Presbyterian Church of Aotearoa New Zealand

Treasurers' Manual

Introduction

This manual is a revision of the Presbyterian Church of Aotearoa New Zealand's Treasurers' Manual, which was last updated in June 2004.

It is not the intention to train the reader on the basics of accounting and administration because treasurers will already possess these skills. However, it is recognised that since the last update, changes in statutory and tax requirements, and the decentralisation of some functions from the General Assembly Financial Services Department (FSD) have increased the volume and complexity of work required.

This update is intended to support parish treasurers by expanding on existing guidelines and provided new information on the following topics:

» Parish financial reporting and review
» Ministers' stipend and allowances
» Kiwisaver
» Employment entitlements for ministers and lay employees
» Charities Commission registration
» Parish insurance

In addition, advice is offered on the set-up and administration of parish finances and chart of accounts and a simple spreadsheet-based accounting package is available for parishes to view, test and implement.

This manual is an evolving document with the latest version posted on the Presbyterian Church website (www.presbyterian.org.nz) and additions and alterations made as requirements change. Treasurers will be notified of changes by way of the monthly finance newsletter.

The document draws on information contained in the following Church publications, available on the website or from Assembly Office:

» Book of Order
» Property Handbook
» Insurance Manual
» Ministers' Handbook
» Leave Guidelines
» Accommodation Provisions For Ministers

It is important that treasurers are comfortable with the responsibilities placed on them, and that there is adequate support from FSD. This document will not provide adequate information on all topics for all parishes. If you require further information on any matters, or if you have any comments, please contact FSD at the General Assembly office.

Brendan Sweeney, Finance Manager
July 2008

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1 Duties of the treasurer

1.1 Division of duties

The treasurer is responsible for the financial administration of the parish. It is not the function of the treasurer to carry sole responsibility for the finances. Rather the treasurer should, by keeping the board of managers or parish council well informed, ensure that the responsibility is shared.

1.2 Finance/property/administration convenor

The oversight of parish finances should be delegated by the board of managers or parish council to a finance committee. It is the responsibility of the finance convenor and committee to:

» Ensure the parish and staff has sufficient resources to carry out its agreed mission
» Plan for the financial management of the parish and arrange for suitable persons to act as treasurer and in supporting roles
» Present monthly and annual accounts and budget to the board of managers or parish council and provide regular reports on giving and finances for the parish newsletter
» Arrange for the financial review of annual accounts to be completed by an appropriate qualified person
» Arrange appropriate approvals for borrowing and property transactions and ensuring expenditure is properly authorised

1.3 Envelope secretary

The envelope secretary is responsible for issuing numbered envelopes to parishioners and recording giving. Envelopes are usually issued at the beginning of each tax year. They should be issued for each week or each month at the request of the member. A record of receipts should be maintained and reconciled with cash receipts as recorded in the cashbook.

Donors should be made aware that from 1 April 2008, the $1,890 tax rebate limit on donations was abolished and all donations to a registered charity are entitled to a tax rebate of 33.3 percent. At the end of the financial year, donor totals should be recorded on certificates and given to members (see example, appendix a). These certificates serve as receipts for the donor. They should be linked to the parish by way of letterhead or receipt and contain the following information:

» the parish name and address, possibly on parish letterhead
» the name of the taxpayer for whom the receipt/letter is issued
» the amount of the donation

The amount of individual parishioners' giving must remain confidential to that member.

1.4 Offerings roster

A roster should be drawn up of people able to assist with the counting of offerings. At least two people should always be involved in the counting and recording of monies received. Envelopes should be numbered, not named, and the amount given should be written on the envelope as it is opened. The total for each category of giving and other income should be entered on a summary sheet (refer appendix b) and should agree with the cash and cheques received. The collection and summary sheet should then be given to the person responsible for banking.

1.5 Treasurer

In addition to duties outlined above, the treasurer is responsible for:

» Recording receipts and payment transactions in a cashbook or computer program. Appropriate authorisation of payments and payment of creditors by due date
» Payment of minister's stipend, seniority and other allowances and payroll for lay employees
» Managing tax and other payroll deductions: PAYE, Beneficiary Fund and Kiwisaver contributions
» Preparing monthly and annual finance reports for the finance committee and the board of managers or parish council and organising an independent review of the annual accounts
» Preparing the annual budget for approval by the board of managers
» Completion of the insurance schedule and payment of property insurance and other premiums

The treasurer is appointed by the board of managers or finance committee. At the appointment meeting, a resolution should be passed appointing new bank account signing authorities and a change of signatories form should be completed and returned to the bank. The previous year's accounts and review should also be completed before the appointment of the new treasurer, and the Inland Revenue and the Financial Services manager should be advised of the change of treasurer and of any address change.

The new treasurer should be fully aware of his/her responsibilities. Church records should immediately be made available to him/her, and contact made with the presbytery and/or General Assembly Office if training or handover is insufficient to enable duties to be performed adequately.

2 Record keeping and cash management

2.1 Cashbook and financial reporting system

Cashbook records of parish receipts and payments may be maintained either in a simple multi-column exercise book or, more likely, in a computer-based general ledger system.

There are several standard accounting software packages on the market that are designed for small entities and that can be adapted for the specific needs of parishes or church groups. These include Quicken, Mind Your Own Business (MYOB) and Banklink. It is recommended that advice is sought from an accountant or software agent before deciding on the most appropriate system for the parish requirements.

Alternatively, a simple spreadsheet-based program that links transactional data to a trial balance and financial reports is available from the General Assembly office. The package is not as sophisticated as accounting software and requires manual updating of period reports and budget data entry, but may suit the requirements of simple parish accounts. Examples of reports generated from this system, with a sample chart of accounts, are displayed in appendices d and e of this booklet. Please contact FSD for a copy to view and test. Instruction is available if required.

2.2 Accounts payable records

In addition to the recording of all payments in the cashbook, a separate file should be maintained containing documentation supporting all payments. This may include supplier invoices containing details of services supplied, documentation supporting mission donations or expenses, or minister's expense claims. Documentation should be filed in payment-date or cheque order and contain appropriate payment authorisation.

2.3 Wage records

Wage records must be maintained and kept for a period of seven years for all ministers and lay employees. This includes documentation showing gross pay and allowances, PAYE, Beneficiary Fund contributions and other deductions, for each pay period (refer example appendix c).

For Inland Revenue purposes, there must be a tax declaration for each employee (IR330), and copies must be retained of the two-monthly PAYE return form (IR 346). This form will also show employees' Kiwisaver and child support deductions.

2.4 GST returns

Inland Revenue's GST return form (IRD 101) is a summary of GST claimed or paid over one period, and the totals of payments and receipts on which GST is paid. A copy of the return must be kept and supported by transactional data, which is the same payment and receipt documentation that supports cash book entries. This only applies to parishes that are GST registered and are filing GST returns.

2.5 Banking and cash management

A parish or church group cheque account should be held at a trading bank and the signing authority should be a minimum of two approved people, who may be members of the board of managers or parish council and are likely to include the treasurer. The minister and any lay employees should not be signatories. Similar authorisation should apply to any other deposits or investments held by the parish, including funds held in the Presbyterian Investment Fund, which are now able to be accessed online.

Cheques should not be pre-signed. All cheques issued should be crossed “Not Transferable” or “Account Payee Only” (except where the cheque is issued for cash). With cheques for cash, the crossing must be deleted, the words “pay cash” added and it must be signed by the same signatories that signed the cheque.

All monies received should be banked as soon as possible. Funds received on account of any appeals by other organisations should be paid out as soon as possible.

3. Parish financial reporting

3.1 Reporting requirements

Each parish is a separate entity, responsible for their own financial reporting. Reports should include all financial transactions under the control of the board of managers or parish council, and include all trusts, special purpose, fund-raising and reserve accounts, as well as accounts for committees and particular properties.

The purpose is to provide a fair presentation to the congregation of the financial outcome of the year's activities and of the resources available for the work of the church. Reports are presented to the annual meeting of the congregation and to presbytery. The statements will normally comprise:

- Statement of financial performance;
- Statement of movement in equity;
- Statement of financial position;
- Statement of accounting policies and notes to the accounts.

Although the production of an annual statement of financial performance is a requirement, the frequency of reporting is dependent on the needs and resources of the parish. Ideally financial performance should be updated and compared to budget on a monthly basis, and financial position should form part of the annual accounts.

Data contained in the statements of financial position and performance is summarised on the parish financial statistics form P4, which is sent annually to presbytery and General Assembly Office.

3.2 Statement of financial performance (appendix d)

The statement of financial performance (or profit and loss report) summarises income and expenditure transactions in the period to the balance date. The statement of financial performance should show:

- total operating revenue and expense items if they are of such incidence or size, or of such nature, that their disclosure is necessary to explain the performance of the parish
- the operating surplus/deficit (which excludes extraordinary items) and report the net surplus/deficit (which includes extraordinary items)
- comparisons to budgeted income and expenditure on a year-to-date basis.

