

Diocese of Waikato + Taranaki

Annual Finance Update 2024

Prepared for:



Prepared by:

**TRUST⁺
MANAGEMENT**



For Diocese of Waikato & Taranaki

September 2024



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



Grace Sun



Marie Nickalls



Anitta George



Anshul Kumar



Boney Paulose



Iana Iunkerova



Johanna Snyman



Ngiaire Potter



Raj Serasinghe



Ruth Almeida



Sawanya Khuprasertsin



Shivani Anantpure



WHY



PURPOSE

Standing with you to deliver community good.



MISSION

At the heart of our mission, we believe that by empowering individuals and communities with the financial products and knowledge they need to succeed, we can create a more equitable and prosperous society for all.

ASPIRATION



VISION

Our vision is to be the catalyst for good in the charitable and for purpose sector, leveraging our expertise and products to strengthen the impact of organisations dedicated to making a difference. Through our support, we aim to inspire, enable, and support this sector, driving collective action towards a better and brighter future for all.

STRATEGIC FOCUS

SUPPORT + DEVELOP OUR PEOPLE

Create an engaged workforce with improved health and wellbeing

EXCEPTIONAL CLIENT SERVICE

Better serve our clients through building capacity and modern technology

DIGITAL TRANSFORMATION

Invest in technology to create a smooth client journey, automate process and build capacity

DIVERSIFY REVENUE WITH SCALE

Tell people who we are and what we do, and continue to service existing clients exceptionally

VALUES



Guiding Values

PEOPLE FIRST

Unlock Brilliance: Inspire Limitless Potential in Every Individual

CLIENT COMMITMENT

Dream, Achieve, Deliver: Pursue the Extraordinary with Purpose

TRUST + INTEGRITY

Forge Enduring Bonds: Valuing Trust as Our Foundation

MUTUAL RESPECT

Embrace Diverse Perspectives: Fostering Inclusion, Nurturing Curiosity

INNOVATION + LEADERSHIP

Embrace Change, Embody Excellence: Always Pursuing Progress.

SUSTAINABILITY

Walking Lightly: Shaping a Better Future through Sustainable Practices

*Ki a koe tēnā
kīwai o te kete, ki
a au tēnei kīwai*

You take that handle and I will take
this handle of the basket.

DIOCESE OF WAIKATO & TARANAKI

Consolidated **Accounts.**

2



Highlights

NET EQUITY

- Net equity of \$23.5m Dec 2023 compared to \$24.1m in 2022, a decrease of \$0.6m.

DEFICIT

- Deficit for the year before revaluation of investments and land and building transactions was \$655,000 (2022 Surplus \$278,000). Expense was up due to higher expense in the areas of Operating Costs and Missions and Givings.

REVALUATION OF INVESTMENTS

- Revaluation of investments (mainly in WDTB) \$0.2 m loss (2022 loss \$1.6m).





Revenue

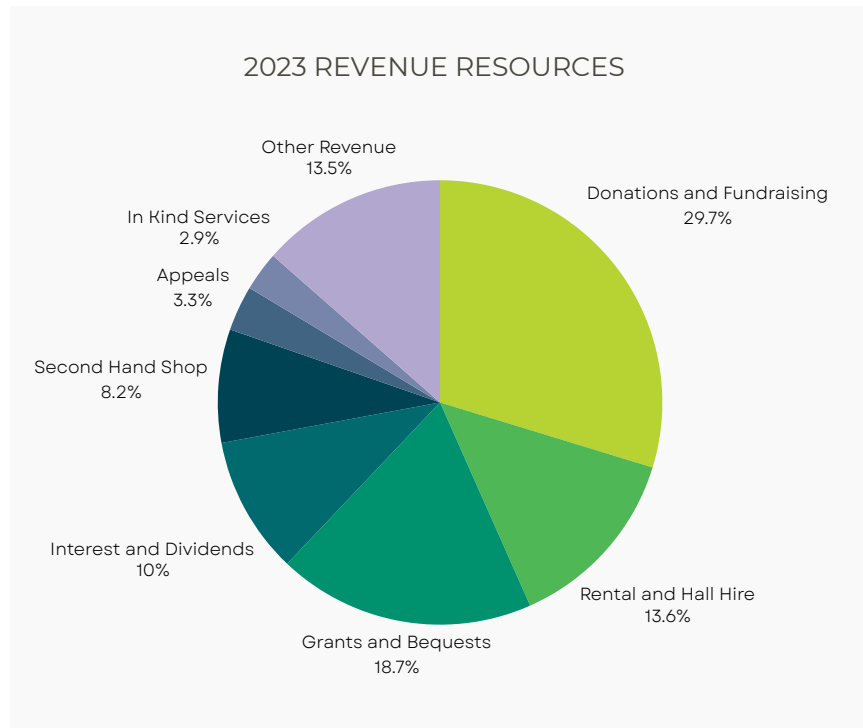
SUMMARY

2023 Operating Revenue \$6.5m, \$887,000 up compared to 2022.

- Grants and Bequests up \$511,000.
- Rental and Hall Hire up \$139,000.
- Second Hand Shop up \$71,000.

2023 REVENUE RESOURCES

ITEM	2023 (\$NZD)	2022 (\$NZD)	VARIANCE	% VARIANCE
Donations and Fundraising	1,943,000	2,002,000	- 59,000	-3%
Rental and Hall Hire	891,000	752,000	139,000	18%
Grants and Bequests	1,223,000	712,000	511,000	72%
Interest and Dividends	654,000	610,000	44,000	7%
Second Hand Shop	539,000	468,000	71,000	15%
Appeals	215,000	262,000	-47,000	-18%
In Kind Services	187,000	142,000	45,000	32%
Other Revenue	884,000	701,000	58,000	8%
Total Revenue	6,536,000	5,649,000	887,000	16%





