



FINANCE & PROPERTY REPORT

2013 to 2017



ABSTRACT

This report contains Pacific Conference of Churches Finance & Property Report for the five (5) years ending 31 December 2017

Finance & Business Committee (F&P)

Mr. Livai Tuisaravere – F&P Chairman

Rev. Hildritho Ranola – CEPAC

Rev. Nikotemo Tapaeko – St. Andrew Presbyterian Church

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Mr. Netani Rika – PCC

Mrs. Julie Tusulu - PCC

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1.0 EXECUTIVE SUMMARY

The Pacific Conference of Churches went through a “CHANGE” process prior to the General Assembly in Honiara, Solomon Islands in 2013. This process was termed “Organizational Development” and was implemented through the guidance of the Finance and Property Committee, the Executive Committee and the Secretariat Finance staff.

The OD Change process was implemented in three (OD) phases and funded by Bread for the World (BftW), EMW and Pacific Leadership Program (PLP). The resolutions of the OD process were received and endorsed by the General Assembly in 2013. The major changes in the finance area were:

i. The change of Accounting software

The change in Accounting Software by the secretariat from QuickBooks to MYOB was a result of a resolution of the Finance & Property committee meeting in March 2012, and later the same was endorsed by the Executive Committee, the same year. The change in software improved financial management, planning and budgeting processes, governance and management of the Asset Management Unit (AMU). It also assisted with the production of more efficient and transparent reports to our donors and to governance committees, i.e. Finance and Property Committee and the Executive Committee.

ii. Establishment of operational ‘Units’

The MYOB system allows for the establishment of ‘companies’ or ‘units’, which enable differentiation of financial ‘operations. For intents and purposes of PCC, the term UNIT is the preferred term. In the previous accounting system, financial reports produced show a mixture of diverse operations i.e. Programme, Core and asset-related transactions were consolidated in one financial report rather than having appropriate segregation that would enable clearer financial status of each branch of operation. Thus far, 3 Units have been created:

- a) Programme Unit (PU) – (Formerly the Core Account) this unit records the financial data for programme planning and implementation. It covers the PCC Programme implementation and Finance and Administration.
- b) Asset Management Unit (AMU) – this covers the management of PCC’s property assets, inclusive of the income derived there from and costs incurred for the same i.e. owning and maintaining its properties.
- c) General Assembly Fund Unit (GAF) – the main purpose of this fund/unit is to build up resources for the 5-yearly General Assembly.

Relationship between the Units - The PU records the use of programme funds to implement the planned activities for the achievement of PCC’s core objectives. The AMU is an income generating entity to raise PCC’s own funds from its property assets that it could use for implementation of programme activities and core costs and for any other purpose that the Executive may deem necessary. Over the five years the AMU contributed a total of \$273,105 to the programme unit to cover the shortfall in meeting the costs of programme activities and PCC’s core costs. The founding fathers of PCC would have thought that PCC would benefit from having properties.

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Unfortunately, the previous approach to PCC's properties management has not been conducive to this objective. The AMU is deemed better to realize financial viability of owning properties, not for the sake of making a profit but to assist in PCC's financial security and sustainability. The GAF is essentially part of wise management of resources to generate income specifically for the GA through such investments as trust funds (including overseas) and that would reduce the burden on PCC's normal operational costs.

iii. Financial Policies and Manuals

Following the change of accounting software and establishment of operational units, Finance Administration Procedures and Policies (FAPP) were put in place to guide the secretariat and the governance committees. Apart from the FAPP, other policies were also endorsed and approved in the General Assembly in 2013

iv. Change of auditors

Prior to 2013, PCC was audited by Pricewaterhouse Coopers for more than 20 plus years. PCC changed auditors in 2013 to Ernst & Young (EY). Audit services are now tendered out every 3 years.

