ACCOUNTING INSTRUCTIONS ACCOMPANYING THE 2007/08 UR1 ANNUAL CONGREGATION/ PRESBYTERY RETURN TO SYNOD

INTRODUCTION

Uniting Resources (formerly known as the Board of Finance & Property) has the responsibility on behalf of the New South Wales Synod for policy and administration, in matters of; property/insurance, financial management, human resources, workplace safety, information technology and financial services (investments).

These instructions will accompany the 2008 Treasurers Manual, which is expected to be due for release soon. This Manual will provide Treasurers with a comprehensive guide to their roles in the areas of accounting & finance, accounting systems, budgeting and planning, risk management and governance, etc.

Consistency in the provision of information and the format of the annual return is essential for meaningful analysis and evaluation year by year. These instructions are designed to achieve this aim. The classifications for Receipts and Payments should not be considered exhaustive as there will be instances within your Congregation or Presbytery where tailoring will be necessary to group them within the appropriate Receipt or Payment category.

UR1 ANNUAL RETURN for CONGREGATIONS/ PRESBYTERIES (formerly known as BFP6)

Congregations with access to the Internet and who are on our e-newsletter mailing list will be advised to download the 2007/08 UR1 Return from Uniting Financial Management Services website at www.unitingresources.org.au/fms. All other Treasurers will receive the printed version of the UR1 Return, along with these accounting instructions and the 2007 Synod List of Independent Auditors. In 2006, Uniting Resources ('UR') introduced a 2-stage process for completion of UR1 (BFP6) annual returns, which applies again for 2008, as follows:

- *Stage 1* - **Unaudited** UR1 annual returns should be completed and returned to UR as soon as possible after **31 August 2008**. We stress unaudited, i.e., the first draft, without necessary signatures.

- *Stage 2* - **Audited** UR1 annual returns should be provided to UR by **31 October 2008** in accordance with Section 5.5.10 (g) of the *UCA Regulations*. By this stage, these returns should be completed in its entirety. Returning this form within the required dates is important.

It is essential that the UR1 return be provided by the due date to UR. Of course, if you are able to complete your audit before 31 October 2008, this would be a great achievement, and the early submission of your returns would be welcomed.

The UR1 summarises information which your appointed Church Council and Congregation meeting or Presbytery Committee should also be receiving from you (in conjunction with other types of reports). Presbytery Treasurers will receive a summary of Congregation returns from UR once all the UR1 Returns within each Presbytery are received.

The Return also provides important information to:

- **NSW Synod:**
    - For financial and mission planning decisions,
    - Collection of relevant information to negotiate discounts with suppliers for certain purchases,
    - To gauge the financial health of our Congregations and Presbyteries;
    - For completion of a variety of Australian Bureau of Statistics surveys;

- **Australian Taxation Office:** to assist with substantial reporting requirements such as BAS statements, FBT returns, superannuation payments, etc.

Detailed instructions on how to complete the statistical and accounting segments of the 2007/08 UR1 Return is attached. The extent of detail is intended to clarify any confusion that might arise. If you have any questions or concerns about these instructions, MYOB or other financial management issues, we would welcome you contacting our staff within the Financial Management Services (FMS) department of UR:

Natalie Waters
Client Relations Accountant

Phone: (02) 8267 4418
Fax: (02) 9264 4487
Email: nataliew@nsw.uca.org.au

Susan Brady
Assistant Accountant

Phone: (02) 8267 4409
Fax: (02) 9264 4487
Email: susanb@nsw.uca.org.au

Uniting Resources
30 June 2008

GUIDELINES FOR CONGREGATION/ PRESBYTERY TREASURERS

BOOK-KEEPING & ACCOUNTING SYSTEMS

Our aim with these guidelines is to provide the basis for ease and consistency of recording, interpretation of accounting and the reports which arise from them.

It has become evident that there are a wide variety of accounting systems in use. Some systems are extremely complex while others are barely adequate to provide the minimum of information. The Treasurer appointed is free to use either a manual bookkeeping system or a computerised system (i.e. MYOB or other accounting software package). UR leaves this decision to you - there is no compulsory system, although use of a customised MYOB is desirable (called UCAP).

Treasurers should ensure that all transactions are properly recorded and that the financial statements represent the correct consolidated financial position of your Congregation/ Presbytery. This includes transactions relating to property, equipment, loans, and transfer of funds between accounts, as well as month to month income and expense transactions.

The Church Council has overall responsibility for financial policies and decisions, and must be kept informed of the consolidated financial position of your Congregation/Presbytery. We suggest that Treasurers at all times keep their reporting as simple as possible and keep the minimum number of bank accounts. Most Congregations/ Presbyteries will only need 2-3 bank accounts which include:-

1. Working or current account (your day to day Cheque book to pay bills);
2. Ministers Expense Account (to separately maintain FBT and tax benefit arrangements for your Ministers);
3. Term investment accounts (saving for any long term purpose and a way of generating interest income which provides a source of income in the future).

Other bank accounts that may be needed include:

4. Sales Proceeds account (once property has been sold, funds should be ‘quarantined’ for special purposes);
5. Property refurbishment/ Asset replacement accounts (savings for future refurbishment of property and fixtures, or replacement of assets such as photocopiers, sound systems, computers, fax machines, etc);
6. Self-Help Fund accounts (where an active Self-Help Scheme has been established for future capital purposes).

We frequently find quite a few Treasurers who over-complicate things by creating more than 2-3 accounts for general purpose arrangements. Some have separate bank accounts for every church activity, e.g. ladies group, men’s group, photocopier account, kid’s club accounts, youth group account, etc. We found one congregation which had 20 accounts, even though their total turnover (income) annually was only $20,000.

As you can appreciate, keeping control of so many accounts, balancing them, preparing monthly bank reconciliations, replacing cheque books, updating signatories, etc, creates a lot of work and can lead to poor record keeping (when reporting consolidated results to Church Council or Synod), impact on BAS disclosure, possibly lead to fraudulent activities, and generally impact on good internal controls.

BUDGETS

Completion of the UR1 requires actual financial results for the 2007/08 year as well as the financial budget (prediction) for the 2008/09 year.

A budget is an important mechanism for financial planning and control. Within the Church setting it can be a point of focus to consider the work and mission of the organisation over the next 12 months (and of value to undertake a three year long range plan). It is difficult for a Congregation/Presbytery to function in confidence without some future financial planning and the formulation of a budget.

The value is enhanced if the budgeting process involves the approved Congregation's Church Council/Presbytery's Committee in the planning processes which relate to it. Not only does that result in a financial plan of action but also gives the Congregation/Presbytery a sense of ownership and motivates it to see the action plan achieved and financed. For instance, if you are in a tight financial situation and struggling to pay your minister's stipend, it is better to gauge in advance when this problem will arise (i.e. which month) rather than at the last minute, realising you can't pay the stipend that month.

The budget for the next year ideally would be prepared at the beginning of the *calendar year* (January/February). This gives the Congregation/ Presbytery approximately 4 months before the start of the new *financial year* (July).

Ministry allowances and costs are forecasted by the Synod (Secretariat), and are detailed in the *Stipend Remuneration Information Circular* issued around March each year, with an update being issued around November/ December.

If what you budgeted (predicted) doesn't quite look like your actual experience, try to gauge what the difference is. This difference is called the "variance" and it could be due to; your budgeted/predicted offertory income being significantly higher than what was actually received, or your estimation of property expenses was significantly lower due to unexpected building repairs.

The Budget is a valuable tool for planning the life and mission of your Presbytery and for defining expected financial commitments. Actual financial results should be regularly compared with the budget plan during its year with a clear explanation as to why variances (if any) occurred. This budget and the variances can be presented as part of your financial report at regular Church Council/ Presbytery Committee meetings which will motivate the members to foresee and act before a potential financial crisis occurs.

The UR1 form is useful as a prompt in the types of income and expenditure to plan for when developing your budget.