Expenses

SUMMARY

2023 Operating Expenses \$7.1m (2022 \$5.4m).

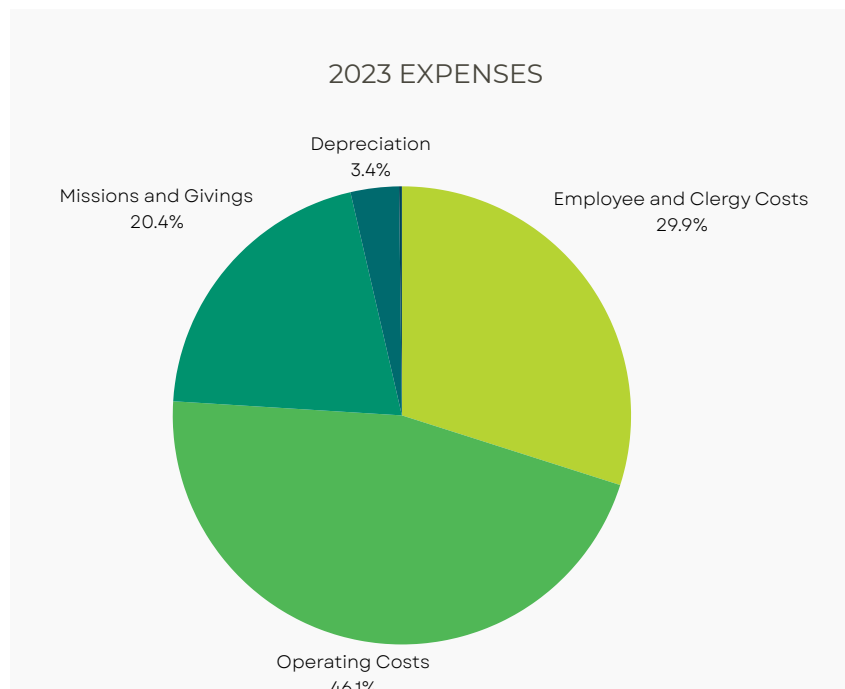
- Operating Costs above \$951,000.
- Missions and Giving above \$793,000.

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 Otorohanga Parish property (\$272,000).

2023 EXPENSES

ITEM	2023 (\$NZD)	2022 (\$NZD)	VARIANCE	% VARIANCE
Employee and Clergy Costs	2,114,000	2,168,000	- 54,000	2%
Operating Costs	3,255,000	2,304,000	951,000	-41%
Missions and Givings	1,442,000	649,000	793,000	-122%
Depreciation	241,000	239,000	2,000	-1%
Interest Expense	14,000	11,000	3,000	-27%
Total Expenses	7,066,000	5,371,000	1,695,000	-32%



Waikato Diocesan
Trust Board.

3



Highlights

OPERATING SURPLUS

- Operating surplus of \$441,000 (2022: \$368,000).

DISTRIBUTIONS

- Distribution to unit holders \$441,000 (2022: \$368,000).
- 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 \$654,000.
 - Revaluation of properties \$3,435,000 (2022: \$18,926,000).

RETURNS

- Average Income Return to Unit holders: 3.1% (2022: 2.4%).
- Average Capital Return to Unit holders: 4.5% including revaluations of unitholders' investments and properties (2022: -9.6%).
- Total average return based on 31/12/23 unit price: 7.7% (2022: -7.2%).



INVESTMENT RETURNS (5 YEARS)

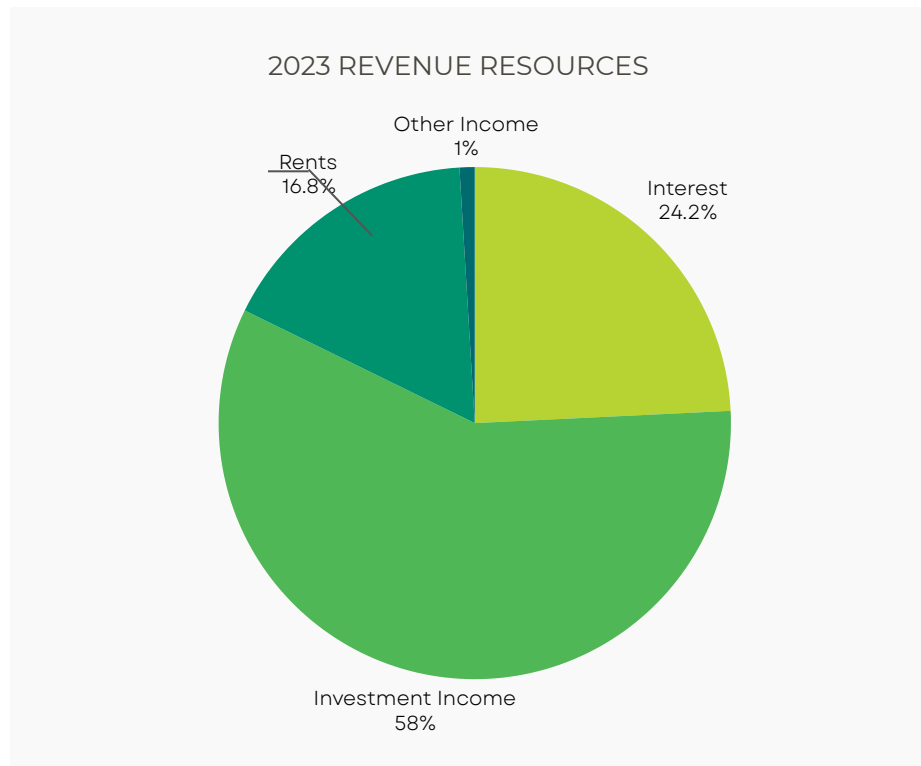
	2023 (\$000)	2022 (\$000)	2021 (\$000)	2020 (\$000)	2019 (\$000)
Investor Funds	12,938	15,086	13,692	11,689	11,345
Income Return	3.1%	2.4%	3.0%	3.6%	3.8%
Capital Return	4.5%	-9.6%	5.0%	4.9%	4.7%
Total Return	7.7%	-7.2%	8.0%	8.5%	8.5%



Revenue

SUMMARY

Total Distributable Revenue \$524,000 (2022 \$454,000).



