Presbyterian Church
of Aotearoa New Zealand

Annual Report the Year Ended 30 June 2016

Directory

Council of Assembly

Rev Dr Colin Marshall (Convenor)
Mrs Jenny Flett (Deputy Convenor)
Mrs Janet Sim-Elder
Ms Anne Gordon
Rev Steve Millward
Ms Marie Burgess
Rev Johannes Suwantika
Rev Richard McLean
Rev Mitch Jaram (Te Aka Puaho)
Rev Andrew Norton (Moderator)
Rev Ere Talagi-Ikitoelage (Pacific Island Synod)
Ms Anne Edgar
Rev Diane Gillian - Weeks
Mr Wayne Matheson (Assembly Executive Secretary)

Registered office

Level 1, Core Logic House
275 Cuba Street
Wellington 6141

Nature of business Making Jesus Christ Known in the Community

Charities Commission Registration number: CC33597

Consolidated statement of comprehensive revenue and expenses

	Note	Group June 2016	Parent June 2016
Revenue		$	$
Revenue from exchange transactions			
Administration Fees		421,376	16,089
Assembly Assessment (Net of Beneficiary Fund)		1,855,120	1,855,120
CV Contributions		310,025	310,025
Intern Contribution Received		239,662	239,662
Property Income		116,000	116,000
Registrations		147,594	147,594
Sundry Income		50,562	50,562
Total Revenue from exchange transactions		**3,140,339**	**2,735,052**
Revenue from non-exchange transactions			
Beneficiary Fund Income		1,262,000	1,262,000
Donations Received	6.1	380,422	380,422
Grants Received		606,431	606,431
Investment Income		873,312	864,404
Mission Enterprise Fund	6.2	529,887	529,887
Total Revenue from non-exchange transactions		**3,652,052**	**3,643,144**
Total Revenue		**6,792,391**	**6,378,196**
Less Operating Expenses			
Administration		517,570	455,831
Depreciation		37,996	33,573
Donations Paid		116,704	116,704
Events		157,511	152,073
Grants Paid		881,597	881,597
Ministers Beneficiary Fund		1,262,000	1,262,000
Mission Expenses		119,355	119,355
Property Costs		168,577	148,583
Publications		97,177	86,516
Salaries and Stipends		1,908,884	1,649,968
Staff Costs		439,414	438,007
Student Training		528,701	528,701
Travel and Accomodation		248,318	235,730
Total Operating Expenses		**6,483,803**	**6,108,637**
Operating Surplus \ (Deficit) for the Year		**308,588**	**269,559**
Revaluation of Investment Property	9	85,000	85,000
Comprehensive Revenue / (Expense) for the Year		**393,588**	**354,559**

This statement should be read in conjunction with the Notes to the Financial Statements

Consolidated statement of changes in net assets/equity

June 2016		General Funds	Capital Trusts	Total Equity
		$	$	$
Balance 1 July 2015	3	11,611,523	13,371,875	24,983,398
Net Surplus for the Year		393,588	-	393,588
Funds Transferred		349,635	(349,635)	-
Balance 30 June 2016		**12,354,747**	**13,022,240**	**25,376,986**

Statement of changes in net assets/equity (parent)

June 2015		General Funds	Capital Trusts	Total Equity
		$	$	$
Balance 1 July 2015		11,364,845	13,371,875	24,736,720
Net Surplus for the Year		354,559		354,559
Funds Transferred		349,635	(349,635)	-
Balance 30 June 2015	3	**12,069,039**	**13,022,240**	**25,091,279**

This statement should be read in conjunction with the Notes to the Financial Statements

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Consolidated statement of financial position

