

Church of the Redeemer
Financial Vestry Reports
February, 2019

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Treasurer's Report

Review of 2018 Revenue and Expenses

Parishioners donated \$710,347 (2017- \$744,165). Donations by regular givers through PAR, Canada Helps and Tithely averaged about \$40,000 per month and by envelopes about \$19,000 per month. Open plate donations were \$20,827 (2017 – \$23,398) or about \$1,700 per month. These averages include November and December when we received larger than normal donation amounts through our year-end campaign.

Donations designated for FaithWorks totalled \$31,482 (2017- \$28,604) and, as per our commitment [we have committed to donate 5% of regular givings to the FaithWorks program], we donated \$35,764 (2017- \$31,622) to the program. The \$4,282 shortfall was covered by undesignated donations. As allowed by the Diocese we held back about 15% of our donation to FaithWorks program or \$5,583 and used this money to fund our outreach work through Common Table.

Designated donations were made for Flowers (\$1,890), Common Table (\$132,843), and Special Purpose (\$94,307). The Special Purpose funds were received as donations for music program (\$32,075), George Black Fellowship (\$23,200), Scholar-in-Residence (\$14,500), youth ministry (\$10,161), altar guild-weddings (\$1,000), and other (\$13,371).

The church received non-receiptable donations in the amount \$47,964 for use of our space by outside groups and receiptable donations of \$3,000 for weddings. Each year we receive a York Rectory subsidy in the amount of \$6,800. Income from the "Rectory Fund" invested in the Diocese Consolidated Trust Fund (DCTF) totaled \$24,753 (2017-\$24,175) (see Report on Church Investments on page 19).

The revenue category, "Gifts, Grants and Legacies", includes Diocesan grant that we received to cover the cost of assistant curate position (\$20,000) and the balance of the 2017 "Our Faith~Our Hope" grant for upgrades to our computer system (\$6,693). It also includes three bequests that we received in 2018 where the majority of the bequest amount was designated to support church operations (\$115,619).

In 2018 we budgeted for an operating deficit; that is, we expected donations and income from the aforementioned sources would not be sufficient to fully cover church's expenses. The forecast operating deficit in the 2018 budget was \$26,544 versus an actual deficit of \$43,813.

Some expense highlights for 2018 are as follows (see reports elsewhere in this Financial Vestry Report for additional information):

- The total expenses in 2018 were \$1,284,288 or about \$107,000¹ per month. The total expenses incurred in 2018 were \$59,851 higher than the budget amount that was approved by Vestry on 26 February 2018.
- Largest single expense was our Diocesan Assessment at \$133,956 or about 10% of all church expenditures.
- Personnel costs were higher than budget due primarily to higher than expected costs for our hourly support staff.
- Property expenses in 2018 came in close to budget. Maintenance, supplies and major repair costs were significantly above budget. These higher costs were offset by lower than expected costs for contracts and utilities. In 2018 major repairs to the church cost \$26,043 and included the following:
 - Lighting Retrofit: We converted the fluorescent lights in the building to LEDs which will reduce electricity costs. LEDs are longer-lasting and more reliable than the fluorescents which will reduce

¹ This figure is provided only to illustrate of the amount of cash required to operate the church on an average monthly basis. Actual level of expenditures varies from month to month. Where possible major expenditures are deferred towards the end of the year when revenues are generally higher.

maintenance and replacement costs. The net cost of retrofit was \$8,951 (\$10,651 less \$1,700 rebate from the city).

- Building Assessment and Financial Planning Study (although not repair, the study identified future repair work): Brown and Beattie Study performed a building assessment and financial planning study to help us better predict and plan for future capital expenditures. This study cost \$5,145.
- Toilet Replacement: The toilets on the main floor were getting plugged and causing flooding which, at times, led to water draining into the offices in lower level. We have remedied the problem by buying toilets with power-assisted flushing. This has fixed the issue of toilet plugging and associated flooding while at the same time reducing our water consumption. These new toilets cost \$3,325.
- Kitchen Grease Trap: grease trap in the downstairs kitchen rusted out and had to be replaced by a new trap. Installation of new trap cost \$3,118.
- Church program expenditures totalled \$76,589 and were 95% (2017-97%) of the approved budget. Worship & Spirituality program was over-budget because of the unbudgeted expense for altar vestments. This over-expenditure was off-set by under-expenditures in the areas of youth groups, hospitality and stewardship committee. Note that the church program expenditures only cover the cost of materials and supplies for the various program areas and does not include the cost of staff that support the programs.
- Common Table costs for food, supplies, staff training and recognition, and nursing supplies totalled \$27,639, which is well below the budget allocated for this program. This total cost excludes significant costs for personnel and the church building supporting this program, which are accounted for elsewhere in the budget.
- General office expenses totalled \$132,036 in 2018 and came in above budget. The largest expenditure was for Digital Expansion Project (\$38.3K). Cost for 2018 visioning and strategy work was unbudgeted and cost \$3.1K. Regular office expenditures were for telecommunications (\$14.6K), office supplies (\$13K), photocopying (\$12.5K), banking charges (\$10.2K), computer equipment (\$8.7K), accounting fees (\$8.6K), clergy expenses (\$7.2K) and investment management fees (\$7.3K). This budget category was used to capture a bad debt related to a payment not received from the City of Toronto for 2017 IIN staff salary costs (\$7.5K)

