

The Annual Report for the Diocese of London Financial Report for our 150th year (2005)

By Dave Savel, CA
Financial Administrator

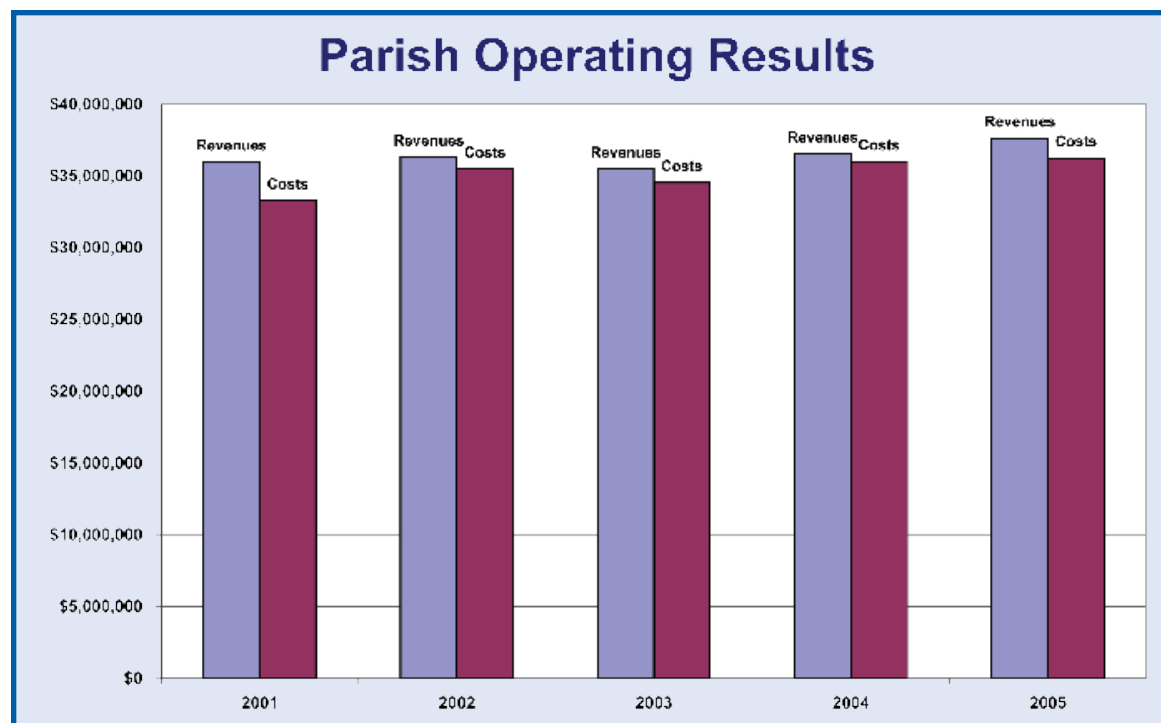
We have come a long way as a diocese over the past 150 years. At our inception in 1856 we had 12 parishes, 12 priests, and 25,000 Catholics spread across the nine counties comprising our diocese. Each priest had to serve a very large geographic area at a time when travel was difficult. Although we have certainly had our challenges over the past 150 years, we have also been truly blessed and have much for which to give thanks.

The financial results for 2005 were recently finalized. Our auditors at KPMG completed their audit of the diocese, parishes, and diocesan cemeteries. The financial statements were approved by our Audit Committee in May and by our Finance Committee in June. The information below is a summary of the audited statements. I encourage you to take the time to review this report and if you have any questions please contact me.