	Note	Group June 2016 $	Group June 2015 $	Parent June 2016 $	Parent June 2015 $
Current Assets					
Accounts Receivable from Exchange Transactions		110,082	130,912	83,912	108,929
Accrued Income & Prepayments		126,783	62,918	125,866	62,918
Cash and bank		212,963	182,674	208,270	163,678
Investments - Baptist Savings	8	1,000,000	1,100,000	1,000,000	1,100,000
Investments - Presbyterian Investment Fund	8	9,538,231	9,075,819	9,276,989	8,884,482
Unsecured Advances	11	15,333	32,000	15,333	32,000
Total Current Assets		**11,003,393**	**10,584,324**	**10,710,371**	**10,352,007**
Non-Current Assets					
Investments	8	13,022,240	13,108,965	13,022,240	13,108,965
Investment Property	9	1,730,000	1,645,000	1,730,000	1,645,000
Office Furniture & Equipment	10	63,731	92,766	51,791	76,404
Unsecured Advances	11	107,779	123,112	107,779	123,112
Total Non-Current Assets		**14,923,750**	**14,969,842**	**14,911,810**	**14,953,481**
Total Assets		**25,927,143**	**25,554,166**	**25,622,180**	**25,305,488**
Liabilities					
Current Liabilities					
Accounts Payable		275,425	313,070	270,249	308,651
Accrued Expenses		274,732	257,698	260,652	260,117
Total Current Liabilities	13	550,157	570,768	530,901	568,768
Net Assets		25,376,986	24,983,398	25,091,279	24,736,720
Equity					
Current Year Earnings		393,588	69,946	354,559	78,250
Capital Introduced		-	-		262,911
Retained Earnings		24,983,398	24,913,452	24,736,720	24,395,559
Total Equity		25,376,986	24,983,398	25,091,279	24,736,720

This statement should be read in conjunction with the Notes to the Financial Statements

Consolidated cash flow statement

	Group June 2016 $	Parent June 2016 $
Cash Flows from Operating Activities		
Cash was provided from		
Receipts from Parishes	4,064,781	3,644,962
Interest Received	30,478	30,478
Property Income	116,000	116,000
Grants and Donations	1,480,519	1,480,519
Other income	198,156	198,156
	5,889,935	**5,470,116**
Cash was Disbursed for:		
Payments to Suppliers and Employees	(5,981,415)	(5,608,294)
Grants and Donations Paid	(998,300)	(998,300)
	(6,979,716)	**(6,606,595)**
Net Cash Outflow from Operations	**(1,089,781)**	**(1,136,479)**
Cash Flows from Investing Activities		
Cash was Provided from		
Decrease in Investments	1,097,034	1,158,031
Decrease in Unsecured Advances	32,000	32,000
	1,129,034	**1,190,031**
Cash was Applied to:		-
Purchase of Fixed Assets	(8,964)	(8,960)
	(8,964)	**(8,960)**
Net Cash Inflow From Investing Activities	**1,120,070**	**1,181,071**
Increase/(Decrease) in Bank	**30,289**	**44,592**
Bank Balance 1 July	182,674	163,678
Closing Bank Balance	**212,963**	**208,270**

Signed for and on behalf of the Council of Assembly who authorised the issue of these financial statements

Colin Marshall – Convenor

Date: 12/10/2016

Jenny Flett – Deputy Convenor

Date: 30/9/16

Notes to financial statements

1 Reporting entity

The reporting entity is the Presbyterian Church of Aotearoa New Zealand (the Church), consolidated with the operations of the Presbyterian Church Property Trustees (the Trustees). As part of its powers the Church appoints Trustees who hold their property on behalf of the individual member parishes, presbyteries and the church as a whole.

The group records the exercise of the power of the Assembly to raise money from, receive money on behalf of, or spend money on account of, the individual parishes that comprise the body of, The Presbyterian Church of Aotearoa New Zealand. Any residual assets or liabilities arising from the exercise of this power are included in the results of the reporting entity.

The Church is a beneficiary of Funds whose financial performance is reported separately by the Trustees to the General Assembly. The Funds are for commercial activities gifted to the Church for the purpose of providing financial and material assistance to the Church and its Ministers. Payments to the Church from these trusts are recognised as income as and when received. To include these commercial activities within the body of the Church accounts would give a misleading picture of the financial activities of the General Assembly.

These Group financial statements and the accompanying notes summarise the financial results of activities carried out by the Group. The Group provides support for Presbyterian Churches and cooperating churches under Presbyterian oversight to enable the promotion and teachings of Jesus Christ in the New Zealand area. All entities within the Group are charitable organisations registered under the Charitable Trusts Act 1957 and the Charities Act 2005.