Bookkeepers in 2018

In February 2018 our long-time bookkeeper resigned for personal work-load reasons and we were very sorry to see him leave. Over the next 9 months we hired two different bookkeepers, and both left our employment for different reasons. With three different bookkeepers managing our financial affairs in 2018, the management of our finances was less organized than we would have liked. Financial records were not well managed which made it more difficult to find records during the recently completed audit of our 2018 finances. We did not have regular bookkeeper support during the audit which made the process less efficient.

Search for a new bookkeeper is underway and it is hopeful that a new bookkeeper will be hired by around the end of February 2019. In the meantime, we have temporary bookkeeper support to provide essential services (e.g. payroll).

2018 Audited Financial Statements

Note: The complete audited financial statements are available on our website and in hard copy, upon request.

CHURCH OF THE REDEEMER STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

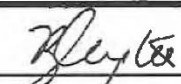
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	General Fund 2018 \$	Capital Accumulation Fund 2018 \$	Maintenance Reserve Fund 2018 \$	Refugee Settlement Committee Fund 2018 \$	Total 2018 \$	Total 2017 \$
ASSETS						
CURRENT						
Cash	112,065	74,277	14,372	72,292	273,006	292,373
Accounts receivable	23,018	-	-	-	23,018	36,853
Prepaid expenses	2,105	-	-	-	2,105	18,431
HST recoverable	8,336	-	-	-	8,336	24,272
Government remittances recoverable	517	-	-	-	517	-
Due from capital accumulation fund (Note 5)	60,424	-	-	-	60,424	-
Due from general fund (Note 5)	-	-	-	-	-	131,065
	206,465	74,277	14,372	72,292	367,406	502,994
INVESTMENTS (Note 2)						
Rectory fund	583,816	-	-	-	583,816	628,824
Church controlled investment fund	942,691	-	-	-	942,691	998,794
	1,526,507	-	-	-	1,526,507	1,627,618
Church property (Note 1)	1	-	-	-	1	1
	1,732,973	74,277	14,372	72,292	1,893,914	2,130,613

APPROVED ON BEHALF OF THE BOARD:

 , Chairperson

Feb. 14, 2019

 , Treasurer

CHURCH OF THE REDEEMER
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

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	General Fund 2018 \$	Capital Accumulation Fund 2018 \$	Maintenance Reserve Fund 2018 \$	Refugee Settlement Committee Fund 2018 \$	Total 2018 \$	Total 2017 \$
LIABILITIES						
CURRENT						
Accounts payable	77,701	-	-	-	77,701	150,249
Government remittances payable	-	-	-	-	-	7,081
Current assessment (Note 3)	134,657	-	-	-	134,657	133,787
Deferred revenue	15,920	-	-	-	15,920	41,264
Due to capital accumulation fund (Note 5)	-	-	-	-	-	131,065
Due to general fund (Note 5)	-	60,424	-	-	60,424	-
	228,278	60,424	-	-	288,702	463,446
Deferred assessment (Note 3)	353,160	-	-	-	353,160	354,030
	581,438	60,424	-	-	641,862	817,476
NET ASSETS						
Total net assets	1,151,535	13,853	14,372	72,292	1,252,052	1,313,137
	1,732,973	74,277	14,372	72,292	1,893,914	2,130,613

CHURCH OF THE REDEEMER
STATEMENT OF OPERATIONS - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

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	2018 Actual \$	2018 Budget \$ (Note 7)	2017 Actual \$
REVENUES (Schedule)			
Donations and space rental	1,220,973	1,168,093	1,218,981
Investment income	(26,358)	23,000	162,845
Subsidies	6,800	6,800	6,800
	1,201,415	1,197,893	1,388,626
EXPENSES (Schedule)			
Personnel	724,926	687,763	608,515
Diocesan assessment (Note 3)	133,957	133,787	153,758
Property	132,882	130,000	113,271
General office	132,036	105,459	101,945
Church program	76,589	80,350	62,620
Drop-in program	48,086	48,329	47,159
FaithWorks (Note 6)	35,764	38,750	31,622
	1,284,240	1,224,438	1,118,890
(Deficiency) excess of revenues over expenses from operations	(82,825)	(26,545)	269,736

