

The
**Parish
Treasurer's
Manual**

Revised March 2009



Diocese of New Westminster

ANGLICAN CHURCH OF CANADA

#580 – 401 West Georgia Street, Vancouver, BC V6B 5A1

Website: www.vancouver.anglican.ca

INTRODUCTION

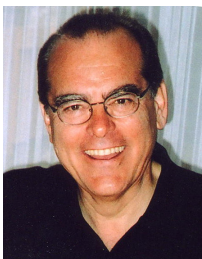
Under Canon 14 (Parochial and Congregational Organization) – Division 2 (Parish Officers): Section 1426 states that *‘each Parish shall have a Treasurer who shall report to and take direction from the Church Wardens. The Treasurer shall be appointed or elected at the Annual Vestry Meeting as Vestry shall see fit.’*

It stands to reason that a Parish Vestry’s preferred candidate for the Parish Treasurer’s post would be an individual who possessed some professional financial experience. In reality, however, many parishes within the Diocese are devoid of any parishioners who possess sufficient financial expertise by themselves, to adequately perform the Treasurer’s function, without some proper guidance. Accordingly, the purpose of the Parish Treasurers’ Manual, compiled by a special Task Force of the Diocesan Administration and Finance Committee (A&F), is to assist Parish Treasurers in the comprehension and discharging of their responsibilities, irrespective of their particular level of accounting or investment knowledge.

Ideally, a Parish Treasurer should be a person who has at least a general understanding of accounting principles and practices. While many Parishes do employ the services of a professional accountant to perform various bookkeeping functions, it is the Treasurer who bears the primary responsibility for the management and administration of a Parish’s funds. Indeed, a Treasurer’s responsibilities may include Parish Council membership; finance committee chairmanship; the presentation of monthly and annual financial statements; budget preparation; signature authorizations; Government report compilation; as well as Diocesan, auditor and banking liaisons.

In addition to traditional accounting responsibilities, notwithstanding, the Treasurer of a Parish which has monies invested within the Diocesan Consolidated Trust Fund (CTF), should also understand and be familiar with the Diocesan Investment Policy Statement; the professional management of CTF investments; the CTF cash draw procedure; CTF investment returns and reports; and the Diocesan / Parish Treasurer Annual Information Meeting, usually convened during the October – December quarter.

This Manual is dedicated to the faithful ministry of Parish Treasurers of this Diocese, past and present. It is published in the hope that it will help all Parish Treasurers to respond more fully to their call from God, to serve the Church in this particular capacity.



Rob Dickson
Diocesan Business Administrator

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SECTION A1: DUTIES OF THE TREASURER

If you have any questions about the items below, please contact the Controller Mark Beley or Rob Dickson, Business Administrator.

a) Planning Schedule

Many treasurers find value in diarizing the major tasks that need to take place during the year. Shown below is how that might look; clearly it would need to be adjusted to meet the needs and requirements of your particular parish.

January	Audit books Prepare for vestry meeting Ensure payroll change data is in to Diocese on a timely basis
February	Annual vestry meeting Change of signing authorities at bank Workers Compensation Board Filing
March	Operating Receipts Report form in to Diocese
April	Complete and submit annual CRA Annual Charity return
May	
June	Ensure parish has sufficient cash for summer slow down.
July	
August	Send out budget request information to parish groups
September	
October	Work on Budget
November	Review Assessment advice from Diocese Finalize Budget Review minimum clergy stipend data from Diocese
December	Prepare for year-end Insurance invoiced to parishes by Diocese

b) Monthly Reporting to Parish Council

Parish Council should be provided on a monthly basis with the income statement and balance sheet of the parish. Income statements should provide comparisons to and variances from budgets, both on a monthly and on a Year-to-Date (YTD) basis.

Commentary on significant variances, trends and any concerns should be provided to Parish Council. As well, recommendations on necessary actions to remedy problems should be thought through and provided to parish council.

c) Annual Reporting to Vestry

Treasurers typically present the audited financial statements and the budget to the February vestry meeting. The financial statements should include an income statement, a balance sheet and a budget for the next year.

Note: Cash flow statements are not required unless you are having an audit done, in which case they are prepared by the auditors.

d) Signing Authority

There should be a minimum of four signing authorities, one of which is the treasurer. Each cheque should require two signatures, with one preferably being that of the treasurer. This allows for the treasurer to be aware of cash needs as early as possible, and to manage cheque release in line with cash availability.

The treasurer should remember to update signing authorities with the parish's financial institution when any signing authorities (Parish Officers) are changed.

e) Insurance Review

Around December of each year, the parish will receive an insurance bill from the diocese. Treasurers and wardens should review this document carefully, particularly as to valuation of buildings and contents. This is particularly important where there has been a significant change in parish assets since the last renewal.