The monthly report should show comparisons to the year-to-date budget for each line item. The example provided also includes comparison to the previous year's actual results, although this is not a requirement.

Income and expenses should be grouped to give a subtotal for each activity. If possible, these groups will correspond to parish committees. Small items should be grouped and unusual or large items detailed. The purpose is always to make the statement useful to the reader.

3.2.1 Income and expenditure

Expenses include all cash or accrued outgoings other than amounts added to the cost of assets or transfers to investments. Expenses incurred but unpaid at year-end must also be included. Depreciation expense on assets should be provided unless a departure from normal accounting policies is adopted.

Grants or donations received, legacies, endowments and similar revenue should in most cases be recognised as revenue at the point when the grant or legacy is received. Where the gift is for a capital purpose, it should be included in income, even if the expenditure covered by the gift is capitalised (recorded in the balance sheet) or occurs in a future period. This may cause a significant operating profit that should be explained in the notes to accounts. Grants requiring the money to be paid back, if the purpose is not fulfilled, remain a liability until the expenditure is made. In those cases the grant may not be included in income in the period it is received, but in the same period as the corresponding expenditure.

Revaluation of investment property (owned by the parish for the purpose of generating income) is recorded in the statement of financial performance, however revaluation of property used by the parish (church, manse etc) is not. This is recorded in asset revaluations reserves in the equity section of the statement of financial position.

3.2.2 Extraordinary items

Extraordinary items of revenue or expense are those items that derive from transactions that:

» are not expected to occur frequently; and
» are distinct from the ordinary operations of the parish; and
» are outside the control or influence of the congregation.

Extraordinary items are transactions that influence financial performance, but are not normal items of income or expenditure. Examples may be the income from insurance claims, adjustments or corrections of prior period transactions or the recording of specific purpose donation income that was not spent at balance date.

3.3 Statement of financial position (appendix e)

The statement of financial position (or balance sheet) shows the assets, liabilities and equity of the parish at balance date. The total value of assets will equal the sum of the value of equity and liabilities.

3.3.1 Assets

Parish assets include separate recording of current assets (cash, deposits, debtors) and non-current assets (land, buildings and fixed assets). Assets include:

- **Cash and bank**
  Cash is the balance of the bank accounts, investments and cash on hand at balance date. These items should be reported separately on the report under current assets
- **Gifts**
  Gifts of tangible property (land equipment etc) or financial instruments (such as shares) should be recognised at their fair value. Notes to accounts should state any limitations on land and buildings, and the use of proceeds from the sale of property imposed by the Church Property Trustee Acts.

  Grants, legacies and donations for specific purposes will be recorded as income, but also form part of cash reserves. Prior to these funds being spent, notes to the accounts should record:

  - any conditions attached by the donor
  - conditions on funds set aside for special purposes by the board of managers or parish council or by a congregational meeting.
- **Capitalisation of fixed assets**
  Expenditure on fixed assets (furniture and equipment) or improvements to buildings may be capitalised as an asset and depreciation written off each year. The minimum amount that can be capitalised varies but generally any qualifying expenses above about $500 can be capitalised. A fixed asset register is maintained listing all assets and showing cost, depreciation, and book value as well as additions and disposals.

  Depreciation will be the cost recorded in the statement of financial performance over the useful life of the items. For example, computer equipment may be depreciated over four years (25 percent per year), whereas furniture may be depreciated over 10 years (10 percent per year).

  An acceptable alternative is to expense fixed assets (but not property purchases) in the period the expense is incurred. This may have a significant impact on total expenses and operating surplus and should be included on the notes to accounts.
- **Property**
  Land and buildings registered in the name of the Church Property Trustees for the benefit of the parish should be included in the accounts at cost or valuation. If land and buildings have not previously been included in the accounts, they should be valued at the amount of the last government valuation.

3.3.2 Equity

Equity is the net value of the entity and is the variance in the value of total assets and liabilities. The statement of movement in equity (3.3) will explain any change in the equity balance over the reporting period.

3.3.3 Liabilities

Liabilities are amounts owed by the parish at the end of the year. Again these are divided into current and non-current liabilities.

- Current liabilities may include trade creditors for operating expenses (phone power etc), Inland Revenue for unpaid GST or PAYE, AON for Beneficiary Fund contributions that have been deducted from a minister's stipend but remain unpaid, or unpaid presbytery levies and Assembly Assessment.
- Non current liabilities are typically liabilities that are not expected to be settled in the short term – usually one year. For example, mortgages over property or other borrowings taken out over several years qualify as long term liabilities.

3.4 Statement of movement in equity (appendix f)

This is a reconciliation between the equity as reported in the statement of financial position (balance sheet) between the beginning and end of the financial year. Typically the operating surplus generated by the parish over the year will be the difference between the opening and closing balance of equity. Items that may affect equity but are not recorded in the profit and loss include the church revaluation of church property.

3.6 Notes to accounts

Notes to accounts will provide detail of specific items that are not apparent in the reports.

As parish accounts are not subject to an external audit as defined by the accountants society, there are no specific rules about what should be included in the notes. As a guide, any information that will assist the reader or reviewer in understanding how the reports were prepared should be noted, as well as details on any large or unusual items or reasons for significant variances to budget. Examples may include:

- The method for calculating depreciation.
- Details of unexpected or extraordinary items, for example insurance claims, gain on sale of assets.
- Reasons that a specific expense or revenue item may be significantly over or under budget.
- Details of a significant donation received.

4 Annual review of accounts

The parish accounts must be verified every year through a process of external assurance. Preferably this will be an audit or a financial review. Reviews are more suitable for small or simple entities such as most churches and clubs, however audits provide a higher level of assurance.

Ideally the verifier should be a chartered account (that is, a member of the New Zealand Institute of Chartered Accountants). However, if an appropriate chartered accountant is not available, the verifier should be an accountant or other person with experience in preparing or auditing accounts. Institute members have to abide by a code of ethics and various technical and other requirements and to enter into a letter of engagement with the parish.

Parishes may be unable or unwilling to pay for the services of an audit by a chartered accountant. The availability or willingness of accountants to perform audits at less than commercial rates or for no charge has diminished considerably in recent years. Parishes may have greater success in obtaining review services from an Institute member. Should that not be practicable, then a review by some other person should be sought. For information regarding independent financial reviews by Institute members, contact FSD.

Neither an audit nor a review guarantees the accounts are error-free. Nor do they provide assurance regarding possible fraud, although that possibility is a consideration during the verification process. The focus is on the accounts reflecting the actual financial transactions and valuations at balance date.

The external assurance process is not designed to independently verify each transaction is correct, but to give a reasonable level of assurance that proper administrative and accounting processes and controls are in place, and to report to the parish accordingly. This limited assurance is obtained by testing sample transactions from the cashbook, bank records and assets register that support balances as reported in the statements of financial position and performance.

The external assurance should comply with basic guidelines:

» The verifier is appointed by the congregational meeting and reports to that meeting.
» If the appointee is a member of the parish, he/she should not be responsible for any of the treasurer's duties.
» The parish should make the following records available to the verifier:
  - Book of Order
  - Presbyterian Church of Aotearoa New Zealand finance newsletters and circulars
  - Minutes of the session and property manager
  - Copy of documented policies and procedures
  - Details of persons authorised to operate on the bank account(s)

- O Copy of the accounts
- O Supplier invoices with appropriate payment authorisation
- O Records of donations received
- O Bank deposit slips, bank statements and reconciliation
- O Wage records
- O Cash book or print out of computer cashbook and ledger
- O Statements, certificates etc for investments and deposit accounts
- O If required, a fixed asset register showing additions, disposals and depreciation of assets
- O Correspondence relating to the above including the verifier's management letter (if any) arising from the previous year(s)

On completion, a copy of the account, along with the verifier's confirmation report (parish statistics form P6) should be sent to the presbytery. From the year ending 30 June 2009, delivery of parish account to the presbytery by 30 October will be a requirement to maintain parish Charities Commission registration.

5 Parish operating budget (appendix d)

Before the end of the financial year each year, an operating budget should be prepared for the following year. Because the budget will forecast operating income and expenditure, it will take the form of the statement of financial performance, separating estimated revenues and expense for each cost and income item, phased monthly over the following financial year.

The budget should be the end result of the parish plan for the new year. It should reflect the activities planned by committees. Expenditure should be discussed with convenors, particularly property, education, and mission. It should include contributions to the work of the wider church (presbytery and General Assembly) as well as other mission projects the parish may be committed to.

The budget must be realistic. If projected income is insufficient to meet outgoings some expenditure should be deferred until income is available, possibly from special giving or fund raising. The board of managers or parish council and the congregational annual meeting should approve the budget.

