

Presbyterian Church of Aotearoa New Zealand

General Assembly Funds

Financial Statements for the year ended 30 June 2007

This package comprises 12 pages including this cover sheet

Statement of Financial Performance
For the Year Ended 30 June 2007

	Note	June 2007 \$	June 2006 \$
Income			
Contributions from Parishes		4,351,271	4,584,360
Investment Income	2a	1,149,667	1,021,332
Property Income		190,323	279,014
Gifts & Donations		958,202	938,571
Other		679,155	514,888
Total Income		7,328,618	7,338,165
Expenditure			
Staff Costs		1,694,520	1,614,005
Beneficiary Fund		1,118,954	1,205,668
Seniority		368,582	404,652
Travel Costs		305,186	239,089
Property Costs		199,345	220,554
Depreciation	2b	199,528	176,141
Computer Costs		133,863	176,966
Communication Costs		292,324	269,647
Audit & Accounting		45,000	55,851
Interest Paid		16,731	38,850
Grants & Donations		943,056	903,975
Insurance Premiums Paid		37,685	46,034
Miscellaneous Costs		962,931	792,489
AA Provision		373,146	314,498
Total Expenditure		6,690,851	6,458,419
Operating Surplus/(Deficit) for the Year		637,767	879,746
Realisation of Property and Shares		-	379,778
Revaluation of Investment Property	7c	379,000	181,000
Total Surplus/(Deficit) for the Year		1,016,767	1,440,524

Statement of Movements in Equity
For the Year Ended 30 June 2007

	Note	June 2007 \$	June 2006 \$
Opening Equity at 1 July		21,762,386	19,700,690
Total (Deficit)/Surplus for the Year		1,016,767	1,440,524
Revaluation of Fixed Assets	7a	-	621,172
Total Recognised Revenue and Expenses		1,016,767	2,061,696
Closing Equity at 30 June	5a	22,779,153	21,762,386

Statement of Financial Position

As at 30 June 2007

	Note	June 2007 \$	June 2006 \$
Equity	5a	22,779,153	21,762,319
Current Liabilities			
Accounts Payable and Accruals		510,296	925,163
Presbyterian Foundation Borrowings		-	269,080
Council for World Mission		601,211	126,227
Unsecured Deposits		305,152	321,491
Total Current Liabilities		1,416,659	1,641,961
Total Equity and Liabilities		24,195,812	23,404,280
Non Current Assets			
Unsecured Advances	3	886,872	950,986
Land and Buildings	7a	4,953,299	5,017,000
Investment Property	7c	1,465,000	1,086,000
Office Furniture and Equipment	7b	163,183	260,801
Non-current Deposits Presbyterian Investment Fund	6	12,521,360	12,130,497
Total Non Current Assets		19,989,714	19,445,284
Current Assets			
Cash and Bank		125,993	44,303
Accounts Receivable	4	207,472	668,121
Unsecured Advances	3	621,330	698,122
Deposits Presbyterian Investment Fund	6	3,251,303	2,548,450
Total Current Assets		4,206,098	3,958,996
Total Assets		24,195,812	23,404,280

For and on behalf of the Council of Assembly who authorised the issue of these Financial Statements

Rhys Pearson - Convenor

Jane Pritchard – Deputy Convenor

Statement of Cash Flows
For the Year Ended 30 June 2007

	Note	June 2007 \$	June 2006 \$
Cash Flows from Operating Activities			
Cash was provided from			
Receipts from Parishes		4,438,774	4,219,793
Interest Received		647,309	1,021,332
Property Income		190,323	279,014
Grants and Donations		958,202	938,571
Other Income		679,155	514,888
		<u>6,913,763</u>	<u>6,973,598</u>
Cash was Disbursed for:			
Payments to Suppliers and Employees		(5,115,003)	(5,292,250)
Grants and Donations Paid		(943,056)	(903,975)
		<u>(6,058,059)</u>	<u>(6,196,225)</u>
Net Cash Inflow/(Outflow) from Operating Activities	10	855,704	777,373
Cash Flows from Investing Activities			
Cash was Provided from			
Sale of Surplus Property		-	3,900,000
Decrease in Unsecured Advances		140,906	71,836
		<u>140,906</u>	<u>3,971,836</u>
Cash was Applied to:			
Purchase of Fixed Assets		(38,069)	(124,288)
Decrease in Unsecured Deposits		(16,339)	(279,871)
(Increase)/Decrease in PIF Deposits		(591,432)	(4,165,638)
		<u>(645,840)</u>	<u>(4,569,797)</u>
Net Cash (Outflows)/Inflows from Investing Activities		(504,934)	(597,961)
Cash Flows from Financing Activities			
Cash was Applied to			
Payment of Loan		(269,080)	(150,239)
		<u>(269,080)</u>	<u>(150,239)</u>
Increase/(Decrease) in Bank		81,690	29,173
Bank Balance 1 July		44,303	15,130
Deposited with Bank at 30 June		<u>125,993</u>	<u>44,303</u>