2023 REVENUE RESOURCES

ITEM	2023 (\$NZD)	2022 (\$NZD)	VARIANCE	% VARIANCE
Interest	127,000	37,000	90,000	243%
Investment Income	304,000	304,000	-	0%
Rents	88,000	90,000	-2,000	-2%
Other Income	5,000	23,000	-18,000	-78%
Total Revenue	524,000	454,000	70,000	15%

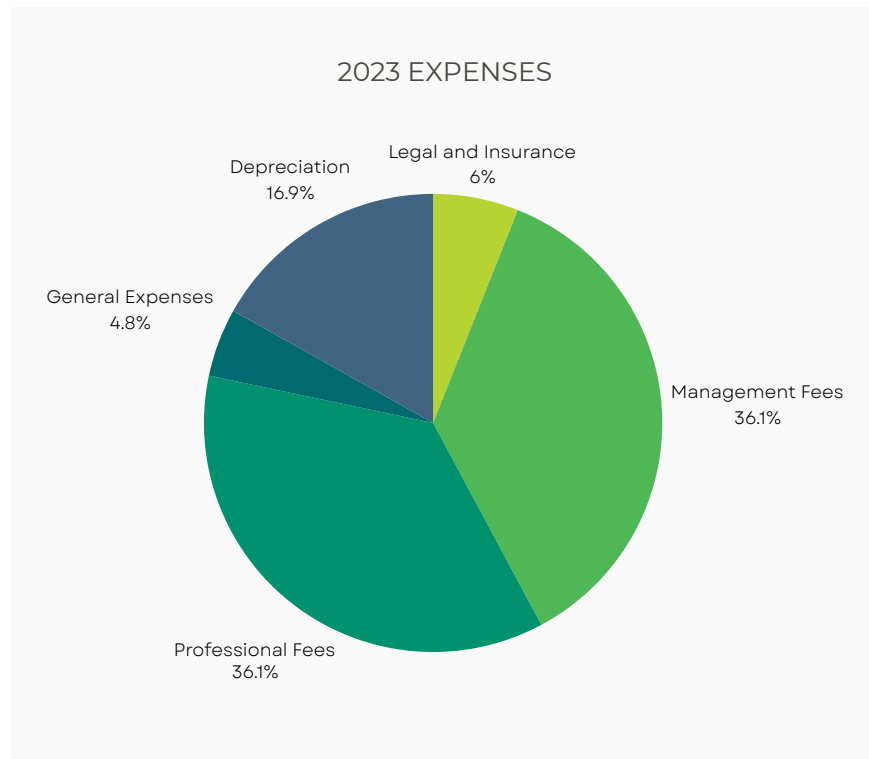


Expenses

SUMMARY

Total Expenses attributable to the Unitholders \$83,000 (2022: \$86,000).

Depreciation relates to Trust Board properties included Charlotte Brown House and Tikituterangi House.



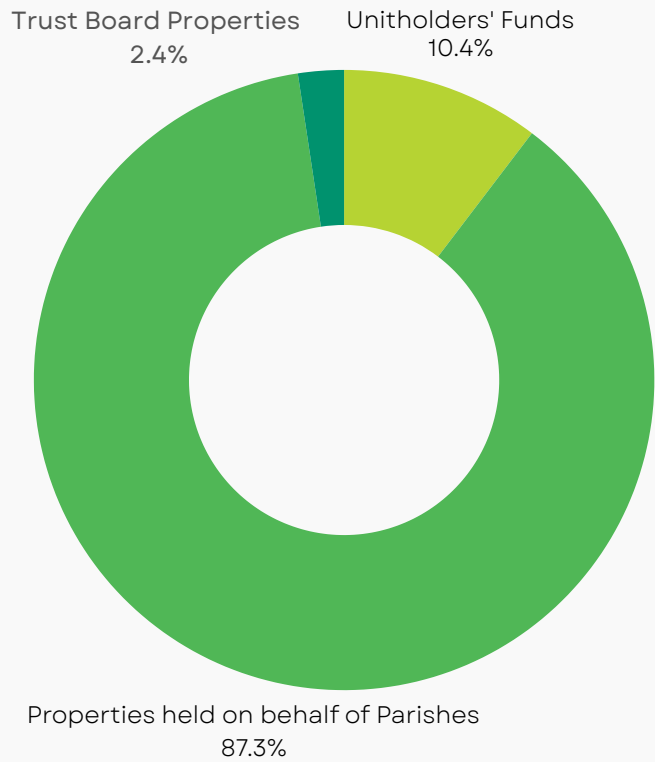
2023 EXPENSES

ITEM	2023 (\$NZD)	2022 (\$NZD)	VARIANCE	% VARIANCE
Legal and Insurance	5,000	10,000	-5,000	-50%
Management Fees	30,000	30,000	-	0%
Professional Fees	30,000	24,000	6,000	25%
General Expenses	4,000	10,000	-6,000	-60%
Depreciation	14,000	12,000	2,000	17%
Total Expenses	83,000	86,000	-3,000	-3%

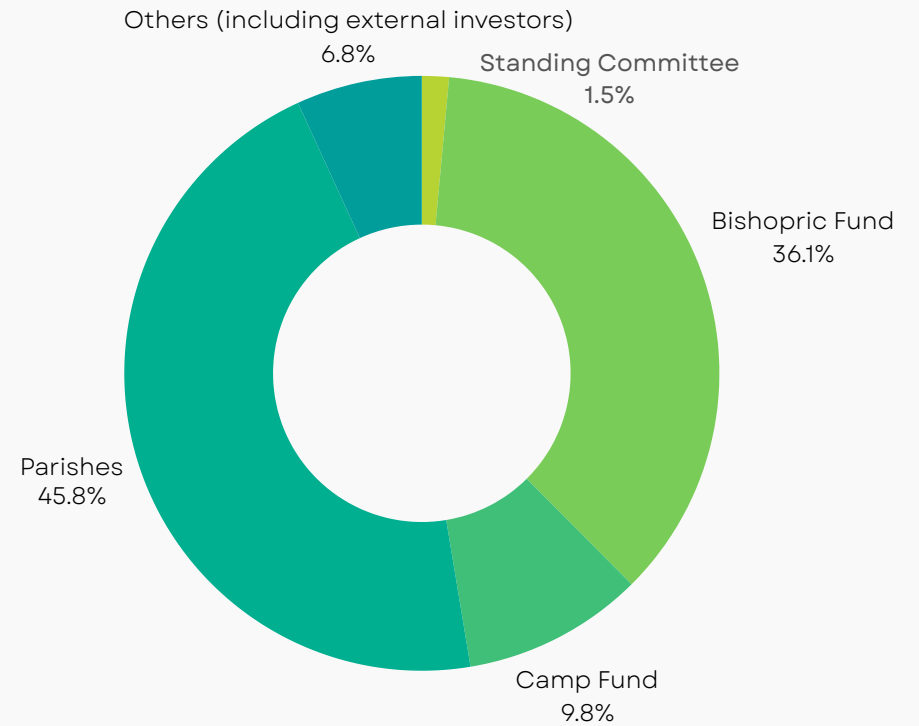
Equity

ALLOCATION OF EQUITY

BREAKDOWN OF EQUITY



BREAKDOWN OF UNITHOLDERS' FUNDS



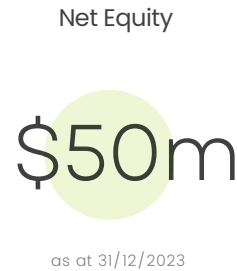
Taranaki Anglican **Trust Board.**



Highlights

NET EQUITY

- Net equity of \$50m Dec 2023 compared to \$48.9m in 2022, increase of \$1.1m due to \$631k surplus and \$467k capital gain.