CHURCH OF THE REDEEMER
STATEMENT OF OPERATIONS - RESTRICTED FUND -
CAPITAL ACCUMULATION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

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	2018	2017
	\$	\$
REVENUES		
Step into the future donations	15,720	59,592
Interest income	1	32
	15,721	59,624
EXPENSES		
Bank and investment fees	176	194
Step into the future	-	260,686
Our faith our hope campaign	-	50,000
	176	310,880
Excess (deficiency) of revenues over expenses for the year	15,545	(251,256)

CHURCH OF THE REDEEMER
STATEMENT OF OPERATIONS - RESTRICTED FUND -
MAINTENANCE RESERVE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

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	2018	2017
	\$	\$
REVENUES		
Donations	300	38,150
EXPENSES		
Repairs and improvements	18,005	34,480
(Deficiency) excess of revenues over expenses for the year	(17,705)	3,670

CHURCH OF THE REDEEMER
STATEMENT OF OPERATIONS - RESTRICTED FUND -
REFUGEE SETTLEMENT COMMITTEE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

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	2018	2017
	\$	\$
REVENUES		
Donations	23,950	17,390
EXPENSES		
Settlement support	50	36,810
Excess (deficiency) of revenues over expenses for the year	23,900	(19,420)

Overview of Proposed 2019 Budget

The proposed budget for 2019 has expenses totaling \$1,517,637 which is about 24% higher than the 2018 budget approved at last Vestry and 18% higher than actual expenses in 2018. This increase is caused, in large part, by an accounting change where Investing In Neighbourhood (IIN) staff costs are now included in the budget. However, these IIN staff costs will be entirely off-set by payments from the City of Toronto and this revenue is included in "Gifts, Grants and Legacies".

Process for Setting Proposed 2019 Budget

The budget setting process started in early October 2018 with requests for budget proposals. These proposals were evaluated, adjusted, ranked and inserted into the various categories of our budget at a series of meetings held in late 2018 and early 2019. The Finance Committee took responsibility for assembling the budget. The proposed budget was reviewed at the joint meeting of the Advisory Board and Board of Management on 18 December 2018, and the budget was eventually brought to the Board of Management on 15 January 2019 for approval to take to the annual Vestry meeting. The congregation's approval to implement the 2019 Budget will be sought by a majority vote at the annual Vestry meeting on 26 February 2019.

Revenue

The majority of the revenue in the 2019 will come from givings by parishioners which are projected to be \$835,000. As in previous years, it is assumed that a year-end campaign will be required to meet this givings target.

It is projected that about \$199,150 will be raised for designated purposes. This category of donations includes chancel flowers (\$2,500), FaithWorks (\$40,750), Common Table (\$120,000) and special purpose (about \$35,900). Special purpose donations include donations for music program (\$28,500), altar guild-weddings (\$1000), catechesis (\$1000) and youth ministry (~\$5,400). Special purpose donations are expected to be lower in 2019 primarily because we are no longer receiving financial support for Scholar-in-Residence (2018 - \$14,500) and donations directed to support music program are lower (2018 - \$55,275)

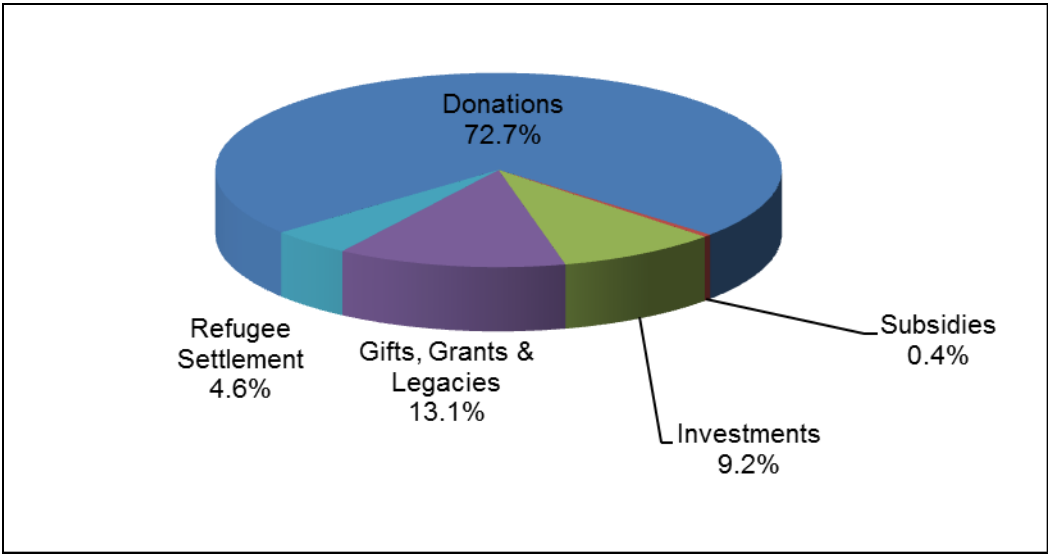
Space rentals and weddings are assumed to provide \$70,000 in revenue which will be used to support church operations.

