

REPORTS OF SYNOD COUNCIL COMMITTEES

THE FINANCIAL ADVISORY COMMITTEE

The primary work of the committee is to provide advice and recommendations to the bishop and Synod Council on the financial management, stewardship, and administration of funds or assets of the Diocese of Niagara. The committee monitors the implementation of the diocesan budget and the financial policies, procedures, and guidelines, the financial capacity of parishes initiating large projects, and in collaboration with the Investment Advisory Committee investment performance of the funds held by the diocese.

Risk Management: The Committee added to its monthly agenda a risk management review. This role goes beyond monitoring to include the assessment of the risk of immediate and longer-term trends in declining revenues, fixed expenses, mismatched cash flow, liability not covered by insurance, and potential unexpected events. This addition was precipitated by the financial issues that accelerated during the COVID-19 pandemic, but that had been developing over a longer period. Parish finances as reflected in the diocesan budget, DMM revenue, and diocesan expenditures are closely monitored considering these issues and trends.

The key areas of financial risk identified over the past year(s) at the parish level include a decline in church attendance, resulting in pressure on parish finances, and a decline in parish giving overall to meet future needs. The key areas of financial risk at the diocesan level includes the diocesan use of capital to cover operating deficits, reduced revenues because of lower than forecast DMM, and adequate funding to reinvest in parishes for the future.

Mission Action Plan: The diocese and parishes have implemented Mission Action Plans. The objective of the committee is to understand the bishop's mission for the diocese, and to monitor the implementation of the financial plan to support that mission. As a result of monitoring the ability of the diocese to support the mission, the committee made two recommendations in 2023. The committee has recommended that consideration be given to preparing a 3-year mission and financial plan, so that the longer-term financial support of the Bishop's vision can be forecast; and that capital be used to reinvest in the mission, rather than to cover deficits, as soon as is reasonably possible.

Capital Expenditures and Major Projects: The Committee provides advice to the bishop on expenditures on building projects over a prescribed level. Three quotes for the project are generally required from which the proposed supplier or contractor for the work is selected and recommended by the parish.

The committee provides a financial representative from among the committee membership to work with the parish to ensure that before a project proceeds the parish and the project are financially viable, including that DMM is up to date, the parish does not have any existing debt or there is a plan to cover the debt, and a funding plan is in place for the proposed project. The project financial representative advises the bishop on the financial viability of project and financial status of the parish, and once the project is approved by the bishop, reports the progress of the project monthly to the committee. The committee, with the diocesan treasurer, may assist the parish and the bishop with recommendations to address the financial requirements of the project.

The committee has observed that the cost of projects has increased significantly during and post-COVID, due to a shortage of materials, suppliers and contractors, and the cost of materials. In previous years, the limit over which episcopal approval for a project was required was \$15,000. In 2023, the committee recommended that the limit be increased to \$25,000. This recommendation was recently approved at Synod Council.

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The Committee has also observed that it is often difficult to obtain three quotes for work required by the parish, due to the shortage of contractors and suppliers, and may advise on such quotes, in the specific circumstances.

During 2023, the committee has assigned representatives and provided advice and monthly reports on a significant number of projects. The physical infrastructure of parishes in the diocese requires renewal, and new investment to implement parish MAPs is necessary. New sources of capital are required to meet these needs.

Investments: The Committee reviews the diocesan investments monthly and provides a representative on the Investment Advisory Committee. Markets have been volatile over 2023, and the committee monitors the value of the portfolio closely. This volatility has not been identified as a major risk factor for the diocese to date and the committee will continue to monitor the portfolio results and markets as necessary.

Insurance: The committee oversees the insurance and liability risk of the Diocese. Insurance risk and costs have increased significantly over the last several years. Unexpected events can have significant impact on diocesan finances and the committee has monitored the need for a contingency fund for future events.

The committee has worked diligently and very hard throughout 2023 and I thank all the members of the Committee for their commitment to this financial work and their passion for the future financial sustainability and success of the bishop's vision going forward.

Respectfully submitted,

The Reverend Dr. Eleanor Clitheroe
Chair

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THE MISSIONAL BUDGET PLANNING COMMITTEE

“Stewarding God’s Gifts for Mission” is the theme of our 2023 Synod of the Diocese of Niagara. This is the lens through which Bishop Susan has asked us to look through as we contemplate and pray about the matters coming before Synod. The biblical foundation for Synod will come from 1 Peter 4:8-12. In those verses we are called to constant love for one another, to be hospitable and to serve one another with the gifts each of us have received and to give God the glory. Later in the passage we read that there will be a time of testing. The pandemic did test us, but our Mission Action Plan continues to focus on the many opportunities where God is calling us to act and compelling us to love.