When reporting monthly income and expenditure, comparisons should be made to the monthly and year-to-date budget. If consistent or significant variances are reported, the reasons should be included in notes to accounts. If variances are due to incorrect budget assumptions, the budget may be adjusted with the approval of the board of managers.

6 Taxation

6.1 PAYE

Every parish or presbytery/UDC employing staff, which includes ministers, must register with the Inland Revenue Department (IRD) and obtain an IRD number. The responsibilities of the treasurer are:

» On the commencement of employment obtain a completed tax declaration (IR330) from each employee.

» Deduct PAYE from stipend and wages using tables supplied by the IRD and remit to the IRD before the due date, usually the 20th of the following month, supported by Inland Revenue form IR345. The gross stipend on which tax is payable for ministers will include a notional rental for manse supplied or a housing allowance where this is paid. Deductions may also be required for student loans and child support. The employee or IRD will advise details of these.

» Pay an ACC employer premium calculated at the rate advised by the IRD for religious organisations. This payment is due by May 31.

6.2 Specified Superannuation Contributions Withholding Tax (SSCWT)

Employers' contributions to any beneficiary fund must have tax of 33 percent deducted and paid to the IRD monthly with PAYE deductions. This, however, is not a requirement of parishes because employer contributions to the ministers' Beneficiary Fund are collected by Assembly Office as a portion of Assembly Assessment. Payments to the providers of the Fund, and the associated SSCWT, are made by FSD.

6.3 Fringe Benefit Tax (FBT)

As a charitable organisation any benefit provided to an employee is exempt from FBT (Section CI1 – Income Tax Act 1994), excepting where the benefit is provided to an employee primarily engaged in a business activity of the charity. Gifts of goods from parishioners are not a fringe benefit. Private use of a vehicle supplied for charitable work is not subject to FBT. If the vehicle is supplied primarily for a commercial activity associated with the church, it is subject to FBT.

6.4 Goods and Services Tax (GST)

Inland Revenue's traditional view is that parish activities comprise a taxable activity in the nature of the provision of religious services. If a parish makes taxable supplies in excess of $40,000 per year, then registration for GST is compulsory. Below $40,000, registration is voluntary. In most cases, taxable supplies made by parishes would fall below this threshold.

Once registered, parishes may choose to file returns for every month, or for two- or six-monthly periods. Returns must be filed and any tax owing paid within one month of the end of the period. Parishes are required to keep appropriate documentation to support GST returns. If taxable supplies are made to any GST registered person, a tax invoice in the name of the parish must be issued. A tax invoice must be obtained from the supplier for any expenses exceeding $50 on which GST is claimed. The cash book or computer ledger must record GST received and paid. There is a penalty for the late payment of GST, due to the IRD.

6.4.1 GST on income (output tax)

Income for which agreed goods or services are provided is liable for GST. The rate is one ninth of the gross receipt. This is 12.5 percent of the charge before adding GST. It is important to distinguish between taxable and non-taxable supplies made by the parish. Taxable supplies are those on which GST is charged, and therefore payable to IRD. Examples include:

- Rental income from the hire of church hall or other parish property (excluding dwellings)
- Sales of magazines or other goods (except donated goods and services)
- Charges for services, for example weddings or funerals (unless the income is given as a donation).

Exempt supplies, or those which do not have GST charges on them, which in most cases would be the majority of parish income, would include:

- Donations received
- Interest on investments
- Sale of donated goods and services.

6.4.2 GST on expenses (output tax)

The GST content on expenses (12.5 percent or one-ninth) may be claimed back on all expenses incurred in providing services other than those for which the income is exempt.

To be able to claim GST on expenditure a principle purpose test is applied. Special GST rules treat GST charged on goods and services acquired by non-profit organisations as meeting this test if those goods and services have not been acquired for the principle purpose of making exempt supplies (for example, rent paid for a shop that only sells donated goods).

If the parish is GST registered, is making taxable supplies, and incurs costs that are associated with making those taxable supplies, then the principle purpose test is met and GST on those expenses may be claimed, for example:

- Repairs, maintenance and property costs (on halls which are hired)
- Phone and computer costs

- Capital costs on buildings that are hired (i.e. building improvements and extensions) except dwellings such as manses.

Expenses that do not have GST cannot be claimed include:

- Salaries and stipends
- Staff allowances
- Depreciation and interest

If GST on taxable expenditure (input tax) exceeds GST on supplies made (output tax), then the balance is a GST refund that is available upon filing the GST return.

GST incurred on capital expenditure, for example capital building works (other than dwellings) or the purchase of office or computer equipment may be considered a legitimate GST input tax deduction. Again, the expenditure must not be for the principle purpose of making exempt supplies. As a guide GST on capital expenditure should be related to the taxable activity on which GST is paid.

6.4.3 Inland Revenue audit of GST records

Every GST-registered organisation may be subject to an IRD audit and records must be kept for seven years. The cashbook must show the GST component of all transactions and computerised records of income and expenditure must be able to report the same.

In addition, parish invoices on which GST is charged and payments to suppliers on which GST is claimed must be supported by tax invoices that includes the parish or supplier's GST number and must state the GST amount along with the total consideration. This documentation is not required to accompany a claim but must be kept for a period of seven years in case the IRD wishes to investigate a claim. Tax invoices are not required where the expenditure does not exceed $50.

6.5 Income tax and Charities Commission registration

The Church is not liable for income tax as it currently comes under General Assembly registration with the Charities Commission for tax-exempt status. However, this is due to change, with a requirement from the Commission that centralised parish registration under General Assembly be discontinued and replaced with registration by presbytery.

- Presbyteries are to complete a single application that will incorporate all parishes under their bounds. This means that parishes will not have to file individual applications.
- If the parish is a stand-alone entity, there is no action to take to maintain charity status. If the parish has other legal entities, for example, property trusts, preschools or activities that are set up under their own specific

deed of trust, and the parish wishes to have charitable status for these entities, they will have to register them separately from the presbytery registration.

- The deadline for registration is 31 July 2008. Upon registration, presbyteries will be issued with a registration number by the Commission and will inform parishes.
- From July 2009, parishes will have to send copies of their financial accounts to the presbytery session clerk in order to be incorporated in the presbytery registration. The responsibility of presbyteries is to collate (but not to consolidate) parish accounts to support a group registration.
- The deadline for supplying parish accounts to presbytery is six months after the end of the financial year, that is 31 December. Any parish that does not supply their accounts will lose their charitable status.
- The Presbyterian Church of Aotearoa New Zealand, the Synod of Otago and Southland and Te Aka Puaho will also register as stand alone entities. Again, this will not have any effect on parish responsibilities.

6.6 Resident Withholding Tax on interest received

Unless a certificate of exemption is held, a bank or other institution paying interest will deduct withholding tax.

An exemption certificate has been obtained in the name of the Church. Any Presbyterian parish wishing to utilise the benefit of the certificate should apply to the manager of FSD for a copy of the certificate and a letter confirming that their parish is a member of the Presbyterian Church of Aotearoa New Zealand. If tax has been deducted, a refund can be claimed using form IR 454. An income tax return is not required.

6.7 Inland Revenue Department publications

Several publications are supplied by Inland Revenue on registration or can be obtained from the IRD, including:

Employer's Guide	IR 335
Clubs & Societies Tax Guide	IR 254
GST Guide	IR 375

7 Employment

7.1 Ministers' terms of call

The standard terms of call for ministers are contained in the conditions of service supplementary provision and are summarised.

7.1.1 Basic stipend

The basic stipend is updated annually and linked to changes in the wage index. The stipend for the 2008/09 financial year is $40,565 for a full-time ordained minister. Part-time ministers' stipends should be apportioned on the basis of time worked.

7.1.2 Beneficiary Fund

Beneficiary Fund is compulsory for ministers in a parish, unless membership has been exempted by the Beneficiary Fund Committee. The fund is a Defined Benefit Scheme administered by AON Consulting Ltd. A minister's personal contribution, which is 5 percent of the gross stipend (currently $169.02 per month), is deducted from the stipend and paid to AON Consulting Ltd. The payments are made by direct debit from the parish account or direct from the minister's bank account.

A parish's contribution, calculated by the fund actuaries, is 9.7 percent of stipend. It is collected by FSD as a portion of Assembly Assessment, and paid to AON centrally. It is subject to SSCWT of 33 percent but not to GST, so the Beneficiary Fund portion of Assembly Assessment (approximately 40 percent of the total) is GST exempt. The SSCWT portion is paid to the IRD by the General Assembly.

Co-operative parishes that employ a Presbyterian minister are charged 9.7 percent of the basic stipend. This amount, less 33 percent is paid to AON each month by direct debit. The SSCWT is the Co-op parish's responsibility and is paid by the parish to the IRD each month on the PAYE return IR346.