As in previous years the church will receive \$6,800 from the York Rectory Subsidy and about \$24,000 from the Rectory Fund. Both will be used to cover the cost of clergy housing.

The revenue category, "Gifts, Grants and Legacies", includes donations that can be used to cover salary costs and to support church operations. In 2019 the church will receive grants to cover the cost of youth pastoral apprentice and assistant curate position. This budget category also includes the payments to be received from the City of Toronto to cover cost of four IIN staff that will be employed by the church in 2019. A generous donation of \$50,000 has already been received in January 2019 and will be used to support church operations.

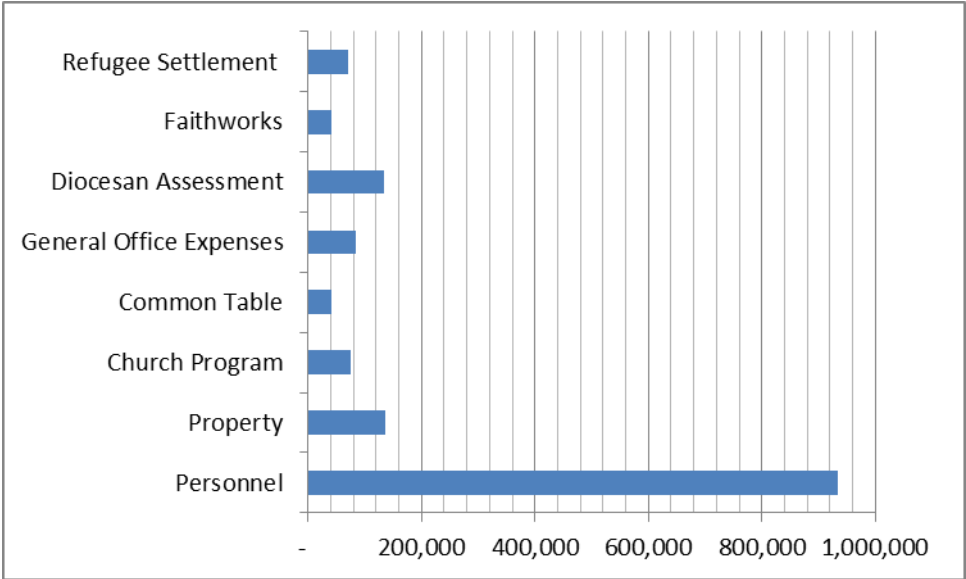
In 2019 it is assumed that \$115,000 will be withdrawn from our investment fund to help pay for church operations. It should be noted that the church has not had to rely on investments as a significant source of funds for operations since the early 2000s. It is hopeful that generous donors will come forward in 2019 with undesignated donations which we will be able to use to support church operations. This would reduce the actual amount that we will need to withdraw from our investment fund.

Figure 1: Major sources of revenue in 2019



Refugee settlement revenue largely represents donations already received in previous years and that will be used in 2019 to support the refugee settlement program. As can be seen in the financial statements (above on page 6 in this report), the Refugee Settlement Committee Fund had a balance of \$72,292 at the end of 2018.

Figure 2: Expenditures by major budget category in 2019



Personnel Expenses

Personnel budget makes up 62% of all planned expenditures in 2019. The personnel budget includes the cost of staff salaries and wages, benefits received by salaried staff, and cost of statutory deductions (i.e. CPP and EI). The staff included in the personnel budget are listed in Table 1.

Table 1: Number of Staff by Category

Staff Category	Number of Staff
Clergy	3
Scholar-in Residence	1
Music Leadership Team	4
Musicians	~12
Salaried Support Staff	4
Hourly Support Staff	8
Investing In Neighbour Staff	4

The 2019 personnel costs are forecast to be \$933,836 or 25% higher than actual costs in 2018. The key factors leading to this significant increase in personnel budget are:

1. IIN staff costs are now included in the personnel budget;
2. Three staff positions started in the first half of 2018 and received pay for part of the year. These same positions will be paid for a full year in 2019;
3. New part-time staff position for the office has been created; and
4. Cost-of-Living-Adjustments to wages and salaries, and other improvements to wages and salaries for selected staff.

