

DIOCESE OF WAIKATO + TARANAKI Annual Finance Update

Prepared for:



Prepared by:

TRUST⁺
MANAGEMENT



For Diocese of Waikato & Taranaki

September 2023



CONTENTS

1. Who We Are
2. Diocese of Waikato and Taranaki Consolidated Accounts
3. Waikato Diocesan Trust Board
4. Taranaki Anglican Trust Board
5. Standing Committee
6. Parish Accounting Review
7. Investment Review

**Who
we are.**



FINANCE TEAM



Sarah Hipkiss



Grace Sun



Marie Nickalls



Shivani Anantpure



Anitta George



Sawanya Khuprasertsin



Ngiaire Potter



Raj Serasinghe



Casey Wang

OUR CORE VALUES



We value the alignment of mission and our Client's objectives.



We value our **Client centric** focus and the strong **fiduciary responsibilities** inherent in the provision of our advice.



We value our **people** and understand that our people are key to the **quality of the advice** we provide Clients, and hold the key **relationships** with our Clients.



We value the **high-trust model** of our business and our **shared stewardship** of Client's assets and investments.

*Me mahi taahi tātou mō te
oranga o te katoa*

We should work together for the wellbeing of all

DIOCESE OF WAIKATO
& TARANAKI

Consolidated
Accounts.

2

HIGHLIGHTS

Diocese of Waikato and Taranaki Consolidated Accounts

NET EQUITY

- Net equity of \$24.1m Dec 2022 compared to \$22.6m in 2021, a increase of \$1.5m.

SURPLUS

- Surplus for the year before revaluation of investments and land and building transactions was \$278,000 (2021 Deficit \$78,000). Income was up due to higher income in the areas of Rental and Hall Hire, Grants and Bequests and Realised Gain on Sale of Investments.

REVALUATION OF INVESTMENTS

- Revaluation of investments (mainly in WDTB) \$1.6m loss (2021 gain \$894,000).



REVENUE

Diocese of Waikato and Taranaki Consolidated Accounts

SUMMARY

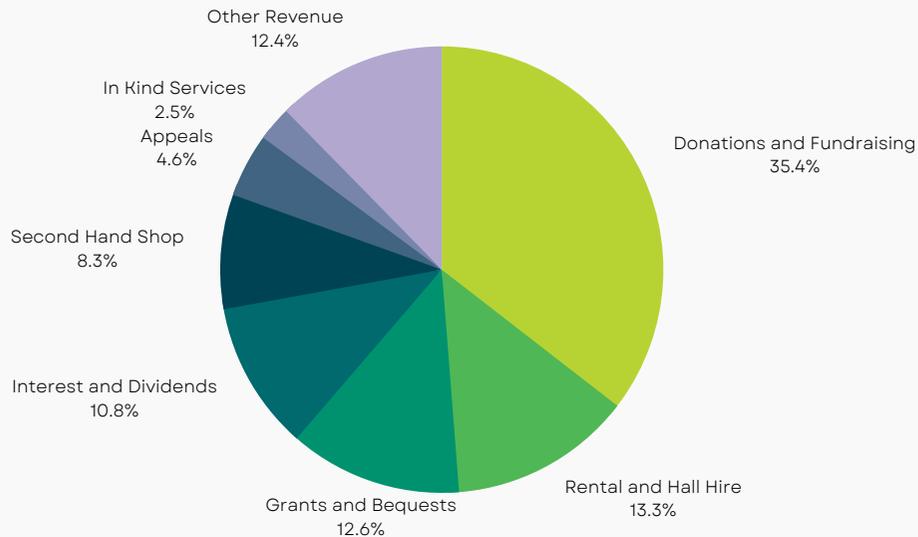
2022 Operating Revenue \$5.6m, \$600,000 up compared to 2021.

- Other Income up \$366,000.
- Grants and Bequests up \$176,000.
- Rental and Hall Hire up \$95,000.

2022 REVENUE RESOURCES

ITEM	2022 (\$NZD)	2021 (\$NZD)	VARIANCE	% VARIANCE
Donations and Fundraising	2,002,000	1,986,000	16,000	1%
Rental and Hall Hire	752,000	657,000	95,000	14%
Grants and Bequests	712,000	536,000	176,000	33%
Interest and Dividends	610,000	636,000	- 26,000	-4%
Second Hand Shop	468,000	507,000	- 39,000	-8%
Appeals	262,000	230,000	32,000	14%
In Kind Services	142,000	162,000	- 20,000	-12%
Other Revenue	701,000	335,000	366,000	109%
Total Revenue	5,649,000	5,049,000	600,000	12%

2022 REVENUE RESOURCES



EXPENSES

Diocese of Waikato and Taranaki Consolidated Accounts

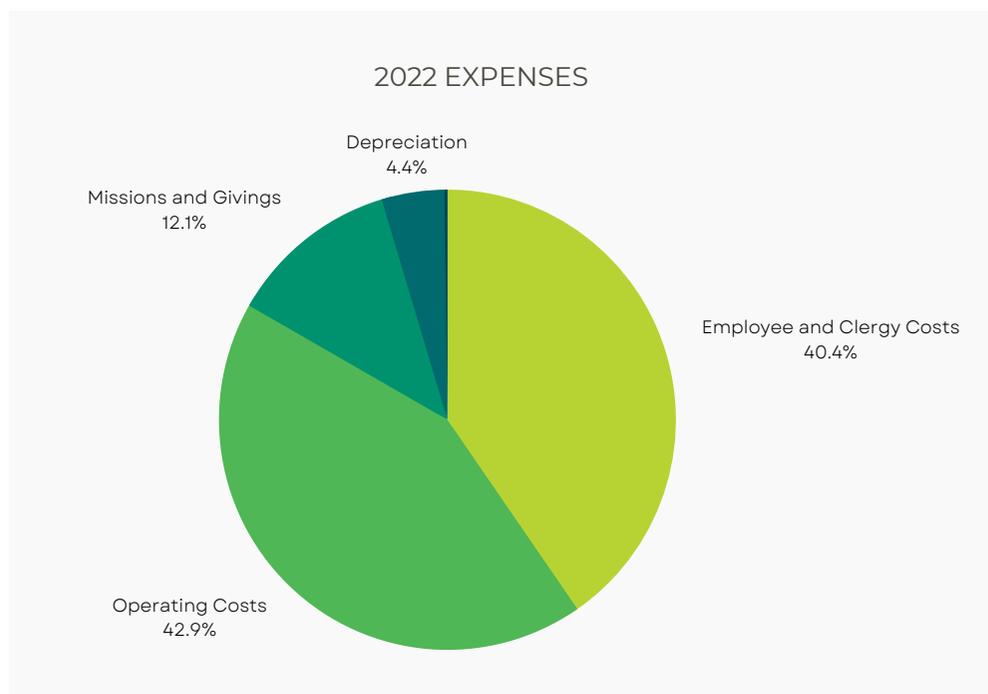
SUMMARY

2022 Operating Expenses \$5.4m (2021 \$5.1m).

- Operating Costs above \$159,000.
- Missions and Giving above \$186,000.