The Church is domiciled in New Zealand and is a charitable organisation registered under the Charities Act 2005.

These consolidated financial statements have been approved and were authorised for issue by the Council of Assembly.

2 Statement of compliance

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity Standards ("PBE Standards") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 PBE Standards on the basis that it does not have public accountability and it is not defined as large.

3 Effect of first-time adoption of PBE standards on accounting policies and disclosures

The Group financial statements are the first consolidated financial statements presented in accordance with PBE standards. The Group have previously reported in accordance with Old New Zealand GAAP. The transition date is 1 July 2015.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under Old NZ GAAP as outlined below. The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

- Recognition of grants and donations without conditions, and unspent at balance date as income.
- Consolidation of the operations of the Church Property Trustees

	General Funds	Capital Trusts	Total Equity
Balance 1 July 2016 under Old GAAP	10,871,181	13,371,875	24,243,056
Adjustments arising from first-time adoption of PBE Standards			
Grants and donations received	493,664		493,664
Church Property Trustees Equity	246,678		246,678
Adjusted net equity under Old GAAP	**11,611,523**	**13,371,875**	**24,983,398**

3.1 Changes in disclosure are the following:

- **PBE IPSAS 1 - Presentation of financial statements**

  There are minor differences between PBE IPSAS 1 and the equivalent NZ standard under old GAAP. These differences have an effect on disclosure only.

- **PBE IPSAS 23 - Revenue from Non-Exchange Transactions**

  In the previous financial year, grants received in relation to the provision of a service were recognised as revenue as service provision costs were incurred. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as they are received, unless the grant meets the definition of and recognition criteria for a liability.

  Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that requires the entity to use the grant as specified or return of the grant if the entity does not perform as specified. In the previous financial year (to June 2015) under previous GAAP, grants, donation and registration income of $493,664 were recorded as liabilities. Under PBE IPSAS these amounts are recognised as income. This amount is included in adjustments to opening equity.

- **PBE IPSAS 6 Consolidated and Separate Financial Statement**

  Under PBE Standards (IPSAS 6) the Church controls the operations of the Trustees, therefore is required to consolidate the accounts of the entities. Under Old NZ GAAP, consolidation of the financial accounts of the Trustees with that of the Church was not required

4 Summary of accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied.

4.1 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of non-derivative financial instruments and investment property, which are measured at fair value.

4.2 Functional and presentational currency

The consolidated financial statements are presented in New Zealand dollars ($), which is the Group's functional currency.

4.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Presbyterian Church of Aotearoa New Zealand and its controlled entities (the Group) as at 30 June 2016. PBE IPSAS 6 requires the consolidation of any entity that is controlled by the reporting entity, in terms of power and benefit.

The Church has the power to appoint Trustees, but affirms the Trustees independence in governance, management and influence over financial and operating policies of Church Property Trustees operations.

In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 30 June 2016 reporting date.

4.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

- **Donation revenue**

  Donations are recognised as revenue upon receipt and include donations from the general public, donations received for specific purposes or services or donations in-kind.

- **Grant revenue**

  Grant revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Grant revenue is recognised as revenue when it is receipted, unless there are conditions, including a return obligation, attached to the grant.

Revenue from exchange transactions

- **Receipts from parishes**

  Receipts from parishes includes levies charged to Presbyterian parishes, receipts from cooperating churches and receipts from churches hosting ministry interns. Levies are charged and recognised evenly throughout the accounting period. Contributions from cooperating churches and church contributions to ministry interns are recognised as receipted.

- **Event income**

  Registration fees for conferences and events are recorded as revenue when the conference or event takes place

- **Interest income**

  Income Interest revenue is recognised as it accrues.

- **Rental Income**

  Income from rental of Investment property is recognised on a straight line basis over the term of the lease agreement.

4.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. The Group derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Group has transferred substantially all the risks and rewards of the asset;

  or

- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets

All financial assets are initially recognised at fair value. The classifications of the financial assets are determined at initial recognition. The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Group's financial assets are classified as financial assets at fair value through revenue or expense, or loans and receivables. The Group's financial assets include: cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and investments.

