

National Council of Churches in Australia - Finance Report - 2016-2019

Prepared by: Deirdre Ashe, Chief Operating Officer, Act for Peace/ NCCA

Recommendation

- Where the 10th Forum recommends a change in strategic direction, that the funding source is considered.

1. Changes in Governance Structure

Historically, National Council of Churches in Australia operated a holding company known as NCCA Ltd which held all assets of National Council of Churches (Unincorporated Association), Act for Peace (overseas aid fund) and a public ancillary fund, Aboriginal and Torres Strait Islander (ATSI) Development Fund which receives donations and disburses grants to Aboriginal and Torres Strait Islander groups. Five separate ABNs supported the various operational groups (tax entities) under the NCCA Association. The governance structure was confusing to Australian Charities and Non-profit Commission (ACNC), government departments and institutional donors, NCCA and Act for Peace.

Over the past four years significant work has been undertaken to simplify the governance structure. The first step was approved at the 2016 Forum with the adoption of a new Constitution for an incorporated entity: National Council of Churches in Australia Limited; the second step was the incorporation of Act for Peace Limited: Act for Peace was separately incorporated as of 23 June 2017 as a wholly owned subsidiary of National Council of Churches in Australia Ltd. The third step related to the transfer of the employment of staff and assets held by NCCA Ltd to Act for Peace Ltd. The fourth and remaining step is the reporting to ACNC of NCCA as a single entity using the ABN of NCCA Ltd, now National Council of Churches in Australia Ltd and dissolution of National Council of Churches in Australia as an Unincorporated Association and associated ABNs.

1.1 Reporting

The NCCA Group is required to report individually and collectively. Each entity will be audited with reports issued. Additionally all entities will report collectively in the National Council of Churches in Australia Consolidated Accounts. Both National Council of Churches in Australia Ltd and Act for Peace Ltd individually hold annual general meetings (AGM) to which members are invited to attend. The work of the ATSI Development Fund will be reported in the AGM of the National Council of Churches in Australia Ltd.

Statutory reports to ACNC will follow the same reporting protocol as for AGMs. Act for Peace will report individually to ACNC while National Council of Churches in Australia Ltd's report incorporates the Aboriginal and Torres Strait Islander Development Fund.

1.2 Impacts of Incorporation of Act for Peace

The employment of Business Services, Marketing and Communications and Act for Peace Policy and Program staff were transferred to Act for Peace Ltd from NCCA Ltd on 1 January 2018. Staff of the National Council of Churches in Australia Ltd (NCCA) now total 3.4 full time equivalents (FTE): 1.8 FTE in the Office of the General Secretary and 1.6 FTE in the Safe Church Program.

Assets previously purchased by NCCA Ltd for the work of Act for Peace were transferred at the remaining written down value during the 2017-18 financial year.

Other assets transferred to Act for Peace included the proceeds from sale of Causeway House, Little Collins Street, Melbourne that was purchased by NCCA Ltd from a donation made to Act for Peace for the work of the Christmas Bowl. The proceeds on sale have been re-invested in a property at 608 St Kilda Rd, Melbourne, and will provide accommodation for Act for Peace, NCCA and Victorian Council of Churches. A portion of the proceeds from sale will be used to renovate the property and and to create a reserve for future maintenance.

The Causeway House property was divested due to safety concerns, the body corporate being unable to agree on a maintenance plan for the past five years, and the property unable to comply with the City of Melbourne’s building codes.