Beneficiary fund queries or registration may be directed to Margaret Fawcett in Financial Services, (04) 381-8291, or directly to AON, by calling 0800 266 4636. Alternatively, you may contact the Secretary of The Fund, Doug Langford at doug@langford.co.nz or (04) 934-2633.

7.1.3 Basic expense allowance

The basic allowance is paid as part of the terms of call irrespective of actual expenditure incurred by the minister. The allowance for a full-time minister is currently $2623 per annum, broken down as follows:

» Hospitality	$665
» Books	$803
» Clothing (vestments)	$159
» Other expenses	$996

Allowances for ministers working less than full-time positions are available upon application to FSD.

7.1.4 Ministers' seniority allowance

As agreed at GA06, from 2007 the payment of ministers' seniority allowance has moved from Assembly Office to parishes. The increase in the allowance amount is being phased in over two years and from July 2008 will be:

» Ministers served 2-5 years 6 percent of basic stipend
» Ministers served 6-10 years 12 percent of basic stipend
» Ministers served 11+ years 18 percent of basic stipend

Seniority allowance is paid with the stipend. Appendix i shows the allowance and stipend amounts based on 2008/09 stipend.

7.1.5 Manse allowance

As part of the ministers' terms and conditions, a manse is provided for the minister and his or her family. The manse can be owned by the church or rented accommodation can be provided. The cost of rent, maintenance, rates etc is the responsibility of the parish.

The Inland Revenue Department does not allow ministers to receive free housing. Therefore the IRD rules that a minimum of 10 percent of the basic stipend must be added to the gross monthly stipend to allow for taxable housing allowance. For the 2008/09 financial year, this equates to $338.04 per month.

After tax has been deducted from the gross pay, a rent deduction of $338.04 (10 percent of stipend) is deducted from the net payment. In effect the minister pays the tax on 10 percent of his or her basic stipend towards the manse.

7.1.6 Housing allowance

If the parish is unable to provide a manse or the minister wishes to purchase or rent his own home, the parish may negotiate a housing allowance. The amount is negotiated between the minister and the parish, based on the average rent of a property in close proximity to the parish. See appendix I for further information on calculating this allowance. The housing allowance is taxable.

7.1.7 Annual leave, statutory holidays and days in lieu

It was agreed at GA06 to change ministers' leave entitlement from five weeks leave with no statutory holiday entitlement, to four weeks leave with the same statutory holiday entitlement of lay workers, ie 11 days per year. The review brought annual leave for ministers in line with the Holidays Act. This is despite the fact that ministers are not legally "employees" in that they are not covered by the Employment Act or the Holidays' Act.

As a part of the review, ministers' workload was calculated as being five days plus two evenings per week. This is equivalent to the previous way of calculating time at 12 units per week. This also means that leave is now calculated on a five-day week whereas it was previously worked out on a seven-day week. However, the Assembly also recognised that ministers frequently work more hours than those allowed for, therefore parishes are required to give ministers an extra day off every three months. Parishes are expected to arrange pulpit supply so that the minister can take these days as part of a long weekend.

Ministers' leave entitlement is summarised:	
Annual leave:	20 days
Statutory leave:	11 days
Additional leave for extra hours: (1 day per quarter):	4 days
Total	**35 days**

If a minister works on a statutory holiday, he/she is entitled to a day in lieu. Unlike a lay employee covered by the Holidays Act, a minister does not receive penal rates (ie time and a half) for working statutory days. Because ministers' workload is arranged on a five-day week, ministers are required to nominate two days per week that will serve as their weekend. These can be any two days and they do not have to be consecutive. Where a minister is required to work on one of their nominated days off, or a statutory holiday falls on that day, they will receive an extra day off in lieu.

Leave is accrued at the end of each year's service. To calculate leave, you should take a record of any days the minister takes off and add any days that a minister has worked on a statutory day. Whether a minister is on leave or at work should make no difference to their take home pay. The only time you should need to calculate the pay would be at the termination date.

For example, the Rev Smith starts work 1/1/2008:

Leave accrued to 31/12/2008	20 days
He took two weeks leave Aug 08	-10 days
He worked Good Friday	1 day in lieu
Easter Monday	1 day in lieu
Christmas Day	1 day in lieu
Leave owed at 31 Dec 2008:	*13 days*

To calculate gross leave payable at resignation:

Annual taxable earnings:	$39,231
Stipend	9,560
Taxable allowances	48,791
Divide by 52 weeks	938.28
Divide by 5 days	187.66

Daily rate ($187.66) x leave entitlement (14.67 days) = $2,752.94 gross leave

The minister's pay will not change regardless of whether he/she is working or on leave. What will change is the remaining leave he/she is owed.

On resignation, the minister may be paid out unused leave in cash. Because ministers are not covered by the Holidays Act, unlike lay employees the parish is not legally bound to pay any unused annual leave liability out in cash at the conclusion of employment, although most parishes do so. Using the above example, if the minister resigned on 1 February 2009, the calculation would be:

Leave owed at 31 Dec	13 days
Leave accrued 1 Jan – 31 Jan	1.67 days (20 days / 12 months)
Total	14.67 days

Parishes are required to work with their minister to ensure they are taking adequate time off. This includes arranging for pulpit supply and/or elders to take over some of the functions while the minister is on leave. The parish should not pay leave in cash (except at the conclusion of employment) and should not let the leave liability accumulate too much. If annual leave has not been taken for a year, the minister should be encouraged to take some.

Further information is available in the leave guidelines for ministers document produced by General Assembly Office. The General Assembly review for ministers' leave is detailed on page 15 of the Conditions of Service Manual.

7.1.7 Study leave

All ministers, including presbytery and Assembly appointees, are entitled to study leave, which is accumulated at one day for each month of accumulated service, up to a maximum of 84 days (12 weeks).

Like annual leave, study leave that has been accrued but not used should be recorded in the parish balance sheet as a liability. If a minister changes parishes, the liability is transferred to the new parish.

The use of study leave should be agreed between the minister and the parish and requires the approval of presbytery prior to the leave taking place.

7.1.9 Reimbursement of vehicle expenses

The mileage rates recommended by the Church are on the next page

Estimated total, church related usage		
Minimum	Maximum	Rate per km
0 kms	12,000 kms	$0.62
12,001 kms	18,000 kms	$0.50
18,001 kms	24,000 kms	$0.42
24,001 kms	30,000 kms	$0.37
30,001 kms	36,000 kms	$0.34
36,001 kms	40,000 kms	$0.33
40,001 kms	42,000 kms	$0.32
42,001 kms	48,000 kms	$0.31
Beyond 48,001kms		$0.19

The rates are set by Inland Revenue Department and Automobile Association and have not moved for several years. This is because, although fuel costs have increased significantly, maintenance and depreciation costs have declined due to the declining value of new and used cars over the same period. Petrol represents only about 25 percent of total running costs.

The rates are applicable for church-related travel only - no private travel costs should be reimbursed. Church-related travel includes:

» Travel done in order to fulfil the requirements of the ministry being exercised within a parish or other designated area of ministry, eg. chaplaincy
» Travel incurred in fulfilling responsibilities to the presbytery and the wider church
» Car travel incurred in attending in-service training events
» Car travel incurred while on study leave.

Private usage includes driving between the manse and the church as this is regarded as transportation prior to working.

Rates are for total church-related travel undertaken over the course of a year, for example:

» For a car travelling a total distance of 11,200 kms during the year, of which 8,240 are church-related travel, the reimbursement is:
8240 kms @ 62 cents = $5,180.80
» For a car travelling a total distance of 13,600 kms during the year, of which 8,240 are church-related travel, the reimbursement is:
8240 kms @ 50 cents = $4,120.00

A cash advance on expected travel costs may be negotiated between the minister and parish, and expected costs for the year, worked into the parish budget. If agreement cannot being reached, the presbytery should determine usage and the amount to be paid. Guidance for the presbytery is available from the Financial Services Department

Regardless of whether payment is by way of an advance or reimbursement, a log book should be maintained by the user to verify travel and provide backup for claims.

General Assembly travel

The reimbursing rate for car travel to General Assembly and committee meetings remain unchanged at $0.20 per km for one person, and $0.30 per km for more than one person.

Vehicle provided by parish

Where the parish provides the vehicle for church-related travel, it is recommended that the parish pays all running expenses, and recovers any private running by charging the minister according to the running band table.

Other reimbursements

In a parish with a ministerial vacancy, it is expected that the parish will provide reimbursement for the car travel incurred on its behalf by the Interim Moderator.

It is recommended that the parish or employing body of the Interim Moderator pay the total car travel reimbursement each month and then claim the amount relating to the kilometres incurred on behalf of the parish with the ministerial vacancy from that parish.

Similar provisions apply for a Nominator for a parish with a ministerial vacancy if the Nominator is a minister involved in active ministry.