Impairment of Assets

Assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities include trade and other creditors (excluding GST). All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit and are measured subsequently at amortised cost).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition loans and receivables are measured at fair value. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. Loans agreements are for repayment of capital only and are interest free The Group's cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

4.6 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7 Investments

- Current investments comprise deposits in which capital and income is accessible, and the term of the deposit is less than one year.

- Non-current investments comprise deposits in which income only is accessible, or the use of capital is restricted to specific purposes under the terms of the Trust deed.

4.8 Fixed Assets and Investment Property

Fixed Assets

The Fixed Assets of the Group consist of computer equipment and software and office equipment and furniture. Fixed assets are initially recorded at cost. Depreciation is charged on a straight line basis over the useful life of the asset. All fixed assets have an estimated useful life of 4 years. When computer and office equipment is sold, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the book value of the fixed asset.

Investment Property

Investment Property is recorded at Fair Value. A revaluation surplus or deficit is recorded in the Consolidated statement of comprehensive revenue and expenses, and the Consolidated statement of financial position as an increase or decrease in asset value.

4.9 Employee benefits

Liabilities for wages and salaries, annual leave and study leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled. Accumulated entitlement for employee sick leave is not recorded as a liability.

4.10 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

4.11 Income tax

Due to its charitable status, the Group is exempt from income tax.

4.12 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is made up of the Group accumulated comprehensive revenue and expense, adjusted for transfers to/from specific reserves. Equity is categorised as general funds and capital trusts, adjusted for net operating surplus/(deficit) for the year (as defined in the Consolidated statement of changes in net assets/equity).

5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- **Useful lives and residual of fixed assets values**

  The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

  - The condition of the asset
  - The nature of the asset, its susceptibility and adaptability to changes in technology and processes
  - The nature of the processes in which the asset is deployed
  - Availability of funding to replace the asset
  - Changes in the market in relation to the asset

- **Provision for Doubtful Debt**

  Doubtful debt is provisioned on individual debtor recovery analysis, considering

  - Age of debt
  - History of debtor behaviour
  - Change in debtor ability to pay debt

6 Revenue from non-exchange transactions

Revenue from non-exchange transactions received during each reporting period includes the following:

6.1 Donations Received

	Group June 2016 $	Parent June 2016 $
Donations Received - bequests	252,442	252,443
Donations Received - specific purpose	118,262	118,260
Donations Received - general purpose	9,718	9,719
	380,422	**380,422**

6.2 Mission Enterprise Fund

Mission Enterprise Fund income commenced in the year to 30 June 2016. It represents parish contributions from the sale of property assets to Press Go mission funding program.

7 Auditor's remuneration

Ernst and Young provide audit services to the Group. Total amount recognised for as an audit expense is $33,500 (2015: $31,000). No non-audit services are provided by Ernst and Young.

8 Investments

Invested Funds at 30 June:

	Group June 2016 $	Parent June 2016 $
Presbyterian Investment Fund - Working Capital	9,538,231	9,276,989
Presbyterian Investment Fund - Specific Purpose Deposits	13,022,240	13,022,240
Baptist Savings	1,000,000	1,000,000
	23,560,471	**23,299,229**

9 Investment Property

The investment property is subject to a long-term lease to Cold Storage Nelson Limited. The property was last valued on 30th June 2016 by Lance Collings, independent registered valuer of the firm Jones Lang LaSalle Ltd at $1,730,000 (2015: $1,645,000). Lance Collings is a member of the New Zealand Institute of Valuers (Inc). The property is valued at net current value, being open market value less the estimated costs of disposal.