2. NCCA Financial Position

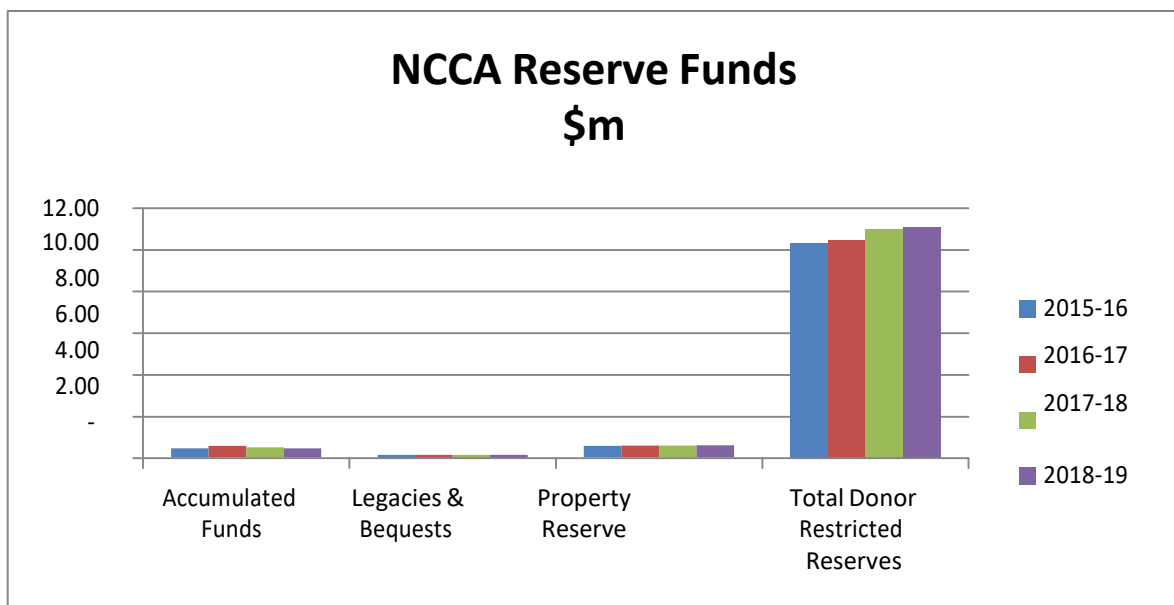
National Council of Churches in Australia (NCCA) has sufficient funds to meet its financial obligations as and when they fall due.

When reading the balance sheet of the NCCA one could be forgiven for thinking that the Council has substantial reserves which could be applied to operational needs. On closer examination it becomes evident that the Council is in a tenuous operating position. The current position of funds available to be applied to operations are \$1.34m or 10.83% of the total \$12.41m held in reserve. The \$1.34m is made up of accumulated surplus of \$510k, legacies and bequests of \$170k and funds held for property maintenance of \$670k. (Refer **Tables 1 & 2** below)

Board Designated Reserves are defined as reserves which the Board has discretion to allocate to a purpose agreed by the Board.

Donor Restricted Reserves are defined as reserves which the Board has no discretion to allocate to a purpose other than what was specified by the donor at the time the funds were received.