With the renewal information should be a contact person with the insurance broker in the event a claim is necessary. If this has been misplaced, please contact the Diocesan Controller Mark Beley. Claims need to be submitted on a timely basis. In the event of a major claim, please ensure that the Diocesan Controller as well as the insurance broker is made aware of the problem.

f) Remuneration – Clergy and Others

Late each fall, usually in October, Diocesan Council approves and the Business Administrator distributes documentation on **minimum** clergy compensation levels for the coming year. This goes out to the rectors, wardens and treasurers.

Once completed, the form approving the payroll changes should be returned to the Diocesan payroll administrator, so that any change can be implemented on the due date (normally January 1). A new Form should be submitted each year for each person paid through the Diocesan payroll

It should be reiterated that the information from the diocese refers only to minimums. Parishes have the ability to pay above the minimums at their discretion.

Plan B – The diocese has been introducing a new approach to clergy remuneration that is known as “Plan B”. This new approach is to move to a more holistic remuneration system for Clergy in the diocese.

g) Budgeting

The parish treasurer, in consultation with the rector, wardens and the finance committee, usually manages the budgeting process. This starts in the fall, and goes through finance committee, church committee, trustees and finally at the annual vestry meeting of the parish in February. Close coordination is required with the stewardship chair, so as to be able to as closely approximate parish income as possible.

The budget presented to church committee and the annual parish vestry meeting should include columns for two or three prior year's actuals, current year budget, current year forecast and actual results and following year budget. This will allow opportunity to review budget projections for reasonableness.

As your system grows, you will be able to present your parish with three year "look forwards" or projections.

h) Assessment Reviews

Each fall a notice is sent out to the treasurer advising of the regular and Growth Fund (if applicable) assessments for the coming year. The information on the assessment advice is derived from the annual Parish Operating Receipts form completed by each parish and sent in to the diocese in early spring. Regulation 12 provides a description of this process.

It is vital that treasurers spend some time to fully understand the assessment process. This will enable a solid review of the assessment advice, and help in catching any errors that may have slipped through during the calculations. Failure to advise of any errors will result in that number being incorporated into the Final Assessment Notice being incorrect. It is therefore important to be as certain as possible that the assessment number is correct.

i) Cash Flow Management

Many parishes experience an uneven flow during the year, with low points during summer months and significant increases in cash receipts during the month of December. Since expenses tend to stay level across the year, the parish must ensure that it will have enough cash during the slow months.

The Diocesan Pre-Authorized Donation (PAD) program allows parishioners to donate a fixed amount every month via pre-authorized debit or credit card. The monthly PADs can then be deducted from the monthly remittance to the Diocese. The PAD program is run by the diocese at no cost to the parishes. Please contact Carol Simpson (x 212) if you are interested in pursuing this program.

j) Professional Relationships

It is clear that the treasurer needs to maintain strong working relationships within the parish. This would include clergy, wardens, trustees and staff, among others

Also important to success is the nurturing of relationships with bankers, diocesan staff resources, parish auditors and in some cases legal professionals acting on behalf of the parish. This is not onerous, but it can prove worthwhile in the smooth functioning of the parish. These people can be valuable allies in times of challenge.

k) Facility/Building Management

Many parishes do not take a proactive approach to facility/building management. It can and sometimes does result in large financial surprises, and a fast scrambling treasurer to secure the dollars needed to rectify a problem.

Treasurers should work closely with their facility coordinators to insure that annual facility/building audits are completed, and that the annual vestry meeting is properly informed of upcoming financial requirements to properly manage the stewardship of the facilities with which we are entrusted. This should be a standard part of each annual vestry meeting.

l) Grants and Loans

Financial support in aid of parish life and ministry is available in certain instances, both from the diocese and from the national church. In most parishes the treasurer is involved in preparing the financial information that is needed to accompany the application.

Application forms are available from the Diocesan Business Administrator, Rob Dickson, along with support in completing the application if needed.

m) Financial Stewardship / Planned Giving

The parish treasurer should be a key participant in ensuring that a healthy financial stewardship and planned giving program is operational in the parish. While of course inter-related, one focuses on the short-term financial health of the parish, while planned giving focuses more on the long-term financial health and capability of the parish.

Support resources are available at the Diocese if help is needed to ensure both of these programs are up and running smoothly.

SECTION A 2 - ACCOUNTING CONTROLS

a) **Cash or Accrual Accounting**

Practice varies from cash to accrual accounting. You should use cash accounting if you are not trained in accrual accounting. If you have any questions about your parish's accounting methods, please contact Diocesan Controller Mark Beley.

b) **Develop / Maintain the Chart of Accounts**

A well developed and managed Chart of Accounts will enable the breakout of the information necessary to providing good information to church committee and other users, as well as being important in managing the financial life of the parish. Do not be afraid to ask us for a copy of the Diocesan chart of accounts; there is no prize for reinventing the wheel!

c) **Financial Statements**

As explained above, you will need to provide monthly statements – Revenue and Expense statements and Balance Sheet statement to the parish council, and similar annual statements for the annual vestry meeting. Again, if you have questions about the financial statements, please contact the Diocesan Controller Mark Beley.

d) **Flow-Thru Reporting**

These would be donations which are collected by your parish for forwarding onto other Anglican Charities such as Primates World Relief and Development Fund, Going the Extra Mile, Honoring Our Commitment and others. These items should be disclosed separately from donation income, and reported regularly to parish council and vestry.