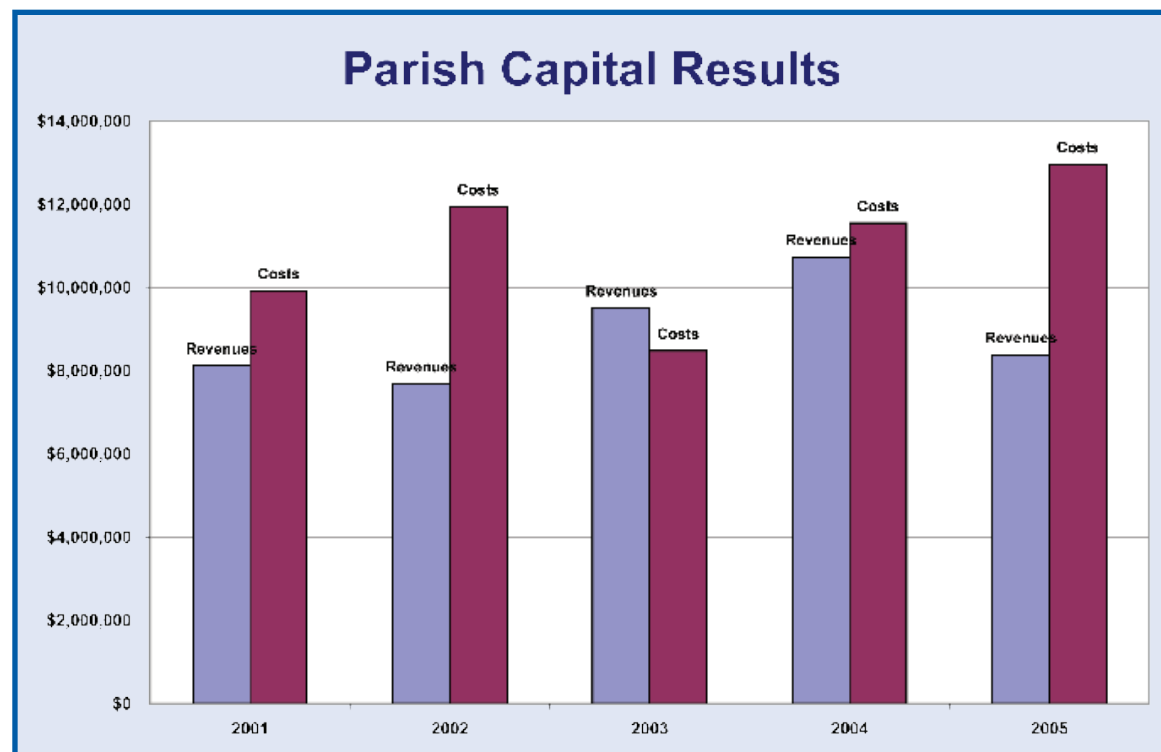
I thank you and all the parishioners across the diocese for your support of the Church. In particular, I thank all the volunteers across the diocese who share their valuable time, talent, and treasure. If you are not currently volunteering in your parish, please consider it.

Parishes

Our overall consolidated parish operating results were positive; however, results varied from parish to parish. Operating results include day to day receipts and expenditures such as Sunday offertory, ministry, outreach, salaries, utilities, and repairs and maintenance. Our parishes have been able to earn a slight surplus in each of the past five years (see chart — *Parish Operating Results*). Parish support for other charities and disaster relief was \$3.2 million (2004 - \$2.0 million) as a result of the many natural disasters that occurred.



Our capital results were not as good. Capital results include capital donations, purchase of capital assets (i.e., an organ), significant renovations, and restoration. Our parishes have been spending more on capital than they are receiving in capital donations (see chart — *Parish Capital Results*). The difference is being funded by the parish Loan Fund. The Loan Fund is essentially a parish "credit union." Parishes with excess funds or those saving for a capital project deposit monies with the Loan Fund and earn interest. Parishes in need of funding for capital projects can apply to the Loan Fund Committee to borrow. While it has worked well for many years, because of the trend of spending more than we are receiving, the Loan Fund has now had to arrange a loan with our bank to help finance projects. We consider this a short term solution. As a result, the Loan Fund Committee is being very diligent with collecting outstanding loan payments and being very cautious about lending.



A message from Bishop Fabbro

My Dear Brother and Sisters in Christ,

This issue of the Diocesan Newsletter includes our 2005 financial report to you. The financial report presented here is one record of how we have been stewards of the resources of our local church. Through the work of our parish teams, parish finance committees, diocesan staff, and our Diocesan Finance Committee we have prepared this report to demonstrate our accountability to you.

Since we embarked on our pastoral plan, we have done much work to focus our efforts on how best we live out our call to minister to those in our communities and beyond. The six goals identified in our pastoral plan challenge us to practice what we preach. A key foundation for the implementation of our pastoral plan has been the restructuring of our system of governance in our diocese. The principles at the basis of our governance restructuring require that we demonstrate accountability and stewardship of the treasure that has been entrusted to our Diocese through your regular offertory and special initiatives.

During the past year, the work of the Asset Optimization Committee and the Financial Strategic Planning Committee were completed resulting in two important documents that will assist us in our financial planning for the upcoming years. These two committees included a number of parishioners from across the diocese. I thank you the members of those committees for their commitment to this important initiative. The Episcopal Council has reviewed these reports and has already implemented a number of the recommendations.