Four Year Comparison of Reserve Funds held by National Council of Churches

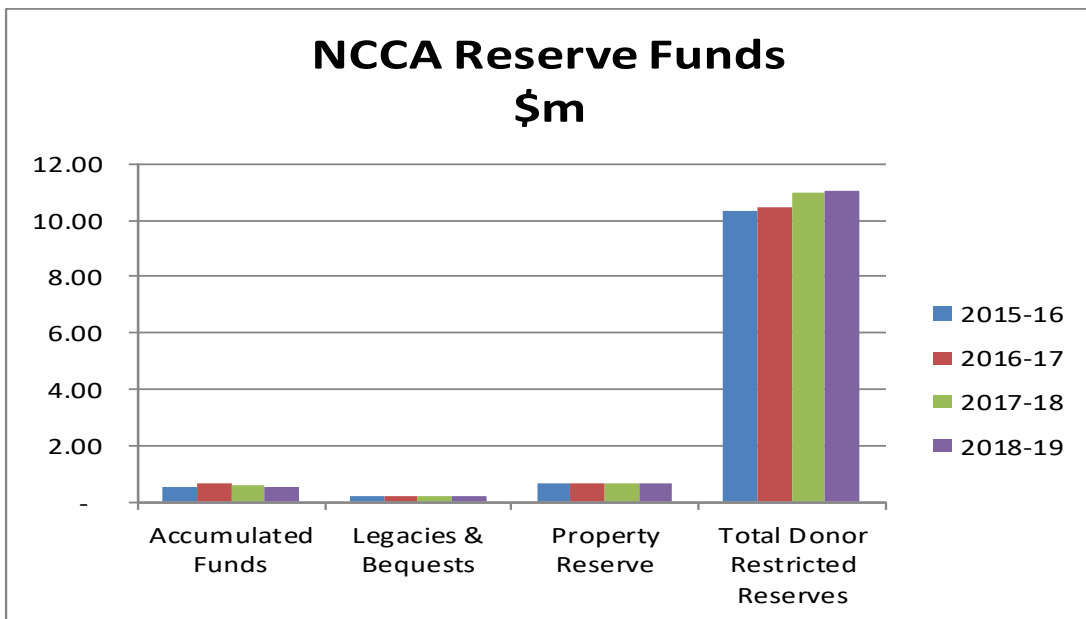


Graph 1: Funds held in Reserve which may be applied to operational needs as approved by the Board and Reserves held for the purposes as restricted by donors.

NCCA Reserve Funds				
				as at April
	2015-16	2016-17	2017-18	2018-19
Accumulated Funds	0.50	0.63	0.56	0.51
Legacies & Bequests	0.17	0.17	0.17	0.17
Property Reserve	0.62	0.64	0.65	0.67
Total Donor Restricted Reserves	10.31	10.45	10.98	11.07
Total Reserves	11.60	11.89	12.36	12.42

Table 1: Funds held in Reserve which may be applied to operational needs as approved by the Board and Reserves held for the purposes as restricted by donors.

Four Year Comparison of Donor Restricted Reserves held by National Council of Churches



Graph 2: Funds held for restricted purposes as determined by donors.

Donor Restricted Reserves				
				as at April
	2015-16	2016-17	2017-18	2018-19
Total Board Designated Reserves	1.29	1.44	1.39	1.34
Refugee Reserves	7.30	7.49	7.67	7.80
Youth Work	0.01	0.01	0.01	0.01
Glenburnie	1.59	1.54	1.52	1.49
ATSI Development Fund	0.42	0.42	0.41	0.40
Ronald Wilson Ecumenical Leadership	0.24	0.25	0.25	0.25
Action Against Modern Slavery				0.01
Equity in Kent St (Property)	0.75	0.75	1.12	1.12
Total Reserves	11.60	11.89	12.36	12.41

Table 2: Funds held for restricted purposes as determined by donors and Total amount of Designated Reserves available for operational use on approval of the Board.

3. Operational Funding Requirements

The work of the National Council of Churches in Australia is managed by the General Secretary and support staff, total 1.8 FTE: the work includes management of the general work of the Council, the Australian Torres Strait Islander Development Fund and various networks and Commissions supported by voluntary members of member churches and Safe Church Program which has a staff of 1.6 FTE. The Office of the General Secretary purchases services from Act for Peace Ltd for the purpose of financial management and reporting, investment, Human Resources, facilities/property/infrastructure management and Company Secretarial services.

The Level 7, 379 Kent Street office of the NCCA is owned proportionally by Act for Peace 51.1%, NCCA 40.6% and NSWEC 8.3%. Underutilised space owned by the NCCA is rented to Act for Peace at Sydney commercial rates to provide additional income to NCCA.

NCCA's Safe Church Program office is located in Melbourne. Currently space is rented from PLAN International Australia. The Program will relocate to the newly acquired office of Act for Peace at St Kilda Rd Melbourne after renovation, expected to be ready for occupation in the next couple of months. Act for Peace space occupied by Safe Church Program will be rented at the lower end of Melbourne commercial rates.