LINKED & MULTI-CENTRE CONGREGATIONS

Section 3.1.3 of the UCA 'Constitution & Regulations' details the Uniting Church's interpretation of the relationships between Congregations:

> *"A Congregation may relate to one or more other Congregations for the better exercise of their mission, at the initiative of a Congregation or of the Presbytery. Ongoing structured relationships between Congregations require Presbytery approval."*

Within the Synod directory, the index coding for NSW Congregations can be defined as follows:

Presbytery of Canberra Region	02
Linked Centre of BEGA-TATHRA	02.05
Linked Congregations of Bega	02.05.01

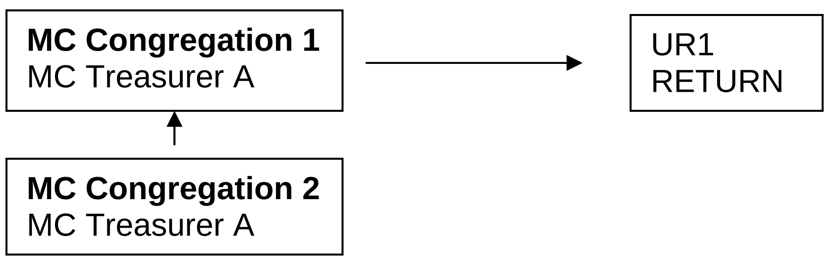
Linked Centres are defined as one or more linked Congregations with individual Church Council representatives.
Multi-Centres are defined as one or more linked Congregations with only one Church Council.

UR has acknowledged that a large number of Congregations in NSW are either Linked or Multi-Centres, and the requirements for UR1 reporting purposes can differ. The 2006/07 UR1 Return and accompanying instructions were re-assessed to cater more effectively to Linked Congregations and Multi-Centres. This remains the same for 2007/08.

Treasurers of **Multi-Centre Congregations** should consolidate the financial and statistical information of all linked Congregations in one annual UR1 Return. Multi Centre Congregations may each hold different ABN's; however, the one representative Treasurer is responsible for the completion of the annual UR1 Return.

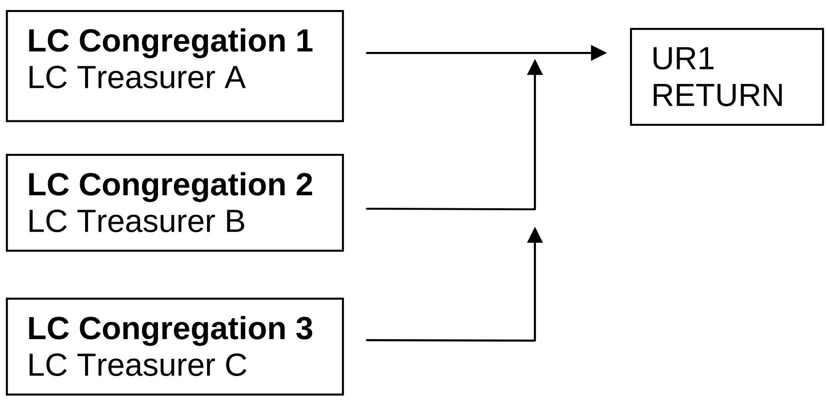
On the other hand, **Linked Centre Congregations** may each have their own individualised internal Constitution. The representative Treasurers may perform their roles independent to the Linked Centre, in which case they will complete the individual Congregations UR1 financial and statistical Return. However, various Linked Centre Congregations may lack the resources to fulfil the requirements of the UR1 Return or may be too closely intertwined with another Linked Congregation. In this case the financial and statistical information required for UR1 purposes may be consolidated with that of only one other Linked Congregation (Linked Consolidated Congregation).

Multi Centres



Linked Centres

Linked 'Consolidated' Congregation Centres



Or Linked 'Separate' Congregation Centres

LC Congregation 1
LC Treasurer A → UR1 RETURN

LC Congregation 2
LC Treasurer B → UR1 RETURN

TRANSFER OF FUNDS BETWEEN LINKED '*CONSOLIDATED*' CONGREGATIONS & MULTI-CENTRES (i.e. where one consolidated UR1 return is submitted to Uniting Resources)

***Transfers of funds between Linked 'Consolidated' Congregation Centres and Multi-Centre Congregations (regardless of whether they have separate ABN numbers) should not be recorded on the consolidated Annual UR1 Return. ***

For internal reporting functions, internal transfer of funds can be recorded in the Congregations separate accounts for each group. When the figures are consolidated on the UR1 return for Synod reporting purposes, however, internal transfers within the group of organisations need to be deleted at this time otherwise the associated income and expenditure would be double-counted.

For example, a donation from the Ladies Fellowship group to the main Congregation (assuming a Linked 'Consolidated' Congregation Centre) account will be recorded as an expense in the accounts of the Ladies Fellowship and income to the Congregation. However, at the end of the financial year, the Congregation excludes both of these transactions when completing the UR1 Return so as not to inflate income and expenditure and cause double-counting. Therefore, the end result of all internal transfers within the one organisation must be nil.

The transfers, however, will need to be separately identified in the Balance Sheet values. Extending the above example, the bank account of the Ladies Fellowship account would show the payments (decrease) and the Congregation account would show the income (increase).

TRANSFER OF FUNDS BETWEEN LINKED '*SEPARATE*' CONGREGATION CENTRES (i.e. where separate UR1 returns are submitted to Uniting Resources)

***Transfers of funds between two or more Linked 'Separate' Congregation Centres should be reported on each Congregation's Annual UR1 Return. ***

For example, if Congregation 1 pays rental of a hall to Congregation 2, the UR1 Returns for each Linked Separate Congregation Centre should appear like this:

- Congregation 1 - Expenses to P5 Rent paid.
- Congregation 2 - Income to R10 Property Income.

Transfer of funds between linked 'Separate' Congregation Centres for Ministers Services

Often, one Linked Congregations (1) will pay a levy to another Linked Congregation (2) for the occasional services of a Minister. Whether this payment is recorded as a P1 Wages and Salaries cost, or a P3A Reimbursement to Linked Congregations for Ministers Costs, depends upon whether the congregation is paying to the individual minister or to the other congregation.

- If the **payment is made to the Minister** and there is a **payment summary** (group certificate) issued by the Congregation (1) to the ATO at the end of the year for that minister, AND a payment summary issued by Congregation (2) the following will take place:
    - Congregation 1 will record their portion of the Ministers salary costs to ***P1*** - Ministers Costs.
    - Congregation 2 will record ONLY ITS portion (the remainder of the Ministers stipend) to ***P1*** – Ministers Costs

- If the **payment is made to another congregation** and there is **no payment summary** (group certificate) issued by Congregation (1) to the ATO at the end of the year, the following takes place:
    - Congregation 1 will record the levy expense to ***P3A*** – Reimbursement to Linked Congregation.
    - Congregation 2 will record income in ***R4*** – Income from other Synod sources.
    - Congregation 2 will then record the full Ministers stipend expense to ***P1*** – Ministers Staff Costs. This ensures there is no double counting of the Ministers salary in both Congregations.
    - UR will delete P3A and R4 internal transfers when consolidating returns for Synod.

*****Congregations <u>should NOT</u> be recording transfers of funds to P13 – Contributions to other UCA Organizations - as this is a Mission/Giving Expense*****

UR1 STATISTICAL RETURN INSTRUCTIONS

The content of the Statistical Section of the 2007/08 UR1 remains the same as what was contained in the 2006/07 UR1 Return. The Statistical Section seeks information on:

- Congregation structure and profile;
- Taxation structures arranged for various congregation activities;
- Staff and volunteers involved, and workers compensation coverage arranged;
- Accounting systems & software profile;
- Strategic & mission planning;
- Uniting Financial Services & Financial Management Services;
- Regulatory declarations for insurance, privacy and audit.

