

REPORT OF THE FINANCIAL ADVISORY COMMITTEE (FAC)

The task of FAC is to advise and report to Synod Council and the Bishop on the management and administration of funds and assets held by or under the control of the the Synod. In addition, FAC provides advice and recommendations to Synod Council and the Bishop on financial matters that are to come before them for resolution. There are three active subcommittees of FAC who bring expertise in specific areas of investments, insurance and risk management, and budget. Their reports are included along with this report. FAC works closely with the Treasurer of the Diocese of Niagara and finance staff.

We wish to acknowledge the dedicated service this past year of the Diocesan Treasurer, Jody Beck, and her diocesan finance staff and their competent attention to the details so important to managing the financial aspects of the diocese.

In general, the financial position of the diocese appears to be better, but FAC believes we must be cautious particularly when this is analyzed in more detail. In this regard, it may appear at first blush that our cash position is better because the line of credit has been removed and there is cash in our bank account. The reality is that most of this cash only got to our bank account as a result of the sale of one of the parish properties caught up in the Anglican Network in Canada dispute. That parish community is now gone and many of the members of that parish have disbursed out of our diocesan community. Because of the rules we have for application of funds such as this, some of the money received from this sale ends up as cash in our bank account as referred to above, and some of the cash goes to reduce the accumulated deficit on the balance sheet. Initially, this all looks positive. However, we have lost a large number of former givers of the now sold parish and as such, we continue to lose what they would have given if all this had not taken place.

FAC considers all this on one hand, as a "gift" of cash to help improve our cash position on our income and expense statement, and reduce our accumulated deficit on our balance sheet, but also as a "loss" in respect of what is more important, that being a parish that contributed to our diocese in many ways over the long haul. The appearance of better financials masks the fact that we have much to do to recover from the dispute and rebuild what we have lost.

We also are aware from an analysis of other parishes in the diocese that there are ongoing financial problems at the parish level that need to be solved to be able to say we have returned the diocese and its parishes to a healthy financial position.

The good news is that the cash from the parish sale referred to above and what may come from other such sales provides us with a limited amount of "breathing space" to rebuild and strengthen our diocese. As a result, FAC does not believe the appearance of better financials at this time can be viewed as a sign of overall good health that will sustain us into the future.

We continue to have to be very careful in how much we can fund in respect to Diocesan Vision projects even though these projects are worthy and clearly fit the Vision. FAC therefore, continues to counsel caution in respect to program expansion and continues to advocate strict cash management. On the budget side, FAC advocates at least balanced budgets

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and hopefully approval of budgets sufficient in surplus to further put the diocese on a firm financial footing by further reducing the accumulated deficit.

During the year, the committee has been working on the following matters.

KEY PERFORMANCE INDICATORS (KPI's) FOR PARISHES

Since last year, this activity has been advanced considerably and we are beginning to see the development of a versatile tool that can be used by all parts of the diocesan organization for measuring overall parish performance, determining areas of strength and weakness, and developing ways to make our diocese more healthy to do the work it is called to do. Like similar improvement activities, these KPI's involve the measurement of parish functions and consistent tracking of these over time to determine overall parish wellbeing. While this process can be complex and time consuming, it is beginning to pay dividends in our overall ability at both the parish and diocesan level to understand what works and why, where the real problems are and how to fix them, and how to further improve our ability to do what we are called to do. More work on this will be required but solid progress is being made. Parish efforts to track and report are essential to this process. To those who have done this, we thank you.

Last year's report spoke of a similar effort to this only in respect to the development of key performance indicators for the diocese. There has not been any progress on this as it appears it is premature to develop this aspect until the diocese as a whole is more stable and its parishes are stronger than they are now.