You should include flow thru amounts on your monthly remittance to the Diocese. We collect all parish donations and forward them monthly to the national office. The wishes of donors need to be carefully honoured.

e) **Parish Funds Information Maintenance**

Many parishes maintain funds for various purposes. These may include things such as organ replacement, building fund and memorial garden fund. It is good to recognize the strong interest parishioners have in these funds, and to provide reporting that reports transactions during the year to church committee and vestry.

The wishes of those contributing to special funds need to be carefully honoured!

f) **Audited Financial Statements**

In the past, audits were required for all parishes. However, in recent years, Audit engagements have become prohibitively expensive for most parishes.

Although the Diocesan Canons call for a full audit by all parishes annually, the diocese is working toward new standards that will probably read as follows:

- Audits will probably be required for parishes with operating income over \$500,000.
- Review Engagements will be required for parishes with operating income over \$250,000.
- All other parishes will have their statements examined by a Diocesan accounting body.

g) Long-Term Forecasting – Five-Year Plans

Most parishes operate on the basis that financial planning focuses on the budget for the coming year. The annual budget is of course important, but there is also an important role for long-term financial planning. The five year forecast is similar to the budget; however you will be estimating income going forward, as well as major expected expenses, such as new staff or renovations. This will help your parish to see trends and issues at an earlier point in the planning life of your parish

If you'd like help in preparing a forecast for your parish, please contact Diocesan Controller Mark Beley.

h) A “Healthy” Parish View

The following represents some rough guidelines that can be utilized in analyzing the financial health of a parish. They can be of great assistance when considering the risk and exposure facing a parish when its income or expenditures stray from ‘healthy’ ranges.

What is healthy parish stewardship?

As parishes evolve over time certain patterns take shape. Each parish has a unique history that is a composite of the personality of its people, mission, economics, theology and other factors. What is common are patterns that are indicators of the health or distress of the community. They act as a kind of barometer of parish health. While the barometric readings we use here are financial, they are indicators of spiritual and community health. They are indicators of all that stewardship implies, in the use of time, talent, and treasure. We hasten to add that they are not absolutes, but a range within which to read the scale. As an example, an urban parish with a one hundred year history is far more likely to have endowment income as a significant factor in the budget than a suburban or rural parish with a forty-year history.

The first indicator is the **relative percentage of parish income** that comes from each of four sources:

- Parish Giving: **The backbone of parish income.** Healthy Range 60-80%
 - *Is the percentage portion of income declining or growing?*
 - *What is the trend per giver?*
- Endowment Income: The faithful past. Healthy Range 10-25%
 - *Are these funds used to fund base ministry or building costs?*
 - *Are they allowing us to do outreach or other complementary ministry?*
 - *Are we growing dependent on these funds?*
- Build'g or Facility Based Income: Pre-schools etc. Healthy Range 10-25%
 - *Do we depend on these funds to keep the doors open?*
 - *Is the recovery apportioned to actual costs?*
 - *Do the user groups reflect our vision of community needs?*
 - *Is parish use of facilities being sacrificed?*
- Fundraising and Other Healthy Range 5-15%
 - *Do we rely on fundraising to balance the books?*
 - *Do we use fundraising to pay base expenses?*
 - *Does fundraising replace responsible stewardship giving?*

The second barometer reading is the **relative percentage of parish spending** on each of several categories:

- Payroll: Ordained and lay team Healthy Range 30-60%
 - *Do our priests do jobs others might better do?*
 - *Do our clergy have time to be 'priests and deacons' amongst us?*
- Facility Upkeep: Maintaining the Parish Plant Healthy Range 10-25%
 - *Are we adequately maintaining the facility?*
 - *Do we adapt to new needs?*
 - *Are we planning for major renovations and replacements?*
- Program: Worship, Christian education, etc. Healthy Range 10-25%
 - *Are we investing in the future?*
- Outreach: Caring beyond ourselves: Healthy Range 10-25%
 - *Are we addressing needs in our community?*
 - *Are we addressing needs outside, SIA, PWRDF, and others?*

With each of the above factors, either in income or expenses, it is important to look at the trend over time, at least the last five years. If trends are developing away from health, how is the parish addressing the concerns?

SECTION A 3 - SYNOD OFFICE SUPPORT PERSONNEL

The staff of the Synod office represents a major resource of information and support to the volunteers carrying on their critical roles in the parishes. Many staff volunteer their own time in their home parish, and thus develop a good understanding of the challenges faced by volunteers within the parishes. Included below are the most common areas of support that will be of interest to treasurers; please phone and ask if the area you need help in was not covered!