1. Statement of Accounting Policies

a) Reporting Entity

The reporting entity is the General Assembly Funds of The Presbyterian Church of Aotearoa New Zealand (The Assembly). The Assembly is the governing body of the individual parishes and presbyteries that have pledged allegiance to the principles and teachings of The Presbyterian Church of Aotearoa New Zealand. The Presbyterian Church and the Assembly are unincorporated bodies.

The reporting entity 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.

As part of its powers the Assembly appoints the Presbyterian Church Property Trustees (The Trustees) who hold on behalf of the individual member parishes, presbyteries and the church as a whole their property. Only where the Assembly or its appointed Trustees have the power to either determine: a) the nature of the trust, b) the class of beneficiary, c) the disposition of the trust or where the Assembly is the beneficiary of the trust will the reporting entity include the assets, liabilities and income of the trust. The Trustees separately report the financial performance of certain trusts under their jurisdiction.

The Church is a beneficiary of trusts whose financial performance is reported separately by the Trustees to the General Assembly. The trusts 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.

The Financial Statements of The Presbyterian Church of Aotearoa New Zealand General Assembly Funds have been prepared in accordance with generally accepted accounting practice.

b) Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed with the exception that certain assets as specified below are recorded at a value other than their historical cost.

c) Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied.

(i) Unsecured Advances

Advances are recorded at face value.

(ii) Accounts Receivable

Accounts Receivable are stated at their estimated realisable value.

(iii) Fixed Assets

Legal ownership of all the property of The Presbyterian Church of Aotearoa New Zealand ("the Church") is vested in The Presbyterian Church Property Trustees in accordance with the requirements of The Presbyterian Church Property Act 1885. The property is held in trust by the Trustees for the benefit of parishes, presbyteries and the General Assembly. In the absence of a specific trust, property is held in trust on terms specified in The Presbyterian Church Property Act 1885.

The property of The Presbyterian Church of Aotearoa New Zealand includes real and personal property in each Parish together with real and personal property held for the general operation of the Church. Fixed assets included in these Financial Statements comprise only the assets held by the Trustees for the benefit of the General Assembly and trusts where the General Assembly can exercise one or more of the rights described in Note 1(a) above.

Assets in the beneficial ownership of a Parish or Presbytery are not included in these Financial Statements.

The Fixed Assets of the General Assembly fall into the following categories:

- Freehold land
- Freehold building
- Computer & Office equipment

Fixed assets are initially recorded at cost, or fair value as determined by the Council of Assembly. Freehold Land and Buildings are valued at least every 3 years. The difference between the valuation and the book value is transferred to a Revaluation Reserve. The difference between the valuation amount and the book value of Investment Properties is transferred to the Statement of Financial Performance. The properties were last valued as at 30 June 2006.

Depreciation is provided on a straight-line basis on all fixed assets other than freehold land and investment properties, at depreciation rates calculated to allocate the assets' cost less estimated residual value over their estimated useful lives. If an asset has not been valued, cost is deemed to be its valuation.

Major depreciation periods are:

- Buildings 50 years
- Computer & Office equipment 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.

(iv) Investment Properties

Investment Properties are valued annually on balance date and are reported at their current net realisable value. Depreciation is not charged on investment properties. Revaluation gains and losses on such properties have been recorded in the Statement of Financial Performance.

(v) Taxes

Income Tax

The General Assembly Fund, being a Religious Organisation, is exempt from income tax.

Goods and Services Tax

The Financial Statements have been prepared on a GST exclusive basis.

(vi) Grants

Grants given to the Church for the purpose of financing a particular activity are recognised as income where it is likely that the Church will comply with the terms of the grant. With respect to Council of World Mission Funds, the grant is recognised as income in the year of expenditure. Grants not recognised as income are held in Accounts Payable and Accruals.

d) Changes In Accounting Policies

There have been no changes in accounting policy in the year to 30 June 2007.

e) Prior Year Comparatives

Where necessary, prior year comparative numbers have been reclassified to reflect current year presentation.