Building transactions (sale and purchase) showed as Gifting from and to WDTB and TATB. Detailed in Note 6 of the accounts.

Gifting from WDTB mainly relates to the sale of Waikato Cathedral Deanery house and Forest Lake Parish properties (\$2.85m).



2022 EXPENSES

ITEM	2022 (\$NZD)	2021 (\$NZD)	VARIANCE	% VARIANCE
Employee and Clergy Costs	2,168,000	2,234,000	- 66,000	-8%
Operating Costs	2,304,000	2,145,000	159,000	-2%
Missions and Givings	649,000	463,000	186,000	26%
Depreciation	239,000	267,000	- 28,000	34%
Interest Expense	11,000	18,000	- 7,000	-18%
Total Expenses	5,371,000	5,127,000	244,000	-2%

Waikato Diocesan
Trust Board.

3

HIGHLIGHTS

Waikato Diocesan Trust Board

OPERATING SURPLUS

- Operating surplus of \$368,000 (2021: \$418,000).

DISTRIBUTIONS

- Distribution to unit holders \$368,000 (2021: \$418,000).
- Excluding the transactions related to the properties held on behalf.
- Other transactions not included in the distribution to unitholders:
 - Depreciation in respect of properties held on behalf \$581,000.
 - Revaluation of properties \$18,926,000 (2021: \$5,459,000).

RETURNS

- Average Income Return to Unit holders: 2.4% (2021: 3.0%).
- Average Capital Return to Unit holders: -9.6% including revaluations of unitholders' investments and properties (2021: 5.0%).
- Total average return based on 31/12/22 unit price: -7.2% (2021: 8.0%).



INVESTMENT RETURNS (5 YEARS)

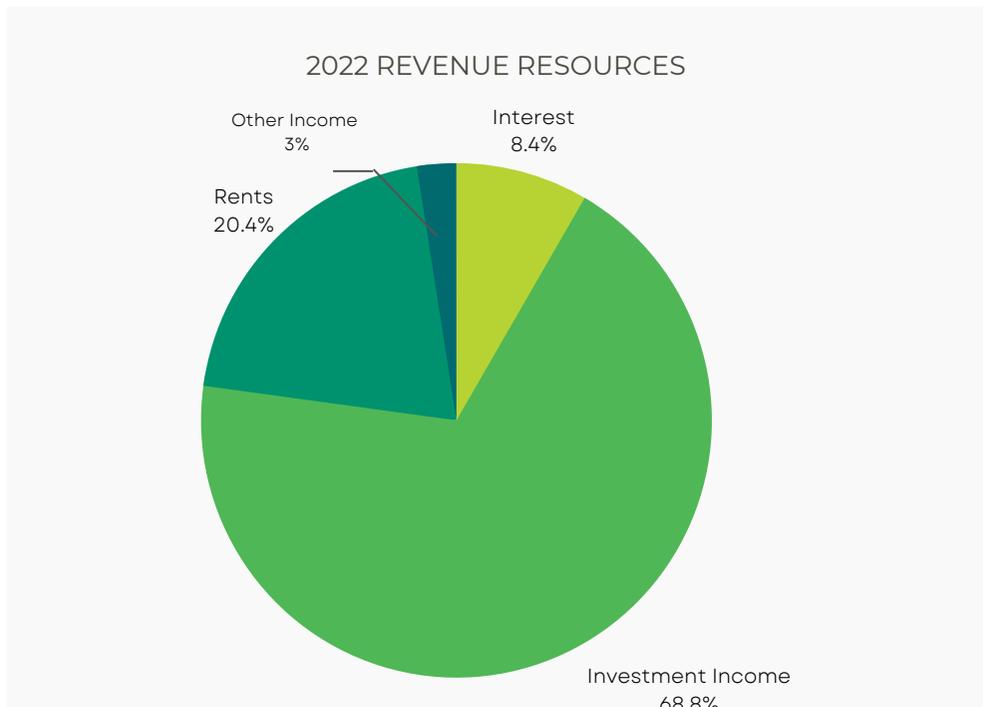
	2022 (\$000)	2021 (\$000)	2020 (\$000)	2019 (\$000)	2018 (\$000)
Investor Funds	15,086	13,692	11,689	11,345	10,351
Income Return	2.4%	3.0%	3.6%	3.8%	3.5%
Capital Return	-9.6%	5.0%	4.9%	4.7%	3.7%
Total Return	-7.2%	8.0%	8.5%	8.5%	7.2%

REVENUE

Waikato Diocesan Trust Board

SUMMARY

Total Distributable Revenue \$517,000 (2021 \$475,000).



2022 REVENUE RESOURCES

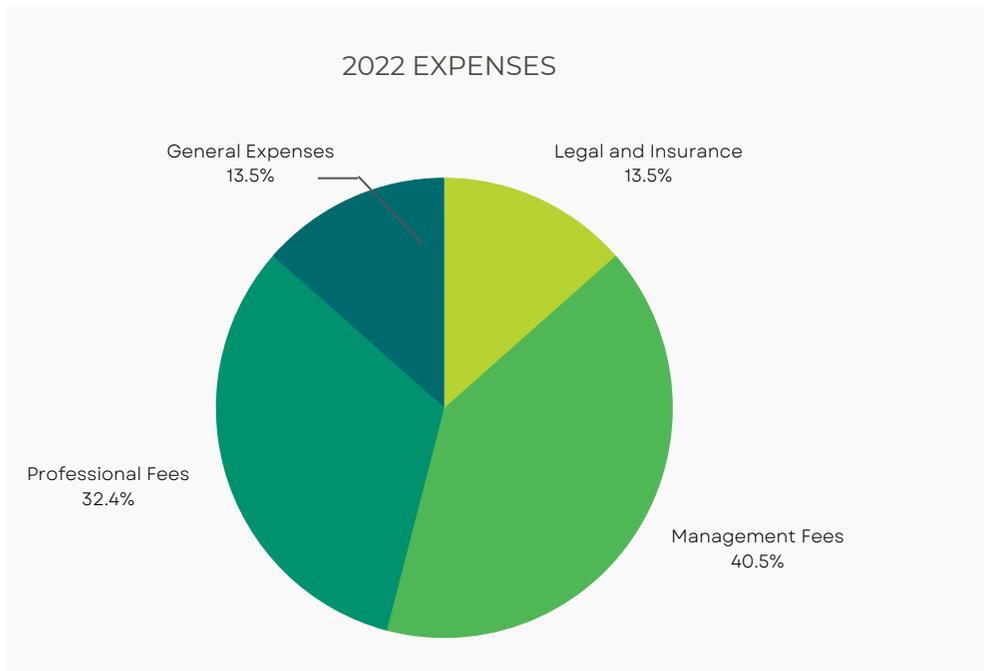
ITEM	2022 (\$NZD)	2021 (\$NZD)	VARIANCE	% VARIANCE
Interest	37,000	14,000	23,000	164%
Investment Income	304,000	357,000	52,000	-15%
Rents	90,000	90,000	-	0%
Other Income	11,000	14,000	3,000	-21%
Total Revenue	442,000	475,000	32,000	-7%

EXPENSES

Waikato Diocesan Trust Board

SUMMARY

Total Expenses attributable to the Unitholders \$74,000 (2021: \$57,000).