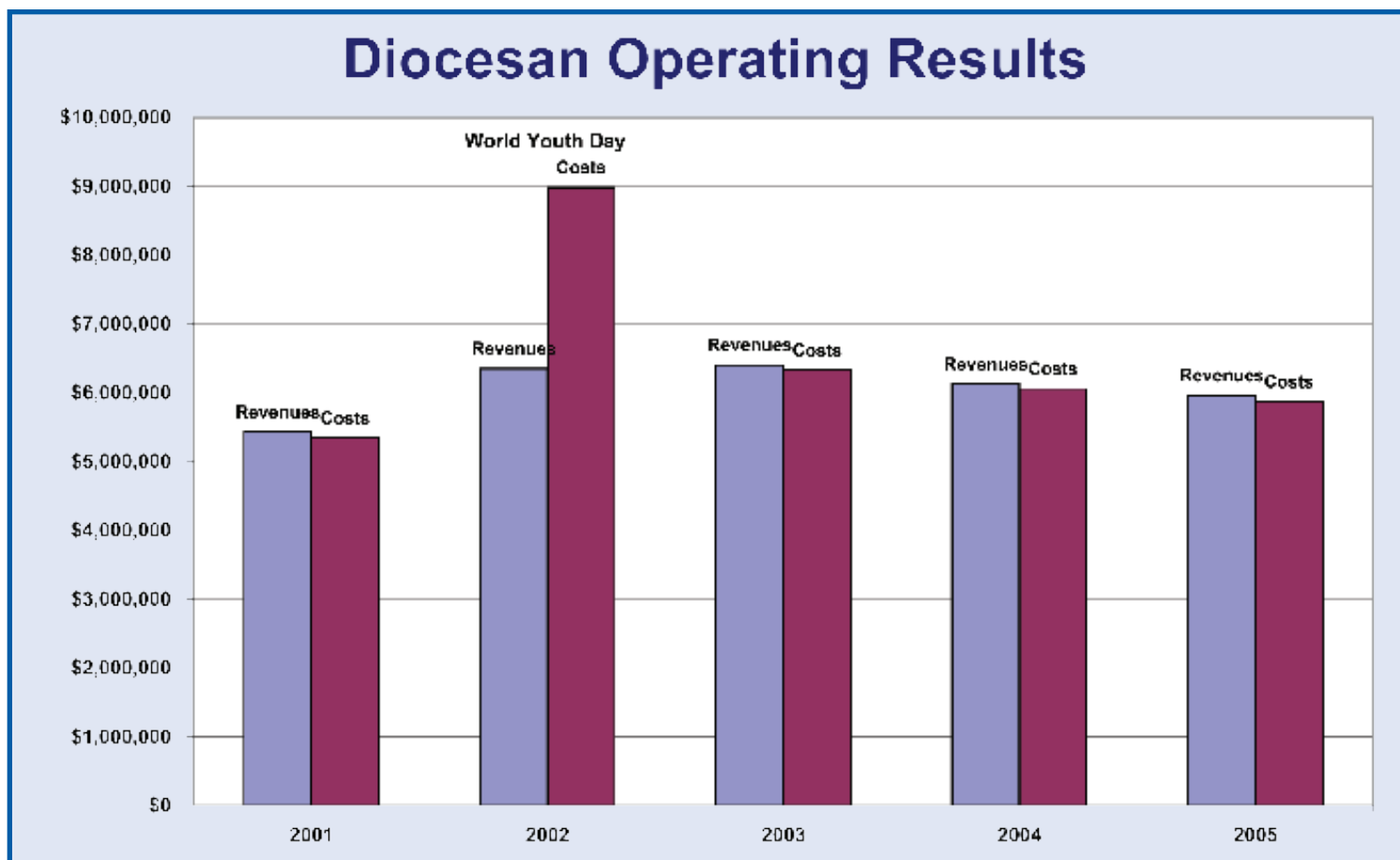
I would like to thank the members of our Diocesan Finance Committee. This senior advisory group provides an invaluable service to our diocese through their diligence. Their prudent, persistent oversight of our budget process, financial results, and financial decisions provide transparency and accountability, two key objectives of our pastoral plan.

I would like to take this opportunity to extend my gratitude to you, the faithful of our diocese, for your generous sharing of time, talent, and treasure. It is with appreciation of your generosity and with encouragement to further reflect on the sharing of your gifts that I invite you to participate fully in the active ministry to which each of us is called by our baptism.