2. Income and Expenditure

a) Investment Income

	June 2007	June 2006
	\$	\$
Interest	1,149,667	1,021,332
	<u>1,149,667</u>	<u>1,021,332</u>

b) Depreciation

	June 2007	June 2006
	\$	\$
Depreciation - Buildings	63,761	52,712
Computer and Office Equipment	135,767	123,429
	<u>199,528</u>	<u>176,141</u>

3. Unsecured Advances

	June 2007	June 2006
	\$	\$
Loans to Ministers and Parishes		
Current Portion	621,330	698,122
Non-Current portion	886,872	950,986
Total Unsecured Advances	<u>1,508,202</u>	<u>1,649,108</u>

Loans to Parishes		
MRB Property Loans	259,684	282,204
Centenary Loan Fund Advances	627,188	661,590
Insurance Loans		6,382

Loans to Ministers		
Ministers Loan Fund Car Loans	621,330	698,932
Total Unsecured Advances	<u>1,508,202</u>	<u>1,649,108</u>

4. Accounts Receivable

	June 2007	June 2006
	\$	\$
Accounts Receivable	1,401,507	1,353,723
Less Provision for Doubtful Debts	(1,185,409)	(1,166,155)
	<u>216,098</u>	<u>187,568</u>
Related Party Receivable/Payable	(90,258)	446,749
Prepayments	81,632	33,804
Net Accounts Receivable	<u>207,472</u>	<u>668,121</u>

5. Equity

a) Summary of Equity

	General Funds	Capital Trusts	Presbyterian Foundation	Total Equity
June 2007	\$	\$	\$	\$
Balance 1 July 2006	7,083,372	11,792,850	2,886,097	21,762,319
Less Net Surplus (Deficit) for the Year	(76,882)	1,075,163	18,553	1,016,834
Revaluation Reserve - Land and Buildings	-	-	-	-
Balance 30 June 2007	<u>7,006,490</u>	<u>12,868,013</u>	<u>2,904,650</u>	<u>22,779,153</u>

	General Funds	Capital Trusts	Presbyterian Foundation	Total Equity
June 2006	\$	\$	\$	\$
Balance 1 July 2005	9,300,826	7,682,885	2,716,912	19,700,623
Less Net Surplus (Deficit) for the Year	(2,838,626)	4,109,965	169,185	1,440,524
Revaluation Reserve - Land and Buildings	621,172	-	-	621,172
Balance 30 June 2006	<u>7,083,372</u>	<u>11,792,850</u>	<u>2,886,097</u>	<u>21,762,319</u>

b) Inclusion of Trusts in Equity

The Church periodically receives bequests or donations that are subject to strict conditions on their use including the provision that no distributions may be made from the capital of the trust. Such gifts are in the nature of an equity contribution to the Church and are accordingly incorporated in the reserves of the Church.

A number of these small gifts have been amalgamated and provide the funding for the Presbyterian Foundation. The Foundation disperses the income it earns from investing the gifts on the mission work of the Church. The Foundation is included in the equity of the Church and identified in Note 6.

6 Presbyterian Investment Fund Deposits and Other Advances

	June 2007	June 2006
	\$	\$
Trusts - Income and Capital Available	3,251,303	2,548,450
Trusts Income Only Available	9,616,710	9,244,400
Presbyterian Foundation	2,904,650	2,886,097
	<u>15,772,663</u>	<u>14,678,947</u>

Funds held in trust are required by the terms of their trust to be used for specified activities of the General Assembly. The Assembly organises its activities so as to take advantage of these trusts. Income of the Presbyterian Foundation is distributed to parishes so as to provide financial assistance to specific parish projects. The Foundation balance comprises capital of \$2,767,165 and undistributed income of \$137,485 (2006 \$2,696,694 and \$169,185).

General Assembly Borrowings of \$269,080 at 1 July 2006 have been repaid in the year to 30 June 2007.