Please note that due to the incompleteness or inaccuracy of previous BFP6 Returns, all items that are ***bold** must be completed by the Treasurer where applicable.

Q1-Q10: CONFIRMATION OF LOCATION AND CONTACT DETAILS

Please complete the contact details accurately so that the staff of FMS will be able to communicate with you with the greatest ease. Due to the changing trends in technology, we have focused much of our contact with Treasurers via email or the World Wide Web. The Synod Secretariat is also provided with your contact details for updating the Synod Directory.

Q11-Q13: CONGREGATION STRUCTURE & 'BUSINESS ACTIVITY'

- **Q11: Average Weekly Attendance Numbers - (Congregations Only)**

For the purposes of this return we request an average of the weekly **regular** attendees of each Individual or Linked Congregation (adults and children), over the period being reported. It is important that the average number determined includes all the different types as listed in UCA Regulation 1.1 which includes baptised/confirmed members, adherents, and members in association or people who regularly attend services, all of whom are involved in some form of ministry within the life of the Congregation.

- **Q12 – Q13: Business Activity**

Congregations are asked to provide details of the number of Australian Business Activity (ABN) Numbers that have been included in both the financial and statistical information of the UR1 Return for the reporting year. This will assist staff in FMS in understanding the complexities of the accounts and whether or not to account for transfers of funds between Linked Congregations. It is very important that Treasurers document every ABN associated with the Congregation for financial and statistical reporting purposes.

Several Congregations have received substantial fines from the ATO in past years due to non-lodgement of BAS statements, and these should be done for each registered ABN. If BAS statements are not required to be submitted to the ATO, the Congregation/ Presbytery should have received formal 'deregistration' advice from the ATO.

In question 13, Treasurers are asked how often they lodge their Business Activity Statement to the ATO. This question relates to the Congregation and not to other business activities mentioned above that may lodge their BAS on a different timely basis.

Q14-Q19: EMPLOYMENT MATTERS

The Questions below refer the specific 'categories' of employees. Definitions of Category 1- Administrative positions, Category 2 –Ministry Support, and Category 3- Lay Ministry Leadership persons can be located on the Human Resources website at http://www.unitingresources.org.au/hrs/home

Detailed responses are often required in this section. Any queries should be directed to:

Vicki Roper
HR Manager
Phone: (02) 8267 4365
Email: vickir@nsw.uca.org.au

- **Q14: Specified Placements**

These questions relate to all Ministers, Deacons and Accredited Youth Workers operating in your Congregation. ***The numbers provided would include all persons present for more than 50% of the period being reported on***. For example, if a full time minister leaves three months into the reporting period, and is subsequently replaced two months later by another full time minister, then the return will record one Minister only. If no minister arrives for the rest of the reporting period then the response would be "nil" not a percentage of the year the minister was present.

- **Q15: Category "3" Employees**

These questions relate to Lay Ministers, Lay Pastors and Youth or Family workers operating within your Congregation. Again, the numbers provided would include all persons present for more than 50% of the period being reported on.

- **Q16: Category "2" Employees**

These questions relate to **unaccredited** Youth workers, Family workers and persons employed in pastoral roles.

- **Q17: Category "1" Employees**

These questions relate to all other Category "1" employees whether they are part time, full time, casual and the award with which they are employed under.

- **Q19: Volunteers and Consultants/Contractors**

This question requires information regarding the number of volunteers and consultants/ contractors receiving regular payments for services provided. For more information regarding the definition of volunteers, please log on to the Human Resource website at www.unitingresources.org.au/hrs/hr_information/volunteers.

Q20-Q21: WORKERS COMPENSATION

Adequate insurance and industrial relations coverage for all persons involved in church activities is essential.

This section requires Treasurers to provide details relating to their Workers Compensation issuance policy. Several legal cases have occurred in the past couple of years due to congregations and other UCA agencies not managing these issues adequately. If you require advice when completing these questions, please contact either:

Bill Tobin Phone: (02) 8267 4242
Manager – Workplace Safety
Email: billt@nsw.uca.org.au

Rachel Watson Phone: (02) 8267 4467
Injury Management & Workers Compensation Claims Co-coordinator
Email: rachelw@nsw.uca.org.au

Q22-Q23: ACCOUNTING SOFTWARE

These questions require Congregations/Presbyteries to detail the accounting software used. A large number of the questions particularly relate to MYOB UCAP users. If this does not apply to you, you are not required to complete the responses.

Q24-Q26: STRATEGIC & MISSION PLANNING

The Board of Mission is encouraging Congregations/Presbyteries to plan and clarify their future activities and interactions with their local communities. Strategic and Mission Plans would also identify planned projects for which the Congregations/Presbyteries may be seeking financial assistance from the Synod Mission Resource Fund (SMRF).

Strategic Planning and Business Reviews are a range of new service areas that Financial Management Services is offering to Congregations. If you need assistance in developing certain plans to business activities in your Church community, please do not hesitate to contact:

Bronwyn Shead
Business Analyst
Phone: (02) 8267 4476
Email: bronwyns@nsw.uca.org.au

Q27-Q28: SELF-HELP SCHEMES & ‘GIVING DIRECT’

If you are interested in your Congregation opening a Self Help Scheme please contact:

Linda Hopwood, at Uniting Financial Services
Phone: (02) 8267 4470 or
Email: lindah@unitingfinancial.com.au

Alternatively, if you are interested in Giving Direct and how it can assist in the regular financial support to your Congregation, please contact:

Susan Brady
Assistant Accountant
Phone: (02) 8267 4409
Email: susanb@nsw.uca.org.au

Q29-Q30: UNITING FINANCIAL MANAGEMENT SERVICES

Uniting Financial Management Services would like to know your feedback on our services offered. Please complete the comments on the UR1 Return so we can try to improve our assistance to you.

Q31-Q34: DECLARATIONS

Congregations/Presbyteries are required to 'declare' compliance and competent handling of key management responsibilities to the NSW Synod including insurance, privacy of information, financial reporting, and audits.

- **Q31: Congregation(s)/Presbytery Insurance**
  This declaration ensures that the Schedule of Insurance as at 31 March 2008 obtained from Uniting Property Services is a fair representation of the replacement value of the Congregation's buildings.

- **Q32: Privacy Compliance Declaration**
  The privacy compliance audit should be performed annually by a designated local privacy officer; their signature and declaration should be completed on the UR1 Return as an annual assurance that the Uniting Church (NSW Synod) is complying with the 2001 Commonwealth Privacy Act. Information on the NSW Synod privacy policy can be obtained from the NSW Synod website at www.nsw.uca.org.au/privacy.htm. If you require further information please contact:

  Natalie Waters
  Client Relations Accountant
  Ph: (02) 8267 4418
  Email: nataliew@nsw.uca.org.au

- **Q33: Congregation(s)/Presbytery Accounts**
  When completing the Accounts Declaration, Church Councils/Presbytery Finance Committees also declare that bank account deposits (including over the counter deposits) have been fully reconciled back to bank statements. If you have any un-reconciled UFS deposits, please provide full details to Linda Hopwood, at Uniting Financial Services, Phone: (02) 8267 4470 or Email: lindah@unitingfinancial.com.au.

  The signatures required for declaration of the Congregation(s)/Presbytery Accounts changed from 2006. Signatures are required from the:

  - **Congregation/Presbytery Treasurer**
  - ***Chairperson of the Church Council*** (no longer the Minister)

- **Q34: Auditor's Declaration**
  Small value activities (less than 10% of total income or expenses) may be 'internally audited' by members of the District/Congregation/Presbytery Finance Committees. Their conclusions may be relied upon by the qualified auditor.

  Congregations/Presbyteries with total 2007/08 financial year income of less than $95,000 are eligible for the 'variations to qualifications' under UCA regulation 5.5.10(e), and may satisfy their audit responsibilities by two independent church members checking the financial records, rather than incurring the additional cost of an audit by a qualified auditor. This option is only available to congregations with proven competence in the financial management of their affairs.