- a) **Business Administrator:** Rob Dickson (x 215) provides overview to accounting, archives, payroll, communication, insurance, administration and planned giving. As well, the Business Administrator provides staff support to the Administration and Finance Committee and the Grants and Loans Committee and Diocesan Council.
- b) **Diocesan Controller:** Mark Beley (x 214) is a CGA who manages the accounting requirements of the Diocese. Accounting, Assessment, CTF, Insurance and Parish statement questions would normally be addressed to him.
- c) **Payroll & Accounts Payable:** Michele Van Teunenbroek (x213) would normally handle queries regarding payroll & benefits administration for clergy and other staff on the Diocesan payroll program.
- d) **Planned Giving Director:** Glen Mitchell (x 218) is a fundraising professional with many years experience, who can provide your parish with advice on fundraising and stewardship.
- e) **Archivist:** Melanie Wallace manages the archives, located on the campus of the Vancouver School of Theology. She can provide helpful information on what to keep and what can be disposed.
- f) **Communications Officer:** Neal Adams (x223), as well as managing the Diocesan 'TOPIC' newspaper, oversees the management of the WEB site: www.vancouver.anglican.ca This is an excellent source of information. As well, a brochure with pictures is maintained to help outline the staff and areas of support available from the Synod office.
- g) **Other Staff** The diocesan office offers significant support in many other areas that are dealt with in the Bishop's office and the parish ministry support area.

We are a well-blessed Diocese, and often volunteers from parishes are happy to support fellow volunteers in another parish.

SECTION A 4 - IMPORTANT MONTHLY FORMS

ALL FORMS LISTED BELOW ARE AVAILABLE BY EMAIL, FAX OR MAIL.

- a) **Monthly Remittances to the Diocese**
Forms are mailed out on request to assist parishes and Diocesan staff in handling remittances to the Diocese. Remittances would typically include such items as assessment, annual insurance payments, payroll and synod meeting meals. Please

contact the Payroll & Accounts Payable supervisor if you need a copy or have any questions.

b) Payroll Authorization

This form is sent out to treasurers in late fall so that any changes to salary or benefits are ready in time for the new year. If any change is to be made during the year, please request a form from the Payroll & Accounts Payable supervisor, so that the change can be implemented as requested. And if there is a new person starting or someone leaving, please provide as much notice as possible to the Payroll & Accounts Payable supervisor. Forms can be sent out by E-mail, Fax or regular mail, as you prefer.

NOTE: All Payroll Changes MUST be in writing before they can be implemented.

c) Parish Operating Receipts

This annual form is sent out to treasurers, to be completed and returned to the Senior Accountant in February of the New Year. **A copy of the financial statements and budget for the coming year must also be included with the completed report.**

It is important that reasonable care be taken in preparation of this report, as the information is used to determine the level of Parish Assessment in the ensuing year.

d) Workers Compensation Board (WCB)

Any parish providing direct compensation to a staff member (ie not through Diocesan Payroll) is required to register and provide annual reporting to the WCB. The fee is small, but the potential liability for medical expenses or other compensation for those ignoring this requirement is huge. **Please comply!!** As well, if a parish is contracting for some work to be performed, it is important to secure a LETTER CLEARANCE from the WCB, ensuring that the contractor has WCB coverage. Otherwise, the WCB premium becomes the responsibility of the parish.

The WCB can be reached and forms obtained by several means:

- Phone: (604) 279-7448
- Fax: (604) 231-8358 (Attention: Forms Distribution)
- E-mail: **orderfrm@wcb.bc.ca**
- WEB: **www.worksafebc.com/quick_list/**
- Mail: Forms Distribution
Workers Compensation Board
PO Box 5350 Stn Terminal
Vancouver, BC V6B 5L5

e) GST Semi-Annual Recovery Return

As a registered charity, parishes are able to apply for and receive a refund of 50% of the GST they pay out on their purchases of goods and services. This can be applied for every six months. Form GST189 is utilized for that purpose.

Further information on GST recovery can be secured by:

- Phone: 1-800-959-5525 (toll free – general information)
- WEB: www.cra.gc.ca/forms
- Phone: 1-800-959-2221 (toll free – for forms)

f) Bank Signing Authority

It is important that with the change in elected officials at each Vestry meeting that the Treasurer takes responsibility for arranging a change of signing authority with the financial institution(s) utilized by the parish. All accounts need to be changed, and while at times a painful process it is important to follow through in a timely manner.

**SECTION A5: CHARITABLE INFORMATION RETURN FOR CANADA
REVENUE AGENCY**

Each parish is supposed to submit an annual information return to Canada Revenue Agency in order to keep their charitable registration number. You should receive the blank forms from Canada Revenue Agency in January, to be completed by June. **If you fail to submit the forms on time, your charitable number will be revoked, and your donation receipts become invalid.**

Getting a revocation overturned used to be a simple process, but Canada Revenue Agency has become Very Strict in recent years. Nowadays, if your number gets revoked, you have to re-apply for a new number – a process which can take 6 months to a year.