The mandate of the Missional Budget Planning Committee is to create an annual mission-shaped diocesan budget, directing resources to renew the work and ministry of the diocese, to respond to episcopal priorities and to align with the strategic vision and objectives outlined in diocesan Mission Action Plan (MAP).

This year we have refreshed how the budget is presented, creating schedules that better reflect our current missional stance and the realignment of the diocesan staff teams. The five budget schedules are:

- **Beyond Niagara, Episcopal & Governance Expenses**
- **Administrative Expenses**
- **Ministry Expenses**
- **Education & Formation**
- **Diocesan Properties**

The 2024 budget proposes to invest, prudently, faithfully and expectantly, more than 3.7 million dollars for the building up and resourcing of God’s Church in Niagara. Nearly 2.5 million dollars will be contributed by parishes, down nearly \$200,000 over the prior year. 2024 will be a difficult year as a result of this lower diocesan revenue. This is owed to the 3-year DMM calculation, which naturally lags behind the parish experience. As such, in 2024 the impact of the pandemic on revenues will be felt most fully for the diocese. There is, however, hope on the horizon as parish revenues are rebounding from their lows, and diocesan revenues are expected to see a rebound starting in 2025. As Bishop Susan always reminds us, we are people of expectation, and God will provide.

At the same time, with inflation and cost of living pressures, some areas of the budget will also see significant increases. Most notably, we have included a cost-of-living increase of 3% for salaries and stipends recommended by the Human Resources for Ministry Committee, and a benefit-cost increase from 30% to 32%, owing to increases in mandatory employer contributions. This all results in an operating deficit of \$973K, however, after investment draws, this amount is reduced to a little under 300K. It is proposed that this deficit be covered by applying funds from a mortgage due in 2024, resulting in an overall operating surplus.

Lastly, one new component to the budget is to make provision for a parish-focused Capital Campaign, should we decide to proceed following this fall’s feasibility study. The costs for the campaign are expected to be incurred over a 15-month period. The repayment of the mortgage mentioned above will also ensure we have the cash flow required for this expenditure until such time as revenues begin flowing. This is the time to act. It is the time for fresh thinking and to follow the Spirit’s leading and to live out the hope of Christ in our lives.

Respectfully submitted,

The Venerable Peter Scott
Chair

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THE INSURANCE & RISK MANAGEMENT SUBCOMMITTEE

The insurance Broker continues to be The Gallagher Insurance Group and the insurance carrier remains Ecclesiastical Insurance Office PLC.

Claims History

The Loss Ratio (total claims divided by total premium) for the period was 2% which is an excellent year once again for losses. The Loss Ratio for the last five years was 15%. Total - premiums for the year net of broker fees was \$1,231,736.

Policy Changes

Total premiums have increased 4% for the 2023/2024 period which in the current continuing hard market for property insurance, is a good result and is reflective of the excellent claims record and long relationship with both the broker and the insurer. This is despite the double-digit inflationary increase in construction and repair costs.

Deductibles and coverage limits are essentially the same except the property deductible moved to \$5,000.

The subcommittee continues to work to ensure coverage meets our diocese and parish needs and is cost effective.

Respectfully submitted,

Robert Taylor
Chair

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THE AUDIT COMMITTEE

The Audit Committee was convened in March for the purpose of reviewing the December 31, 2022 Consolidated Audited Financial Statements of The Synod of the Diocese of Niagara and Canterbury Hills.

The Audit Committee has undertaken the following activities:

- The Committee met with the representatives of KPMG LLP, the Executive Officer & Secretary of Synod, and the Treasurer and Director of Finance of the Diocese of Niagara on Friday June 9, 2023, at 1:30pm via Zoom.
- The 2022 Financial Statements and Audit Findings were presented by Paul Ciapanna the Lead Audit Engagement Partner with KPMG.
- Overall, there was nothing significant identified and there were no areas of concern from the Auditors point of view.
- There were two audit reclassifications that there were considered immaterial.
- The committee discussed some language and terminology points during the review which resulted in minor changes to the F/S.
- Considerable discussion centered around the Reserve for Bad Debts and a request was made for more information on this item.
- Additional discussion centered around the ongoing Qualified Opinions that relate to cash control in the diocese itself and in the parishes in general although the parish results are not within the scope of the audit.
- The auditors were asked to give the committee an estimate of the auditing cost that would be associated with a more in-depth review of cash control because of the continuing decrease in the frequency of cash and cheque donations.
- KPMB LLP was recommended as the Auditor for the 2023 Year End. However, although not accompanied by a specific motion, there was consensus amongst the committee that Requests for Proposals be sent out to other Audit firms for the 2024 financial year.