  Please be aware that the completion of the independent auditor's report and opinion is due by 31 October 2008 – two months later than completion of the unaudited financial statements.

UR1 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated UR1 information provided each year must include all <u>significant</u> activities and sub-entities of value of the Congregation/Presbytery. This would include all fund raising activities, fellowship groups, property and worship committees, opportunity shops, bookshops etc that represent more than 5% of the Congregation's income or expenses.

Any activities performed under the control of a <u>separate</u> board of management (eg. child care centre, lifeline centre, etc) are separately reported to the relevant UCA Board through other reporting processes.

Small congregations will find that the <u>cash basis</u> accounting method is the simplest to use. The cash accounting method will result in 'nil' debtors and creditors.

Larger congregations will find that the <u>accruals basis</u> is the more reliable accounting method to use, especially where semi-commercial operations are managed by the church or where there are significant invoices awaiting payment at the end of the year. Accrual accounting involves recording *debtors* (uncollected receipts) and *creditors* (unpaid expenses).

A sample of a completed UR1 return for an imaginary 'XYZ Congregation' (based on an actual situation) is attached as Appendix A.

The Financial Statements are divided into three main reports:

1. **Statement of Operating Receipts and Payments** (that consolidates income and expenditure for service-related activities) - also known as Profit and Loss Statement in MYOB;
2. **Statement of Assets and Liabilities** (that consolidates property/asset-type transactions) - also known as Balance Sheet in MYOB.
3. **Statement of Capital Receipts and Payments** has been created to capture periodic high value transactions relating to property, other assets and loans that have previously been excluded from the Operating Statement.

***Please note that there have been changes to the receipts and payments lines for the 2007/08 financial year and this will affect your actual financial figures. The new lines were shaded grey for the 2006/07 financial year so that Treasurers did not previously fill out these charts of accounts. Where applicable in these instructions, they have been labelled '(Commencing in 2007/08)'. Full details will be explained in the relevant sections.*

STATEMENT OF OPERATING RECEIPTS AND PAYMENTS
(Also known as PROFIT AND LOSS STATEMENT)

RECEIPTS

Below is an outline of the types of transactions to include in various receipts categories of the 2007/08 UR1 form and 2008/09 UR1 budgeted forecast.

Mission & Ministry receipts

R1 - General Offerings from envelope or plate

All weekly offerings from church services either in loose form, in pledged envelopes or by regular weekly commitments through electronic funds transfer (i.e. Giving Direct).

R1A – Presbytery Levies

All levies allocated on an annual basis and communicated to each Congregation within the Presbytery. This may include outstanding levies relating to the previous years as well as any additional 'one off' offerings that were received during the 2007/08 financial year.

R2 – Wider Work donations (e.g. Christmas Bowl)

This includes donations received separately:

- Donations (not Grants, which are shown at R3 and R4 below) from other Congregations
- Presbytery/Synod appeals
- Special offerings e.g. disaster aid, Easter offerings
- Frontier Services, Flying Padre
- General Donations, including wider work. This includes additional donations from UCA individuals towards particular UCA and non-UCA charities or programs, directed through or collected by the Congregation, ie., the individual donates to the Congregation which then (collectively) sends a cheque to the intended charity or program, eg. The Christmas Bowl, Frontier Services, etc.

Please note that where the individual giving is to a UCA "Living is Giving" program item, this giving needs to be acknowledged as part of the Congregations overall contribution to Synod and later included as a payment to Synod (ie. P12 – see below). For example, an individual member of the Congregation gives the Congregation a $50 cheque in an envelope marked to "Preparing people for lay ministry roles Program 2155", which is a UCA Living is Giving program. The Congregation has separately, through its Church Council, already decided to support this program annually for $5,000. The full payment to the Synod is thus $5,050 for the year, with Synod acknowledging the Congregation's contribution (as part of that year's Congregation target) equalling $5,050.

From 2007/08, donations received for <u>capital purposes</u> (such as Building Appeal, Organ Fund, Self Help Funds) are included on the Statement of Capital Receipts and Payments.

R3 - "Synod Fund" grants and reimbursements

Where Congregations/Presbyteries receive grants from the Synod Fund (including Leadership Grants and the various categories of Synod Mission Resource Fund grants), these should be recorded under this category.

(Please note that approved SMRF Property/Building grants received should NOT be included under this category, but in the Statement of Assets and Liabilities and Statement of Capital Receipts and Payments. Property/building grants increase your applicable Investment account (ie. A5 or A6) with contra entry being Accumulated Funds (RF1). As the grant funds are drawn down (ie. investment account reduced), the value of buildings will increase.

R4 – Other Synod sources

Where Congregations/Presbyteries receive other miscellaneous grant(s) or reimbursements, either from the NSW Synod/Presbytery or Linked Congregations, the value of those grants is shown here. This could include reimbursements for costs incurred by the Congregation/Presbytery, eg. Minister's long service leave, ministerial supply, sick leave/workers compensation reimbursement.

R4A – Investment Fund Grants (relates to Canberra Presbytery only)

R5 – Government Grants – Federal/State/Local

If the Congregation/Presbytery receives any Government grants of any kind from any Government department, for approved programs, this needs to be shown here.

Please remember that any such contracts should be vetted by the Church Council, and signed by the NSW Synod Property Trust.

R8 - Donations from other non-UCA Sources

This includes donations outside the types described in R1 and R2 above, eg. sponsorships, and joint community projects.

R13 – Mission Specific revenue

This includes funds raised that are associated with getting Congregational members involved in the community, or helping the Congregation to be more welcoming and hospitable to those in the community who explore connecting with the Church. Examples of mission specific projects include:

- Community outreach programs
- School education
- Missionary appeals
- Interaction with multi-cultural community groups

<u>Interest income receipts</u>

R6 – Interest income from investments with non-UCA Financial Institutions

Interest income received from all investment sources outside Uniting Financial Services and could include:

- Interest income from all non-UFS bank accounts
- Interest income from Government Bonds
- Dividends from share investments
- Interest on funds invested for capital purposes

R7 – Interest income from Uniting Financial Services (UFS) investments

This could include:

- Interest income from all UFS operating accounts
- Interest on funds invested with UFS for capital purposes.

Please note that <u>interest earned on sales proceeds</u> invested in the UCTA does not appear as Congregation/Presbytery income, but is directly recorded in the Statement of Assets and Liabilities against RF1 Accumulated Funds, and on the Statement of Capital Receipts and Payments. Draw downs from loans should be recorded as a capital cash receipt in CR6.

<u>Property receipts</u>

R9 – Surplus/deficit on sale of property/non property assets

This account has been frozen from the 2006/07 financial year onwards, and there should be no more postings made to this account.

The proceeds from sale of land or property should be recorded in the Statement of Capital Receipts and Payments (either CR1 or CR2). Any profit or loss made from the sale would also appear in the Statement of Assets and Liabilities, through increases in bank account balances and reductions in property values. Purchases of property are recorded in the Statement of Capital Receipts and Payments under CP1 or CP2.

The idea of this change was to eliminate any one-off high-value transactions of a capital nature that created unusual spikes in the Statement of Receipts and Payments.

R10 – Property income from all sources

This includes the *market value* of rent received for hall hire, residential and other properties held by the Congregation/Presbytery.

Please note that if a Linked Congregation is paying rent to your Congregation, this should be deleted when 'consolidating' accounts with that Linked Congregation on your annual UR1 Return.

R10A – Discount on property leasing income (negative value – Commencing in 2007/08)

Often Congregations rent out property at a discounted price, but are not always aware of the financial cost to the Congregation of these discounts. For this reason, Synod encourages Congregations to record discounts on property leasing as foregone income. This improves the quality of subsequent financial decisions in relation to the benefits of leasing property.

Discounts may be given to other Uniting church or non-profit organisations, although are actively discouraged for commercial providers.