3.1 Income Contribution

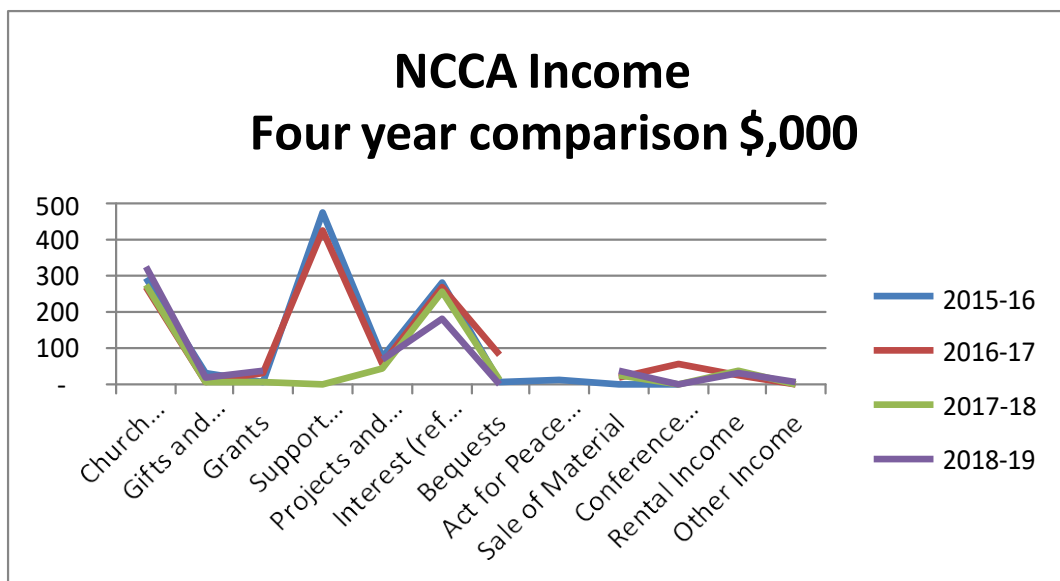
Significant change in income has occurred over the last three years. The main contributing factor has been the incorporation of Act for Peace with the change in internal structure, responsibilities and transactional flow with Business Services shifting to Act for Peace Ltd. The net income result of the change to NCCA is positive and is reflected by increased rental income, reduced income in Support Service Fees offset by reduced expenditure in staff costs and office costs.

Church contributions are voluntary. They are recorded in the financial statements on the expectation that they will be paid but adjusted if unpaid at the end of the year. In 2018-19, \$34k worth of Church contributions have been received for past year's contributions and \$93k of Church contributions invoiced remain unpaid as at April 2019, with at least \$67.5k expected to be received before the end of the financial year.

Budgeted contribution from member churches represents 70.5% of income required to fund the operations of the Council's General Secretariat. (Refer **Table 3** over page).

Additional income is received for the work of the Safe Church Program. However, the income received for Safe Church Program is insufficient to meet the costs of the program. The program has been subsidised over the past

years from General Secretariat accumulated surpluses. Substantial grants in 2016-17 and 2018-19 were received from the Collier Charitable Fund for the work of the Safe Church Program.