If you are a new treasurer, make sure that your predecessor has been submitting the forms annually. You can check the charities website listed below to see if your parish is listed. Contact the Diocesan Controller Mark Beley if you require assistance

The CRA Charities Division can be reached as follows:

- Phone: 1-800-267-2384 (toll free)
- Fax: (613) 952-6020 or (613) 946-2423
- WEB: <http://www.cra-arc.gc.ca/tx/chrts/menu-eng.html>
- Mail: Charities Division
Canada Revenue Agency
Ottawa, ON
K1A 0L5

SECTION A6: COMPUTERS AND FINANCIAL SOFTWARE

Books can be maintained on a manual ledger basis. In a small parish that may well be the method of choice. In most instances, however, treasurers with access to computers will wish to prepare financial information with the assistance of financial software.

If you are looking to purchase new accounting software, **our recommendation is to use Powerchurch Plus**. This package is specially designed for churches, and includes easy-to-use accounting software, plus other useful programs (such as a database for tracking parishioner giving). It can be used by both the bookkeeper and the envelope secretary.

If you're interested in purchasing this software at a discount, please contact Mark Beley (x214).

SECTION A7: RECORD RETENTION

The Canada Revenue Agency (CRA) requires that we keep all financial records for a minimum of six years. For many parishes this may be as simple as purchasing a Records Box from a stationary store and keeping each year in its own box. Care should be taken when disposing of old financial records to ensure that any material of a confidential nature is shredded prior to disposal.

Your annual vestry reports and parish registers (e.g., baptismal, marriage, burial and General Vestry book) should be sent to the Archives when completed. If you're not sure whether something should be archived, please call Melanie Wallace, diocesan archivist, at the archives. (604-822-9583).

SECTION A8: ADMINISTRATION & FINANCE COMMITTEE

a) Budget Sub-Committee

The Diocesan Administration and Finance Committee (A&F) utilizes a Budget Sub-Committee to review diocesan budgets and vision budgets that are prepared by operations staff. This line-by-line detailed review enables a recommendation to be made to the A&F Committee. Budgets and long-term financial plans are then recommended to Diocesan Council and in turn to annual meetings of Synod.

b) Audit Sub-Committee

A&F utilizes an Audit Sub-Committee to review with the Diocesan auditors the audited financial statements of the Diocese. The results of this review and any recommendations are then brought to the A&F Committee for action. As with

budgets, audited statements are then brought to Diocesan Council and then to annual meetings of Synod for approval.

c) Investment Sub-Committee

A&F utilizes an Investment Sub-Committee to review and make recommendations as to the investment of the monies within the Consolidated Trust Fund (CTF). The CTF is made up of funds from both the parishes and the diocese.

Items that are the topic of reviews include the following:

- Choice of Investment advisor
- Recommended draw rate from the CTF
- Development and maintenance of Investment Policies and Procedures, utilized as a guideline by the Investment advisor
- Review and recommendations of the split on investments between debt and equity, domestic and foreign
- Reviews of financial performance of the CTF against established criteria

SECTION - A9

Grants and Loans Committee

This committee administers the Grants and Loans system of the diocese and provides advice to diocesan council when required on such matters. The committee has a standard grant and loan request form for all applications. Please contact Rob Dickson, Business Administrator for these forms. They are available electronically and in hard copy form.

SECTION B 1 CONSOLIDATED TRUST FUND (CTF) Policy & Procedures

The November 2004 edition of the CTF Investment Manager Policy and Procedures is included at the end of Section C. If you have any questions about this area, please contact Rob Dickson, Diocesan Business Administrator.

SECTION B 2 CTF Cash Draw Procedure

The CTF operates the Balanced Fund as a mutual fund, with its unit value going up and down depending on changes in the market value, as well as Dividend and interest income. Every month you will receive a statement showing the gains or losses for your parish's funds. The CTF has now has two "Funds" – the Balanced Fund and the Money Market Fund.

The Balanced Fund is invested in a conservative mixture of bonds, Canadian and Foreign equities, and is intended to provide growth over the long term. The Money Market Fund is invested in a very conservative mixture of safe investments. This fund is designed to preserve capital, although its earnings are expected to be lower over time.

Parishes can transfer any amount between their Balanced Fund and Money Market Fund in the CTF, even if they are restricted funds.

Parishes should note that any draw will decrease the value of their funds within the CTF. Likewise, any deposit will increase the value of their funds. Parish CTF funds are held in trust by the diocese, and can be withdrawn by the parish at their discretion, unless they are restricted.

Restricted Funds are those restricted by Diocesan Council which often result from the sale of parish property. The original proceeds from the sale are referred to as the "Restricted Capital", and cannot be spent without permission of Diocesan Council. The investment income from the capital can be spent at parish discretion.

Every year the Diocese provides a recommended draw % for the parishes. We advise that you not draw more than the recommended %, or else you may run out of funds for future years. Many parishes draw the recommended % in January and July of each year, while others draw a lump sum depending on their needs.