<u>Other income</u>

R11 – Bequests received identifying Congregation/Presbytery as beneficiary

Sometimes members (or ex-members) may wish to donate a significant amount of money to their Church, or leave property or money in their wills. These donations are recorded here.

R12 – Other receipts

This includes gross income from sources which would generally cover all other possible types of income (apart from community outreach and business activities, or 'income–generating activities') such as insurance claims, reimbursements, wedding/funeral services, gross fund raising activities such as fetes/garage sales, collections for bus tours/concerts/dinners, etc.

<u>Income-Generation Activity receipts</u> (Commencing in 2007/08)

R14 – Income-Generation/Business Activity receipts

Total income within this category should be the <u>total normal retail value</u> obtained for goods sold/ services delivered ***before any discounting*** relating to community outreach and/or business activities such as:

- Opportunity Shops,
- Child Care Centres operated by the Church,
- Markets
- Food outlets or Cafés, etc

Income from Income-Generating Activities should not be classified as 'other receipts'.

R15 – Discounts on Income-Generation (negative value)

Discounts are often to encourage sales or to subside costs for low-income customers. It is important for management to know the full value of discounts being given, as 'discounting' has a deleterious affect on 'profits'. For this reason, discounts given on products and services sold should be recorded as 'foregone income'.

Discounts should only be given if a sale would be lost without it, and only give sufficient discount to achieve the sale. Professional analysts have found that there are exponential financial impact of 'discounts' on the business's profit levels (for example, for business activities that generally achieve a 30% profit: 10% discount requires 1.5 times the normal sales volume to make the same profit level, 20% discount requires 3 times the normal sales volume to make the same profit level, and 25% discount requires 6 times the normal sales volume).

PAYMENTS

<u>Staff costs</u>

P1 – Ministers, Deacons, Deaconess, Lay Pastors (Accredited & Non-Accredited Youth Workers in Approved Placement) – Stipends, Other Ministerial Funds, training, etc

This account code includes all payments to Ministers – gross stipends, annual/long service leave, benefit account payments, Ministers support fund levies, beneficiary and other fund payments (including employer superannuation contribution) paid to Synod, and training costs. *Housing and Travel Allowance are excluded for this item, but included in P1A.*

This category includes the 30% tax-free component (which is transferred to a Minister's benefit account) that is not required to be declared on the PAYG Payment Summary (new name for the ATO's Group Certificate). These are still considered an expense to the Congregation/Presbytery.

One-off *Visiting Preachers*/speakers costs should also be recorded here *if* they do not provide their own ABN and invoice (in which case their tax file number (TFN) will be needed for an untaxed payment). The Australian Taxation Office requires PAYG Payment Summaries to be issued to every visiting preacher receiving a payment for their time. *Visiting preachers can get around this by two methods: 1) being paid 'reimbursement of costs' or 2) issuing an invoice to congregations, detailing their personal ABN number.*

Please note that if your Congregation receives funds from Linked Congregations for costs of shared ministry, the following applies:

- If the Minister only receives a payment summary at the end of the year from **only your Congregation,** or you are a **Linked Consolidated Congregation** or **Multi-Centre,** the *total* Ministers stipend expenses should be recorded on your UR1 Return;
- If the Minister receives a payment summary at the end of the year from **two or more Congregations**, or you are a **Linked Separated Congregation,** the portion of salary paid by your Congregation is charged.

Please note, if you are a Linked Congregation and you reimburse another congregation for your share of the ministry costs (which pays the full salary to the Minister), your payment will be included in ***P3A****.*

P1A – Housing Allowance paid to Ministers, Youth Workers etc

Housing and travel allowances paid as part of a Minister's stipend should be recorded here.

P2 – Staff costs – Salaries, Wages and associated costs for lay staff – permanent, part-time and casual staff, and regular Honorariums

This category includes payments made to **lay staff** that are included in PAYG Payment Summaries. Staff are defined here to include choir master, organist, secretarial assistance, book-keepers, cleaners, etc.

Superannuation expenses attributed to staff and insurance should be categorised under **P2A**.

If the Congregation/Presbytery has a UCA lay staff salary-packaging scheme in place and the benefit is part of the staff total remuneration (i.e. same as Ministers), the benefits paid (real or notional) should be included here.

P2A – Superannuation (Commencing in 2007/08)

Superannuation contributions paid to all employees should be categorised here.

P2B – Workers compensation insurance (Commencing in 2007/08)

Annual workers compensation insurance paid should be recorded here.

P3 – Reimbursements, one-off Honorarium, & out-of-pocket expenses to volunteers

This includes payments to volunteers (cleaners, organists, etc) that are *not included* on a PAYG Payment Summary (Group Certificate), usually for one-off type honorarium payments.

P3A – Reimbursements to Congregations for shared Ministry costs

Where Linked Congregations share the services of a minister and reimburse another Congregation for the proportional costs (which is paying the full salary to the Minister), the amount paid is recorded here.

If the Linked Congregation combines its financial information with that other Linked Congregation and submits a consolidated UR1 Return to Synod, then this cost (and the R4 income entry for the other Congregation) is removed at the time of consolidation.

Property-related costs

P4 – Consultants/Contractors (non-employees - where an invoice is issued for services)

This item includes engagement of casual contractors or consultants for building development works. This item covers "one off" payments where you are seeking professional advice or a service, rather than incurring physical construction costs.

Where *Uniting Resources - Property Services* is engaged to advise on /coordinate property development work, their invoices would be charged here. Where they are engaged as Project Managers for an approved building project, their costs would be charged to the property project (A3 or A4 in the Statement of Assets and Liabilities).

P5 – Rent paid

Refers to rent paid on any property eg. temporary office accommodation, storage space or staff residential accommodation.

Please note that if rent is paid to another Linked Congregation, which combines the financial information from both Congregations into one consolidated UR1 Return, then the expense is not reported.

P6 – Repairs & maintenance to property

This includes day-to-day cleaning and repairs and maintenance to property of a non-capital nature eg. repairs to chipped tiles, broken fence, annual pest control spraying, plumber's services, installation of hand rails, etc. Generally, this work does not increase the market value of the building(s).

Where significant work is done which does increase property value (such as replacing an entire roof, sealing/paving driveways and walkways), the cost should be recorded in the Statement of Capital Receipts and Payments, and in the Statement of Assets and Liabilities, as an increase to the property asset value.

Repairs and maintenance of non-property costs are included in P19.

P7 - Provision for property refurbishments

This item does <u>not involve cash payments</u> but records a 'depreciation' allowance (or provision) that reflects the wear and tear of the building/s. The concept of this expense item for property refurbishments is similar to *P18* depreciation for non-property costs. However, property is not 'depreciated' in the Uniting Church, due to the notion that property values increase over time.

A provision is a liability of uncertain timing or event. Provisions differ to depreciation in that provisions involve establishing a 'liability' account for anticipated future costs, whereas depreciation involves reducing the net value of the 'asset' account in a systematic way over the estimated useful life of the asset. Property provisions reflect anticipated future costs of planned renovations or rectification works.

The Synod suggests putting aside 2%-4% of the physical cost of buildings. For example, if the construction of a manse this year was $200,000, then 2.5% of this amount is $5,000 per annum, which is deposited into a physical bank account (represented in the Statement of Assets and Liabilities as A8 Investments – property refurbishment/improvement) and earns interest. This assumes the building will be totally replaced between 20-33 years.

The other side of this P7 entry is also recorded in the Statement of Assets and Liabilities as an increase in L6 Other Liabilities - provision for property refurbishment.

The UCA also encourages Congregations to set aside cash in designated bank accounts that equal the value of these provisions to ensure monies are available at a later date for planned property refurbishments. In the Statement of Assets and Liabilities, this would involve transferring funds from an A5 or A6 Savings bank account to an A8 Investment property refurbishment bank account. A 'savings plan' for such work reduces the financial impact of the refurbishment work when it actually takes place.