Property Expenses

The property budget is \$136,500, which is 3% higher than actual expenditures in 2018. Planned major repairs² or improvements in 2019 include upgrading the chancel spotlights, installing bird netting, installing a backflow preventer, and painting offices. Major repairs are expected to cost about \$34,500.

Church Program Expenses

The church program budget is \$75,594, which is 4% higher than actual expenditures in 2018. Advertising budget is \$10,434 and significantly higher in 2019 because of planned work to update the church website. Youth ministry budget is larger in 2019 to support initiatives by our new Pastoral Associate Youth. These higher costs have been largely offset by lower costs in the area of Worship and Spirituality. Planned 2019 expenditures in the other church programs are largely consistent with actual expenditures in 2018.

Common Table Expenses

The Common Table budget includes cost for food, supplies, and nursing supplies for a program that operates 5 days per week and about 11 months per year. The program serves about 80 to 90 guests each day. This budget also includes an allowance for hiring relief staff.

The Common Table budget is \$41,600, which is a 51% increase relative to actual expenditures in 2018. Food costs are expected to be significantly higher in 2019. There will be a greater emphasis on training and recognition of staff in 2019, and additional funds (relative to 2018) have been allocated to these activities.

It is important to note that the total estimated value of services and supplies to operate the Common Table program is about \$375,000 and the aforementioned budget is only about 10% of this amount. The cost of church

² Major repairs exclude any large-scale or significant improvements to the church property. This would be funded separately through, say, a capital campaign and/or by the Maintenance Reserve fund.

staff that support the program is not included in this budget and is captured in the personnel budget. The cost of operating and maintaining the church space that is used by the program is captured in the property budget (e.g. utilities and repairs). The program relies heavily on donations of food (e.g. Second Harvest). Similarly, the majority of health services are donated to the program.

General Offices Expenses

General office expenses in 2019 are forecast to be about \$84,700 which is a 36% reduction relative to actual expenditures in 2018. Unlike 2018, there are no special projects planned in 2019 (e.g. in 2018 we had major upgrades to church's computer infrastructure) and thus reason for lower expenditures.

General office expenses include banking and investment management fees (\$15,800), telecommunications (\$15,500), photocopy expenses (\$14,700), computer equipment (\$12,500), office supplies (\$11,700), accounting fees for annual audit (\$10,000), and clergy and staff expenses (\$4,500).

Diocesan Assessment

The church will be paying \$134,657 (2018 - \$133,956) to the Diocese of Toronto to support the ministry of the diocese and the ecclesiastical province of Ontario, and the work of the National Church.

FaithWorks

Historically, the church has committed to donate to the FaithWorks program at a rate of 5% of regular givings. In 2019 this translates into a commitment of \$40,750. The budget has assumed that the church will receive donations designated for FaithWorks totaling \$40,750. Based on past experience there is a risk that this goal may not be met, and we will have to use funds from other sources to meet our financial commitment to this program.

Refugee Settlement

In 2019 Church of the Redeemer will sponsor four men from Eritrea. The estimated cost to sponsor these refugees is about \$70,000. This will cover the cost of rent, utilities, food, communication services, clothing and other miscellaneous items.

Summary of Revenue and Expenditures
Budget for Year Ending 31 December 2019

	Budget 2018	Actual 2018	Budget 2019
Revenue Summary			
Donations	1,099,250	1,042,660	1,104,158
Subsidies	6,800	6,800	6,800
Investments	23,000	24,753	139,000
Gifts, Grants & Legacies	68,843	142,312	197,679
Refugee Settlement	-	23,950	70,000
Total Revenue	1,197,893	1,240,475	1,517,637
Expense Summary			
Personnel	699,891	745,372	933,836
Property	130,000	132,882	136,500
Church Program	80,350	76,589	75,594
Common Table	36,200	27,639	41,600
General Office Expenses	105,459	132,036	84,700
<i>Subtotal</i>	<i>1,051,900</i>	<i>1,114,518</i>	<i>1,272,230</i>
Diocesan Assessment	133,787	133,956	134,657
FaithWorks	38,750	35,764	40,750
Refugee Settlement	-	50	70,000
Total Expense	1,224,437	1,284,288	1,517,637
Surplus / (Deficit)	(26,544)	(43,813)	(0)

Note: Total 2018 expense on the financial statements is \$1,284,240 and is less than total expense in above table because auditor recognized the \$50 expense for refugee settlement in the Restricted Refugee Settlement fund.