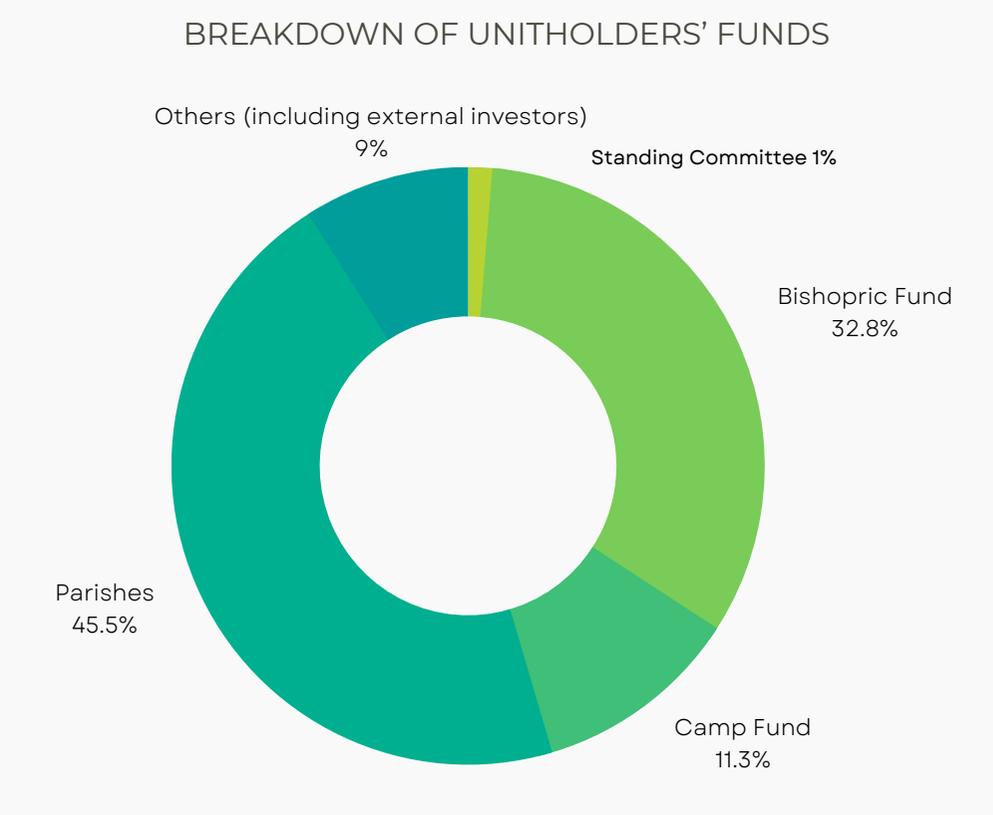
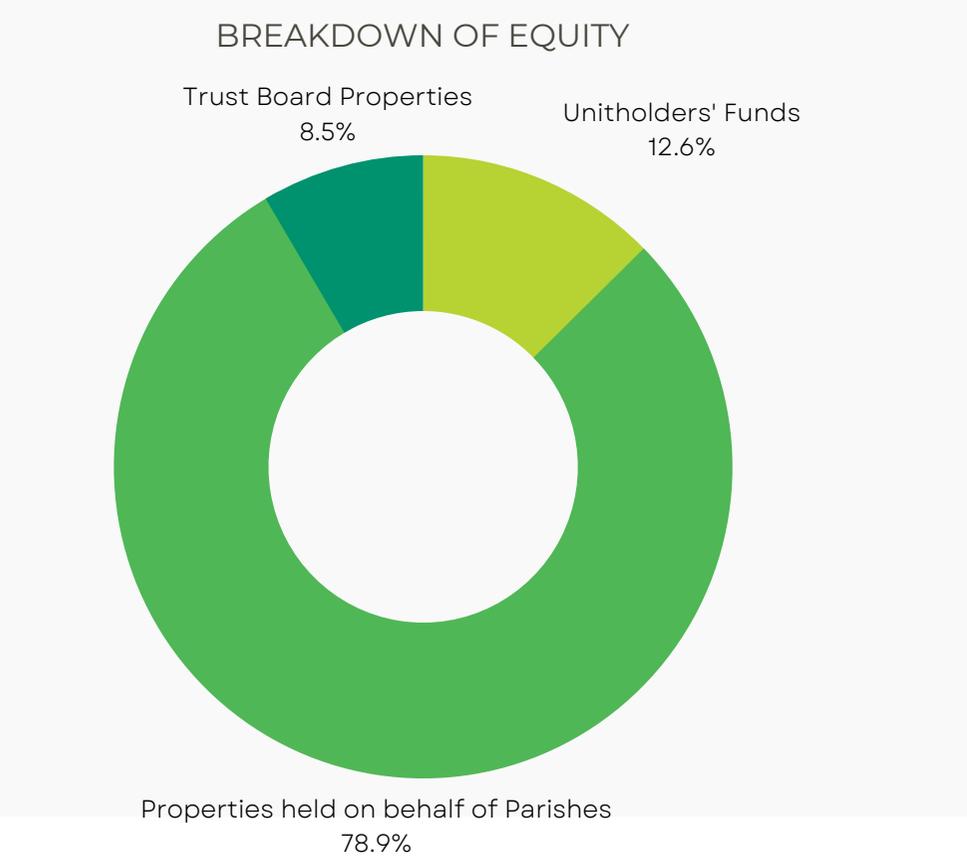
2022 EXPENSES

ITEM	2022 (\$NZD)	2021 (\$NZD)	VARIANCE	% VARIANCE
Legal and Insurance	10,000	3,000	7,000	233%
Management Fees	30,000	30,000	-	0%
Professional Fees	24,000	22,000	2,000	9%
General Expenses	10,000	2,000	8,000	400%
Total Expenses	74,000	57,000	17,000	30%

EQUITY

Waikato Diocesan Trust Board

ALLOCATION OF EQUITY



Taranaki Anglican
Trust Board.



HIGHLIGHTS

Taranaki Anglican Trust Board

NET EQUITY

- Net equity of \$48.9m Dec 2022 compared to \$34.0m in 2021, increase of \$14.9m due to \$2.7m surplus and \$12.2m capital gain.