When actual money is spent on improving properties, the cash payments are recorded as a decrease in the A8 Property provision bank account balance, and a decrease in the L6 Property refurbishment provision, both in the Statement of Assets and Liabilities.

This item of expenditure relates to total replacement of the building, or parts thereof, not 'repairs and maintenance' (which is described in P6). Examples of how P6 and P7 differ are provided below:

1. Replacing the kitchen in the manse is a capital expenditure item requiring the depositing of monies to a bank account annually as described above. The replacing of the tap or washers in the tap is not. The former is a P7 item; the latter is a P6 item.

2. Replacing ALL the roof tiles on the manse is a capital expenditure item requiring the depositing of monies to a bank account annually as described above. The replacing of a couple of broken or leaking roof tiles in the same manse is not. The former is a P7 item; the latter is a P6 item.

If you need further clarification on this, please contact Natalie Waters, Phone: (02) 8267 4418, or email nataliew@nsw.uca.org.au.

P8 – Insurance premium costs to cover property

This includes annual Building and Contents insurance premiums. Insurance premiums for motor vehicles and non-property assets are included in P20.

P9 – Electricity and gas

Also includes other energy sources.

P10 - Water rates

If any

P11 – Council rates

If any

P11A – Property management and other costs

This includes expenses such as agent commission paid, property valuation fees and real estate agent costs.

The 10% tithe on property sales (paid to the Synod Mission Resource Fund, Board of Mission), should now not be included in this category. The tithe should be recorded under CP5 in the Statement of Capital Receipts and Payments.

Mission related costs/Mission Giving

P12 – Contributions to Living is Giving

Payments to Synod (Uniting Resources) for Congregation/ Presbytery contributions to the various LIG programs selected.

P13 – Contributions to other UCA Organisations

Includes donations paid to other UCA organisations (including other Congregations) as direct payment for services rendered, reimbursing expenses incurred by them or sharing costs for particular transactions. These expenses must be mission-related and must not include a combination of shared property and administration expenses. These must be individually identified or treated as rental expenses at P5.

If you are sharing the cost of a Minister (or lay staff) this should be recorded in either P1 or P2, if the Minister is receiving a payment summary from the Congregation. If the minister is not receiving a payment summary from the Congregation, then the sharing costs must be allocated to P3A – Reimbursement to other Congregations for Minister's services.

***Where a Congregation makes a payment to another Linked Consolidated Congregation or Multi-Centre, and they combine their financial information to produce one consolidated UR1 Return, this item is excluded from this account during the consolidation – otherwise the costs/income would be double-counted. ***

P14 – Presbytery levies

Includes payments made to Presbyteries to assist them in covering their general administration costs in providing various services to the member Congregations.

Presbyteries will often calculate the amount of the levy based on Congregation numbers.

P15 – Other donations to non-UCA Organisations

This is primarily payment of donations received in R2 above. It applies where the Congregation/Presbytery is merely acting as a conduit for the donations received and distributed to non-UCA Organisations.

P15A – Local Mission support

Relates to costs incurred in any activity aimed at developing connections between the Congregation and its members or local community. It could involve:

- Publicity costs relating to a special Worship event; printing or hospitality expenses relating to some form of witness (eg. could include visible Congregational presence in a tree planting or clean-up event, participating visibly in a peace march, or handing out evangelistic tracts);

- Equipment for volunteers engaging in acts of community service or training for volunteer helpers in a hospital or childcare centre;
- Food, publicity or resources for organising a fellowship oriented event.

P15B – Overseas Mission support

This includes travel or accommodation subsidies for Congregational members involved in overseas mission, as well as resources or training costs associated with Congregational members on or planning an overseas trip.

P15C – Mission education costs

This covers investment in the people who are preparing to undertake mission activities of the Congregation. It could involve library resources or courses.

P15D – Fund-Raising costs (Commencing in 2007/08)

This includes costs associated with fund raising events that cannot be classified into other non-property activities. One-off large expenses should also be recorded here.

Administration and other

P16 – Audit fees

This is for external auditors engaged to check your financial records. Many Congregations arrange for an audit to be done by a qualified auditor (CPA or ICA) from the Congregation or from their network of friends and associates at no cost.

P16A – Accounting/legal/professional fees

This item includes engagement of casual contractors or consultants such as a group facilitator, marketing manager, external book-keeper or other professional to do a defined project or task.

Where book-keepers are employed on a part-time or casual basis, the costs should be recorded under P2 Salaries and wages.

P17 – Bank charges

This includes any charges by banks for managing bank accounts, including any costs for arranging overdraft facilities.

P18 – Depreciation of non-property assets

Where a Congregation/Presbytery purchases a 'non-property' asset such as a motor vehicle, bus, computer, photocopier, fax machine, furniture and fittings, etc (where the cost exceeds $500), then the asset should be depreciated over its 'estimated useful life'.

Depreciation is a non-cash cost and reflects the degenerating value of an asset during its 'useful life'. By including depreciation as an expense, the value of assets in the *Statement of Assets and Liabilities* reduce over time, and give an indication as to when these assets need to be replaced. By monitoring the 'residual value' of assets, the Treasurer can plan for replacement in the budgets.

The Synod uses standard depreciation rates that are published by the ATO. These range from 33% for assets that typically last only 3 years such as computers, to 10% for assets that typically last 10 years such as office furniture. Standard rates are set out in ***Appendix B***.

The other side of this P18 entry is recorded as a decrease in A12 Other assets (through recording a negative amount in the A12A line) in the Statement of Assets and Liabilities.

P19 – Repairs & maintenance to non-property assets

This includes repairs to assets such as furniture, photocopiers, cars, fax machines, other equipment, etc.

P20 – Insurance premium costs to cover non-property assets

This includes insurance covers for motor vehicles, church bus, etc. Insurance premiums for buildings and contents are included under P8.

P21 – Interest expense on borrowings

Where the Congregation has a loan with UFS or other financial institution, interest costs are charged on the outstanding balance of the loan. These interest charges only should be recorded here.

Any reduction in loan principal should be separately reflected in the Statement of Capital Receipts and Payments, and in the Statement of Assets and Liabilities under L1 or L2.

P22 – Stationery & printing costs

Office stationery includes letterhead, offerings envelopes, postage envelopes, paper for Order of Service, etc. Printing costs include computerised printing, photocopying, fax, utensils, as well as external printing of brochures.

P23 – Telecommunication expenses

This includes costs of equipment (mobile phones, desk/hand set phones under $500), phone usage charges, internet connection fees, and fax charges.

P24 – Postage & courier costs

This consists of bulk mailing costs as well as freight, overnight express, and stamps.

P25 – Other miscellaneous costs

This category, also known as sundries, covers other expenses not specifically described above, such as:

- General advertising;
- Other general administration expenses.

Note: Fellowship expenses should be recorded in P26. Fundraising expenses should be recorded in P15D.

Congregation/Church service costs

P26 – Fellowship expenses

This category covers music licenses, Worship expenses, advertising of church services, social activities, refreshments, etc.

Where your Congregation shares the costs of a Minister for their services with another linked Congregation, and a levy is paid, the expense should be recorded in P3A.

P27 – Meeting costs (Commencing in 2007/08)

Meeting costs may typically include all food and administration costs related to monthly, annual meetings of Church Councils, management committees, Presbytery or Synod meetings, or between members of the Congregation.

P28 – Congregation members (non-employee) training (Commencing in 2007/08)

Any training or conferences attended by members or volunteers of the Church are recorded in this category.

P29 – Other Worship costs

All other worship costs should be recorded here.

P30 - Spare

<u>Income Generation Activities costs</u> (Commencing in 2007/08)

This category includes community outreach activities and business activities that involve a significant level of income generation.

P31 – Cost of goods sold (Commencing in 2007/08)

'Cost of goods sold' is the cost of all inputs/ supplies that have gone into producing the final product. For child care centres, this will be cost of food, clothes, toys, and consumables. For opportunity shops, this will be the cost of clothes. For food outlets and cafes, this will be the cost of food and other items sold.