IMPLICATIONS OF NEW PROGRAMS AND MAJOR CHANGES FOR USING DIOCESAN FACILITIES - NEW PROCEDURES SINCE LAST YEAR AND PROGRESS MADE

Last year's report indicated that FAC had concerns about the manner in which various uses of diocesan facilities were developed and how, in some cases, significant changes in use had adversely affected the diocese including in a financial way. This concern ultimately fitted together with other observations and resulted in the creation and approval by Synod of the new Canon 4.6.

With this new Canon in place, it was now necessary to apply it to projects developing in the diocese. This has been done and in respect to FAC's role in this, we now appoint a member of the committee to projects coming within the scope of the Canon to assist the diocese along with the Bishop's Advisory Committee on Church Buildings in the oversight and governance of such projects and developments. FAC has also developed a template document to use in discussing these activities with parishes. Part of this template speaks to the issue of not only how a given project will be successfully financed but also how the parish will be sustained into the future, both in respect to ongoing financial costs, but also such aspects as staffing, volunteers and otherwise. FAC at this point believes that if it can be shown that a project can be successfully financed and kept in operation for 5 years from the date of actual startup, then it will probably be sustainable into the future. Questions of this nature are part of the analysis

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done by FAC. FAC wishes to thank the early participants at the parish level who have assisted in the early practical application of this new Canon to their projects. While the practical application of the Canon is still unfolding, it is FAC's view there is now less chance than before of a given project that comes within the scope of the Canon, failing to unfold as intended, and a greater likelihood of success for the parish promoting a new use of facilities. There are now three projects under way that members of FAC are engaged in.

RECEIVABLES - MEDIUM AND LONG TERM OWED TO THE DIOCESE

FAC continues to monitor this difficult issue but sees progress being made on a number of fronts. Overall, uncollected receivables may still appear largely the same as last year but there have been successes in that more parishes are paying their obligations on time and there is an overall greater awareness, at all levels in the diocese, of the implications of this indebtedness and the need to reduce debts over time. None of this is easy for any of the parties concerned but the level of increased cooperation speaks to the growing effort to find ways to resolve difficult situations together. FAC is confident that with the progress it is seeing, further improvement will occur.

TIMELINE DEVELOPMENT

This is about the always challenging issue of how to develop a draft budget in a timely manner so that it can be considered and discussed well ahead of diocesan synod. As the draft is developed by a subcommittee of FAC, this has been an ongoing concern of FAC. In the last year, progress has been made in not only achieving better timing of budget development but also in the manner in which all the various parts of the diocese are approached and included in the budget development process. This involves assisting all in understanding what they can expect to be approved going forward so that they can better shape their particular activities to be successful. FAC wishes to thank all who made timely input to the budget process for making this activity easier. FAC is more content than previously with this process but continues to look for ways to make it better.

INVESTMENT POLICY

In response to the very useful discussion over the last year in respect to just what is the best investment policy for the diocese given the issues of ethical and faith based investing, FAC has worked with its Investment subcommittee to develop and approve a new set of draft principles for our investments for consideration of Synod Council.

FAC thanks those who raised this issue and for the work many have done to shape this new draft policy into a form that is in keeping with what we are called to do.

RISK

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This was raised in last year's report as an issue FAC takes seriously and continues to monitor. Like most activities, it is possible to get into the habit of doing the repetitive work and not considering what might be looming on the horizon that could threaten not only financial but other aspects of wellbeing. Issues such as fair wages, changes in existing laws such as those applying to graveyards, are but two of these in the diocesan context. FAC continues to ask itself "What are we missing?" with the view to attempting to ensure that what might be looming on the horizon does not adversely impact the diocese and its parishes.

Respectfully submitted, Mr. Tim Huxley, Chair

Members: Mr. Mitch Banks, Mr. Wayne Barnes, Ms. Jody Beck, Diocesan Treasurer, The Reverend Canon Kevin Bothwell, Mr. Andrew Clinkard, Mrs. Pat Davis, The Reverend Pam Guyatt, Mr. Lloyd Hicks, Mr. David Ricketts, Mr. Ralph Sykes, Ms. Ruth Anne Martin, Recorder