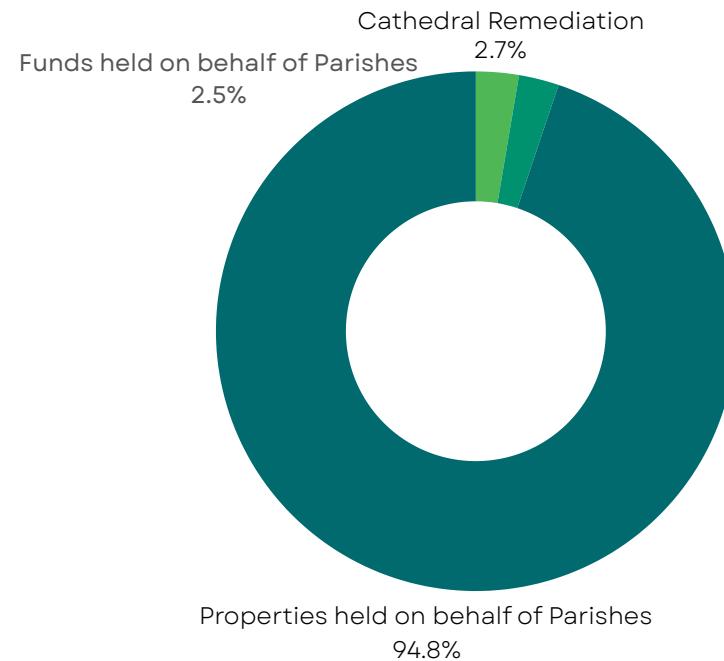
SURPLUS

- Surplus for the year before the revaluation of investments and properties was \$631k (2022 \$2.7m).
- Results include the Cathedral Remediation donations, grants and expenses.

CAPITAL GAIN

- Revaluation of investments gain \$39,000 (2022 -\$93,000).
- Revaluation of properties gain \$467k(2022 \$12.2m).

BREAKDOWN OF EQUITY



standing
Committee.

5



2023 Results

SURPLUS

- Operating deficit of \$51,000 before depreciation compared to budget loss of \$62,000.

REVENUE

- \$7,000 above budget mainly due to \$6,600 higher than budgeted from interest bank and investment income.
- The main income contributors are Assessments (\$589,000), Rental Income (\$112,000) and WDTB investment Income (\$20,000).

EXPENSES

- In line with the budget \$4,000 down on budget.
- Lower than budgeted expenses in almost all the cost areas.
 - Allocation to Ministry Education and Diocesan Funded Ministry \$27,000 down on budget.
 - Allocation to Financial Support to Parishes \$11,000 down budget.
- Offsetting by higher than budgeted expenses
 - Unbudgeted Insurance Finance Charge \$14,000.
 - Insurance \$6,000 higher than budgeted.
 - Allocation to Wider Church \$4,000 higher than budgeted.
 - Audit Fee \$4,000 higher than budgeted.

