ISSUE 232

MARCH 2021

TREASURERS'NEWS

The latest news for Presbyterian & Cooperating Venture parishes

Highlights This Issue

Laurensons annual financial subsidy to parishes to change

Group registration update - survey questions answered

Second article from Laurenson's - fundraising & GST

Interest rates - CPT

Treasurers' News

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Welcome to our March newsletter...

The end of the month of March is upon us bringing with it all those signs of winter…. dark, cold starts to the morning!

Thinking of ends... I am sorry to let you know that this will be my last Treasurers' Newsletter. I am leaving PCANZ in mid-April to take up a new role outside of the Church.

I have greatly enjoyed my time with the Presbyterian Church family, and will miss both the people I work with on a day-to-day basis, plus all those who reach out by phone and email. Thank you for making my time here so enjoyable. I am sure that you will be in good hands with whoever fills the role. In the meantime, any queries or questions can be redirected to either Katrina Graham katrina@presbyterian.org.nz (for any assessment or general finance queries) or PCANZFC@presbyerian.org.nz for any questions regarding the consolidation.

Included in this month's newsletter: our second article from Laurenson's; information on changes to the annual financial subsidy we provide to parishes who use Laurensons for completion of their financial statements; an update on the Group registration email sent our earlier this month – and the two most asked questions answered; and information provided by the Church Property Trustees on fund interest rates.

Laurenson's annual financial accounts subsidy - changes

For many years, the PCANZ National Office has contributed $300 towards the cost to parishes using Laurenson Chartered Accountants to complete their annual accounts. The idea behind this was to assist parishes through the first couple of years when accountancy fees are often higher - as parishes learn what they need to provide etc. Many churches have utilised this discount and received it each year.

For the financial year ending 30 June 2021, we will continue to provide this support and encourage new parishes to join. However, the subsidy will cease after a 2-year period. We will be writing directly to the parishes affected by this change in the coming weeks.

We encourage any parish thinking of outsourcing their accounts to contact Lawrenson's on xero@presbyterian.org.nz .

GROUP REGISTRATION UPDATE

I would like to thank all the parishes and related entities that completed the Options for reporting with Charities Services survey we sent out earlier this month. As of 26 March, we have had 131 responses. Please click here for a link to the survey if you have not yet responded.

We have been contacted by a few parishes asking for some clarification around this survey, so below are a couple of commonly asked questions:

Q. Do we still need to have our accounts audited/reviewed for this June 2021 year-end?
A. Yes. This is a requirement of the Book of Order. It requires a decision by the General Assembly to change this requirement. Due to General Assembly being delayed by Covid-19, we have missed the deadline to have any adjustment in place for the current financial year. We have initiated a request for a change to the Book of Order to be presented at GA later this year.

We are looking at some options which will make the audit /review process easier for parishes going forward and will be sending out some information on these shortly.

Q. What is the advantage of Option 1 over Option 2?
A. With Option 1, you no longer need to file your individual parish or related entities accounts with Charities Services, with Option 2 you do. Many parishes have indicated that they would like the ability to continue to file as their funders want easy access to their accounts.

If your parish selects Option 1, the Charities Services annual registration fee will no longer be charged to your parish

National Office has no preference over which option you select.

From the Church Property Trustees...

PIF ON CALL INTEREST RATE TO DROP

The On Call Fund will pay interest at 1.0% pa from 1 April 2021.

The interest rate paid on balances in the Presbyterian Investment Fund On Call account will fall to 1.0% p.a. from 1 April 2021 (from 1.75% p.a.). The Trustees have held off reviewing the rate for as long as they can, but can no longer ignore the impact of continuing low interest rates right across the market. Interest rates remain at record low levels, anchored by the Reserve Bank holding the Official Cash Rate at 0.25%. The prospect of this rate falling even further has diminished following the better than expected performance of the local economy, but even the most optimistic economists are not expecting rates to rise until midway through next year.

The Trustees appreciate that the new interest rate in the PIF makes it difficult for the very many parishes that rely on interest income to balance the books. However, if your parish relies on income from capital, it may be timely to consider whether some of that capital should be invested in the Long Term Fund.

PIF LONG TERM INTEREST RATE REMAINS STEADY

The Long Term Fund continues to pay interest at 3.0% pa plus inflation.

The interest rate payable on balances in the PIF Long Term Fund will continue to return 3% p.a. plus inflation. The Long Term Fund invests in a socially responsible, diversified mix of shares, property, infrastructure and bonds. Funds in the Long Term Fund continue to grow, with over $30m now invested in this part of the Presbyterian Investment Fund.

Of course, there is no free lunch here. Those seeking a higher return need to be prepared to take a higher risk. This includes a risk of capital loss. The Long Term Fund is not a solution for a short-term earnings boost. If you expect to spend the capital in the next few years, e.g. you have a capital project in the pipeline, the Long Term Fund is not appropriate for your parish.

The Fund is designed for those parishes that expect to keep their capital intact for the long term (at least 7 years), even though funds are able to be withdrawn on a quarterly basis. That way, if there is a capital loss, you remain invested long enough for the market (and your balance) to recover. That said, you might also be rewarded by some extra returns, i.e. if the Fund's performance is better than expected, you will be reap the benefit. For instance, a capital bonus was recently paid following strong returns in the fourth quarter of 2020.

For more information, please email: trustees@presbyterian.org.nz

Fundraising & the question of GST

Fundraising activities are routinely carried out in many parishes, but there is often confusion around several aspects of fundraising:

1. How to differentiate it from donations towards a particular project or cause, and,
2. How to treat fundraising income and expenses for GST.

Firstly, under the current regulations surrounding the way Not For Profit entities (like parishes) must report their financial information, fundraising income and expenses must be reported separately from any other income streams, including donations.

How are they different? A reasonably simple test to determine whether income arises from fundraising or donations, is that a donation is made without condition or without anything being offered in exchange. Fundraising, on the other hand, normally involves an activity or the sale of a product, for example, a sponsored walk, or a cake bring-and-buy sale. Where parishes are working to build funds for a particular cause or project, that effort could easily attract both fundraising AND donation income, but even though they may be for the same cause, they must be reported separately.

Secondly, does income from fundraising include GST? This is entirely dependent on HOW the funds are being raised. Where there is a sale of goods or services involved:

1. If the goods or services being sold have been entirely donated, then the income will not include GST; an example of this would be our aforementioned bring-and-buy sale, or a car wash where labour and car cleaning products are supplied by volunteers.

2. If whatever is being sold has been purchased for the purpose, the income will include GST, but any expenses related to the fundraising effort will also include GST. An example of this would be a dinner function, where food and drink has been purchased for resale.

In summary, every case will be different and you cannot "run on automatic" when accounting for fundraising income.

As always, if in doubt, check!

- Rowena Janes of Laurenson's

DISCLAIMER: This article has been carefully prepared but has been written in general terms only. The article should not be relied upon to provide specific information without also obtaining appropriate professional advice after detailed examination of your particular situation.