Schedule of Revenue

Budget for Year Ending 31 December 2019

	Budget 2018	Actual 2018	Budget 2019
Undesignated Donations			
<i>Envelopes</i>	800,000	710,347	815,000
<i>Open Collection</i>	25,000	20,827	20,000
<i>Subtotal</i>	825,000	731,174	835,000
Designated Donations			
<i>Chancel Flowers</i>	2,500	1,890	2,500
<i>Special Purpose</i>	51,300	94,307	35,908
<i>FaithWorks</i>	40,000	31,482	40,750
<i>Common Table</i>	115,000	132,843	120,000
<i>Subtotal</i>	208,800	260,522	199,158
<i>Space Use/Weddings</i>	65,450	50,964	70,000
Total Donations	1,099,250	1,042,660	1,104,158
York Rectory Subsidy	6,800	6,800	6,800
Investment Income			
<i>Rectory Fund</i>	23,000	24,753	24,000
<i>Investment Fund</i>	-	-	115,000
Total Investment Income	23,000	24,753	139,000
Gifts, Grants & Legacies	68,843	142,312	197,679
Refugee Settlement	-	23,950	70,000
Total Revenues	1,197,893	1,240,475	1,517,637

Note: Total 2018 revenue on the financial statements is \$1,201,415. It is less than total 2018 revenue shown in above table because the auditor (adjustment amount so that auditor revenue total is same as above total):

1. Included an unrealized investment loss (+\$51,111).
2. Assumed a larger amount of bequest donation was brought into 2018 income (-\$36,000); and
3. Recognized refugee settlement donation in the restricted Refugee Settlement Fund (+\$23,950).

Schedule of Expenses
Budget for Year Ending 31 December 2019

	Budget 2018	Actual 2018	Budget 2019
Personnel			
<i>Clergy</i>	236,025	212,773	248,567
<i>Musicians</i>	182,140	170,521	189,857
<i>Support Staff</i>	266,726	349,378	481,913
<i>Honoraria</i>	15,000	12,700	13,500
<i>Subtotal</i>	699,891	745,372	933,836
Property			
<i>Parking/Taxi</i>	900	74	-
<i>Major Repairs</i>	20,000	26,043	34,500
<i>Maintenance & Supplies</i>	17,000	25,151	25,000
<i>Contracts</i>	20,000	16,563	9,000
<i>Insurance</i>	21,000	20,949	22,000
<i>Utilities</i>	51,100	44,101	46,000
<i>Subtotal</i>	130,000	132,882	136,500

Schedule of Expenses (continued)
Budget for Year Ending 31 December 2019

	Budget 2018	Actual 2018	Budget 2019
Church Program			
<i>Accessibility</i>	200	-	100
<i>Advertising</i>	5,000	2,072	10,434
<i>Advisory Board</i>	500	529	500
<i>Board of Management</i>	-	1,425	500
<i>Learning at Redeemer</i>	4,350	4,646	4,550
<i>Catechesis</i>	1,500	1,346	1,500
<i>Indigenous Solidarity WG</i>	4,360	4,073	4,210
<i>Creation Matters</i>	-	2,209	3,050
<i>Youth Groups</i>	11,840	5,187	8,500
<i>Church School</i>	6,400	5,083	5,000
<i>Redeemer Rainbow</i>	600	600	600
<i>Hospitality</i>	10,000	8,332	8,250
<i>Music</i>	2,000	864	1,500
<i>Redeemer Gifts</i>	500	-	-
<i>Getting Connected</i>	1,600	167	1,000
<i>Outreach</i>	8,500	9,479	8,500
<i>Pastoral Care</i>	2,000	711	2,500
<i>Stewardship Committee</i>	4,000	2,524	3,900
<i>Synod</i>	1,000	973	1,000
<i>Worship & Spirituality</i>	16,000	26,368	10,000
<i>Subtotal</i>	80,350	76,589	75,594
Common Table			
<i>Food</i>	14,000	12,279	19,000
<i>Supplies</i>	11,200	13,049	11,200
<i>Staff Support</i>	11,000	2,311	11,400
<i>Subtotal</i>	36,200	27,639	41,600
General Office Expenses			
<i>Clergy Expenses</i>	5,000	7,202	4,000
<i>Office Expenses</i>	61,616	74,895	70,700
<i>Legal & Accounting</i>	10,000	8,569	10,000
<i>Special Projects</i>	28,843	41,371	-
<i>Subtotal</i>	105,459	132,036	84,700

Report on Church Investments

This report provides an update about the church's Rectory Fund and Investment Fund. The Rectory Fund is invested in the Diocesan Consolidated Trust Fund (DCTF) and our Church-Controlled Investment Fund is currently invested in Fiera Capital's Balanced Endowment, Foundations and Trusts (EFT) fund. In addition, we have a bank account called the Capital Accumulation Account (CAA) which holds cash for future capital projects (e.g. improvements to church building). In the following section our Investment Policy is described. Next, each of the investment funds and their performance are described. More information about these investment funds and the CAA can be found in the financial statements included in this Financial Vestry Report.