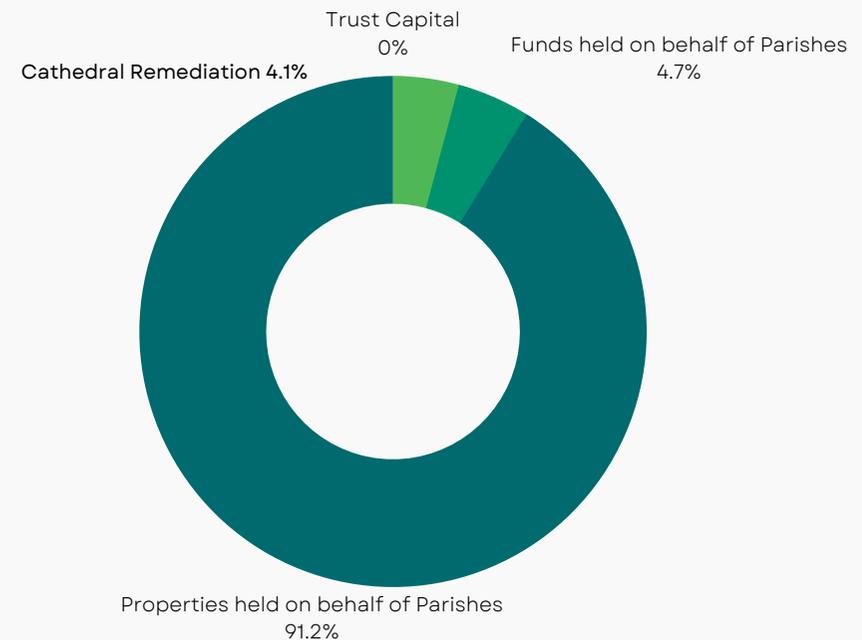
SURPLUS

- Surplus for the year before the revaluation of investments and properties was \$2.7m (2021 \$3.1m).
- Results include the Cathedral Remediation donations, grants and expenses.

CAPITAL GAIN

- Revaluation of investments loss \$93,000 (2021 \$40,000).
- Revaluation of properties gain \$12.2m (2021 \$163,000).

BREAKDOWN OF EQUITY



standing
Committee.

5

2022 RESULTS

Standing Committee

SURPLUS

- Operating surplus of \$45,000 before depreciation compared to budget loss of \$39,900.

Operating Surplus

\$45k

as at 31/12/2022

Revenue

\$749k

as at 31/12/2022

Expenses

\$703K

as at 31/12/2022

REVENUE

- \$44,000 above budget mainly due to unbudgeted donation income (\$20,000) and profit from the TPCCG service contract (17,000).
- The main income contributors are Assessments (607,500), Rental Income (\$87,000) and WDTB investment Income (\$16,000).

EXPENSES

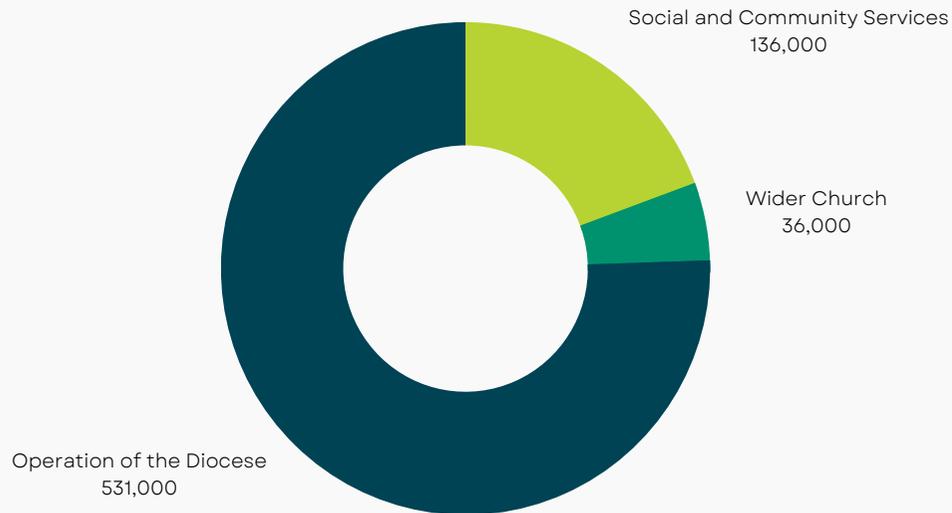
- \$42,000 down on budget.
- Lower than budgeted expenses in almost all the cost areas.
 - Allocation to Ministry Education and Diocesan Funded Ministry \$25,000 down on budget.
 - Allocation to Financial Support to Parishes \$11,000 down budget.

2022 RESULTS

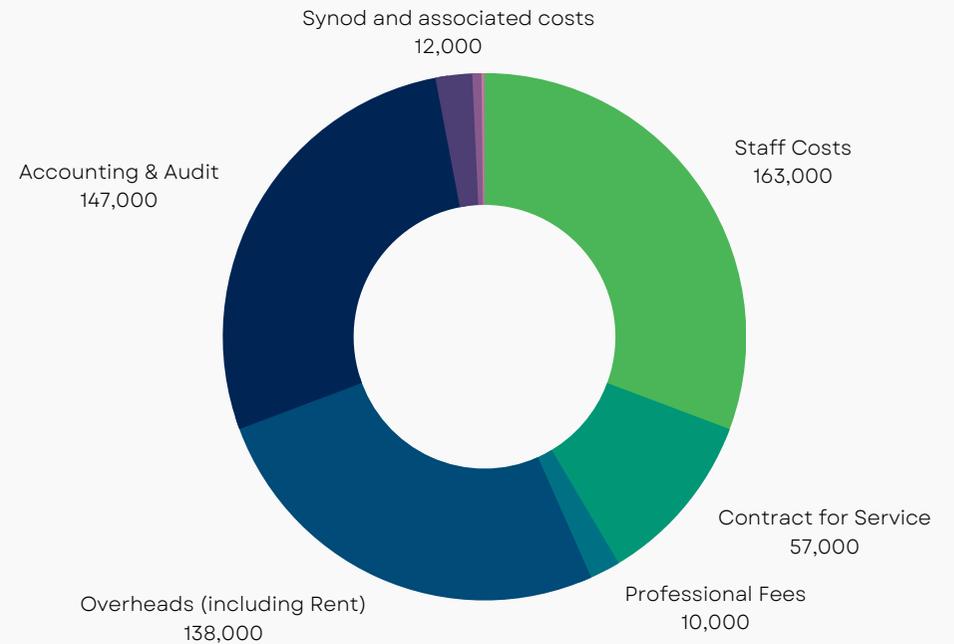
Standing Committee

ALLOCATION OF ASSESSMENTS

DISTRIBUTION OF ASSESSMENTS ACROSS ALLOCATIONS



BREAKDOWN OF ALLOCATION TO OPERATION OF THE DIOCESE



2023 RESULTS

Standing Committee

SUMMARY

- 31 May results to date \$18,000 deficit compared to budget loss of \$24,000.
- Both Income and Expenditure are largely in line with the budget.
- 2023 forecast at 31 December \$54,000 loss.