P32 – Business development & review costs (Commencing in 2007/08)

This category includes: exploring the concept of a new business venture, conducting a feasibility study prior to commencement and further development, engagement of a specialist to develop and set-up the business, or conducting a periodic review of the successful operations of the business.

Congregations experiencing a decrease in sales or deciding to pursue a new business project may require independent business consultancy. Expenses relating to business feasibility studies and reviews on business activities (not the Congregation) should be recorded here.

Professional advice on Congregation activities (as distinct from community outreach or business activities) should be recorded in P4.

P33 - Marketing & promotion (Commencing in 2007/08)

These costs include market research, marketing, promotion and networking, and advertising.

P34 – Management wages and allowances (Commencing in 2007/08)

Salaries and wages of all employed staff (who receive a PAYG Payment Summary to submit to the ATO, and operating within the business activity, should be recorded here.

P34A – Superannuation (Commencing in 2007/08)

Superannuation contributions paid to all employees should be categorised here.

P34B – Recruitment & consultancy costs (Commencing in 2007/08)

The costs associated with recruitment, training, outsourced consultancy and human resource management costs should all be recorded here.

P35 – Property rental & maintenance (Commencing in 2007/08)

Rental fees (if paid to organisations outside the Uniting Church) should be recorded here.

Where rent is paid to the Congregation for use of space or for the hire of non-property assets, the cost is excluded upon 'consolidation' of the activity and Congregation accounts.

Repairs and maintenance to property, in place of a rental payment, should be recorded here.

P36 – Miscellaneous costs (Commencing in 2007/08)

All other one-off type payments should be categorised here.

P37 – Bad Debts written off (Commencing in 2007/08)

Sometimes, clients do not pay their fees for extended periods of time. When fees have remained unpaid for 6 months or more, the likelihood of actually recovering those fees should be reviewed. If their recovery is considered unlikely, the outstanding debts (recorded in A11 Debtors) should be written off. Once they are approved for write-off by the Church Council, their value is recorded here.

STATEMENT OF CAPITAL RECEIPTS AND PAYMENTS Also known as CAPITAL CASH FLOW STATEMENT

The Statement of Capital Receipts and Payments has been designed by FMS to record occasional purchases, upgrade and sales of high value assets.

In previous years, Congregation Treasurers had no alternative but to record one-off capital/asset transactions on the Statement of Receipts and Payments. Consequently:

- This would overstate the operating income and/or expenditure, thus greatly affecting the overall surplus/loss.
- They were not representing transactions of an operational, re-occurring nature (which is what the Statement of Operating Receipts and Payments strives to achieve).

This Statement of Capital Receipts and Payments should be easily completed at the end of the year, as it involves only a few large value transactions that can be verified from contracts.

Many Congregations will provide a NIL return for this Statement, as they will not have purchased, upgraded or sold property during the year.

Treasurers should also include the 2008/09 capital budget where property upgrades or asset replacement is planned. Large value transactions affecting Church property wealth should be well-considered and resolved by Church Council long before any contractual action is taken.

CAPITAL CASH RECEIPTS

CR1 – Proceeds from sale of land and building

This is the contracted sale price from the sale of land, buildings and property (excluding any GST component).

CR2 – Proceeds from sale of other assets

This is the sale price of all other assets such as motor vehicles, computers, furniture, pianos, office equipment, etc.

CR3 – Donations towards building appeals and organ restorations

Donations received for the specific purpose of building and asset upgrades/renovations/ restorations are considered 'capital' funds.

'Capital purpose' donations should not be recorded under R8 or R2, as they are not for the wider work of the Uniting Church.

CR4 – Interest on Sales Proceeds accounts

Interest from Sales Proceeds accounts should be recorded as a capital income item. Annual accumulated interest from Sales Proceeds accounts invested with UFS should not be recorded under R7, as the Congregation does not have control over how these can be used (without the prior consent of Synod).

CR5 – SPARE

CR6 – Draw-down of property loan

Receiving money from a financial lender for property development or purchases is recorded here. Long-term property loans would be arranged with UFS or other lenders well before property contracts are signed. The loan draw-downs should also be shown as an increase to L1 or L2 Borrowing in the Statement of Assets and Liabilities.

CR7 – Other receipts

This includes all other receipts of a capital nature.

CR8 – GST component on capital costs recovered from ATO

When large value purchases are made, occasionally GST is charged on the purchase. The GST component for large value capital purchases is claimed back on the BAS, and the refund is recorded here. Until the refund is received, the GST receivable should be showing in L5 Creditors in the Statement of Assets and Liabilities.

CAPITAL CASH PAYMENTS

CP1 – Purchase of land

The purchase of land that meets the approval of the NSW Synod Property Trust should be recorded under CP1; the same amount would appear under A3. The Valuer-General's assessment of the land is used to apportion the purchase price between land and buildings.

Re-assessment of the land by the Valuer-General every few years will not involve a cash payment, and should not be recorded in the Statement of Capital Receipts and Payments.

CP2 – Purchase of buildings

The purchase price of buildings (churches, halls, manses, shops, etc) is recorded in this category. The buildings component of the purchase is recorded separately to the land component (see CP1).

Any future re-valuations made by Uniting Property Services for insurance purposes are not recorded here, as they do not involve any cash transaction. Property refurbishment and/or development costs are included in CP3.

CP3 – Property refurbishment

All significant cash payments for the refurbishment of buildings should be recorded here. Examples include:

- Installing a new kitchen or bathroom
- Replacing the roof
- Extending rooms
- Re-sanding floors or re-carpeting because of wear and tear.

The cash investment would be reflected in the Statement of Assets and Liabilities by an increase in A4 Buildings & Fixtures.

CP4 – Property development

Major development or improvement works to property that would substantially increase the value of the Church property should be included under this category. This includes:

- Construction of new and extensive outdoor facilities
- Major development works to expand and/or connect segregated Church buildings
- Construction of a building on vacant land
- Demolition of an old building, and construction of a new building on the same land

The cash investment would be reflected in the Statement of Assets and Liabilities by an increase in A4 Buildings & Fixtures.

CP5 – 10% Tithe on Sales Proceeds

The 10% Tithe from Sales Proceeds paid to the Board of Mission should be recorded in this category during the year of payment.

The 10% tithing only occurs upon sale of property, and is segregated here because it is not a normal type of transaction for Congregations. In the past, it has been included in the usual Statement of Receipts and Payments, but due to its significant value and unusual occurrence, this has resulted in normal annual expenses being overstated.

CP6 – Agent Commission payments

This includes agent commission fees paid to real estate agents for their work in the sale of land or property.

CP7 – Loan Principal payments

Repayments made during the year on the *principal amount* of the loan (ie reductions in the loan amount to the lending institution), should be recorded here.

Congregations/Presbyteries that hold loans with UFS and other financial institutions will periodically make loan principal repayments. *Principal repayments should not be confused with interest payments* – principal repayments are repayment of the original loan amount. Also, monies received from loan draw-downs should be shown in CR6.

CP8 – Purchase of other assets

This includes purchases of all other assets – whether new or replaced motor vehicles, computers, office furniture and wooden pews.

CP9 – Other payments

This includes all other payments of a capital nature.

CP10 – GST component on capital receipts upon payment to ATO

When property and vehicles are sold, GST is generally included in the sale price (unless specifically excluded from the contract).

The GST component for large value capital sales must be included in the next BAS, and the payment is recorded here. Until the payment is made, the GST payable should be showing in L5 Creditors in the Statement of Assets and Liabilities.

STATEMENT OF ASSETS AND LIABILITIES (Also known as BALANCE SHEET)

There have been additions to various asset and liability accounts listed on the Statement of Assets and Liabilities.

ASSETS

A1 – Current (or General Operating) Account with UFS (Commenced in 2006/07)

Refers to Uniting Financial Services (UFS) day to day bank/cheque account(s) used to pay bills.