If you wish to make a draw on your CTF account, please contact controller Mark Beley. Please note that if your requested draw is for more than \$10,000, you should allow for a few days to ensure that the Diocese has enough cash on hand.

SECTION B 3 CTF Annual Information Meeting

As mentioned in the previous section, a meeting including the CTF Investment Advisor does take place on an annual basis. This is typically in the latter part of the year. At this meeting an update on the operation of the CTF is provided, and there is good opportunity to ask questions of the speakers and other participants. **Please attend!**

SECTION B 3 CTF Management

The CTF is managed by a close working relationship between the Administration and Finance Committee (A&F), Rob Dickson, the Business Administrator, the Diocesan Controller Mark Beley and the Investment Advisor. On a quarterly basis, or more often as required, the Investment Advisor meets with A&F to present reports on items such as those shown below, make suggestions on the management of the fund and answer questions as needed.

The areas normally covered in these reviews include:

- Portfolio reviews and evaluations, including a statement of investments
- Performance review, including an analysis of performance against established criteria
- Forward looking economic and market analysis
- Split analysis of holdings between stocks and bonds, domestic and foreign

SECTION C1: CANONS & CONSTITUTION et al

Canon 14 paragraph 1426 is the section of Canons that establishes the position of Treasurer within a Parish. Wording is as follows: "Each Parish shall have a Treasurer who shall report to and take direction from the Church Wardens. The Treasurer shall be appointed or elected at the Annual Vestry Meeting as Vestry shall see fit. The Church Committee may remove or replace the Treasurer on the recommendation of the Wardens."

New Treasurers should borrow from their Parish Church a copy of the Canons and Constitution binder. In it should also be included a copy of "The Policy Manual", which provides excellent commentary on diocesan policies and procedures.

Specific Canons and Regulations worth reviewing from a finance side of Church life include:

- Canon 26 - Finance
- Canon 29 - Grants and Loans
- Canon 30 – New Development Fund
- Regulation 7 - Remuneration of Clergy
- Regulation 11 - Standing Committees

- Regulation 12 - Parish Assessments and Diocesan Growth Fund
- Regulation 13 - Diocesan Growth Fund - Allocations
- Regulation 21 - Anglican Initiatives Fund

SECTION C2: CORRECTIONS / SUGGESTIONS

Your suggestions for corrections, needed additions and other improvements are most welcome, and encouraged. No one person or group has a monopoly on all the right answers. You can assist in making this a better tool in support of your fellow treasurers.

Please submit any and all suggestions to Rob Dickson, Diocesan Business Administrator.

DIOCESE OF NEW WESTMINSTER

CONSOLIDATED TRUST FUND

INVESTMENT MANAGER POLICY AND PROCEDURES

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1. General

Introduction

The Consolidated Trust Fund (“CTF”) is an investment fund overseen by the Administration and Finance Committee (“A&F”) and administered by the Diocesan Business Administrator. All Phillips Hager & North (“PH&N”) Community Values Fund shares are held by the in-house custodian of the investment management company, and the investments are managed by a professional investment counselor.

The CTF receives funds from both Diocesan and Parish sources. Diocesan funds arise primarily from bequests, capital fund raising and short-term operating surpluses. Parish monies traditionally arise from four main sources:

- Disposal of surplus property
- Bequests and gifts
- Endowment and building funds
- Operating surpluses

CTF records are maintained at the Diocesan office in Vancouver. These records are included in the annual audit of the Diocesan operating results, conducted by a firm of chartered accountants (“the Auditor”) engaged by the Synod.

Governance

On October 9, 2001, Diocesan Council adopted a written Investment Policy Statement for the CTF and published it as Regulation 16 of the Regulations of the Diocese of New Westminster. On October 12, 2001, Diocesan Legal Counsel opined that the Diocesan Investment Policy Statement was in compliance with Section 3A of *The Anglican Synod of the Diocese of New Westminster Incorporation Act (1893)* which provides as follows:

- 3A. *The Synod may invest and reinvest any of its funds, including funds held in trust, in*
- (a) any investments in which Trustees are authorized from time to time under the laws of the Province to invest trust funds; and*
 - (b) any investment authorized from time to time under the Laws of Canada for the investment or lending by life insurance companies of their funds.*

and which is in compliance with Section 492 of the *Insurance Companies Act* which states:

492. *The directors of a company shall establish and the company shall adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return.*

Compliance

- (a) All investments will be made in accordance with the Code of Ethics and Standards of Practice of the Association of Investment Management and Research (“AIMR”).
- (b) Inasmuch as A&F must respect and give due consideration to the concerns of Member Parishes and the General Synod, regarding investments in companies whose activities are deemed a violation of our Christian principles, A&F will require that all investments be screened against agreed-upon criteria for socially responsible investing.
Current requirements are:

- Equities - Must meet requirements for inclusion in any one of the PH&N Community Value Funds
- Fixed Income – except mortgages
 - i. If an equity issuer, must meet Equity requirements
 - ii. If not an equity issuer, no requirements set at this time as fixed income issuers are not generally monitored for social responsibility
- Fixed Income – Mortgages only
 - i. Mortgages in mortgage funds – not presently screened
 - ii. Mortgages not in mortgage funds – screening to be waived or criteria set by Treasurer or Business Administrator – Screening not required of Anglican borrowers ¹

Authority for Issuance of Policy

This policy is issued by A&F pursuant to Section 3.5 of Regulation 16.