7 Fixed Assets

a) Land and Buildings

	June 2007	June 2006
	\$	\$
School of Ministry		
Buildings at Valuation	3,188,000	3,240,772
Accumulated Depreciation	<u>(63,701)</u>	<u>(52,772)</u>
Net Depreciated Value	3,124,299	3,188,000
Land at Valuation	<u>1,829,000</u>	<u>1,829,000</u>
Balance at 30 June	<u>4,953,299</u>	<u>5,017,000</u>

The School of Ministry Houses were valued as at 30th June 2006 by Tim Dick, independent registered valuer of the firm MacPherson Valuation Ltd. There was no valuation conducted at 30 June 2007.

b) Computer, Office Equipment

	2007	2006
	\$	\$
Cost	830,528	792,379
Accumulated Depreciation	<u>(667,345)</u>	<u>(531,578)</u>
	<u>163,183</u>	<u>260,801</u>

c) Investment Property

This property is subject to a long-term lease to Christchurch Cool Stores Limited. The property was valued on 30th June 2007 by Lance Collings, independent registered valuer of the firm DTZ New Zealand Ltd. 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.

8 **Employee Entitlements**

At balance date the value of annual leave accrued and payable to employees of the General Assembly totalled \$79,185 (2006 - \$79,185).

9 **Related Party Transactions**

a) **Banking Facilities**

The General Assembly Funds maintain "on demand" Current Accounts with the Trustees' Presbyterian Investment Fund which provides banking for Church trusts. The interest received by the General Assembly from these funds is determined by the earnings of the Presbyterian Investment Fund.

b) **Churches Agency on Social Issues**

This body is a joint venture between the Church and three other New Zealand churches. The General Assembly has provided an annual grant and the Financial Services Department accounting services to the Agency. The grant paid was \$35,000 (2006 \$35,000). Church funding for the joint venture was discontinued from 1 July 2007.

c) **School of Ministry & Presbyterian Archives**

The School of Ministry and the Presbyterian Archives are rent free tenants of Knox College.

10 **Reconciliation of Net Surplus with the net Cash Flow from Operating Activities**

	June 2007	June 2006
	\$	\$
Reported Net Surplus (Deficit) for the Year	1,016,767	1,440,524
Adjustments for Non Cash Items		
Less Gain on Sale from Surplus Property	-	(379,779)
Less Revaluation of Investment Property	(379,000)	(181,000)
Plus Depreciation	199,528	176,141
Presbyterian Fund Interest	(502,357)	
	<u>334,938</u>	<u>1,055,886</u>
Working Capital Adjustments		
Decrease/(Increase) in Accounts Receivable	460,649	(307,822)
Increase/(Decrease) in Payables and Accruals	(414,867)	382,754
Increase/(Decrease) in Payables - CWM	474,984	(353,446)
	<u>520,766</u>	<u>(278,514)</u>
Net Cash Inflow From Operating Activities	<u>855,704</u>	<u>777,372</u>

11 Financial Instruments

a) Credit Risk

Financial Instruments, which potentially subject the Funds to credit risk principally consist of Accounts Receivable, Unsecured Advances and Presbyterian Investment Fund Deposits. Maximum exposures to credit risk at balance date are:

	June 2007	June 2006
	\$	\$
Accounts Receivable	216,098	668,121
Unsecured advances	1,508,202	1,649,108
Presbyterian Investment Fund	15,772,663	14,678,947
	<u>17,496,963</u>	<u>16,996,176</u>

The above maximum exposures are net of any recognised provision for losses on these financial instruments. 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.

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 following assumption was used to estimate the fair value of each class of financial instrument:

The carrying value is the fair value of all financial instruments for Accounts Receivable and Accruals, Unsecured Advances, the Presbyterian Investment Fund, Accounts Payable and Accruals, and Parish Contributions in Advance.

12 Commitments and Contingent Liabilities

a) Capital Expenditure Commitments

The General Assembly Funds had no capital expenditure commitments at 30 June 2007. (2006 – \$60,000 capital expenditure commitments).

b) Contingent Liabilities

The General Assembly Funds had no contingent liabilities as at 30 June 2007 (2006 – nil).

13 Subsequent Events

There were no subsequent events to the accounts dated 30 June 2007.

14 Segment Information

The General Assembly Funds financial statements represent the funds controlled by the General Assembly of the Church. The General Assembly is the governing body of the Church whose principal activity is "making Jesus Christ known" within New Zealand.

15 Lease Commitments

The General Assembly lease of Terralink House commenced 17 March 2006. Lease commitments are:

Lease of Terralink House, Including Carparks	2007	2006
	\$	\$
Up to one year	59,020	59,020
One to two years	59,020	59,020
Two to five years	44,265	103,285
	<u>162,305</u>	<u>221,325</u>