Graph 3: Source of NCCA Income – four year comparison

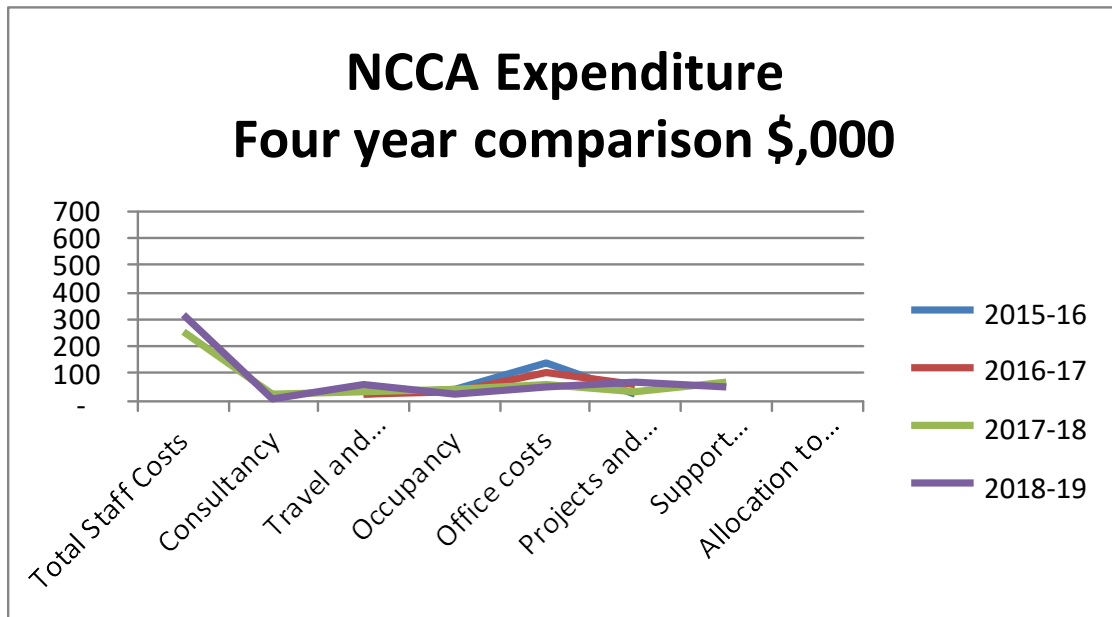
Income Contribution				
	2015-16	2016-17	2017-18	April YTD Actual 2018-19
	\$,000			
Church contributions	294	269	273	323
Gifts and donations	33	8	9	19
Grants	8	34	7	39
Support Service Fees	476	427	-	-
Projects and events	77	56	42	70
Interest (ref note 1)	279	270	255	179
Bequests	5	80	14	1
Act for Peace Contribution	15	-	-	-
Sale of Material	-	22	25	39
Conference Income	-	60	-	-
Rental Income	-	25	36	31
Other Income	5	1	2	5
Total Income	1193	1251	661	707
Note 1: Interest Earning on Reserves are allocated to the Reserve				

Table 3: Source of NCCA Income – four year comparison

3.2 Expenditure

The change in expenditure over the years is seen in **Table 4** over page. The increase in staff costs for 2018-19 reflects investment in a fixed term appointment Project Officer in 2018 who was focused on engaging with member churches to inform the work of the NCCA and the changes in staff costs for the Safe Church Program.

Increased travel in 2018-19 relates mainly to the work of Safe Church program which is funded by the 2018 grant of the Collier Charitable Fund.



Graph 4: Areas of Expenditure – four year comparison

Expenditure				
	2015-16	2016-17	2017-18	April 2018-19
	\$,000			
Total Staff Costs	578	656	257	316
Consultancy			20	4
Travel and meetings	26	25	28	56
Occupancy	43	35	37	22
Office costs	142	103	58	47
Projects and events	20	55	28	65
Support Service Fees			68	54
Allocation to Departments	66			
Total Expenditure	875	874	494	564

Table 4: Areas of Expenditure – four years comparison

4. Accumulated Surpluses Forecast

As at 30 June 2018 the Accumulated Funds of the National Council of Churches in Australia were \$574k. The budgeted deficit for 2018/19 after transferring interest and bequests to reserve is \$194.93k.