10 Office Furniture and Equipment

Reconciliation of the carrying amount at the beginning and end of the period

	Computer Equipment	Office Equipment	Office Furniture	Total
	$	$	$	$
Net Book Value 1 July 2015	65,158	7,952	19,658	92,768
Additions	7,854	1,106	-	8,960
Disposals	-	-	-	-
Depreciation	(30,492)	(2,460)	(5,044)	(37,996)
Net Book Value 30 June 2016	**42,519**	**6,599**	**14,613**	**63,731**

11 Unsecured Advances

Reconciliation of the carrying amount at the beginning and end of the period

	Group June 2016	Parent June 2016
	$	$
Balance 1 July 2015	155,112	155,112
Advances	-	-
Repayments	(32,000)	(32,000)
Balance 30 June 2016	**123,112**	**123,112**
Current Portion	15,333	15,333
Non-Current Portion	107,779	107,779
	123,112	**123,112**

12 Lease commitments

The General Assembly lease of Core Logic House was renewed in March 2014 for a period of three years. The lease of the office of the church Property Trustees was renewed in February 2014 for a period of 4 years.

	Group June 2016 $	Parent June 2016 $
Lease of Corelogic House, Including Carparks		
Up to one year	64,840	55,040
One to two years	14,000	
Two to five years	-	
	78,840	**55,040**

13 Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories off assets and liabilities

	Group June 2016	Parent June 2016
Financial assets	**$**	**$**
Loans and Receivables		
Cash and Bank	212,963	208,270
Receivables from exchange transactions	110,082	83,912
Unsecured advances	123,112	123,112
Presbyterian Investment Fund	22,560,471	22,299,229
Baptist Savings	1,000,000	1,000,000
	24,006,628	**23,714,523**

	Group June 2016	Parent June 2016
Financial liabilities	**$**	**$**
Financial Liabilities at Amortised Cost		
Trade and other creditors	301,671	296,494
Staff Costs	223,266	209,186
Audit Fees	16,435	16,435
GST Payable	8,784	8,426
	550,157	**530,542**

14 Financial Instruments

a) Credit Risk

Financial Instruments, which potentially subject the funds to credit risk principally, consist of Cash and Bank, Accounts Receivable, Unsecured Advances and Presbyterian Investment Fund and Baptist Savings deposits. Maximum exposures to credit risk at balance date are:

	Group June 2016 $	Parent June 2016 $
Cash and Bank	212,963	208,270
Accounts Receivable	110,082	130,912
Unsecured advances	123,112	123,112
Presbyterian Investment Fund	22,560,471	22,299,229
Baptist Savings	1,000,000	1,000,000
	24,006,628	**23,761,523**

The above maximum exposures are net of any recognised provision for losses on these financial instruments, except for Accounts Receivable, which are shown gross. No collateral is held on the above amounts.

b) Concentrations of Credit Risk

There is a concentration of credit risk in that the General Assembly uses the Presbyterian Investment Fund as banker for all surplus funds. The Presbyterian Investment Fund manages its own concentration of credit risk by investing in a wide range of interest bearing investments in accordance with its Statement of Investment Policies and Objectives.

c) Interest Rate Risk

Interest rate risk is the risk that the value of financial securities will fluctuate due to changes in market interest rates. The Funds invested in Presbyterian Investment Fund are subject to interest rate risk.

d) Fair Values

The carrying value approximates the fair value of all financial instruments.

15 Capital commitments

There were no capital commitments at reporting date. (2015: $Nil).

16 Contingent assets and liabilities

There were no contingent assets or liabilities at reporting date.

17 Related party transactions

a) Grants to Presbyterian churches

The key management personnel, as defined in PBE IPSAS 20 Related Party Disclosures, are the members of the Presbyterian Church of Aotearoa New Zealand Council of Assembly and the Resource and Leadership sub-committees. No remuneration is paid to members of these groups, although grants were paid to the churches of some members in recognition of their contribution to Church management:

	Group June 2016 $	Parent June 2016 $
St Johns Mt Roskill (Council Convenor)	11,000	11,000
St Columba Botany Downs (Moderator)	70,000	70,000
St Columba Botany Downs (Press Go convenor)	10,000	10,000

b) Presbyterian Investment Fund

Investments held in the Presbyterian Investment Fund are under the management of the Presbyterian Church Property Trustees.

18 Events after balance date.

The Council of Assembly and management are not aware of any other matters or circumstances since the send of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the General Assembly.