2023 RESULTS

ITEM	2023 ACTUAL (YTD)	2023 BUDGET (YTD)	VARIANCE	2023 BUDGET (FULL YEAR)	2023 FORECAST
Revenue	314,000	312,000	2,000	756,000	748,000
Allocation to Social & Community Services	-57,000	-58,000	1,000	-139,000	-137,000
Allocation to Support to Parishes	-	-5,000	5,000	-11,000	-11,000
Allocation to Wider Church	-15,000	-15,000	-	-36,000	-36,000
Allocation to Ministry Education	-11,000	-11,000	-	-27,000	-
Allocation to the Operation of the Diocese	-249,000	-247,000	-2,000	-605,000	-618,000
Total Allocations	-332,000	-336,000	4,000	-818,000	-802,000
Operating Surplus / (Deficit)	-18,000	-24,000	6,000	-62,000	-54,000

2024 BUDGET

Standing Committee

SUMMARY

- Assumptions made for the budget
- Budget as been striped down to essentials
- Previous deficit budget funded from Ministry Education surplus - no longer possible

REVENUE

- Rental for Church House and Hillcrest House \$80,000.
- Includes TPCCG service contract \$38,000 and Ministry Education contribution \$25,000.
- Other Income includes the Waikato Diocesan Trust Board investment distribution \$15,000.

EXPENSES

- Removal of \$30,000 BAF contract
- A modest 6.7% inflation increase for most costs.
- Allocations to Wider Church, Support to Parishes and Ministry Education remain at 2023 level.
- Trust Management fee has been held at a CPI increase of 2%.

2024 BUDGET (MODEL 1)

Standing Committee

SUMMARY

- A breakeven budget.

REVENUE

- Gross budgeted income \$819,000, this compares to 2022 \$843,000 and 2023 forecast of \$748,000.
- Assessment Income \$659,000 represents 17% of the total annual income of all parishes averaged for the past three years.
- Rental for Church House and Hillcrest House \$80,000.
- Includes TPCCG service contract \$38,000 and Ministry Education contribution \$25,000.
- Other Income includes the Waikato Diocesan Trust Board investment distribution \$15,000.

EXPENSES

- Total budgeted expenses \$819,000 (2022: \$798,000, forecast 2023 \$802,000)
- A modest 6.7% inflation increase for most costs.
- Allocations to Wider Church, Support to Parishes and Ministry Education remain at 2023 level.
- Trust Management fee has been held at a CPI increase of 2%.
- [Removal of \\$30,000 BAF contract](#)

Operating
Deficit

\$0

as at 31/12/2024

Revenue

\$819k

as at 31/12/2024

Expenses

\$819K

as at 31/12/2024

2024 BUDGET (MODEL 2)

Standing Committee

SUMMARY

- A budgeted operating loss of \$18,000.

REVENUE

- Gross budgeted income \$736,000, this compares to 2022 \$843,000 and 2023 forecast of \$748,000.
- Assessment Income \$575,000 represents 15% of the total annual income of all parishes averaged for the past three years.
- Rental for Church House and Hillcrest House \$80,000.
- Includes TPCCG service contract \$38,000 and Ministry Education contribution \$25,000.
- Other Income includes the Waikato Diocesan Trust Board investment distribution \$15,000.

EXPENSES

- Total budgeted expenses \$753,000 (2022: \$798,000, forecast 2023 \$802,000)
- A modest 6.7% inflation increase for most costs.
- Allocations to Wider Church, Support to Parishes and Ministry Education remain at 2023 level.
- Trust Management fee has been held at a CPI increase of 2%.
- **Removal of \$30,000 BAF contract**
- **Removal of contributions to Social Services \$65,700.**