Disputes

In the event of a dispute arising between minister and parish or employing body the presbytery shall determine what amount should be paid. Guidance for the presbytery is available from the FSD.

7.1.10 Supply fees

Supply fees for a minister or theological student leading services, based in the 2008/09 stipend of $40,565, are:

» One service: $210.94 (0.052 percent of basic stipend)
» Two services $283.95 (0.07 percent of basic stipend)
» Two services with the same people 405.65 (1 percent of basic stipend)

The reason there is a premium for leading the same congregation twice is that it is expected the minister would have to prepare two sermons, requiring more time input. Ministers' travel and sundry expenses are additional and negotiable with the parish

7.2 Lay employees

Lay employees include anyone employed by the parish that is not an ordained minister. For example, cleaning, administration and childcare staff, if they are subject to an employment agreement, are lay employees.

7.2.1 Employment agreements

The employment agreement is the cornerstone of the relationship between the employer and employee. As a minimum, an employment contract must contain:

- The names of the employer and employee concerned
- A description of the work to be performed (this can be attached as a job description)
- The location of where the work is to be performed
- Hours of work
- Remuneration
- An employee protection provision
- A description of the procedures to raise a grievance.

However, under the Employment Relations Act 2000, the definition of an employment agreement has been broadened to include:

- The written contract between the employer and employee
- The policies and procedures that govern the activities of the workplace (including disciplinary procedures)
- Any unwritten but established "practices" in the workplace.

Therefore any changes to terms of employment later negotiated must be written down and attached to the original agreement to prevent any subsequent confusion.

Types of agreements

Employment agreements can be split into individual and collective contracts and again into open-term and fixed-term contracts. It is expected a parish will enter into an individual contract with employees. Templates for individual agreements can be found on the Presbyterian Church's website, and further information is available from the employment advisor at Assembly Office.

Fixed and open-term agreements

Under the old Employment Contracts Act, a contract between an employer and employee would expire after three years. However, under the Employment Relations Act 2000, employment is assumed to be ongoing unless it is specified otherwise. A contact may be fixed term because:

- The work involves a one-off project (i.e. consultants)
- The funding is limited to a specified period of time/tasks .

A contact may not be fixed term because:

- It's a chance to review the employee's work and decide whether to continue with them
- The employer is uncertain if the role is required

- » The employee knows that we intend to roll it over (it's just for appearances/transparency with the board/funding party etc)
- » An expired contract may be used to renegotiate the terms and conditions.

As a general rule of thumb, if the work will be ongoing for the foreseeable future, the contract must be open-term. If, however, the work is a one-off project or will be funded by a one-off grant, then you can make the contract fixed-term.

Part-Time permanent vs casual employment

A part-time permanent employee works less than 40 hours per week (on average) and their employment is ongoing. A part-time permanent employee may work right throughout the year or be contracted to work during specific times (i.e. school terms). The important bit is that the work is ongoing (i.e. they have an expectation that they will be coming back to work).

A casual employee, however, works as needed. They may be brought in to work for a couple of days (or even a couple of weeks) during a busy period but there is no expectation that they will receive a minimum number of hours or even that they will be called back to work again.

A significant point of difference between part-time permanent employees and casual employees concerns annual leave. Annual leave for a part-time permanent employee accrues in the same way it would for a full-time employee - whereas annual leave for a casual employee accrues as a percentage of their earnings and is paid as they go.

Another difference is that a part-time permanent employee is covered under the employee protection provision while a casual employee is not – as there was no commitment to provide ongoing work.

7.2.2 Leave entitlements for lay employees

Annual leave

After 12 months' service, full- and part-time employees are entitled to four weeks leave. While employees must negotiate the actual times they take as leave, they are entitled to take up to two consecutive weeks as annual leave. Casual employees earn annual leave as they go. This is calculated at 8 percent of their pay.

Employees cannot cash-up their minimum annual leave entitlement. However, if the employer gives them more than four weeks leave they may ask their employer to cash-up the portion over and above the four weeks.

Sick leave

After six months' service, full and part-time employees are entitled to five days sick leave. Casual employees are entitled to sick leave where they work an average of 10 hours per week and no less than one hour per week or 40 hours per month during the six-month entitlement period. After a further 12 months' service, all employees are entitled to another five days sick leave and may accrue up to 15 days unused sick leave.

Employees may take sick leave in order to care for a dependent. Employees must advise their employer as soon as possible that they are taking sick leave and employers do not have to wait three days before requesting a medical certificate.

Bereavement leave

Bereavement leave may be used in the case of the death of a family member or any other person the employer is satisfied was close to the employee. After the qualifying period (refer above), employees are entitled to take three days leave for each deceased relative and one days leave for those subject to the employer's acceptance. When considering an application for bereavement leave, consideration also needs to be given to that person's culture and any requirements of that around funerals etc.

Statutory leave (public holidays)

Under the Holidays Act 2003, all employees are entitled to 11 paid public holidays – where that holiday falls on a day that the employee would have worked. This entitlement stands regardless of how long the person has worked for an employer, or whether they are full or part-time employees.

» **Working on a public holiday**
  Where an employee, who would normally work on the day in which a statutory holiday falls, agrees to work either all or part of that day, they are entitled to their relevant daily pay (less penal rates where these apply) relative to the amount of time worked PLUS half that amount again AND a day in lieu.
  Where an employee, who would not normally work on a day that a statutory holiday falls, agrees to work either all or part of that day, they are entitled to their relevant daily pay (less penal rates where these apply) relative to the amount of time worked PLUS half that amount again.

» **What is a working day?**
  For most employees this will be straightforward as they work the same days each week. Likewise, for employees who work to a roster, it will be known in advance whether or not a public holiday will fall on a working day.
  If the employer and employee cannot agree on whether a public holiday is falling on a working day, they should initially consult the employment agreement. If the agreement does not resolve the issue, then the employer and the employee should review the pattern of days that the employee has worked. In the unlikely event that no agreement can be reached, both the employer and the employee have the right to request a labour inspector to decide the matter.

» **Entitlement to a day in lieu**

Under the Holidays Act, an employee who works all or part of a public holiday that falls on a working day is entitled to an alternative day-off that is:

- Taken on a day agreed to by the employer and employee
- On a day that would otherwise be a working day
- A whole working day off regardless of the amount of time the employee actually worked on the public holiday
- Paid at the relevant daily pay.

If the employer and employee cannot agree on when the leave should be taken, and 12 months has not lapsed since the public holiday, the employee may take the day in lieu by giving 14 days notice of their intention to the employer.

However, once 12 months has lapsed, it is reversed, and the employer can advise the employee of when to take the day in lieu by giving 14 days notice to them.

Also after 12 months, the employee may also ask the employer to pay them out at an amount agreed to. If the employer agrees then they need to:

- Check the employment agreement to see if there are any relevant clauses around this
- Put into writing what has been agreed to with the employee such as:
  - The amount agreed to pay them for the day in lieu
  - Whether they will still be entitled to a day in lieu
- Attach a copy of the agreement, signed by both parties, to the employee's pay and holiday record.

One more thing to note, employees who only work on public holidays (such as casual employees) are not entitled to alternative holidays or days in lieu.

7.2.3 Termination of employment

This section covers briefly the different ways the employment relationship may end such as voluntary termination, abandonment, retirement, involuntary termination, summary dismissal and redundancy. For further information please contact the Employment Advisor. Note termination due to the expiry of a fixed-term agreement has not been covered as this is both predictable and agreed to by both parties at the outset of the agreement.

Voluntary termination

An employment agreement may be voluntarily terminated where both parties mutually agree to terminate, vary or replace an agreement; or the employee may terminate an agreement by giving the appropriate (contracted) amount of notice. Where the contract does not specify what this is, then it is usual practice to use one pay-cycle.

Employers do not have to allow the employee to work out their notice. Where appropriate, the employer can pay out the employee in return for a shorter notice period. Also, the employee is entitled to all benefits and salary due to them throughout the notice period (eg. superannuation, Kiwisaver) regardless of when they actually cease working for the employer (i.e. where the employee has been paid out in lieu of notice).

However, the employee also has a responsibility to give the required notice. Where the employee does not, the employer can recover the equivalent salary for the forfeited period. The employee can also give a longer notice period than stipulated in the agreement, unless there is a clause expressly forbidding this. Finally, the employee is still employed throughout the notice period and still subject to disciplinary action should this arise.

Abandonment of employment

Where the employee "walks off the job", the employer can deem the relationship terminated. Normally this would be after three working days, however it can be longer.

Before the relationship is terminated for abandonment, the employer must show that they have attempted to contact the employee and to verify the circumstances. While it is at the employer's discretion as to whether you continue to employ someone after abandoning their employment, you should seek advice before doing so. Employees are entitled to any monies owing at the time of abandonment (but not after).

Retirement

Employers cannot coerce employees to retire. This is constructive dismissal and could lead to prosecution by the Employment Court and/or the Human Rights Commission.

