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**Analysis and Forecast Based On CAFII Financial Statements As At September 30, 2017;
and Important Future-Related Considerations**

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For the month of September, CAFII had a current month deficit of $8,435, a positive variance performance to our budgeted and expected monthly deficit of just over $16,000 (based on budgeted 2017 fiscal year deficit of $193,268).

Looking at our financial position with nine months of the fiscal year completed and forecasting forward to the end of the year, it appears that we will conclude 2017 with a deficit of approximately $147,000, i.e. a positive variance of just over $46,000 as compared to the deficit budgeted for the year.

From a Balance Sheet perspective, CAFII is in healthy financial shape at this time – with a bank balance of $380,000 and Total Unrestricted Net Assets of $270,814. That level of financial reserves represents 36% of Annual Operating Expenses, which is very close to the mid-point and sweet spot in our target range of having reserves which constitute between 25% and 50% of Annual Operating Expenses.

However, by the end of the current fiscal year, our Unrestricted Net Assets are projected to decline to approximately $234,000 or 31% or Annual Operating Expenses. While that level of financial reserves will certainly put the Association in a more comfortable position than would having reserves of 25% of Annual Operating Expenses -- which we were originally anticipating based on the Board-approved 2017 Operating Budget – it in no way alters the fact that the Association faces some tough financial decisions ahead.

Board and EOC members will recall that at its November 29, 2016 meeting, the Board decided

- to move to a two Co-Executive Directors staffing model;

  and, in order to fund the additional staff executive position, to

- increase Member dues in 2017 by 25% over 2016 levels; and
- increase Member dues in 2018 by a further 25% over 2017 levels, after a review of the necessity and merits of that decision during the 2018 budget development process.

As will be elaborated upon below, based on CAFII's current financial situation and the related Strategic Plan approval decision which the Board will be called upon to make, it is quite possible that a Member dues increase of greater than 25% will be required for 2018.

With the loss of a Member of the Association (National Bank Insurance) and two Associates (Aimia, Laurentian Bank of Canada, and CSI Brokers Inc. lost; but offset by the gain of DGA Careers as new Associate), CAFII took in $68,000 less in Member/Associate dues revenue than was budgeted for 2017.

And while tempered spending is producing a lower than expected deficit and leading to a modestly more comfortable financial reserves situation at the end of the current fiscal year, the loss of that $68,000 in Member/Associate dues makes the revenue side of the ledger all the more challenging for 2018 and beyond.

The challenging budgetary decisions ahead also include the likelihood that the Association's proposed new Strategic Plan will require increased funding to be operationalized – more money on the Expenses side of the ledger for investments in strengthened regulator and policy-maker relationship-building; additional research; ongoing website enhancements; expanded media relations/outreach; and potentially new education and thought leadership initiatives.

Our 2018 budget development process begins immediately now. It will unfold throughout the month of November and, if necessary, continue into the month of December. We will be reaching out, as per usual, to each Committee Chair for budget input with respect to spending plans for the next year in their portfolio's area of activity.

The plan is to present the Board with a few 2018 Operating Budget options, for review and approval at its upcoming November 28/17 meeting.