2024 ASSESSMENTS

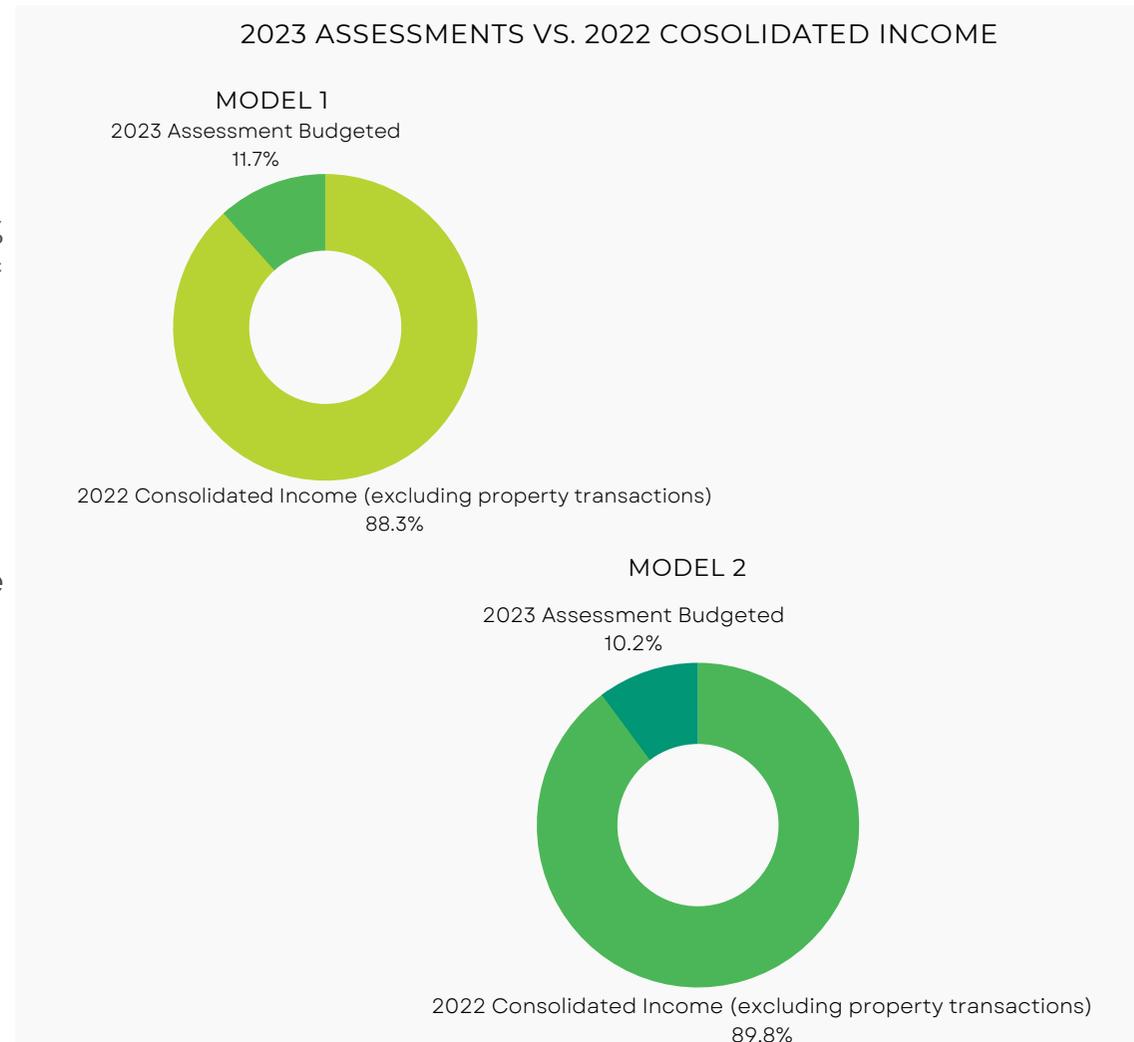
Standing Committee

HIGHLIGHTS

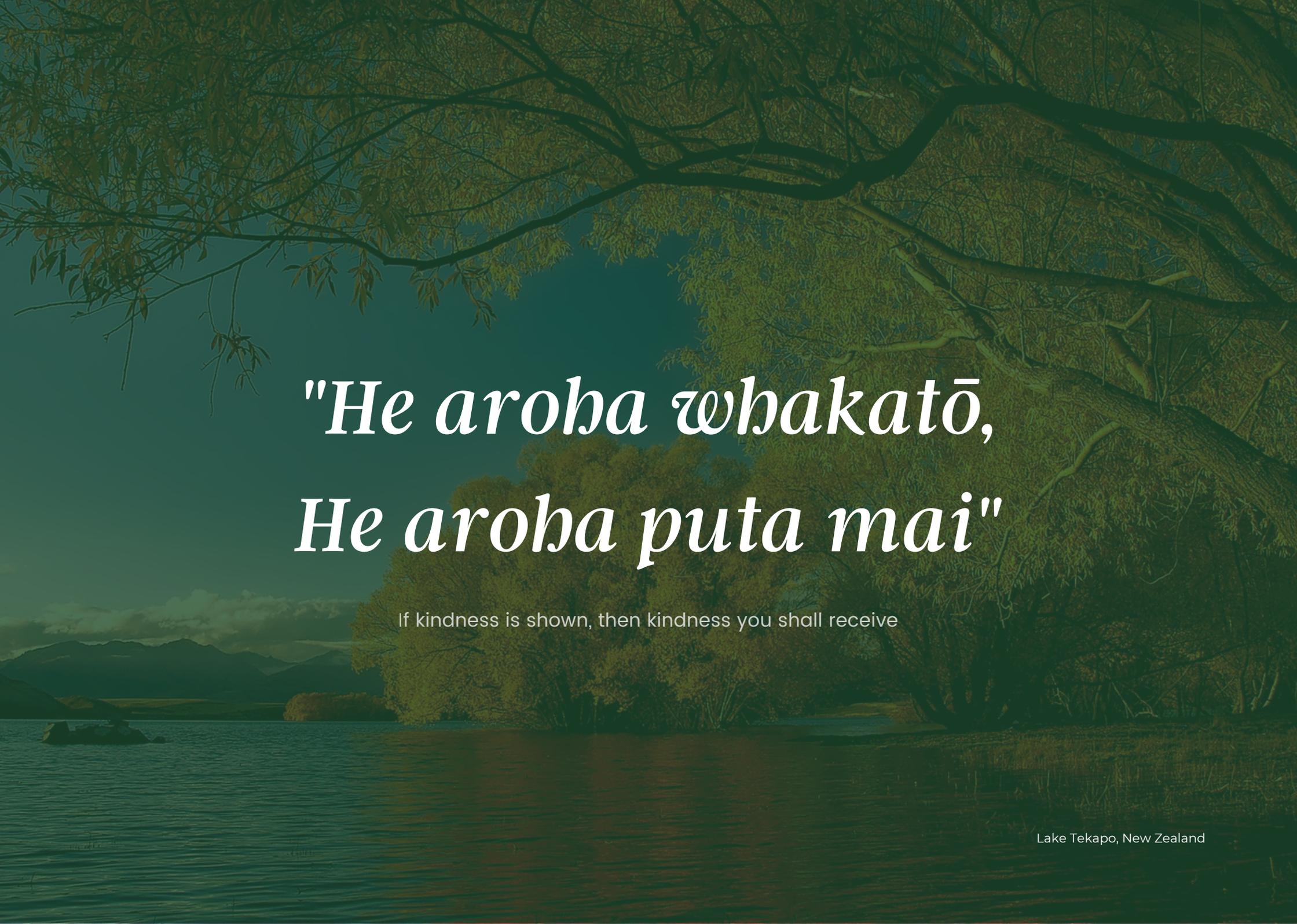
- The budgeted 2024 assessment represents 12% and 10% of the total 2022 consolidated income of the Diocese of Waikato and Taranaki respectively under model 1 and model 2 (2023: 10%).

METHODOLOGY

- The assessment is based on the assessable income received by that Parish in the preceding financial year expressed as a percentage of the total income of all the Parishes in the Diocese.
- Assessable income include all money received by a Parish or money the payment of which benefits that Parish either directly or indirectly, and shall include bequests to be used for general Parish operations and the net income from trading ventures.
- Exemptions.
- Cooperating parishes under Anglican partner – assessment restricted to 8% of gross income.



ALL PARISHES	2022	2021	2020
ASSESSABLE INCOME	3,811,000	3,768,000	3,925,000



*"He aroha whakatō,
He aroha puta mai"*

If kindness is shown, then kindness you shall receive

Parish Accounting **Review.**



PARISH TEAM UPDATE

WHAT'S BEEN HAPPENING?

- Wholesale change in Parish team over past 18 months:
 - post COVID - common issue across whole industry
 - training staff when the majority of the team is new provides challenges
 - lost knowledge and experience
- Not yet where we want to be, but getting closer.

STRUCTURE OF TEAM

- First point of contact - Parish Accountant
- Next level - Marie Nickalls (Parish Finance Manager)
- Then - Sarah Hipkiss (CFO)

LOOKING AHEAD

- Communication improvements
- Slight reshuffle amongst Auckland team to reset work loads

ACCREDO

WHY DO WE HAVE IT?

- TIM need a system capable of producing accounts for clients ranging from small trusts and individual parishes to large consolidated groups.
- Accredo provides strong accounting functionality
- While reporting is not it's best feature, it does provide excellent data extraction

SHOULD WE CHANGE?

- Change and project management require significant investment
- Would need to be a change for all TIM clients
- Would require a move to a consistent GL across Taranaki and Waikato parishes
- Choice of new system would require much thought- diverse needs, cost, etc
- We do intend to keep considering our IT options re Accredo in the future

WHAT NEXT?

- We are investigating options for a reporting add-on for the parishes
- We are trialing an automated AP system that interfaces with Accredo
- We encourage the Diocese to consider a move to a consistent GL across parishes. This will allow for:
 - a “suite” of reports to be developed.
 - increased accuracy and interrogation of parish accounts / consolidation

Investment **Review.**



SUMMARY

PERIOD TO JUNE 2023

Amid plenty of volatility, the 12 months to June has seen a small recovery in asset values following what was a very difficult 2022 period. With direct property a solid performer in 2022, we have seen some softening this year, albeit that has been offset by strong returns from the listed markets.