Operating
Deficit

\$51k

as at 31/12/2023

Revenue

\$763k

as at 31/12/2023

Expenses

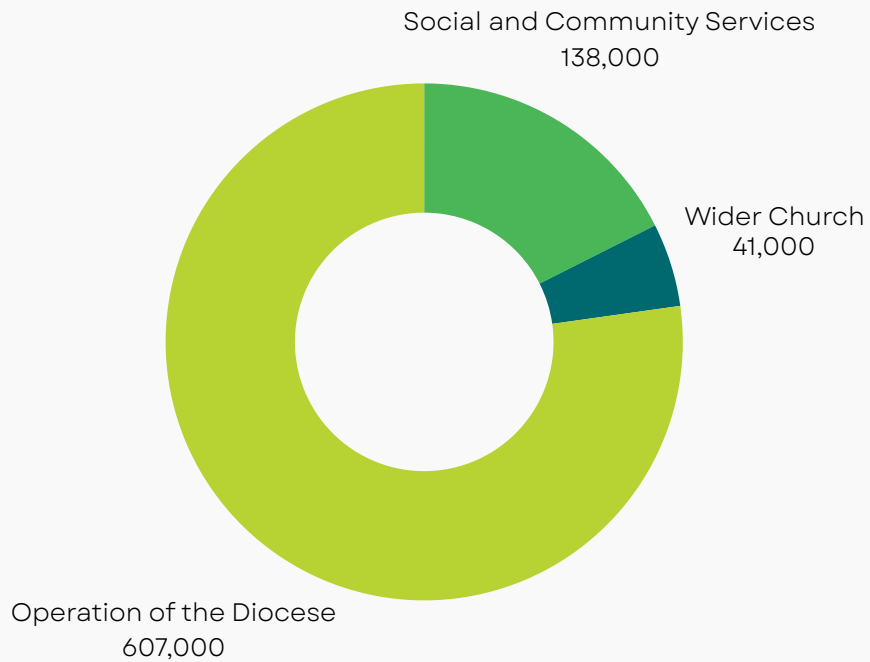
\$814K

as at 31/12/2023

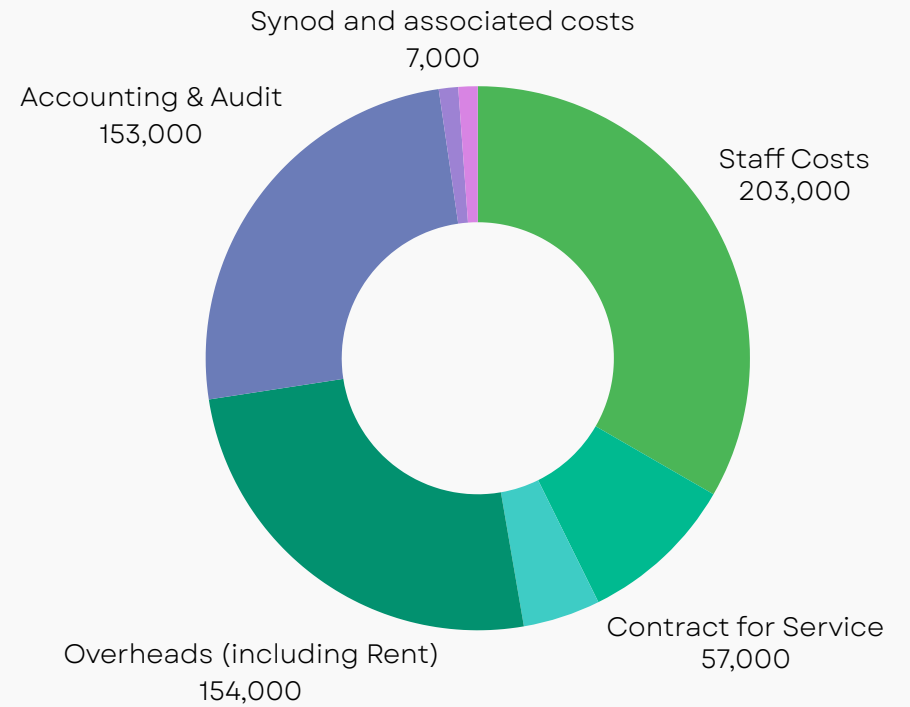
2023 Results

ALLOCATION OF ASSESSMENTS

DISTRIBUTION OF ASSESSMENTS ACROSS ALLOCATIONS



BREAKDOWN OF ALLOCATION TO OPERATION OF THE DIOCESE



2024 Results

SUMMARY

- 31 July results to date \$16,000 deficit compared to budget deficit of \$14,000.
- Income and Expenditure are largely in line with the budget.
- 2024 forecast at 31 December \$7,000 loss.



2024 RESULTS

ITEM	2024 ACTUAL (YTD)	2024 BUDGET (YTD)	VARIANCE	2024 BUDGET (FULL YEAR)	2024 FORECAST
Revenue	432,000	425,000	7,000	736,000	747,000
Allocation to Social & Community Services	-43,000	-43,000	-	-73,000	-74,000
Allocation to Support to Parishes	-	-6,000	6,000	-11,000	-11,000
Allocation to Wider Church	-21,000	-21,000	-	-36,000	-36,000
Allocation to the Operation of the Diocese	-384,000	-369,000	-15,000	-633,000	-633,000
Total Allocations	-448,000	-439,000	-9,000	-753,000	-754,000
Operating Surplus / (Deficit)	-16,000	-14,000	-2,000	-17,000	-7,000



2025 Budget

SUMMARY

- Assumptions made for the budget
- Budget has been striped down to essentials

REVENUE

- Rental for Church House, Hillcrest House and office rental at Charlotte Brown House \$91,000.
- Removal of TPCCG service contract and Ministry Education contribution.
- Other Income includes the Waikato Diocesan Trust Board investment distribution \$22,000.
- An allocation of \$15,000 the Ministry Support Fund has been bugeted.

EXPENSES

- A modest 3.3% inflation increase for most costs.
- Allocations to Support to Parishes has increased to \$15,000 (2024 \$11,000).
- Trust Management fee has been held at a CPI increase of 2%.



2025 Budget

SUMMARY

- A breakeven budget.

Operating
Surplus

\$5k

as at 31/12/2025

Revenue

\$711k

as at 31/12/2025

Expenses

\$706K

as at 31/12/2025

REVENUE

- Gross budgeted income \$711,000, this compares to 2023 \$763,000 and 2024 forecast of \$747,000.
- Assessment Income \$610,000 represents 15% of the total annual income of all parishes averaged for the past three years.
- Rental for Church House, Hillcrest House and office rental at Charlotte Brown House \$91,000.
- Other Income includes the Waikato Diocesan Trust Board investment distribution \$22,000.

EXPENSES

- Total budgeted expenses \$706,000 (2023: \$814,000, forecast 2024 \$754,000)
- A modest 3.3% inflation increase for most costs.
- Allocations to Support to Parishes has increased to \$15,000 (2024 \$11,000).
- Trust Management fee has been held at a CPI increase of 2%.



2025 Assessments

HIGHLIGHTS

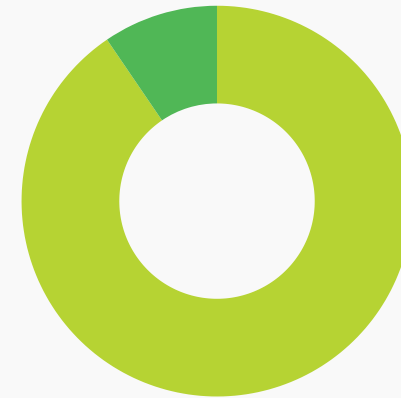
- The budgeted 2025 assessment represents 9.5% of the total 2023 consolidated income of the Diocese of Waikato and Taranaki.

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.

2025 ASSESSMENTS VS. 2023 CONSOLIDATED INCOME

2025 Assessment Budgeted
9.5%



2023 Consolidated Income (excluding property transactions)
90.5%

ALL PARISHES	2023	2022	2021
ASSESSABLE INCOME	4,618,000	3,811,000	3,768,000



*“Manaaki whenua,
manaaki tangata, Haere
whakamua”*

Care for the land, care for the people,
Go forward.

Lake Tekapo, New Zealand

Parish Accounting **Review.**





Parish Team Update

WHAT'S BEEN HAPPENING?

- Team has been more settled in the past 12 months
 - growing in experience
 - over the last few months reports should now be arriving on time (prior to Vestry meetings)
 - historical / uncertain old balances to be cleared prior to year end
- Aim is to shift focus from on BAU to adding value over the coming year

STRUCTURE OF TEAM

- First point of contact - Parish Accountant
- Next level - Ankita Thaper (Senior Accountant)
- Then - Marie Nickalls (Head of Finance - Parish Accounting)

LOOKING AHEAD

- Review of Accounting System (underway)
- Continuous process improvements
- Parish Team Charter



Current Projects

ACCOUNTING SYSTEM REVIEW

- System review underway – for Parishes, other TIM Clients and TIM itself
 - Process documentation – complete
 - Needs analysis – close to completion
 - System capability analysis – underway
 - System comparison and decision making – due by the end of November
- Choice of new system will depend on many factors – capabilities, customisation, cost, etc
- Will require a move to a consistent GL across Taranaki and Waikato parishes
- Alongside accounting system will be reporting requirements
 - How this fits into organisation wide data warehousing and analysis needs
 - Considering potential new accounting system functionality
 - Parish reporting needs (including cash-flow)

CONTINUOUS IMPROVEMENT

- We are working on a number of process improvements for our parish team:
 - Full documentation of parish requirements – from projects ongoing, to admin hours, to special journals
 - Upload options (bridging the time between now and new system)
 - Onboarding training and documentation



Parish Team Charter

KEY POINTS

- The parish team worked to pull together a document that reflects our expectations as a team, including work habits, deliverables, behaviours and outcomes.
- This will form the backbone of all interactions with parishes going forward

PARISH ACCOUNTING TEAM CHARTER

Team Purpose

Truly delight our parish clients with

- comprehensive solutions,
- expert advice and
- genuine care.

