

2019 Report of the Secretary of the F & E Board

Results for 2019

The Chair of the Investments Committee notes the investment performance for the year; the Real Assets portion of the investment held at Fiera Capital did well. The Fiera Balanced EFT fund did well and earned over 16% for the 2019 year, though this impacted the restricted fund investments more than the F & E, as the F & E were invested at Letko Brosseau for most of the year. The market value of the Board's investment assets increased by over 4% to \$12.644M from \$12.109M.

The Chair of Finance reports the financial results. Loans to churches are listed in the Notes of the financial statements. The Board continues the large loan to Union United. There was one new loan during 2019 with the Hudson Pastoral Charge, and there was the closure of the loans with Saint Columba House and Ste Geneviève United Church. The Board discussed the interest rate on the loans at length during 2019, and decided to make no change. The line of credit with St James United Church continued and was used to help fund the major renovation to the furnace, while the conversion of this credit line to a long-term loan was delayed into 2020 as the renovation continues.

2019 was the first year of the conseil régional Nakonha:ka Regional Council. The main impact to the Board was the addition of three restricted funds from the Montréal and Ottawa Conference. The Board did not use a payroll system for 2019; instead, staff were paid for services rendered by invoice. The name change of the F & E Board is underway to reflect the change of oversight to the Region.

General Investment Fund/Restricted Funds/Funds held in Trust
The Board manages its own General fund, and administers the Restricted Funds. Funds are held with the investment manager Fiera Capital, funds being largely held in the Balance EFT fund. There is also an investment with Fiera Capital in alternative fixed income. The decision was taken during 2019 to move funds from Letko Brosseau to Fiera Capital based on the relative investment performances.

Secretary's General Report

During 2020, the Board continued to make improvements to its cost base. The accounting year progressed well; Andrews-Datax were able to forward the accounting details of the year to the Independent Accountant electronically to save costs and time. The staff continued to prepare the accounting packages for the Review to save on expenditures. The 2019 Review Engagement was performed by the company Tretiak Holowka with success. The Board took the

decision during 2019 to bring the accounting in house for 2020 to be performed by the Region Finance and Office Administrator. The Board and its committees met during 2020 as per the established schedules. The Bursary Committee included the St John's Hall Bursary Fund of the prior Québec-Sherbrooke Presbytery and was able to grant bursaries in total of over \$25K to 18 students. The Sabbatical Leave Committee met to appropriately allocate the funds entrusted to them for the year; the Committee granted the budget amount to a suitable candidate for 2020 and were able to cover pulpit supply and some personal expenses for the 2019 leaves. The Property Committee had a busy year with ongoing involvement with Union United UC, with St James UC for the furnace repair, and with the Hudson Pastoral Charge on the planned changes of buildings and land.

The committees of the Region and F & E continued to meet to discuss budgets and priorities. The Board continues to grant funding to needing congregations in the form of loans and lines of credit. The Québec Presbytery and Consistoire Laurentien amalgamated to form the conseil régional Nakonha:ka Regional Council on January 1, 2019.

The Finance & Extension Board has dealt with the diversity of matters and challenges that its responsibilities entail, and it continues to achieve its mandates; primarily the Stewardship of the financial resource.

The Presbytery and the F & E moved with success to the new premises at Summerlea UC of Lachine in December 2018, and 2019 was the first year at this location.

My personal thanks to the F & E members who serve so conscientiously on the Board and its Committees. I would also like to thank Brian Ruse, the Finance & Office Administrator of the conseil régional Nakonha:ka Regional Council without whose efforts and abilities the F & E Board could not function so well.

Respectfully, John Meaker, Secretary of the Board, April 2020

INVESTMENT COMMITTEE ANNUAL REPORT – December 31, 2019

Overview

The Investment Committee is comprised of Messrs. Peter Bisset, Fred Braman, Peter Mundie, Edward Rutherford, Rick Sheffer, Paul Stanfield and John Meaker (ex-officio). The Committee oversees on behalf of the Board the management of the General (Unrestricted) Funds of the Finance & Extension Board and ten Restricted Funds of Conseil régional Nakonha:ka Regional Council ("Nakonha:ka"). Its objective is to provide ongoing protection of the value of these assets while at the same time have them produce enough income and gains in market value to cover the needs of the F&E Board and Nakonha:ka and its missions along with the administration costs.