2. Responsibilities

Administration and Finance Committee

As chaired by the Diocesan Treasurer, A&F is responsible for:

- Delegating to the A&F – CTF Investment Review Sub-Committee (“IRS”) any tasks which may be necessary to assist in the prudent management of the CTF.
- Monitoring the Investment Manager, the Custodian, and any other agents or advisors.
- Reporting CTF performance results to Member Parishes on not less than a quarterly basis.
- Convening a Diocesan Annual Meeting, to be held with Parish Treasurers, the Diocesan Business Administrator, The Diocesan Treasurer and the Investment Manager in attendance.
- Reviewing and revising as necessary this Policy on an annual basis.
- Informing the Investment Manager of any significant cash flows.

Investment Manager

The Investment Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable constraints.
- Providing A&F with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy.
- Attending regular A&F meetings at least twice annually to review performance and to discuss proposed investment strategies; and attending the Diocesan / Parish Treasurers’ Annual Meeting.

¹ Mortgages not in mortgage funds are not currently authorized to be administered by PHN.

- Informing A&F promptly of any investments which fall outside of the Investment constraints contained in this Policy and what actions will be taken to remedy this situation.
- Advising A&F of any elements of this Policy which could prevent attainment of CTF objectives.

3. CTF Objectives

Investment Philosophy

- The overall investment philosophy of the CTF is to maximize the long-term real rate of return, subject to an acceptable degree of risk, consistent with the long-term goal of capital preservation.
- The CTF will be managed on a pooled fund basis using a balanced fund strategy.
- To facilitate active management of the portfolio, the Investment Manager will employ the principles of diversification and liquidity as deemed consistent with the CTF's investment objectives.

Investment Objectives

- The long-term expected rate of return for the CTF is 4 % above the rate of inflation, as recorded by the Consumer Price Index.
- On a four-year moving average basis, the CTF expects investment returns to exceed the benchmark return by $\frac{3}{4}$ of 1 % - 1%. The benchmark is comprised of:
 - 30 % TSE 300 Total Return Index
 - 20 % MSCI World (Ex-Canada) Index (in Canadian dollars)
 - 50 % SCM Universe Bond Index
- If the Investment Manager's stock selection ability is restricted (see **Compliance**) it is understood that this may impede and infringe upon his ability to outperform the benchmark as outlined above.

Rate of Return Calculations

Market value calculations are to be used unless otherwise indicated and all calculations are to be made on a time-weighted basis.

4. Asset Allocation

Target Asset Allocation and Ranges

<u>Asset Class</u>	<u>Minimum*</u>	<u>Target*</u>	<u>Maximum*</u>
Canadian equities	20 %	30 %	40 %
Foreign equities	10 %	20 %	30 %
Total equities	40 %	50 %	60 %
Fixed Income	40 %	50 %	60 %

* Percentage of portfolio at market value.

5. Authorized Investments

List of Authorized Investments

- (a) Canadian equities:
- Common shares and preferred stocks
 - Income trust units²
- (b) Foreign equities:
- Common shares and preferred stocks
- (c) Short-term money market:
- Cash
 - Treasury bills
 - Bankers acceptances
 - Commercial paper
 - Investment certificates issued by banks, insurance companies and trust companies
- (d) Fixed income:
- Bonds and Debentures
 - Mortgages and other asset-backed securities
- (e) With the approval of the Administration and Finance Committee (A&F), the Investment Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager provided that such funds are expected to be operated within the constraints reasonably similar to those described in this mandate. It is recognized by A&F that complete adherence to this Statement may not be entirely possible; however, the Investment Manager is expected to advise A&F in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.
- (f) All pooled funds are eligible for investment upon verbal approval of the committee. The following are approved as the following dates:
- | | |
|--|-------------------|
| • PH&N group of Community Values Funds ³ | December 23, 2002 |
| • Any mortgage funds administered by PH&N ⁴ | November 25, 2003 |
| • PH & N Money Market Fund | June 30, 2008 |

Prohibited Transactions

The CTF will not engage in the following transactions:

- Purchase of securities on margin
- Short sales

² Added November 23, 2004

³ Added November 2002 effective January 1, 2003
Revised November 25, 2003 to back date approval to December 23, 2002

⁴ Added November 1, 2003

- Investments in real estate, venture capital, resource properties and commodity funds.
- Loans to individuals, other than to arm's length parties where the loan is secured by a mortgage.