Service Behaviours for us to Thrive



Collaborate to succeed – Go the extra mile, **deepen our relationships**, and build and maintain our reputation as the accounting partner of choice



Advise from a position of care – Coach and advise Parishes encouraging them to grow their understanding, **unleash our best thinking**, and **create space, trust** and rapid learning cycles with Parish teams



Inspire each other – Together, seed learning opportunities, hone our skills, **leverage our experience, be curious**, generate belief in what is possible



Appreciate all efforts – Our growth culture **embraces our diversity** and let's our native genius shine through, work to our full potential so we can be our best



Encourage fun – **Enjoy our work and each other**, recognise the contribution of other people, invest in and celebrate our successes as a team and with Parishes

Our Service Rituals and Actions



Quality every time: Accurate accounts, deadlines met, quality communications and advice – this is our consistent promise



Front foot communication: Respond to requests **within 24 hours**, acknowledge deadlines and communicate progress, know when a call may be more productive than email, always apply email etiquette



Work habits: Use blocks of time to **prioritise and deliver Parish work**, review own work using checklists and schedule set times in a day to review and respond to emails



Manage information flow: When information hasn't been received on time, **allow the Parish to make the decision** if to finalise the accounts now or wait, update register with agreed date changes



Lead change: **Proactively provide advice** when there are key changes such as minimum wage changes, cashflow impacts of significant events etc



Know our clients: **Respect the time of our Parish clients**, note their availability and work to meet this. Deepen the connection with clients, taking interest in them beyond the role of Parish Treasurer

Investment **Review.**





Summary

PERIOD TO JUNE 2024

The 12 months to June saw mixed performance across the asset classes, with global equities the standout performer. Direct property returns have been flat over the year, albeit that has been offset by strong returns from the listed markets.

A key driver of market returns this year has been reducing inflationary pressures and the expected pathway for interest rates. Bonds have benefitted as central banks neared and then started cutting official cash rates. Global equities soared on market expectations about the benefits of artificial intelligence. 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 continued softening, as expected.

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

At Trust Management, we continue to focus on delivering robust, cost-effective investment solutions with integration of environmental, social and governance considerations that we know are important to our clients. We will shortly be publishing our first climate report, which has been a significant undertaking and valuable learning exercise for the team. We have also recently published our third Ethical Investment Update which also serves as our stewardship report, as a founding signatory of the Aotearoa New Zealand Stewardship Code. We welcome discussion on these topics.

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

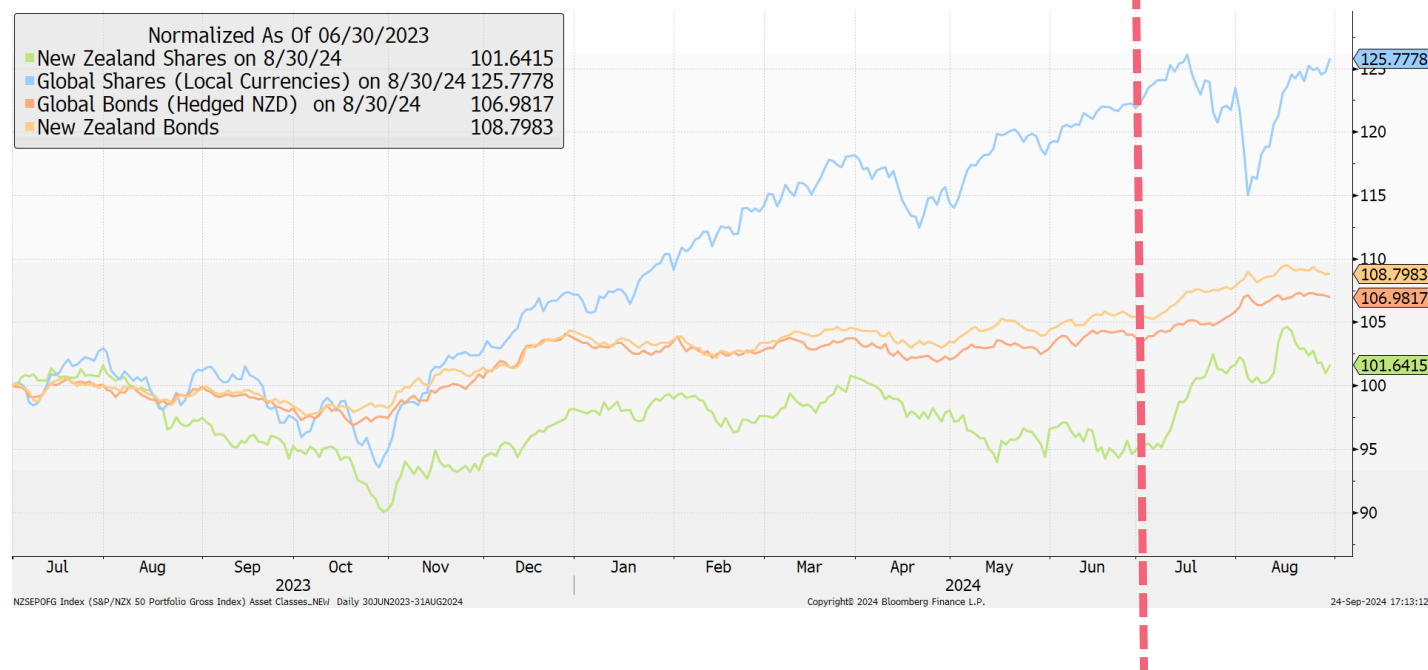


Financial Market Performance

SHARES

- Global share markets have experienced a strong rally through 2024, with some volatility in April in the context of fears that central banks would not ease interest rates as quickly as previously hoped, as well as ongoing geopolitical concerns.
- NZ shares underperformed global markets during 2023 and into 2024 given the lesser exposure to technology stocks ('mega caps') and subdued earnings expectations.