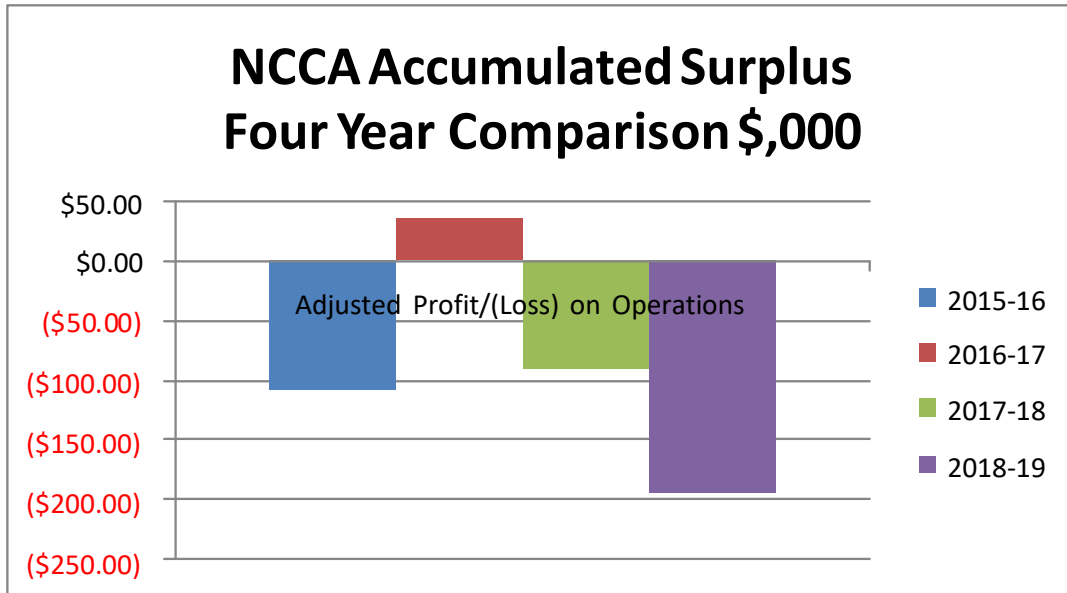
Graph 5 shows the annual operating profit/(loss) adjusted for transfer of interest earning on reserves and the transfer of legacies and bequests received within the year to reserve.

NCCA policy requires all interest earned on funds held in reserves be attributed to the reserve.

NCCA policy further requires the transfer of all legacies and bequests received within a financial year be held in a reserve until the use of funds are approved by the Board and are able to be applied to an operational need.

4.1 Surplus reported in 2016/17

The surplus in 2016/17 was created due to \$60k ‘early bird’ registration fees received in 2016/17 for Safer Churches Conference held in 2017/18. The related expenditure occurred in 2017/18. Additionally \$5k was received in sponsorship donations to support the 2016 NCCA Forum. But for these receipts the deficit would have been approx. \$30k.



Graph 5: Impact of transfers to/from reserve on operating profit/(loss).

Table 5 details the impact on the operating profit or loss after transferring interest earning on reserves and bequests and legacies transferred to reserves as per NCCA policy.

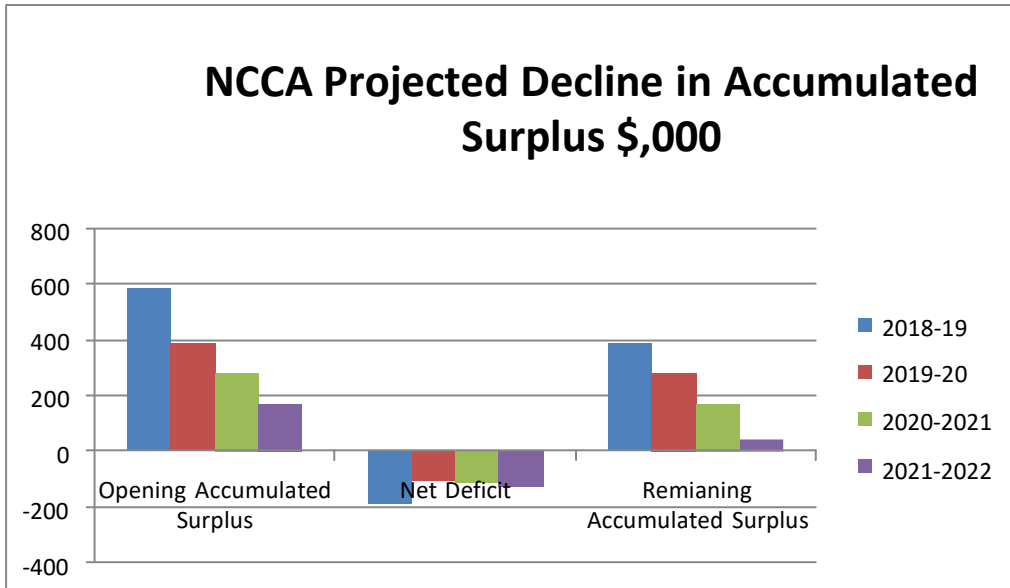
Utilisation of Accumulated Surplus				
	2015-16	2016-17	2017-18	Budget 2018-19
	\$,000			
Profit/(Loss)	\$164.24	\$376.45	\$166.87	(\$15.93)
Adjustment of Income paid to Reserves	\$267.91	\$260.54	\$243.52	\$169.00
Bequests transferred to Reserve	\$3.00	\$80.09	\$13.57	\$10.00
Adjusted Profit/(Loss) on Operations	(\$106.67)	\$35.83	(\$90.22)	(\$194.93)