Upon reflection, there was a consensus at the meeting that the audit committee should try to meet in advance of next years annual audit to review the previous year's audit. This will allow time to ask questions about the current year audit and will give new committee members a better understanding of how the diocese operates from a financial perspective. In addition, it would be helpful if the committee members could send in questions, related to the current year draft financials, in advance of the actual annual audit meeting. This would give the diocesan staff the opportunity to respond in advance to save time during the meeting with the auditors.

I would like to thank all the members of the Audit Committee for their contributions.

Respectfully submitted,

Greg Cook CPA, CMA
Chair

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REPORT OF THE INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee (IAC) has overall responsibility for advice related to the stewardship of the diocese's finances and assets. The primary role of the committee is to monitor the investment performance of the funds held by the Synod of the Diocese of Niagara, the Anglican Church Ministries Foundation (ACMF) and Niagara Investment Fund, and the performance of the investment manager or managers. [Russell Investments](#), appointed in 2002, continues to provide investment management and reporting to the Committee.

The overall investment objectives of the Fund are to:

- preserve capital, as adjusted for Canadian C.P.I. (Consumer Price Index)
- maintain sufficient liquidity for anticipated disbursements; and
- generate a rate of return sufficient to cover the anticipated disbursements, collectively expected to represent 4.5% of the Fund.

The diocesan investment administrator issues monthly statements to all parishes which have invested with the diocese. These reports keep them up to date on the overall value of the parish's particular fund(s), including the growth or loss and any transactions (withdrawals or deposits) processed during the month. Further details can be found on the diocesan website: [Synod of the Diocese of Niagara - Investment Policy Statement](#)

The Fund is invested in a well-diversified portfolio of fixed income and equity investments with a current allocation of:

Canadian Equity	12%
ESG Global Equity	45%
Global Infrastructure	9%
Global Real Estate	9%
Canadian Fixed Income	17%
Global Unconstrained Bond	4%
Global Credit	4%
	<u>100%</u>

To August 31, 2023, the current value of the Fund was \$49.9M (million). Considering contributions and withdrawals for the past 12 months, net withdrawals have totaled \$2.6M or 5.2% of the total Fund value. Investment performance has seen a rolling 1-year ROR (rate of return) of 10.16% and a rolling 5-year ROR of 5.43%.

The committee reviews the Fund's investments from several angles. In line with our Mission Action Plan and our diocesan objective to prioritize social justice action with an emphasis on environmental justice, the Fund holds a significant allocation of 45% in ESG (Environmental, Social, Governance) Global Equity. Further to this, we initiated conversation with our advisors from Russell Investments about some of the issues around "fossil-free investing." Our advisors directed us to several perspectives from which this issue needs to be considered. The IAC will continue its work in adherence to the policy and investment objectives as established by Synod.

Respectfully submitted,

The Reverend Rob Duncan
Chair

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HUMAN RESOURCES FOR MINISTRY COMMITTEE

The Human Resources for Ministry (HRfM) Committee of the Diocese of Niagara is an advisory body which works consultatively and collaboratively with the bishop, diocesan staff, and Synod Council. When requested, the HRfM Committee provides advice and resources, undertakes research into various human resources issues, and proposes recommendations that aim to further the diocesan vision and mission (MAP).

This past year, the HRfM Committee has experienced significant member turnover due to the COVID-19 pandemic and transitions in diocesan office staff as Carrie McFarland departed, and Shannon MacKenzie was appointed as the new human resources and volunteer coordinator. As such the committee commenced meeting late spring with a primary objective of identifying major deliverables.

The most pressing need was to research and prepare the 2024 compensation recommendations for Synod Council (stipend and housing allowance increases). As with any organization, the diocese is faced with the challenge of balancing the ability to pay with attracting & retaining talent (clergy & lay). A sub-group of the committee gathered both lagging and projected data to establish its recommendations. As always, in relation to other neighbouring dioceses, the timing of Niagara's Synod requires it to "lead" with respect to compensation planning. These recommendations were presented to Synod Council on September 19th, and with an amendment made to one of the four recommendations, they were approved.

Over the coming year, the HRfM Committee will endeavor to understand priorities with respect to human resources practices and policies, with a goal to ensure all recommendations are in alignment with diocesan strategic direction and the Mission Action Plan.

This may include:

- The creation of new and review of existing human resources policies for consideration at the parish level;
- Identifying opportunities where the development or provision of resources may be helpful for clergy in times of transition (e.g., retirement resources) and employee supervision (e.g., performance reviews); and
- Development of 2025 compensation recommendations to Synod Council.

I would like to take this time to thank the members of our committee for their ongoing efforts and sharing of their expertise towards this important ministry in the diocese.

Respectfully submitted,

Tim Tiernay
Chair