Asset class returns - 12 months to June 2024

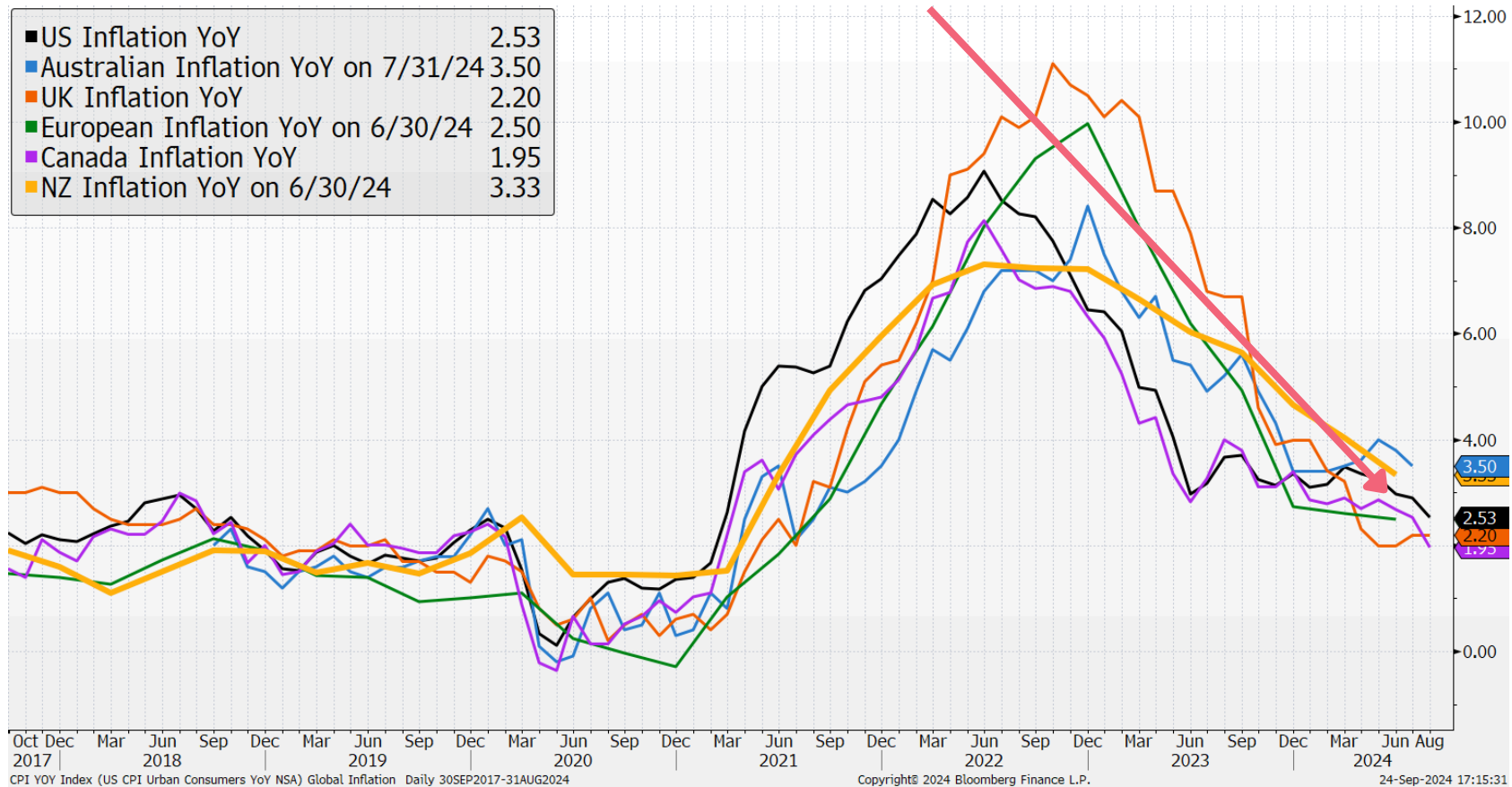


BONDS

- May and June saw a recovery for global bonds after a selloff in yields in April.
- Ongoing slowing in economic metrics and falling inflation has seen a resetting of interest rate expectations and paved the way for central banks to start cutting cash rates. The combination of attractive running yields and shift in the cycle gives us a constructive view on the outlook for the asset class from here.

Inflation

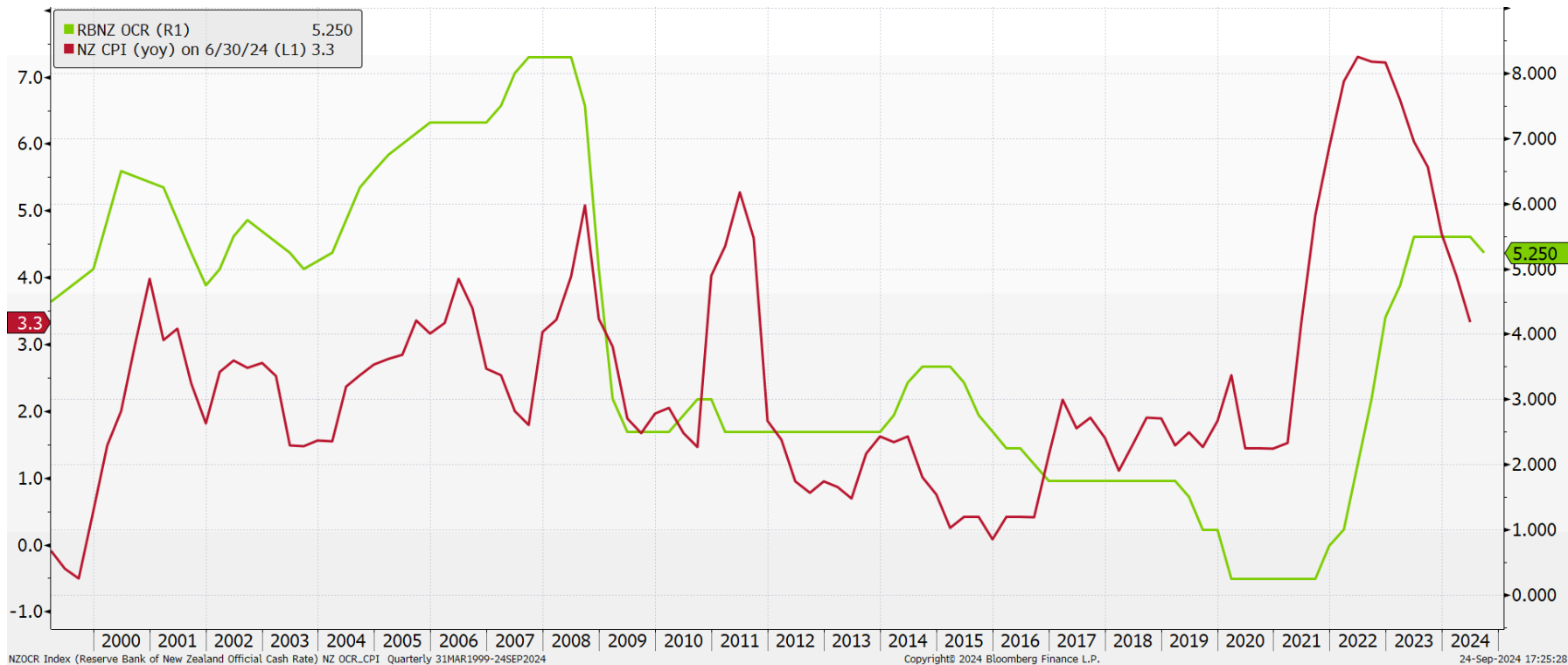
- Inflation reduced over 2023 and by 2024 was nearing target ranges for many major economies.
- We have seen the European Central Bank, Bank of Canada, Reserve Bank of New Zealand and the US Federal Reserve all start easing interest rates since June 2024.