The main driver of market returns this year has been a stabilisation in interest rates. Reducing inflationary pressures and a softening in growth expectations mean central banks have less tightening to do than previously thought. With bond yields stabilising and reduced risk of a sharp economic contraction, equity markets have rebounded. Within commercial property, independent valuers continue to adopt a cautious stance amid a lack of large scale transactions in the sector and accordingly we have seen a slight softening as expected.

While capital returns have been volatile, pleasingly, income returns have been stable, which is important for investors that rely on income distributions to support their charitable endeavours.

Elsewhere, earlier this year we were a finalist for the INFINZ Diversified Fund Manger of the Year for the Balanced Fund, recognising our strong processes, commitment to ethical investing, and long term track record. This was a huge achievement for the team. We have continued to enhance and develop our ethical investing practices for the funds including publication of our second Ethical Investment Review.



Matthew Goldsack

GM - Investments



Halie Hartigan

Investment Manager



Matthew Goldsack

General Manager - Investments

mgoldsack@trustmanagement.co.nz

027 591 4643



Halie Hartigan

Investment Manager

hartigan@trustmanagement.co.nz

021 648 797

FINANCIAL MARKET PERFORMANCE

SHARES

- Global share markets experienced significant volatility in the first 9 months of 2022 before stabilising and experiencing a strong rally of c20% since the end of September 2022 into June 2023.
- NZ shares outperformed global markets during 2022 but have underperformed so far this year with global markets benefitting the most from the fall in bond yields.

Asset class returns - 12 months to June 2023



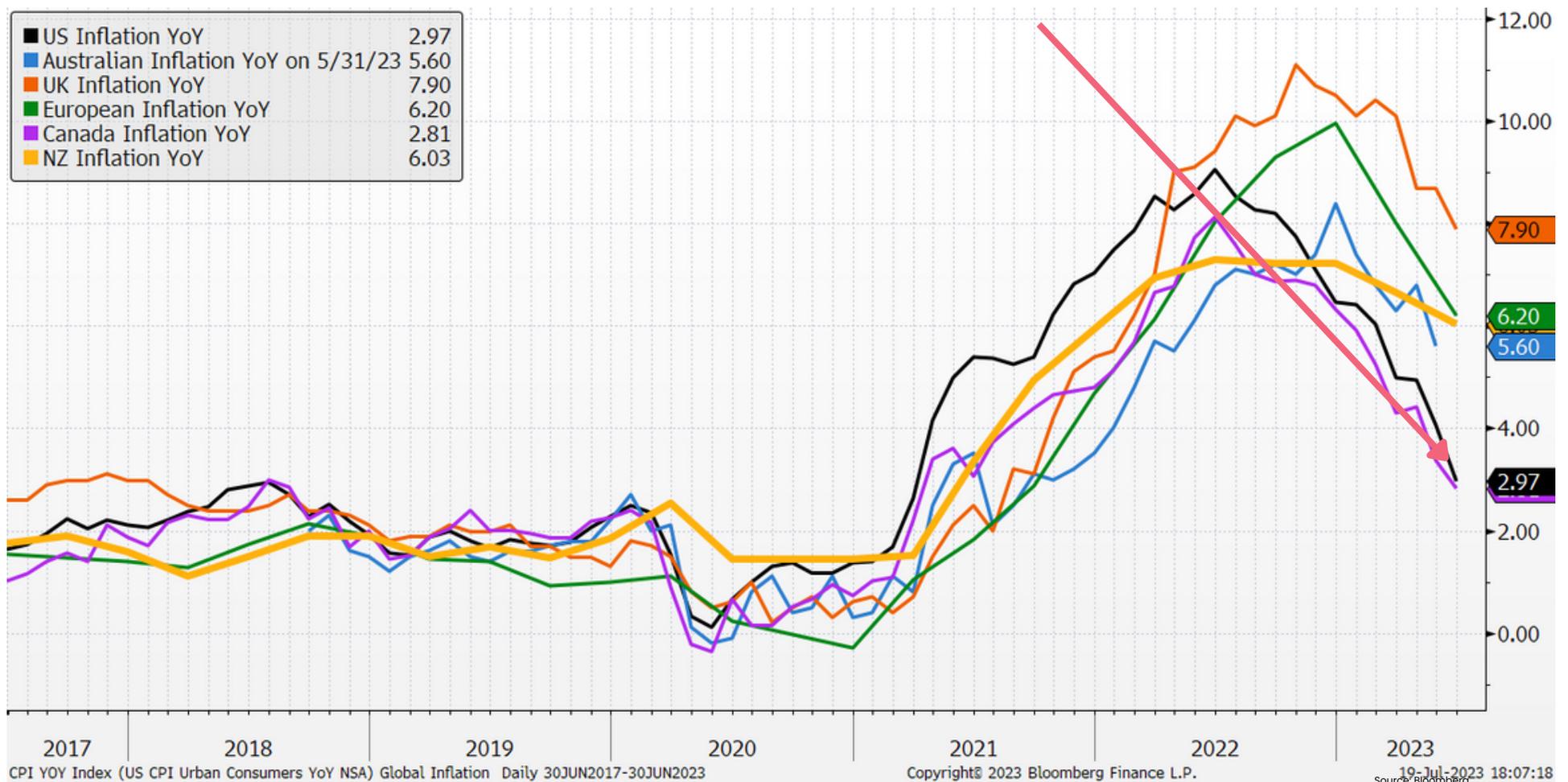
BONDS

- 2022 saw bonds continue to adjust to the prospect of higher interest rates (less accommodative monetary policy) in the future. This dynamic changed late 2022 and continued into this year with bond yields stabilising.
- Within bonds, fixed interest securities issued by corporates have tended to be the stronger performers, given their higher running yields.

Source: Bloomberg.