Sincerely yours in Christ,
Bishop R. Fabbro

Diocesan Finance Committee

John O'Neill (Chair)
Don Brady
Darrin Didychuk
Paul Dollar
Barry Hogan
Fr. John Sharp
Brenda Teichert
Sr. Barbara Vaughan



Diocesan Cemeteries

In addition to our many parish cemeteries we have a number of diocesan cemeteries that are under the direct control of the diocese. Our diocesan cemeteries had been struggling financially in recent years until this past year. The changes in our governance structure and new expectations with respect to accountability resulted in some positive financial changes and improved results. Although we incurred a slight loss in 2005, we expect to earn a small surplus in 2006.

Have you considered pre-planning? If you are interested please contact your local parish or diocesan cemetery.

Diocese

The chart (*Diocesan Operating Results*) shows that the diocese has done a good job of keeping costs in line with revenues over the past five years except for 2002 when we (along with the other Canadian dioceses) were assessed a proportionate share of the cost of World Youth Day in Canada and, to a lesser extent, the costs incurred for the "Days in the Diocese." We borrowed from our bank in order to pay these costs and are still paying the interest costs on the outstanding debt.

We had a slight operating surplus in 2005. This did not include costs related to sexual abuse claims which in 2005 amounted to \$3.4 million (2004 - \$1.0 million) and which have been paid for by selling excess non-parish property. The aftermath of sexual abuse has clearly had a profound effect, both spiritually and financially, on our diocese. We regret that wrong-doing has occurred and we continue to pray for and support victims of sexual abuse. Our experience has shown that the steps we have implemented address the risk of this recurring in the future.

Accountability and Responsibility

Our diocese has an administrative group reporting to the Bishop which relies heavily on the discipline and review of our plans and budgets by our Diocesan Finance Committee. This committee is objective and comprised of people with significant expertise from across the diocese; it forms part of our internal control system to ensure that we make prudent financial decisions. The committee is a third party that is quite independent of administration and free to give advice when and where it deems necessary. It also has subcommittees such as the Investment Committee and Audit Committee which meets with our external auditors with and without administration present. The Finance Committee analyzes our practices and policies, assesses risks, and provides proactive advice.

Our diocese follows sound business practices: we prepare an annual budget; actual results are compared to budget monthly; we have an annual external audit; we conduct reviews; we develop policies where needed, ensuring that decisions are made within a policy framework; and we strive to be accountable, prudent, and transparent with the donations that you give us.

If you have any questions please contact

Dave Savel, Financial Administrator

(519) 433-0658

or

dsavel@rcec.london.on.ca

How are the Pentecost 2000 funds doing?

The diocese held a major fund raising campaign a number of years ago called Pentecost 2000. The purpose was to establish endowment funds for the seminary, cathedral and diocesan programs. The parishioners of our diocese responded generously to this campaign. As promised during the campaign, the principal raised remains intact (restricted) and invested according to investment policies and goals as established by our Investment Committee with the assistance of our investment advisor. In accordance with a policy established by our Finance Committee, 4.75% is paid out annually to fund the seminary, cathedral, and diocesan programs. The 4.75% payout policy was developed to preserve the purchasing power (inflation protection) of the endowment funds and prevent wild swings in the amount paid out. Whether we earn 12% or 2%, we'll still pay out 4.75%. In 2005 the funds earned 13%. The excess income (above 4.75%) was reinvested in the endowment funds to provide for increasing payout amounts in the years to come.

Have you considered the Church in your will?

Please consider the Church when determining who the beneficiaries of your estate will be. As an example, you can name your local parish, the diocese, the St. John the Evangelist Pension Fund Society (clergy pension) or the Seminary as a beneficiary. We would be glad to assist you if you have any questions about this.

What happens to a church building if it is closed?

We have a process whereby we list the church building for sale via a real estate agent on the open market. We are very careful about whom we sell to and always place a restrictive covenant registered on title that limits the future use of the church building. All liturgical items are removed prior to the sale. The proceeds from the sale generally go to the parish that now becomes responsible for the spiritual care of the parishioners of the closing parish. We do have some latitude within our policy though. For example, the proceeds from the sale of the St. Columban property will be going mainly to the St. Columban cemetery.

A message from John O'Neill,

Chair of our Diocesan Finance Committee

The diocese is in the process of making significant changes to its governance structure which the committee believes will improve the decision making process, strengthen financial controls, and provide better accountability. As part of this process the committee is reviewing its role and composition and will be making a recommendation later this year to Bishop Fabbro.

As a result of these governance changes, the diocesan cemeteries (i.e. non-parish) are now required to report to the committee regarding financial performance. We are pleased to report that we have seen very positive financial changes during this past year.

The committee is comprised mainly of parishioners from across the diocese appointed by the Bishop to advise him on temporal matters. We meet throughout the year to review financial results versus budget, consider financial plans and other related matters.