Interest Rate Cycle

- Reducing inflation pressures paved the way for the RBNZ to cut the OCR by 25bp to 5.25% in August 2024. This surprised the market, in stark contrast to its hawkish statement in May 2024.
- There is dispersion in terms of the pathway from here with the market anticipating more aggressive cuts than what the RBNZ has signalled.





Your Portfolio Summary

INCOME FORECAST

- Income returns year-to-date have been consistent with forecast expectations.
- Looking forward, we expect income returns for the Balanced Fund to be above 3.5% per annum.

RANGE OF RETURNS

- 1 year performance of 5.9% to June 2024, has underperformed the composite benchmark return of 7.6%. The underperformance was due to the Property allocation (c.32%) of the fund being compared against a cash benchmark. While this is disappointing, short term underperformance is not unexpected for a diversified multi asset class portfolio.

FORWARD-LOOKING EXPECTATIONS

- Revised capital assumptions, giving an expected Balanced Fund return of 6.6% pa over a 5-7 year timeframe
- Forecasting both enhanced yield (3.8%) and capital returns (2.8%)



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):

7.3%

as at 30/6/2024 before fees and tax

Performance: 1 year

5.9%

as at 30/6/2024 before fees and tax

Unit price

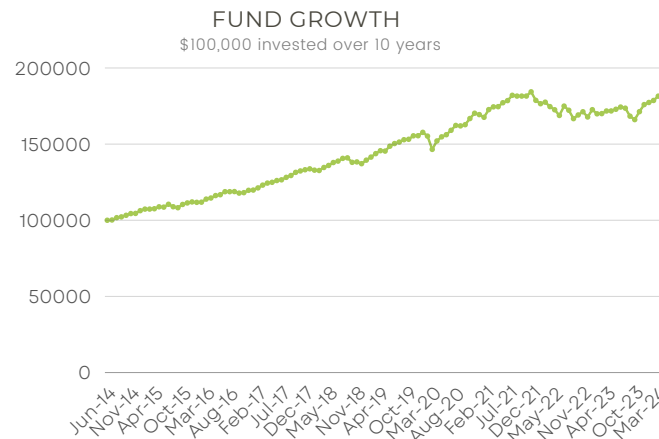
\$1.4209

as at 30/6/2024 before fees and tax

If you had invested \$100,000 over the last 10 years to June 2024, it would be worth...

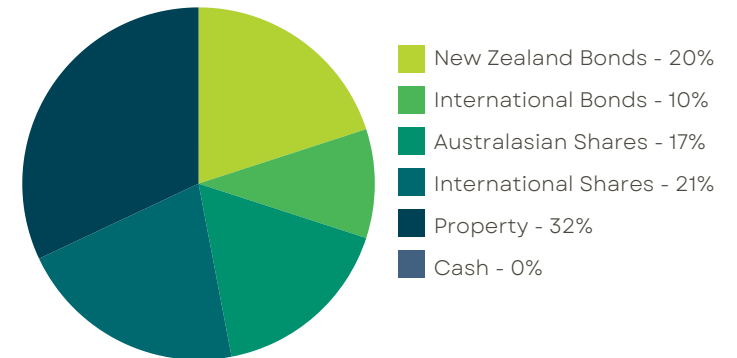
\$182,000

as at 30/6/2024 before fees and tax



After fees and before tax. As at 31/12/2022

TARGET ASSET ALLOCATION





ESG and Ethical Investing


- We believe ESG risks represent financial risks for companies and issuers and are likely to influence asset valuations. Entities that fail to manage material risks are likely to face unexpected costs and volatile asset prices.
- Our approach to ESG and Ethical investing utilises three pillars:
 - Negative screens: avoiding companies involved in certain activities
 - ESG Integration: incorporating ESG matters when evaluating investment options
 - Collaborative engagement: using influence as a shareholder to raise ESG concerns with the company

ENHANCEMENT

- Meaningful ESG and climate integration is an important element of the ESG International Shares Fund, managed through State Street Global Advisors. The following changes were incorporated into the fund since June 2024:
 - Additional screening on oil and gas, and civilian firearms (manufacture and/or sale of assault weapons to civilians).
 - New forward looking climate data metrics, seeking to capture companies' low carbon transition planning and exposures to climate-related risks.
- In 2024, the Property Fund achieved the Toitu net carbonzero certification through offsetting landlord controlled Greenhouse Gas emissions with carbon credits. The carbon credits purchased support the Native Forest Project – Spraypoint – a native forest regeneration site protected under a QEII covenant, located in Marlborough.



Summary



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

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

- ✓ 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

Trust Management

Level 1, 105 Carlton Gore Rd
Newmarket, Auckland

PO Box 37448, Auckland 1151

09 550 4040

www.trustmanagement.co.nz