The investment manager of the portfolio is now Fiera Capital Inc. who provides the Committee detailed portfolio statements and during the year meets with the F & E Board to discuss the investments and the manager's investing outlook.

Asset Mix and Performance History

In 2008, the Board engaged Letko Brosseau and Associates ("LBA") to manage its investments through its Balanced ESG (Environment, Social and Governance) Fund with a target asset mix of 55% Equities for growth and 45% Bonds for stability. Over the years, LBA moved to a greater portion of equities to the point in 2015 that the Board decided to rebalance the portfolio to bring the income portion back closer to target. Since LBA could only offer bonds with a relatively low return, and after some research, the Board moved 20% of its assets to Fiera Capital to invest in non-traditional income funds (infrastructure, real estate and diversified lending) that have provided a higher return of 6% or better with lower volatility than equities.

Starting in 2015, the F&E Board also included in the asset mix, performance and funding formula calculations of the General Fund the value of loans made to congregations and missions in Québec Presbytery (and now Nakonha:ka). Since these loans now account for approximately 8% of the Fund, the Board felt this was a useful way of showing how the Regional Council supports communities of faith in need of temporary financial assistance while at the same time generating a competitive level of income to provide for the overall grant needs of the Region.

From inception in 2008 to 2017, the LBA Balanced ESG Fund provided very good returns (annualized performance of over 9% after management fees). However, in latter years, the Board had been reviewing the performance of the Fiera Capital Balanced EFT (Endowment, Foundation & Trust) Fund used by the United Church of Canada Foundation and found by the beginning of 2018 that the performance of the Fiera Fund had become consistently better than that of the LBA Fund. And when the LBA Fund hit a bad year in 2018 and lost 5%, it was time to move.

During 2019, all the funds at LBA (Erskine & American-Mountainside, F.W. Kelley Trust, Ste. Thérèse, Institut Français Évangélique and St. John's Hall Funds) were transferred to Fiera Capital. As well, the funds previously held by the Montreal & Ottawa Conference (Bhal Jun, Trois Rivières, and Grand Mère Funds) and transferred to Nakonha:ka were invested in the Fiera Capital Balanced EFT Fund. The final transfer in November was the \$10 million of the F & E General Fund.

The asset mix and performance figures for the balanced funds in 2019 are a mix of those for LBA initially and subsequently those for Fiera Capital. We have noted that the asset mix of 54% income related securities and 46% equities has drifted away from our target mix of 45%/55% income to equities and will look to rebalance the mix in the coming months.

F & E Unrestricted Funds and Loans (December 31, 2019)

	Balanced	Non-traditional	Total	<u>Loans</u>	
	<u>Funds</u>	<u>Income Funds</u>	<u>Funds</u>		
Asset Values	\$ 10,125,464	\$ 2,518,376	\$ 12,643,840	\$ 1,058,691	\$
13,702,531					
Asset Mix	Target				
Income	45 %	38 %	100 %	50.5 %	100 %
54.3 %					
Equities	55	62	0	49.5	0
45.7					
Performance (after Management Fees)					
% Return (1 year)	9.0 %	8.1 %	8.8 %	5.0 %	
8.6 %					
% Return (3 years)	3.4	6.5	4.1	5.0	
4.1					
% Return (5 years)	4.9		4.9		
4.9					

Restricted Funds (F & E Administration)

Performance (after Management Fees) 1 year: 8.7% 3 years: 3.4% 5 years:
4.9%

Update

Despite a severe fall off in the value of equities during the first quarter of 2020, the reduction in value of the portfolio was held to 6% thanks in a large way to the inclusion of non-traditional funds which held their value. In April, the market came back a bit so that by April 23rd, the decline was a little under 4%.

Economic Outlook (Fiera Capital Investment Outlook Q1 2020)**Short-Term Pain, Long-Term Gain**

The current macroeconomic landscape has been nothing short of unprecedented, both from a social and economic perspective. The fast-spreading coronavirus poses serious downside risks amid draconian efforts to contain its spread, including mass quarantines, business closures and mobility restrictions that have brought the global economy to a virtual standstill.