Redeemer Investment Policy

The church's Investment Policy is posted on the Redeemer website (<https://theredeemer.ca/governance/>). The document was prepared by the Finance Committee and endorsed by the Board of Management and the Advisory Board in 2003. The investment policy was approved for use at a Special Vestry meeting on 24 April 2005.

The Investment Policy documented what was the practice over the previous 10 years before the policy was approved. The primary purpose of this document is to add some transparency to the overall process by which we manage our investments. In the longer term it provides a clear starting point for any discussions that we may choose to have regarding changes in our approach to managing our investments or how our money should be invested.

Rectory (or Housing) Fund

The rectory at 225 Glenview Avenue was sold in 2001 for \$505,225. As required by the Diocesan regulation, the net proceeds of \$476,592, after payment of legal and real estate fees were deposited with the Diocese and are invested in the DCFT. The church owns 2627.75 units in the DCTF. In 2018 the distribution rate was \$9.42 per unit and we received \$24,753 (2017-\$24,175) in dividends from the fund. On 31 December 2018 the market value of the Rectory Fund was \$583,816 (2017 - \$628,824).

The proceeds from the Rectory Fund are used to pay part of the clergy housing costs.

Church-Controlled Investment Fund

Background

The church initially invested \$820,572 in Sceptre's Balanced Pooled Fund. The church's investment in the Balanced fund was sold on 1 May 1993 and used to purchase 12,151 units of the Sceptre's EFT fund at a unit value of \$101.86. The market value of all EFT units owned on 1 May 1993 was \$1,237,739. The total gain realized on the sale of the Balanced fund units amounted to \$568,473. The Diocesan assessment on the gain was \$212,075 (37.3%) and the gain to the parish was \$356,398 (62.7%), and each were set up as deferred Diocesan assessment and deferred gain, respectively. Each of these deferrals has been reduced every time a unit of the EFT fund has been redeemed to generate funds for church operations. Funds withdrawn for capital projects, such as our past lower level renovations, were not subject to assessment.

Sceptre Investment Counsel Ltd. merged with Fiera Capital Ltd in June 2010. Church's investment followed in the same EFT fund which is now called Fiera Balanced EFT Fund.

Profile of the Fiera Capital's EFT Pooled Fund can be found at <https://www.fieracapital.com/en/institutional-markets/investment-strategies/balanced/balanced-endowment-foundation-and-trust-eft-fund>.

Fiera's responsible investment policy is available at:

<https://www.fieracapital.com/sites/default/files/Responsible%20Investment%20Policy.pdf>.

On November 23, 2018 we received notification that the investment policy for the Fiera Balanced EFT Fund changed to allow investment in real assets; e.g. real estate, infrastructure and agriculture assets. The fund is now invested in (target allocation effective January 2019): cash (5%), Canadian bonds (20%), Canadian equities (30%), US equities (15%), International equities (15%) and real assets (15%).

As of 31 December 2018 church has 1558 units (2017 – 1639) in the Fiera Balanced Endowment Foundation Trust (EFT) Fund at a market value of \$942,691 (2017 - \$998,794). A redemption was made on October 22 where 81 units were sold to generate \$49,985 (\$50,000 less fees) and this cash was deposited in our operations bank account (via a transfer from the CAA). Last previous redemption was made in 2011 (174 units).

It is noteworthy that in recent years we have not relied heavily on money from our Investment Fund to finance church operations. In the past our church investments were used to fund church operations and represented a significant portion of the money required to operate our church. In 2000 and 2001 the investments were also used as a source of funds for renovations to the lower and main levels of the church.

Management fee paid to Fiera Capital in 2018 totaled \$7,869 including HST. Their total 2018 management fee is set at 0.675% of market value on June 30, 2108 (0.75% less a 10% discount) plus 13% for HST.

Performance of Fiera EFT Balanced Fund

Over the one-year period ending 31 December 2018 the EFT fund return was -0.68%, which is higher than total benchmark performance over this one-year period at -2.21%. The average annual returns for total fund versus total benchmark performance over the last 2, 3 and 4 years are shown in Table 1. The performance of the bond, Canadian equity, US equity and foreign equity components of the total fund and the corresponding benchmark performance are also provided in Table 1.