Table 5: Adjustments to profit and loss as required by NCCA policy and the resulting change in profit and loss

4.2 2 Forecast Assumptions

1. Where Church contributions are received in the same pattern as previous years the annual deficit will increase by approx. \$58k.
2. The Council will continue to work without change to required outcomes or patterns of work
3. Expenditure would increase at CPI
4. Interest earnings on reserves are transferred to reserve.
5. Accumulated Surplus of \$583k is available to fund the work of the NCCA.

Based on the above assumptions on a continuing basis NCCA has sufficient funds to operate for a further four years, after which income and accumulated surplus would be insufficient to cover existing operational costs.



Graph 6: NCCA Projected Decline in Accumulated surplus over the next four years

NCCA Projected Decline Accumulated Surplus				
	2018-19	2019-20	2020-2021	2021-2022
	\$,000			
Opening Accumulated Surplus	547.46	\$352.53	\$248.25	\$132.46
Income		707	707	707
Less underpayment of Member Contribution		26	26	26
Less transfer of Bequests		10	10	10
Less transfer of Interest to Reserves		200	200	200
Less Expenditure increasing at CPI 2%		575	587	599
Net Deficit	(\$194.93)	(\$104.28)	(\$115.79)	(\$127.52)
Remaining Accumulated Surplus	\$352.53	\$248.25	\$132.46	\$4.94

Table 6: NCCA Projected decline in accumulated surplus over the next four years

APPENDIX 1 – GRANT-MAKING FUNDS**a) GLENBURNIE PROGRAMME FUND (Designated Reserve Fund)**

Click on link to NCCA website for details of the fund and projects funded 2016-2019:

<https://www.ncca.org.au/about/ecumenical/item/178-glenburnie-programme>

The following served on the Glenburnie Programme Committee 2016-19 advising NCCA Board by assessing applications against criteria and recommending disbursement of grants:

Chair - Alan Wilkinson	from 2016
Elsie Heiss	to 2018
Therese Douglass	to 2017
Alison Preston	to 2019
Christine Ledger	from 2018
Rev Clive Pearson	from 2018
Rosalind Hewitt	from 2018
Jill Finnane	from 2018
Justin Whelan	to 2016, commenced new term 2019
General Secretary-ex officio	
Executive Assistant - minutes	

b) RONALD WILSON ECUMENICAL LEADERSHIP FUND (Designated Reserve Fund)

For details, click on link to NCCA website below:

<https://www.ncca.org.au/about/ecumenical/item/177-ronald-wilson-ecumenical-leadership-fund>

No applications were received for funding consideration in 2016-19.

**c) ABORIGINAL & TORRES STRAIT ISLANDER DEVELOPMENT FUND – ABN 91 670 454 352
(Public Ancillary Fund registered with ACNC)**

The Trustee for the Public Ancillary Fund is NCCA Limited ABN 47 000 391 104.

Public Ancillary Fund means a Trust of which the trustee is a constitutional corporation and the trustee has agreed, in the approved form to ATO Commissioner, to comply with the rules in the Public ancillary fund guidelines, as amended from time to time.

For details on the Fund guidelines and projects funded from 2016-19, click on the link to NATSIEC website below:

<https://www.ncca.org.au/about-us-1/development-fund>