The current economic environment is unusually cloudy because the coronavirus transmission is still progressing globally. While the situation in China is promising, as drastic containment measures have seemingly abated the propagation of the virus, the epicenter of transmission has now moved to Europe and North America. As witnessed

across Asia, severe economic pain needs to be assumed in order to flatten the COVID-19 curve. We are now experiencing that same tradeoff across the Western world.

However, there is reason for hope. Countries that have been willing to accept the economic pain and adopt strict countermeasures have demonstrated an ability to reduce the number of active cases. In China, new episodes peaked ten days after lockdowns were imposed, while in Italy, the number of new cases has stabilized – implying that there is indeed a light at the end of the tunnel should that same pattern unfold in other infected countries.

Undoubtedly, growth will deteriorate at a dreadful pace during the second quarter, which will be the eye of the storm from an economic perspective. However, our most likely scenario assumes that activity will resume later in 2020. As the health crisis ebbs and social distancing measures recede in accordance, so too should the economic drag as activity slowly resumes and pent-up demand is unleashed, with the vast increase in monetary and fiscal support amplifying the eventual recovery and inevitably extending the longevity of the expansion.

Respectfully submitted,

Paul Stanfield, on behalf of the F&E Board

Finance Committee Report 2019

The mandate of the Finance Committee is to have oversight of the financial condition of the Corporation through its review of the F&E Board's financial statements, to review the preparation of the annual budget, and to act as the Audit (now Review Engagement) Committee of the Board. The Finance Committee is also responsible to develop guidelines related to applications for financial assistance as well as recommendations related to each such specific application.

2019 Finance Committee Activity

The Finance Committee met at various times throughout 2019 to review the quarterly financial statements of the F&E Board, to enquire into budget variances and to present the quarterly statements to the Board. The Finance Committee prepared a draft 2020 Budget and presented it to the Board for approval. It continuously monitors the status of the outstanding loans to congregations with a view of better managing any non-performing loans.

An additional loan of up to \$250,000 was approved for St James United Church to finance the purchase and installation of a backup furnace. While a loan of \$35,000 for roof repair costs was approved for the Korean church, it was not taken up as they apparently found another means of financing

On March 10, 2020, the Finance Committee, in its role as Audit Committee, met with Helen Holowka of Tretiak Holowka Inc., and reviewed financial statements produced in the Review Engagement. The draft reviewed financial statements for 2019 were presented to the F&E Board for approval at its March 26, 2020 meeting.

Financial Review

As at December 31, 2019, net assets of the F&E Board totaled \$19,345,586, which is an increase of \$1,145,272 or 6.3%, over the net assets of \$18,200,314 as at December 31, 2018. This reflects the receipt of \$502,647 of new funds (\$91,831 from Institut Français Évangélique, \$257,185 from the Quebec Sherbrooke Support Fund, \$139,113 from Trois-Rivières Area Support Fund, and \$14,518 from the Grand-mère Fund) offset by \$989,277 in incurred expenses and assistance and grant costs, and \$1,632,602 of net increases in the market value of the invested funds.

The 2019 total revenues of \$1,632,502 increased by \$2,078,593 from the 2018 total revenues of \$-443,991. This was mostly due to the 2019 Gain on sale of investments of \$2,252,618 compared to the \$118,978 Gain on sale of investments in 2018.

The F&E Board operating expenses decreased by \$23,122, or 13.1%, from \$190,429 in 2018 to \$167,307 in 2019 due mainly to a decrease in church rental expenses of \$24,225 from \$32,550 in 2018 to \$8,325 in 2019. The Assistance and Grants of \$ 822,670 in 2019 were \$121,013 or 17% higher than the \$701,657 in 2018 due mostly to increases of \$49,000 in grants to the Regional Counsel and of \$76,898 of grants from Restricted Funds.

The above effects explain the main reasons for the change in the excess of revenue over expenses from -\$1,336,077 in 2018 to \$642,625 in 2019.

The Finance Committee
March 26, 2020

Property and Building Committee

The property committee continues to provide technical assistance to those communities of faith seeking financial assistance for construction and maintenance projects involving their properties and buildings.

