>23,710</b></u>
<b>Current assets</b>	<b>3</b>		
Pre-paid invoices		887	0
Credit interest deposit account		0	0
UID Payments received		1,650	1,650
Stock of Pins (CMC & Academic)		<u>657</u>	<u>38</u>
		<u><b>3,194</b></u>	<u><b>1,688</b></u>
<b>CMC-Global Institute</b>			
Income		-13,073	0
Costs		<u>10,447</u>	<u>0</u>
		<u><b>-2,627</b></u>	<u><b>0</b></u>
<b>TOTAL ASSETS</b>		<u><b>66,575</b></u>	<u><b>95,291</b></u>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Equity</b>	<b>4</b>		
Opening Balance		36,480	67,307
Net Income		-1,629	-30,828
Total Equity		<u><b>34,851</b></u>	<u><b>36,480</b></u>
<b>Liabilities</b>	<b>5</b>		
Swiss VAT		0	0
Provision Breakthrough Strategy		25,646	32,196
Accounts Payable		4,779	10,005
Transitory - Purchase invoices and costs		1,300	15,771
Accrued Liabilities		<u>0</u>	<u>840</u>
		<u><b>31,725</b></u>	<u><b>58,811</b></u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<u><b>66,575</b></u>	<u><b>95,291</b></u>

## Notes to Balance Sheet.

1. **Cash** is held at the ABN Amro Bank:

a. Current Accounts,	€ 15,595
b. Deposit Accounts,	€ 20,000
Total:	€ 35,595

2. **Accounts Receivable** continue to be of concern. Standing at € 31,484, this is a high amount for an organization with the budgeted revenue of CMC-Global.

The good news is that this situation is improving. In fact, we were able to remove the provisions we had for doubtful debts from two IMCs who are not in progress for paying down their back dues. When we regularize our budget and are able to issue invoice at the beginning of the year, we will be in a much better situation to receive payments within the same fiscal year.

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 ExCom.

There is a new line in this year's Balance Sheet to show the amounts that are due from CMC-GI. These are funds that have been advanced as start-up costs for CMC-GI. They operating at a small profit in their last fiscal year, and should be in a position to repay these startup costs starting in 2016-2017.

3. **Current Assets** are straight forward.

4. **CMC-Global Institute.** The banking activities of CMC-GI are now handled directly by CMC-Global Secretariat. As they are a natural extension of CMC-Global, this make financial management much easier. CMC-GI maintains its own books as would any IMC, but we handle their banking for them and track the assets here. This shows as a negative balance on our books, as we are holding cash for them on their behalf.

5. **Equity** is calculated as follows:

- Opening Equity per 1st July 2014, € 36,480
- Loss per 30th June 2015, -€ 1,629
- Closing Equity per 30th June 2015, € 34,851

6. **Liabilities** are calculated as follows:

- a. Balance of Breakthrough Strategy, € 25,646
- b. Accounts Payable per 30th June 2015, € 4,479
- c. Transitory – Purchase Invoices and Costs, € 1,200
- d. Closing balance of Liabilities per 30th June 2015, € 31,725

## Treasurer's Commentary

As I have repeated to you at every opportunity, organizational activities must be driven by the overall strategy. Financing follows strategy. This is followed by strategy execution, and only then by financial reporting. I recognize that from the perspective of the Treasurer's report we are the last step in the process, albeit an important one.

The excellent discussions we have had on our common vision and strategy in Johannesburg and Seoul, coupled with the strategic work of ExCom, have culminated in a very solid strategic framework developed by your Board in March of this year. You have received overview of this throughout the year and will receive an update at this year's Annual Meeting. This strategy lays the groundwork for how we work together for the benefit of management consulting globally.

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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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While this is a financial report, we must recognize that the vast majority of our work must be 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.

Our strategy does plot a road forward for a more dynamic CMC-Global comprising all of the member IMCs, together with a coordinating Secretariat. CMC-Global is not, then, some group of people working "internationally". CMC-Global is the essence of all of us collaborating towards a common vision, all working for the benefit of management consulting globally. It has been heartening for me, as a relative newcomer, to see the continuing diminishment of the "we-they" phraseology and seeing it replaced with "we" terminology. Together "we" can succeed.

Last year, I felt it prudent, as your Treasurer, to recommend a more balanced approach to funding that combines increased membership fees with sustainable alternative revenue generation. This was not accepted, but an excellent work plan was put in place to get us to where we need to be. The proposals that I made in my report to you last year are now before you for voting in various forms:

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

I am looking forward to these discussions as we determine how we will work together.

### **CMC-Global Audit**

The current financial reports are not reviewed or audited by an external party. This has become increasingly problematic as we aspire to enhance outside sources of funding. A Corporate Sustaining Member, for instance, may be comforted by reviewing audited statements of the organization in which it is investing. Calls from our own IMCs for this have been increasing. Finally, the size of our global budget is getting to the point where this becomes more of a requirement than a “nice to have”.

The 2016-2017 budget includes an expenditure line to institute an independent, professional review of our financial statements beginning with the 2016/17 fiscal year.

### **Closing**

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