Redundancy

Although the payment of redundancy it is not a requirement, employment agreements should set out what will happen in the event of a redundancy.

It is important to note that only roles can be made redundant, not the people who hold them. Employers cannot make a person redundant and then replace them with another person doing the same job.

Within the Presbyterian Church, the most common reason for redundancy is due to a lack of funding. However, in the event a part of the business is sold, the employee affected (under the new 2005 Protection Clause) has the right to bargain with the new employer. If the new employer is unable to offer them a job, they must adhere to the redundancy clause in the original agreement.

It is also important to note that while compensation is not mandatory for redundancy, fairness when dealing with staff is. Alternatives to compensation include assisting the employee with finding alternative work, allowing them to work fewer hours so they can attend interviews, or paying for them to attend courses to up-skill.

Suspension of employment and summary dismissal

An employee may be suspended and/or dismissed for serious or repeated breaches of the employment agreement relating to performance, conduct or misrepresentation.

Employers must ensure there are robust grounds for suspension or dismissal and that engagement with the employee is procedurally fair and complies with employment law. Parishes are strongly advised to seek advice from the General Assembly employment advisor, or another professional advocate, prior to commencing the suspension/dismissal process.

7.3 Kiwisaver registration for ministers and lay employees

7.3.1 Employee contributions

The implementation date of Kiwisaver was 1 July 2007. From that date, parishes as employers have to register with Inland Revenue for Kiwisaver any new employee (including ministers transferring between parishes) as a member of a Kiwisaver scheme, and any existing employee has the option of joining a Kiwisaver scheme.

Inland Revenue supplies an employer pack detailing how the scheme works and responsibilities of employers. There is a list of six default suppliers (finance organisations that can administer the scheme and invest funds on behalf of registered employees), but the total list of providers that the employee may nominate is more than 20. The first choice of a provider will always rest with the employee. It is their choice whether to join Kiwisaver and what provider they wish to use. They also have the option of changing their provider should they wish.

All new employees and ministers must be enrolled in a Kiwisaver scheme. If they do not wish to join, an application for withdrawal must be completed and sent to IRD. It may take up to eight weeks to process and during that period, deductions must be made from the employee's pay and paid to IRD. Once the application for withdrawal is processed, the IRD will refund any contributions. The potential cash impact on the employee should be explained at the commencement of employment.

If they wish to join but do not make a choice and the employer has a preferred provider, that provider will be assigned to the employee. If the employee doesn't choose, and the employer doesn't have a preferred provider, a default provider will be assigned by Inland Revenue. There are six default providers:

» ASB Group Investments Limited
» AMP Services (NZ) Limited
» ING (NZ) Limited
» Mercer Human Resources Consulting Limited
» AXA New Zealand Limited
» Tower Employee Benefits Limited

Although employers don't have to nominate a provider, employees should be advised to investigate options, as service levels, costs and investment performance will vary between providers. Default providers, for example, may only offer conservative investment strategies and may not have ethical investment policies.

7.3.2 Employer subsidy

The government announced in the 2006 budget that employer contributions would commence from 1 April 2008. The initial rate will be 1 percent of an employee's salary, rising by 1 percent per year to 4 percent in 2012/13.

The government will reimburse employers by way of credits to PAYE payments from April 2008, up to a maximum of $1,040 per annum ($20 per week). This will cover additional staff costs for the first two years but after that, there will be a cost to the parish. For example, using a base salary of $40,000pa:

	Salary	Employee Contribution (4%)	Employer Contribution	Govt Tax Credit for Employer	Cost to Employer
2008	40,000.00	1,600.00	400.00	400.00	-
2009	42,000.00	1,680.00	840.00	840.00	-
2010	44,000.00	1,760.00	1,320.00	1,040.00	280.00
2011	46,000.00	1,840.00	1,840.00	1,040.00	800.00
		6,880.00	4,400.00	3,320.00	1,080.00

7.3.3 Ministers' Kiwisaver contributions and the Beneficiary Fund

The Council of Assembly has approved a recommendation from the Church Property Trustees to add a Kiwisaver-compliant component to the existing Beneficiary Fund. Implementation requires the approval of the General Assembly. Details will be released by the Beneficiary Fund following discussion at General Assembly 2008.

8 Parish statistics and Assembly Assessment

8.1 Parish statistics

Each parish has a responsibility to complete statistics forms and deliver them to presbytery. There are three forms to complete:

- P2 - Membership information form
- P4 - Finance information form
- P6 - Parish financial review certificate

The forms, together with a guide for completion, are sent out from Assembly Office in May each year and are due for completion by August. They provide information on parish finances, membership, activity (weddings, christenings) as well as demographic data on the congregation for the year to 30 June. It is very important that the forms are completed on time as the information is posted on the Presbyterian website and used centrally for strategic planning and research purposes.

Membership and income statistics are used for the calculation of Assembly Assessment for the following financial year.

8.2 Assembly Assessment

Assembly Assessment is the levy placed on parishes by the General Assembly and currently provides funding for approximately $2.7m of the total General Assembly operating budget of $6.5m.

About 57 percent of Assembly Assessment is used to fund General Assembly operations – Financial Services, Communications, National Mission, Knox Centre for Ministry and Leadership, Moderator and Assembly Executive Secretary as well as grants for the Maori Synod, Pacific Island Synod and Asian Council. The remaining 43 percent is used to cover the employer contribution to the ministers' Beneficiary Fund. GST is not calculated or charged on the Beneficiary Fund portion.

AA is calculated on a mix of parish membership and accessible income as defined by the statistics provided by the parish. The calculation for the 2008/09 financial year is:

» $50 per member and
» 4.9 percent of accessible parish income

The maximum levy is 13.75 percent of income and the minimum is 7.75 percent. So, for example, the calculation for a parish reporting membership of 110 people and income of $70,000 the calculation would be:

	Statistics	Calculation	Levy
Membership	110	50.42	5,546
Accessible Income	120,000	4.91%	5,888
Total AA (GST exclusive)			11,434
Assembly Assessment as % of Income			0.10

The calculation is 9.5 percent of income ($11,434 / $120,000), therefore it is in the accepted range. If the statistics showed that membership was only 75 people and income was $70,000 the calculation would be as follows:

	Statistics	Calculation	Levy
Membership	110	50.42	5,546
Accessible Income	50,000	4.91%	2,453
Total AA (GST exclusive)			8,000
Assembly Assessment as % of Income			16.0%
Maximum Charge			13.75%
Adjusted Assembly Assessment			6,875

The adjustment is made because the percentage of calculated AA to accessible income (16 percent) is above the allowable range (7.75-13.75 percent). The adjustment is the upper limit of the range multiplied by income (13.75 percent x $50,000 = $6,875)

Assembly Assessment is calculated at the beginning of the financial year to cover expected operating costs over that year. If a parish is unable to meet payments, the amount charged may be reviewed by the Resource sub-committee. A review is initiated by contacting the manager of FSD.

9 Parish insurance

9.1 Presbyterian Investment Group

All property owned by the Presbyterian Church is required to be insured by the Presbyterian Insurance Group. The Insurance Group is a partnership between parishes, Presbyterian schools and affiliated charitable organisations. The insurers are Ansvar Insurance and the brokers are AON Risk Services. The total sum insured on buildings and other property is in excess of $1.5 billion. The insurance committee is made up of representatives of the Presbyterian parishes, Uniting parishes, Presbyterian schools, and General Assembly office.

9.2 Insurance premiums

Insurance is renewed annually. A provisional schedule is distributed at the end of March for parishes to verify assets. The listing includes a short description of the property, the sum insured and the date of the last valuation. Parishes are asked to check the schedule, make any necessary corrections, and update the valuation if the last valuation is more than four years old at 1 August each year.

The amended schedule is returned to Assembly Office and is used to renew insurance for the following year. The cost of premiums is charged to each parish, with an additional administration fee that covers the cost of running the programme, broker fees and administration. Ansvar's premium charges are paid by the Insurance Group in advance for the period 1 August to 31 July each year, and recharged to parishes, to be paid by 20 September. A prompt payment discount on premium recharges is offered and any invoices unpaid by the due date are subject to interest of 6.5 percent.

Discounts on premiums are achieved because of the scale of the total assets base of the group. The brokers test the market annually to ensure that rates remain competitive, and any profit made by the Insurance Group due to claims below that budgeted is passed back to the parishes as a loyalty discount.

Detailed information regarding the types of cover available and the instruction for making a claim are included in the insurance manual, which is published on the web site www.presbyterian.org.nz (follow the link to AON Risk Services).

The Insurance Fund provides the following types of cover.

» **Replacement insurance**
  Buildings are covered for full replacement providing the sum insured is supported by an insurance valuation not more than four years old at 1 August each year.