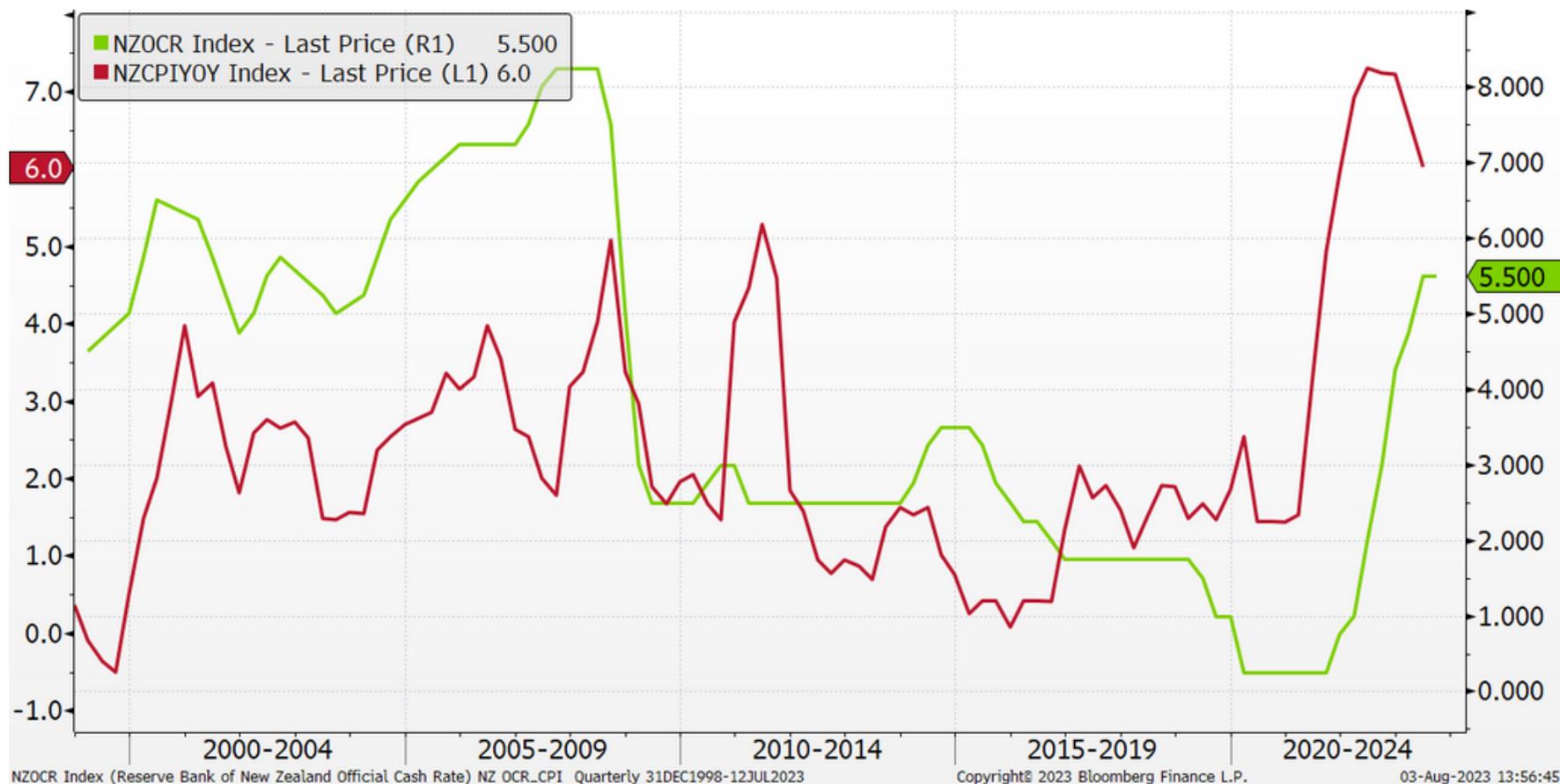
INFLATION

- Inflation is starting to come down - but not at the pace wanted by central banks and lingering pressures remain
- It will be some time before central banks feel comfortable enough to start easing interest rates.



INTEREST RATE CYCLE

- Reducing inflation pressures have provided some comfort that the pace of interest rate increases will moderate.
- While the RBNZ has indicated the OCR sat 5.5% represents the peak for this cycle, there is disagreement across the main bank economists in terms of the pathway from here. .



Source: Bloomberg.

SHAREMARKET CORRECTIONS

- Falls in share prices are a normal feature of capital markets with large drawdowns (greater than 20%) expected around once every 3.5 years.
- We factor this volatility into our capital market forecasts and stress testing scenarios for the portfolios.

U.S MARKET CORRECTIONS IN CONTEXT S&P 500 INDEX (1948 - PRESENT)



Source: Bloomberg.

SHAREMARKET CORRECTIONS

- In 2022, The MSCI World Index (local currencies), a broad measure of the performance of global share markets, experienced a peak to trough decline of 22% to September 2022, before recovering 23% from October 2022 through to mid June 2023.



YOUR PORTFOLIO SUMMARY

INCOME FORECAST

- Despite the difficult performance of the past 12 months, the income returns year-to-date have been consistent with forecast expectations.
- Looking forward, we expect income expectations for the Balanced Fund of above @3.4% per annum.

RANGE OF RETURNS

- 1 year performance has been disappointing, but within expectations for a Balanced portfolio

FORWARD-LOOKING EXPECTATIONS

- Revised capital assumptions, giving an expected Balanced Fund return of 6.7% pa over a 5-7 year timeframe
- Forecasting both enhanced yield (3.4%) and capital returns (3.3%)

BALANCED FUND FACT SHEET

The fund was established in 2006, (PIE from 1 April 2020)

FUND CHARACTERISTICS

-  Distribution Focus
-  Long-term Strategy
-  Strategic Diversification
-  ESG Focus
-  Risk Indicator

Annualised Performance (over 10 years):

7.9%

as at 31/12/2022 before fees and tax

Performance: 1 year

-8.2%

as at 31/12/2022 before fees and tax

Unit price

\$1.368

Entry price as at 31/12/2022

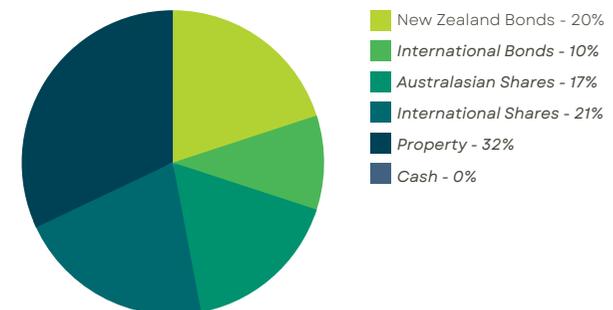
If you had invested \$100,000 at inception, today it would be worth...

\$190,830

as at 31/12/2022 after fees and before tax



TARGET ASSET ALLOCATION





*“Nāu te rourou,
nāku te rourou,
ka ora ai te katoa”*

With your basket, and my basket,
all will be well

IN SUMMARY

- ✓ We are a **purpose-led** organisation
- ✓ We have a **strong alignment** with our clients
- ✓ We are a **stable** organisation with a **20-year** history
- ✓ We are a small team with **strong capabilities**
- ✓ Our **fees are low**, so our clients can deliver **more good**
- ✓ We invest **responsibly** and **ethically**
- ✓ We have delivered **strong** risk adjusted **investment outcomes** to our investors over the long term

TRUST⁺ MANAGEMENT

Standing with you to deliver community good.

INVESTMENT  PROPERTY  ACCOUNTING  GOVERNANCE

Trust Management

Level 4, 123 Carlton Gore Rd
Newmarket, Auckland

PO Box 37448, Auckland 1151

09 550 4040

www.trustmanagement.co.nz

Matthew Goldsack

General Manager, Investments

027 591 4643

mgoldsack@trustmanagement.co.nz