6. Investment Restrictions

Canadian Equities

- (a) No more than 15 % of the market value of the assets of the Canadian equity Portfolio may be invested in the equity securities of any one company.
- (b) There will be a minimum of 30 stocks in the Canadian equity portfolio.
- (c) The largest 8 stocks may not account for more than 50 % of the market value of the assets of the Canadian equity portfolio.
- (d) No more than 2 % of the market value at time of purchase of the Canadian equity portfolio may be invested in companies with a market capitalization of less than \$100 million.

Foreign Equities

- (a) No more than 10 % of the market value of the assets of the foreign equity portfolio may be invested in the equity securities of any one company.
- (b) There will be a minimum of 50 stocks in the foreign equity portfolio.
- (c) The largest 10 stocks may not account for more than 50 % of the market value of the assets of the foreign equity portfolio.
- (d) No more than 2 % of the market value at time of purchase of the foreign equity portfolio may be invested in companies with a market capitalization of less than \$ 200 million (U.S.).

Fixed Income

- (a) Maximum holdings of the fixed income portfolio by credit rating are:
 - 100 % AAA ratings
 - 60 % for AA and A ratings
 - 20 % for BBB (high) ratings
- (b) Maximum holdings of the fixed income portfolio by issuer:
 - 100 % for Government of Canada
 - 50 % for Provincial / Municipal bonds rated A or higher
 - 10 % for Provincial / Municipal bonds rated BBB (high)
 - 60 % for Corporate bonds rated A or higher
 - 15 % for Corporate bonds rated BBB (high)
 - 10 % for asset-backed securities
 - 10 % for mortgages or mortgage funds
- (c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard and Poors' (S & P) or Moody's. If a rating change causes a maximum to be exceeded for non-compliance, the Investment Manager shall sell the security immediately, to the extent required for compliance, or obtain approval to continue to hold the security from the Administration and Finance Committee (A&F).

- (d) Government of Canada, or federal government guaranteed issues shall comprise a minimum of 30 % of the market value of the fixed income portfolio.
- (e) No more than 5 % of the market value of the fixed income portfolio may be invested in a single security not issued by the Government of Canada or a Provincial government with an A rating or higher.
- (f) No more than 1 % of the market value of the fixed income portfolio may be invested in a security of a single issuer with a BBB rating.
- (g) The minimum rating for short-term securities is R1 (low).

7. Additional Considerations

Valuation of Investments

- (a) Investments in publicly traded securities shall be valued no less frequently than on a monthly basis, at their market value.
- (b) Investments in pooled funds comprised of publicly traded securities shall be valued according to the unit values published by the Investment Manager, at least on a monthly basis.

Conflict of Interest

- (a) A conflict of interest is deemed to exist when a fiduciary of the CTF has an interest of sufficient substance and proximity to his/her duties and powers with respect to the CTF, to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the CTF.
- (b) A fiduciary of the CTF must disclose any actual or perceived conflict of interest to the Chair of the Administration and Finance Committee (A&F), who shall disclose same to all A&F members at an appropriate time.

Proxy Voting Rights

- (a) Proxy voting rights on CTF securities are delegated to the Investment Manager. However, in the case of segregated holdings, the Administration and Finance Committee reserves the right to exercise voting rights on CTF securities when it deems appropriate.
- (b) The Investment Manager shall maintain a record of how voting rights of securities held within the CTF were exercised.
- (c) The Investment Manager shall exercise acquired voting rights in the best interests of the CTF. In case of doubt regarding the best interests of the CTF, the Investment Manager shall request instructions from the Administration and Finance Committee (A&F) and shall act in accordance with such instructions.

8. Monitoring

Investment Reports

The Investment Manager shall provide a quarterly investment report containing the following information:

- Portfolio holdings at the end of the quarter
- Portfolio transactions during the quarter
- Rates of return for the portfolio with comparisons to relevant indexes or benchmarks

- Commentary on investment returns
- Market outlook and strategy
- Commentary regarding any material changes with the Investment Manager

Compliance Reports

The Investment Manager shall provide a quarterly report confirming compliance with the requirements set out in this policy.

Administration and Finance Committee Meetings

The Investment Manager shall meet with the Administration and Finance Committee (A&F) at least on a semi annual basis; and attend the Diocesan Annual Meeting usually convened during the fourth quarter. At regular A&F meetings, the Investment Manager shall:

- Review and update the investment policy and strategy
- Review the rate of return achieved by the CTF
- Review capital market performance and expectations of future returns
- Provide any information concerning new developments affecting the firm or its services
- Comment on the continued appropriateness of the Policy

9. Policy Review

Annual Review

This Policy shall be reviewed, and revised as necessary, on an annual basis.

Material Changes

Material changes in the following areas may dictate certain revisions to this Policy:

- Long-term risk/return tradeoffs in capital markets
- Financial situation of the CTF
- Risk tolerance of A&F Committee members
- Legislation or regulation
- Shortcomings of the Policy which emerge as a result of its practical application