» **Indemnity insurance**
  Indemnity cover may be placed on older buildings that are unlikely to be

replaced in the event of loss. The Church Property Trustees as owners of the property reserve the right to approve indemnity cover. Indemnity insurance is risky in the event that a building sustains a partial loss as the insurers are not liable to cover the full cost of a claim for partial damage. For example, a building is worth $500,000 and has a depreciated indemnity value of $250,000. A fire causes damage of $150,000; the insurers are liable to pay only 50 percent of the fire claim, which would leave the parish with a shortfall for repairs of $125,000.

- **Functional replacement insurance**
  Functional replacement is an option for parishes that own buildings that are too large for their current use. There is a strict criteria to follow for functional cover, which provides full replacement for partial damage. In the event of total loss, it provides replacement for a building deemed to be more suited to the church needs.
- **Liability and other insurance**
  Presbyterian buildings insured by the group are also covered by professional and public, statutory, and employer liability. Cover for business interruption, loss of rents, trustees' liability and motor vehicles are optional covers that are available. Details of all these covers are in the parish manual.

9.3 Insurance claims

Claims are made by calling 0800 502020. The claim should be made as soon as possible to enable the insurer to assess the damage and organise repairs. Regardless of the circumstances of the claim, care should be taken not to admit liability. Liability is for the insurers to decide.

There is an excess of $1500 for any one event that is payable by the parish. For church-occupied manses, the excess is $750, and where the manse is rented to a third party, the excess is $2500 per claim.

9.4 Contract works

The policy usually provides for parishes to renovate or improve their buildings up to a value of $750,000 without making extra insurance arrangements. It is prudent to advise the General Assembly Office of any upcoming renovation projects to ensure that the project is fully covered and to gain advice on specific building work. It is important to ensure that all contractors involved cover their own liability insurance. For renovation projects over $750,000, the parish must contact the Assembly Office at the planning stage to arrange contract works insurance.

The parish manual details most aspects of church insurance. If you have further questions, please contact Margaret Fawcett (04) 381-8291 or email margaret@presbyterian.org.nz

10 Ministers and parish loans

10.1 General Assembly loans to ministers

The minister's loan scheme is available to ordained ministers to purchase cars furniture or computers. Newly ordained ministers are entitled to an interest free loan for the first five years of service of $9,000. Other ministers are entitled to a loan of $7,000 with interest of 5 percent. The repayment rate for a minister's loan is $4 for each $100 borrowed per month. A loan of $7,000 has a repayment of $280 per month. A loan of $9,000 has a repayment of $380 per month.

The purpose of the minister's loan facility is to provide finance to enable new ministers to purchase furniture etc when transferring to a new area. The ongoing facility is to recognise the need for a minister to have ongoing access to car finance, which is recognised as vital to a minister's service.

The minister's loan scheme is a revolving credit facility that is available to all ministers in a Presbyterian appointment. The minister must make regular repayments and, at retirement or resignation, the balance of the minister's loan is required to be repaid.

The minister's loan scheme is also available for lay workers, provided that the parish acts as guarantor. The parish is responsible for collecting the repayments from the worker's salary and in the event that the lay worker fails to make the repayments or leaves the church employ, the parish is liable for the outstanding balance.

Repayments to the minister's loan scheme should be made by direct debit each month from the minister's stipend. Applications can be made online from the web site www.presbyterian.org.nz or by contacting FSD

10.2 General Assembly loans to parishes

Parish loans are available on application to FSD. These will typically be used for capital or building works and a maximum of 50 percent of the cost of a project may be borrowed.

Any parish debt or loan incurred in excess of $5,000 must have the approval of a congregational meeting, presbytery/UDC, and the Church Property Trustees, or the Synod of Otago & Southland. Loans on low or nil interest are included in this condition, as are overdrafts. The borrowing term is limited to a maximum of 15 years.

11 Presbyterian Investment Fund

The Presbyterian Investment Fund, administered by the Church Property Trustees, offers attractive interest rates to parishes for deposited funds, repayable at call. Parish treasurers can electronically transfer funds (other than property funds) between their PIF account and the parish's bank account.

The net proceeds of property sales by parishes north of the Waitaki River are automatically lodged in a PIF account in the parish's name, but any parish (including those south of the Waitaki River, being parishes under the jurisdiction of the Otago Foundation Trust Board) may deposit other funds in this facility. Please contact Church Property Trustees to establish a PIF account or enquire about online access

12 Parish property

Regulations relating to the sale and purchase of property and investment of proceeds are set out in the Property Handbook produced by the Presbyterian Church Property Trustees and available on the Church website. These regulations do not apply to parishes located south of the Waitaki River. Southern parishes should refer to property regulations of the Synod of Otago & Southland.

12.1 Ownership

Title to all church real estate is registered in the name of either the Presbyterian Church Property Trustees, for parishes north of the Waitaki River, or the Otago Foundation Trust Board, for parishes south of the Waitaki River. The trustees hold the title in trust for the beneficial owner, which is usually, but not always, the local congregation.

12.2 Sale, purchase and additions

Parishes must follow the procedures set out in the Property Handbook when dealing with property. All transactions must be approved by board of managers or church council, a congregational meeting and then by presbytery/UDC before being approved by the either the Church Property Trustees or the Synod of Otago & Southland. A lease of more than one year requires the same approvals.

12.3 Investment of proceeds

Funds realised from the sale of property that are not immediately required for a replacement property must be held in trust by the Church Property Trustees or the Otago Foundation Trust Board. Income from the invested funds may be used for general parish expenditure. The capital may also be used for substantial maintenance, repair and improvement of existing property, subject to the same approval process as for sales and purchases. Guidelines are set out in The Property Handbook.

Appendices

A. Parish donor tax certificate

XYZ Presbyterian Church

This is to certify that...
has contributed the amount shown below through the freewill offering envelopes during the year ended 31 March 200.......

Envelope Number ....

Amount Contributed ....

J Smith
Envelope Secretary

B. Banking summary

Xyz Presbyterian Church			Date __/__/__
Receipts			Total
Envelopes			
Loose			
Special			
Donations			
Fair			
Fund Raising			
Interest			
Weddings/Funerals			
Hall Hire			
Tolls			
Post & Stat Refunds			
Trust			

C. Stipend and wage record for ministers and lay employees

Parish Wage record for Financial Year to 31 March 2008

1. Minister

	Stipend	Seniority Allowance	Manse Allowance	Total Gross Stipend and allowances	PAYE	Plus Expense Allowance	Less Beneficiary Fund Contribution	Net Pay
Apr-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
May-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Jun-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Jul-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Aug-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Sep-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Oct-07	3,269.22	196.15	326.92	3,792.29	(905.71)	218.58	(163.46)	2,941.70
Nov-07								
Dec-07								
Jan-08								
Feb-08								
Mar-08								
Total	22,884.51	1,373.07	2,288.45	26,546.03	(6,339.97)	1,530.06	(1,144.23)	20,591.89

2. Lay Employee ie (Cleaner)

		Hours	Hourly Rate	Total Gross Stipend and allowances	PAYE	Plus Expense Allowance	Less Beneficiary Fund Contribution	Net Pay
Apr-07		116.00	14.50	1,682.00	420.50	60.00		2,162.50
May-07		120.00	14.50	1,740.00	435.00	60.00		2,235.00
Jun-07		121.00	14.50	1,754.50	438.63	60.00		2,253.13
Jul-07		117.50	14.50	1,703.75	425.94	60.00		2,189.69
Aug-07		119.00	14.50	1,725.50	431.38	60.00		2,216.88
Sep-07		120.00	14.50	1,740.00	435.00	60.00		2,235.00
Oct-07		122.00	14.50	1,769.00	442.25	60.00		2,271.25
Nov-07								
Dec-07								
Jan-08								
Feb-08								
Mar-08								
Total	-	835.50	-	12,114.75	3,028.69	420.00	-	15,563.44

