

A MESSAGE FROM THE FINANCE COMMITTEE

As many of you are aware, AUC had a challenging year financially in 2016 and is projected to continue to have these challenges through 2017 and beyond. In the spirit of full transparency, we felt it would be useful to broadly communicate some of the details of our current financial state ahead of the AGM so there is a full understanding of our situation. While we will continue to run substantial operating deficits in 2017, we are blessed by having access to the interest income from our insurance payout that is able to cover these deficits. We believe we are finally starting to see the impact of the fire on our finances; it was inevitable. With the decline in givings and the loss of rental income from our five rental houses, along with the cost of rent to our friends at Trinity, it has been necessary to draw on the interest from the insurance payout to continue to function at the level we all want from AUC.

Impact of Fire on Actual Main Income & Expense Items in Operating Budget (000's)						
		<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017</u>
TOTAL OFFERINGS				\$11	(\$57)	(\$20)
RENTAL INCOME (from 5 houses)				\$5	(\$28)	(\$34)
TRINITY RENT/STORAGE				(\$54)	(\$30)	0
BUDGET SURPLUS/DEFICIT		Balanced	Balanced	(\$37)	(\$115)	(\$54)
Insurance interest budgeted for				\$57**	\$120	\$185
*These figures show the change from the previous years numbers and are additive year to year						
**in 2015 we budgeted a \$57K requirement from the insurance interest. None of the \$57K was used due to increased givings and the strong 2014 year end bank balance						

So while we were able to avoid drawing on the interest money in 2015, it was a temporary reprieve. In 2016 we required a total of \$120,000 from the interest on the insurance payout, and we anticipate needing an additional \$65,000 (for a total of \$185,000) to meet budget requirements in 2017. Again, the good news is that this \$185,000 requirement for 2017 can be covered by the interest on the insurance payout. This has been approved by Council for 2017, subject to congregational approval.

A different way to look at this is to compare our last full year, 2016, with the last full year of AUC prior to the fire, 2013. Obviously 2014 and much of 2015 were exceptional years due to the short term impact of the fire on our finances in several ways. So looking at those two more stable years, we see the following:

COMPARISON OF 2013 AND 2016 OPERATING BUDGETS			
Reduced to key line items only			
	<u>2013</u>	<u>2016</u>	<u>INCREASE/(DECREASE)</u>
INCOME			
Total Offerings	\$330,350	\$314,850	(\$15,500)
Total Fundraising	\$14,648	\$4,163	(\$10,485)
Total Property Income	\$84,880	\$34,521	(\$50,359)
TOTAL INCOME	\$505,703	\$417,998	(\$87,705)
EXPENSES			
Rental at Trinity	0	\$83,823	\$83,823
Insurance at AUC	\$13,359	\$1,797	(\$11,562)
Total Property Committee	\$77,710	\$19,455	(\$58,255)
Total Rental Properties	\$24,181	\$28,491	\$4,310
Total M&P	\$292,419	\$299,438	\$7,019
TOTAL EXPENSES	\$501,763	\$539,362	\$37,599
TOTAL INCOME REDUCTION	\$87,705		
TOTAL EXPENSE INCREASE	\$37,599		
2016 NET VARIANCE TO 2013	\$125,304		
INTEREST FROM INSURANCE*	\$120,000		
*(used to balance the budget)			

This illustrates that our deficit situation is directly related to the impact of the fire. A combination of income reduction and expense growth accounts for the total variance of \$125,304 in 2016 versus 2013. It should also be noted that on the expense side of the budget, the various committees have worked very diligently to hold expenses at or below the prior year's level without jeopardizing the viability of AUC's programs.

Stephen Crawley

Chair, AUC Finance Committee

AUC Council Comments

The summary of our financial trends provided above is intended to tell the story of AUC's realities post fire, up to 2017. The truth is we were trending well with operating balances for a few years and the fire changed this reality, drastically.

Post fire, AUC had two simple alternatives: build exactly what we had; or pause and revision our purpose for a longer term and build a new structure to meet those needs. If we had chosen the first alternative then our building would likely be complete by now. Our reality though, appears to be a 5 year journey from fire to a new building. As a result, the fire has caused real operational financial hurdles to overcome up to and including 2019.

AUC was fortunate to be able to settle with our insurer early which has allowed us to benefit from the interest of \$8M+ held by our Trustees. This capital has provided necessary interest income which is supporting our operational budget needs during our period of transition. Council's concern is that once we obtain a building permit and begin our rebuild, we will start eroding our insurance capital that is supporting our operational needs. We anticipate significant deficits in the 2018 and 2019 calendar years.

There has been discussion by the Trustees and Council that the Endowment funds approximate net \$400K would be an appropriate emergency source to bridge the gap in 2018 and 2019. This action would require congregational approval and is one we will explore further at a later date. A portion of the \$200K annual rent to be received from our development partner could be allotted to rebuild the Endowment fund.

Respectfully,

Rod Johnson

Chair of Council, AUC