Table 1
Fiera EFT Balanced Fund Performance
Average Annual % Returns over
Periods ending 31 December 2018
(data supplied by Fiera Capital)

	One Year	Two Years	Three Years	Four Years
Total Fund	-0.68	4.68	5.44	5.78
Total Benchmark**	-2.21	2.88	4.49	4.55
Bonds in Fund	1.66	2.05	1.98	2.32
Benchmark: FTSE TMX Universe	1.41	1.96	1.86	2.27
Canadian Equities in Fund	-8.42	0.32	5.48	3.17
Benchmark: S&P TSX Composite	-8.89	-0.30	6.37	2.49
US Equities in Fund	10.04	14.99	12.09	14.61
Benchmark: S&P 500 Total Return in Cdn\$	4.23	8.92	8.64	11.74
International Equities in Fund	0.77	11.47	6.83	10.56
Bench: MSCI EAFE Net \$Cdn	-6.03	4.78	2.29	6.23

***Total Benchmark is 5% FTSE TMX T-bills, 35% FTSE TMX Universe, 30% S&P/TSX Composite, 15% S&P 500 \$Cdn and 15% MSCI EAFE NET Cdn\$*

Table 2 shows average annual returns of the EFT fund for four-year periods ending in 2015, 2016, 2017 and 2018. These returns are compared to the total benchmark performance over the same periods. This comparison is required so that it can be determined whether or not the fund met the following performance standard in our Investment Policy:

Fund is to achieve, over moving four-year year periods, a total annualized rate of return of 1% (net of all management fees) above the benchmark portfolio.

In other words, for Fiera management to “earn” its management fee, the annualized performance of the fund should be at least 1.0% greater than benchmark after management fee is deducted. As Table 2 shows this objective was only met in one of the four-year periods shown on this table.

Table 2
Fiera Balanced EFT Fund Performance
Average Annual % Returns over
Four-Year Periods ending 2015, 2016, 2017 and 2018
(data supplied by Fiera Capital)

	Four-Year Periods Ending			
	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018
Total Fund*	10.47	10.08	9.07	5.78
Benchmark**	8.71	8.82	7.80	4.55
Value added net of management fee	1.09	0.59	0.60	0.56
EFT Fund Unit Value (\$) at end of 4-year period	516.25	552.22	609.24	605.11

*For example average annual return for four-year period ending 31 December 2015 is based on performance over 4-year period spanning 2012 to 2015.

** See footnote about total benchmark at bottom of Table 1

Fiera Capital Manager Comments

The fund manager provided the following commentary on performance and ethical investing:

- *The Fiera Balanced EFT Fund, while down in absolute terms, outperformed its benchmark in 2018. Although all asset classes in the fund out-performed their respective indices, the added value was primarily driven by strong performance in U.S. and International Equities.*
- *According to the December 2018 Institutional Performance Report from Global Manager Research, the fund ranked in the 2nd quartile out of 123 funds for Q4 2018 and in the 1st quartile in the 1, 2, 3, 4 and 5-year trailing annualized periods.*
- *The Fiera Balanced EFT Fund applies an ethical filter on the companies included in the Reference Index: a company will be deemed ineligible if it derives more than 10% of its revenue, either directly or indirectly, from the following products or services: Adult Entertainment, Alcohol, Firearms, Gambling, Military Contracting, Nuclear Power, Tobacco, and Cannabis.*

Capital Accumulation Account

The Capital Accumulation Account (CAA) is separate bank account for the purpose of accumulating capital to be invested in improvements to the church. This account is also used to receive cash withdrawals from the Investment Fund or to receive cash deposits which will be invested in the fund.

On 1 January 2018 there was \$3,444.95 in this bank account and on 31 December 2018 the CAA balance was \$74,276.79. Total amount deposited into the account was \$252,156 which included transfers from operations account in January (\$182,171), proceeds from sale of EFT units in October (\$49,985) and donations for Refugee Settlement program in December (\$20,000). Total expenses paid from the account totaled \$181,324 and were for church's commitment to Our Faith Our Hope Campaign in January (\$50,000), final payment of Step into the Future work in February (\$81,148), transfer to operations account in October (\$50,000; from aforementioned sale of EFT units) and payment of bank fees on the CAA (\$176).

Finance-Related Motions for Vestry

Motion re: Financial Statements

It will be moved and seconded that the Financial Statements of the Church of the Redeemer, including the Independent Auditor's Report for the year ended December 31, 2018 be approved.

Motion re: Appointment of Public Accountant

It will be moved and seconded that Kriens~Larose, LLP, be appointed public accountant to perform an audit of the general operating statements of the Church of the Redeemer for the year ending December 31, 2019.

Motion re: Budget

It will be moved and seconded that the 2019 Operating Budget, showing total expenditures of \$1,517,637 and projected income of \$1,517,637 be adopted.