Total		2,208.57	2,288.45	38,660.78	(3,311.28)	1,950.06	(1,144.23)	36,155.33

D. Statement of financial performance

Statement of Financial Performance
For The Year Ending 30 June 2008

Category	Description	Note	Actual 2008	Actual 2007	Budget 2008	Budget Variance
INCOME						
Fund Raising						
	Fair		5,820	4,522	6,000	(180)
	Fund Raising Events		368	-	1,000	(632)
TOTAL Fund Raising			6,188	4,522	7,000	(812)
Giving						
	Envelope Offerings		64,690	55,699	70,000	(5,310)
	Loose Offerings		6,852	9,600	10,000	(3,148)
	Special Offerings		3,650	2,010	3,500	150
	Special Donations		1,200	3,333	1,000	200
TOTAL Giving			76,392	70,642	84,500	(8,108)
Sundry Income						
	Hall Hire		707	950	1,000	(293)
	Interest Received		4,120	3,219	4,000	120
TOTAL Sundry Income			4,827	4,169	5,000	(173)
Grants Received						
TOTAL Grants Received			10,000	8,500	10,000	-
TOTAL INCOME			97,407	87,833	106,500	(9,093)
EXPENSES						
Administration Expenses						
	Assembly Assessment		8,102	11,560	9,000	(898)
	Office Supplies		875	1,050	500	375
	Lay Employees		4,248	3,529	5,000	(752)
	Presbytery Expenses		2,000	1,920	2,000	-
	Telephone		1,320	980	1,200	120
	Miscellaneous Expenses		856	2,984	2,000	(1,144)
	Depreciation		4,222	3,994	4,500	(278)
	Subscriptions - Spanz		90	90	100	(10)
	Communications		2,487	1,686	2,000	487
TOTAL Administration Expenses			24,200	27,793	26,300	(2,100)
Ministry Expenses						
	Ministers Stipend		39,102	36,150	40,000	(898)
	Ministers Allowance		2,616	2,616	2,600	16
	Seniority Allowance		3,519	-	3,500	19
	Car Mileage Allowance		560	311	500	60
	Housing Allowance		4,000	4,000	4,000	-
	Supervision		1,320	888	1,500	(180)
TOTAL Ministry Expenses			51,117	43,965	52,100	(983)
Mission Expenses						
	Hospital Chaplaincy		1,600	1,000	1,600	-
	Mission and Ministry		3,246	2,565	3,500	(254)
	Mission - Other		7,500	3,958	7,500	-
TOTAL Mission Expenses			12,346	7,523	12,600	(254)
Property Expenses						
	Cleaning		862	444	500	362
	Insurance		1,465	1,477	1,500	(35)
	Power		952	888	1,000	(48)
	Repairs		3,250	1,420	2,000	1,250
	Manse Expenses		702	1,228	1,000	(298)
	Interest Paid		188	101	200	(12)
TOTAL Property Expenses			7,419	5,558	6,200	1,219
TOTAL EXPENSES			95,082	84,839	97,200	(2,118)
TOTAL OPERATING SURPLUS/(LOSS)			2,325	2,994	9,300	(6,975)

E. Statement of financial position

Statement of Financial Position
As at 30 June 2007

	Current Year	Prior Year
Equity	824,327	767,002
Current Liabilities:		
Trade Creditors	12,555	5,850
Accrued expenses	560	1,654
Total Current Liabilities	13,115	7,504
Long Term Liabilities		
Mortgage	144,309	134,502
TOTAL EQUITY AND LIABILITIES	981,751	909,008
Current Assets:		
Cash and Bank	1,680	7,214
PIF Deposit	1,250	118,520
GST Recievable	1,650	455
Total Current Assets	4,580	126,189
Non Current Assets		
Church Property	922,512	737,859
Fixed Assets	54,739	45,000
Total Fixed Assets	977,251	782,859
TOTAL ASSETS	981,831	909,048

F. Statement of movements in equity

Statement of Movement in Equity
For The Year Ending 30 June 2007

Equity at the beginning of the year	767,002	724,008
Net Surplus/(Deficit) for the year	2,325	2,994
Asset Revaluation Reserve	55,000	40,000
Equity at the end of the year	824,327	767,002

G. Operating budget

Operating Budget
For the 2008/09 Financial Year

	Total	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Income													
Fair	6,000	500	500	500	500	500	500	500	500	500	500	500	500
Fund Raising Events	1,000	83	83	83	83	83	83	83	83	83	83	83	83
Envelope Offerings	70,000	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833
Loose Offerings	10,000	833	833	833	833	833	833	833	833	833	833	833	833
Special Offerings	3,500	292	292	292	292	292	292	292	292	292	292	292	292
Special Donations	1,000	83	83	83	83	83	83	83	83	83	83	83	83
Hall Hire	1,000	83	83	83	83	83	83	83	83	83	83	83	83
Interest Received	4,000	333	333	333	333	333	333	333	333	333	333	333	333
Grants Received	10,000	833	833	833	833	833	833	833	833	833	833	833	833
	106,500	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**	**8,875**
Expenditure													
Assembly Assessment	9,000	750	750	750	750	750	750	750	750	750	750	750	750
Office Supplies	500	42	42	42	42	42	42	42	42	42	42	42	42
Lay Employees	5,000	417	417	417	417	417	417	417	417	417	417	417	417
Presbytery Expenses	2,000	167	167	167	167	167	167	167	167	167	167	167	167
Telephone	1,200	100	100	100	100	100	100	100	100	100	100	100	100
Miscellaneous Expens	2,000	167	167	167	167	167	167	167	167	167	167	167	167
Depreciation	4,500	375	375	375	375	375	375	375	375	375	375	375	375
Subscriptions - Spanz	100	8	8	8	8	8	8	8	8	8	8	8	8
Communications	2,000	167	167	167	167	167	167	167	167	167	167	167	167
Ministers Stipend	40,000	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333
Ministers Allowance	2,600	217	217	217	217	217	217	217	217	217	217	217	217
Seniority Allowance	3,500	292	292	292	292	292	292	292	292	292	292	292	292
Car Mileage Allowance	500	42	42	42	42	42	42	42	42	42	42	42	42
Housing Allowance	4,000	333	333	333	333	333	333	333	333	333	333	333	333
Supervision	1,500	125	125	125	125	125	125	125	125	125	125	125	125
Hospital Chaplaincy	1,600	133	133	133	133	133	133	133	133	133	133	133	133
Mission and Ministry	3,500	292	292	292	292	292	292	292	292	292	292	292	292
Mission - Other	7,500	625	625	625	625	625	625	625	625	625	625	625	625
Cleaning	500	42	42	42	42	42	42	42	42	42	42	42	42
Insurance	1,500	125	125	125	125	125	125	125	125	125	125	125	125
Power	1,000	83	83	83	83	83	83	83	83	83	83	83	83
Repairs	2,000	167	167	167	167	167	167	167	167	167	167	167	167
Manse Expenses	1,000	83	83	83	83	83	83	83	83	83	83	83	83
Interest Paid	200	17	17	17	17	17	17	17	17	17	17	17	17
Total Expenses	**97,200**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**	**8,100**
Opreating Surplus	**9,300**	**775**	**775**	**775**	**775**	**775**	**775**	**775**	**775**	**775**	**775**	**775**	**775**

H. Minsters' stipend and allowances

1. Minister Living in a Manse

Ministers Years of Service	Less the 2	2-5 Years	6-10 Years	10 plus	Note
Stipend	40,565.00	40,565.00	40,565.00	40,565.00	
Seniority Allowance (% of Stipend)	0%	6%	12%	18%	
Seniority Allowance ($)	0.00	2,433.90	4,867.80	7,301.70	
Manse Allowance (10% of Stipend)	4,056.50	4,056.50	4,056.50	4,056.50	
Gross Taxable Income	44,621.50	47,055.40	49,489.30	51,923.20	
P.A.Y.E	(10,217.48)	(11,040.64)	(11,881.48)	(12,721.80)	1
Net Stipend payable	34,404.02	36,014.76	37,607.82	39,201.40	
Plus Basic Expense Allowance	2,623.00	2,623.00	2,623.00	2,623.00	
Less manse Rental	(4,056.50)	(4,056.50)	(4,056.50)	(4,056.50)	
Less Beneficiary Fund Contribution	(2,028.25)	(2,028.25)	(2,028.25)	(2,028.25)	3
Net Stipend and Allowances after Tax	30,942.27	32,553.01	34,146.07	35,739.65	

2. Minister Living in Own Home

Ministers Years of Service	Less the 2	2-5 Years	6-10 Years	10 plus	
Stipend	40,565.00	40,565.00	40,565.00	40,565.00	
Seniority Allowance (% of Stipend)	0%	6%	12%	18%	
Seniority Allowance ($)	0.00	2,433.90	4,867.80	7,301.70	
Housing Allowance	15,600.00	15,600.00	15,600.00	15,600.00	2
Gross Taxable Income	56,165.00	58,598.90	61,032.80	63,466.70	
P.A.Y.E	(14,188.72)	(15,011.88)	(15,912.00)	(16,888.49)	1
Net Stipend payable	41,976.28	43,587.02	45,120.80	46,578.21	
Plus Basic Expense Allowance	2,623.00	2,623.00	2,623.00	2,623.00	
Less Beneficiary Fund Contribution	(2,028.25)	(2,028.25)	(2,028.25)	(2,028.25)	3
Net Stipend and Allowances after Tax	42,571.03	44,181.77	45,715.55	47,172.96	

Notes:

1 Tax calculation presumes tax code "M"

2 Housing allowance is negotiable but is estimated at $300 per week for this example.

3 Beneficiary Fund personal contributions are $163.46 (5% of basic stipend). Beneficiary Fund contrributions (and Ministers Loan repayments) may be deducted from stipend payments of paid directly by the Minister