A1A – Current (or General Operating) Account with non-UFS Financial Institutions (Commenced in 2006/07)

Refers to your day to day bank/cheque account(s) used to pay bills. This account consists of funds with a non-UFS financial institution.

A2 – Minister's Benefit Expenses

This is the balance of the Minister's Benefit cheque account as at the end of the financial year.

Please note that NSW Synod Secretariat state that it is mandatory for a separate bank account, in the name of the Congregation/Presbytery, to be opened for each Minister's fringe benefit. The only exception to this requirement is where the accounting system (e.g. MYOB UCAP) clearly identifies the Congregation's liability for each Minister.

This amount belongs to the Minister, and is effectively 'held in trust'. A contra entry appears in the Congregation's L3 Minister's Benefit Expense Liability.

A3 – Land value of properties

The Uniting Church (NSW) Property Trust is the legal owner of all real estate holdings within the Uniting Church NSW Synod. However 'beneficial ownership' is vested in the Congregations/Presbyteries.

This line item is completed by Congregations/Presbyteries that have received notices from the Valuer-General's office regarding the valuation of the 'unimproved capital value' for each of the properties 'owned' by the Congregation/Presbytery. The most recent valuation received is the amount that should be reflected here.

Where the Value-General's notice is not held, please provide the street address for all properties 'owned' by the Congregation/Presbytery to enable Uniting Resources to follow up valuations for each property. A one to two word description of the use made for each block with buildings should also be provided (eg. church, manse, rental property etc).

A4 – Buildings & Fixtures (insured value) [from 2007/08 specifically excludes furniture and equipment – refer to A12].

This item includes fixtures actually housed inside a building. It does *not* include contents which are *not* housed inside a building; for example, furniture and equipment. Those assets are now recorded at A12.

Details are set out in the annual Insurance Renewal Invoice (Insurance Schedule printout) provided each year to you by Uniting Resources - Property Services.

Please note that this item does NOT refer to the insurance premium paid (recorded at P8). Instead, it refers to the updated replacement value of the assets.

Are the insured values of building and fixtures regularly reviewed? There are real dangers in being under-insured. Please refer to the Insurance Manual, or speak to Uniting Resources - Property Services should any further information be required.

Revaluation of assets, when they occur for these assets, should be recorded here with the contra entry reflected in the Statement of Assets and Liabilities under RF1 (Accumulated Funds).

A5 – Investments with Uniting Financial Services (UFS)

This refers to non specific or general purpose investments held by the Congregation/ Presbytery with UFS.

A6 – Investments with other Financial Institutions

As for A5, but where investment is held with a commercial bank or financial institution.

A7 – Investment with UFS - saving to cover asset replacements

Refer to the comments made under P18 (Depreciation).

A7A – Investment with non-UFS Financial Institution - saving to cover asset replacements

Refer to the comments made under P18 (Depreciation).

A8 - Investment with UFS - saving to cover property refurbishment/ improvements

Refer to the comments made under P7 (Provision for property refurbishment). When the capital works have occurred, invoices are paid from these designated funds.The contra entry is a reduction in L6 Other Liabilities (eg provision for property refurbishment).

A8A - Investment with non-UFS Financial Institution - saving to cover property refurbishment/Improvements

Refer to the comments made under P7 (Provision for property refurbishment). When the capital works have occurred, invoices are paid from these designated funds.The contra entry is a reduction in L6 Other Liabilities (eg provision for property refurbishment).

A9 – Investments - Sales Proceeds deposit account with UFS

Monies received upon sale of property are kept in separate accounts as they are legally owned by Synod, and *spending of these funds requires the prior approval of Synod*.

Interest earned on these funds is treated in the same way, and is therefore not recorded on the Statement of Receipts and Payments (R7), but recorded on the Statement of Capital Receipts and Payments (CR4) and the RF1 Accumulated Funds account.

A10 – Other investments

This includes other investments, such as shares or government bonds that may be held.

A11 – Debtors

This refers to people or organisations that owe the Congregation/Presbytery money. Smaller Congregations operating on a '*cash basis'* accounting method only are unlikely to have debtors.

Larger Congregations with business activities, and which use the '*accrual accounting*' method may have outstanding revenue owing to them. This might include unpaid rent on property, unpaid child care service fees, unpaid clothing accounts from an Opportunity Shop, repayment of temporary 'loans' to members in financial hardship, etc.

A12 – Other assets [includes furniture and equipment – referenced in A4]

Refers to all other assets purchased by the Congregation/Presbytery that are *not* housed inside a building. Typically non-current/other assets include: motor vehicles, community bus, furniture, and equipment, such as computers, etc.

Contents insurance represents all furniture and furnishings including carpets, curtains, internal blinds, light fittings, pianos, organs, sound systems, pews etc. A pipe organ needs to be separately insured from other contents. Value recorded against each contents item should be recorded at purchase price, unless a revaluation is carried out for larger ticket items. An Asset Register should be maintained with notation recorded against each asset when it is disposed of (refer to ***Appendix B***).

Business activities that record a closing inventory balance at the end of the financial year should record the inventory balance here.

A12A – Accumulated depreciation for other assets

Depreciation expensed in P18 is recorded here each year, as a negative adjustment to the value of assets. The decreasing value of assets (sum of A12 and A12A) should reflect the age and condition of the assets. Refer also to ***Appendix B***.

LIABILITIES

L1 – Borrowings from Uniting Financial Services

Represents the balance appearing on the UFS Loan Statement as at 30 June of the current year. Interest expense on borrowings will appear at P21.

L2 – Borrowings from other Financial Institutions

The same treatment applies as L1, but where borrowings are from non-UFS Financial Institutions.

L3 – Minister's Benefit Expense

This is the residual balance owed by Congregations/Presbyteries to Ministers (which was included as part of their salary, but has not yet been paid out to them in cash). This is a contra entry to that which appears under A2 (Minister's Benefit Expenses).

L4 – Provision for staff related expenses

Annual leave and long service (both current and non-current) entitlements earned by staff during their employment period should appear here. This balance is reduced when staff take their leave.

Synod Secretariat will reimburse Congregation/Presbytery for long service leave taken, based on the basic stipend rate. Congregations are expected to fund the annual leave cost for Ministers.

L5 – Creditors

Refers to money owed to people or organisations by larger Congregations/Presbyteries using the *accrual accounting* method. This may include net GST (payable or receivable from the ATO), unpaid PAYG, superannuation, service and supply invoices, LIG payments, Presbytery levies, etc.

BAS (including PAYG and GST payments) made monthly, quarterly or annually to the Australian Taxation office (ATO) should all be recorded here.

Refunds from the ATO and GST tax credits should also be recorded here (with the contra entry being an increase to A1 – bank account).

Large value GST transactions upon purchase or sale of property are recorded at CR8 and CP10 on the Statement of Capital Receipts and Payments.

L6 – Other liabilities

This category includes: provision for property refurbishment, capital building funds (raised through specific purpose donations), self-help funds, etc.

RETAINED FUNDS

COMPLETION OF THESE DETAILS IS OPTIONAL. Should you prefer, you can leave this section blank and we will complete this section on your behalf.

RF1 – Accumulated Funds

Represents the balancing figure as stated in the accounting equation below:

Total Assets
Less Total Liabilities
Less/ (Plus) Current Year's Surplus/(Deficit)

This account is to be used as the contra entry when, for example, asset items increase/decrease due to:

- Updated Land Valuation advice received from the Value-General office
- Annual insured value of Building & Contents provided by Uniting Property Services
- Interest earnings on Sale Proceeds accounts

RF2 – Current Surplus/Deficit

This refers to the bottom line surplus/ (deficit) figure appearing on the Statement of Operating Receipts and Payments.

Retained Funds (Retained Funds)

This total should reconcile to the Net Assets of the Congregation/Presbytery (ie the difference between Total Assets and Total Liabilities).