The following projects were supported by the committee:

Union United Church

The committee coordinated the efforts to prepare the technical documentation (final specifications, as built drawings, financial summaries) of the Union United Property Drainage Project. The documentation was required to satisfy the Engineering and Legal departments' requirements so that payment, based on the

City Council resolution that defined the financial reimbursement (\$99 K) owed to Union United, could be processed. All requirements have been satisfied and reimbursement is pending.

St James United Church.

The committee provided technical and contractual support for the construction program for the new boiler room. By year-end, 95 % of the construction had been completed with the controls and commissioning of the systems left to be done. The project is now scheduled for completion in 2020.

Korean United Church

After preliminary discussions, the KUC completed their roofing project without financial support from F&E.

Wyman Memorial United Church

A bridge loan agreement was signed with Wyman Memorial United Church in order to redevelop the Cote St Charles Church property. Preliminary architectural and engineering plans have been prepared. The project is on hold pending the sale of both Wyman Memorial Church and land designated for sale to the Government of Qc. for the development of the Villa Wyman project.

Respectfully submitted,
Peter Bisset

FINANCE AND EXTENSION BOARD
Report of the Nominating Committee
April 23, 2020

As of November 28, 2013 the Board's By-Laws were amended to provide that its membership would consist of not less than 11 and not more than 17 members. Rev. Mark Hammond has requested that he not continue with the Board at the end of his term in May. We are much appreciative of the time he has served on the Board.

To fill the two of the vacancies in the Board membership, as of June 1, 2020, the following persons have agreed to be nominated for a two-year term, renewable, starting at that time, namely:

Tom Kent	Creek-Waterloo
Craig McAlpine	St. Andrews-Chateauguay

The current term of the following members are ending, and they are nominated to serve for a further two-year term beginning June 1st, 2020:

Diane Campbell	Roxboro
Marc Grenon	Bedford
Rev. Paula Kline	Montreal City Mission
Dave McCormack	Lennoxville
Monique Moser	Église St. Jean (Montréal)

The following members have agreed to remain on the Finance & Extension Board, for which we are very thankful. Therefore they are nominated to serve for another one year term beginning June 1st, 2020. As well, an exemption from the ten-year membership limit is sought "to maintain the proper balance of skills and experience on the Board".

Peter Mundie	Wyman Memorial (Hudson)
Renate Sutherland	Cedar Park

Seven members of the Board have one year left in their current term of office:

Peter Bisset	St. Lambert
Fred Braman	Montreal West
Jan Langelier Waters)	Union (Ste-Anne-de-Bellevue) (Merging
Edward (Ted) Rutherford	St. John's (Pointe Claire)
Frederick (Rick) Sheffer	Cedar Park
Paul Stanfield	Mount Royal
Bruce Walsh	Cedar Park

All members of the Finance & Extension Board are actively looking for new members who will help support the new directions of the Board, especially in the areas of finance, property management and investment management.

Respectfully submitted,

Paul Stanfield, Chair

FINANCE AND EXTENSION BOARD
Report of the Nominating Committee
April 23, 2020

As of November 28, 2013 the Board's By-Laws of the Finance and Extension Board were amended to provide that its membership would consist of not less than 11 and not more than 17 members.

The following persons are nominated as members of the Finance and Extension Board.

Terms ending May 31, 2021

Peter Bisset	St. Lambert
Fred Braman	Montreal West
Jan Langelier	Merging Waters
Peter Mundie	Wyman Memorial (Hudson)
Edward (Ted) Rutherford	St. John's (Pointe Claire)
Frederick (Rick) Sheffer	Cedar Park
Paul Stanfield	Mount Royal
Renate Sutherland	Cedar Park
Bruce Walsh	Cedar Park

Terms ending May 31, 2022

Diane Campbell	Roxboro
Marc Grenon	Bedford
Thomas Kent	Creek-Waterloo
Rev. Paula Kline	Montreal City Mission
Craig McAlpine	St. Andrews-Chateauguay
Dave McCormack	Lennoxville
Monique Moser	Église St. Jean (Montréal)

Note that terms as indicated are renewable.

Respectfully submitted,
Paul Stanfield
Chair, Finance & Extension Board Nominations Committee