- Prior to 2012, PCC always got a **qualified** (means that the auditor cannot confirm that the finance conforms to the Accounting standards)
- Between 2012 to 2017, PCC has received **unqualified** (gives a true and fair view of the state of affairs of the organization) audit reports.

The overall OD Change process has resulted in significant improvements in the following areas for the Secretariat;

- i. Improved internal controls through established policies and manuals
- ii. Enhanced Finance Reporting to donors
- iii. More transparent and clear reporting making it easier for Executive Committee to make decisions in a timely manner
- iv. Clear and unqualified audited financial reports to give comfort and assurance to donors, member churches and other stakeholders on the financial performance and position of the PCC.

The purpose of this report is to inform the General Assembly of the work the secretariat has done in the last five years 2013 -2017



2.0 INCOME REPORT

We provide below a summary of the funding provided to the secretariat of the last five (5) years. PCC income categorized under the three (3) sub-headings

- 2.1 Grant Income – this include all donor funding. This funding is for programs only.
- 2.2 Membership Fees
- 2.3 Rental Income

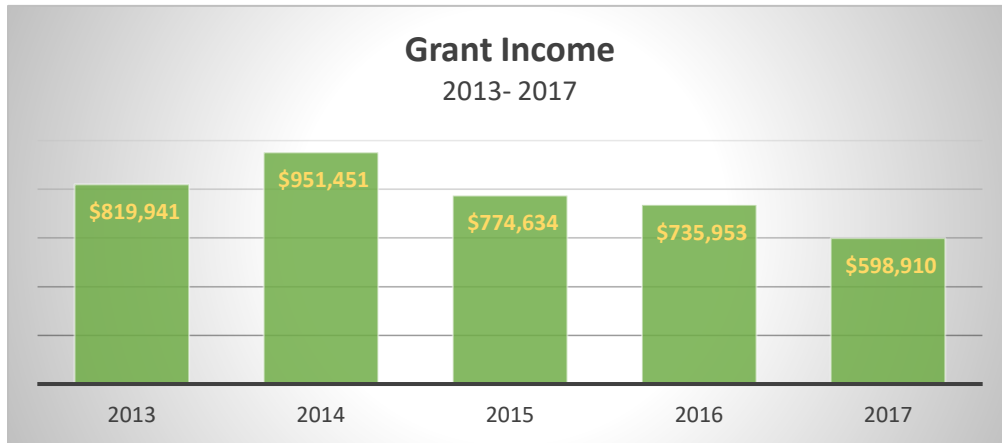
2.1 GRANT INCOME

PCC annual budget sits at over a million dollars. Bread for the World (BftW) has been our major donor over more than just the last five years. PCC has been heavily reliant on donor funding and over the last 5 years, the secretariat has been working on having other sources of income to reduce the heavy reliance on donors. However, PCC maintains the relationship with donor partners to implement programs that are of mutual importance to PCC and our partners and achieve the objectives and desired changes for both.

2012-2014- PCC's main focus on the Organizational Development (OD) process.

2014 -2017 – 3 year and 7 months project titled “Transforming the Pacific Through Rethinking Justice” with a total budget of Fiji Dollars\$3.254 million (Euros 1.36 million). Out of the total budget, BftW contributed €800,000.00 equivalent to FJ\$1.88 million, contributing to 58.8% of the total project. 41.2% was contributed by other donors, membership fees and contribution from the AM Unit. The other donors included:

- EMW
- Department of Foreign Affairs & Trade (DFAT) Australia
- The Christensen Fund (TCF)
- Methodist Church in Great Britain
- Uniting Church of Australia
- Global Ministries USA
- Other Donors



2.2 MEMBER CONTRIBUTIONS

Annual membership fees have remained the stagnant over the last 10 years.

Member churches are classified into three categories as Large, Medium, Small and National Council of Churches (NCC). These fees are tabled below.

Category	Fees (\$FJ)
Small	\$2,219.00
Medium	\$3,328.50
Large	\$4,742.75
National Council of Churches	\$1,299.00

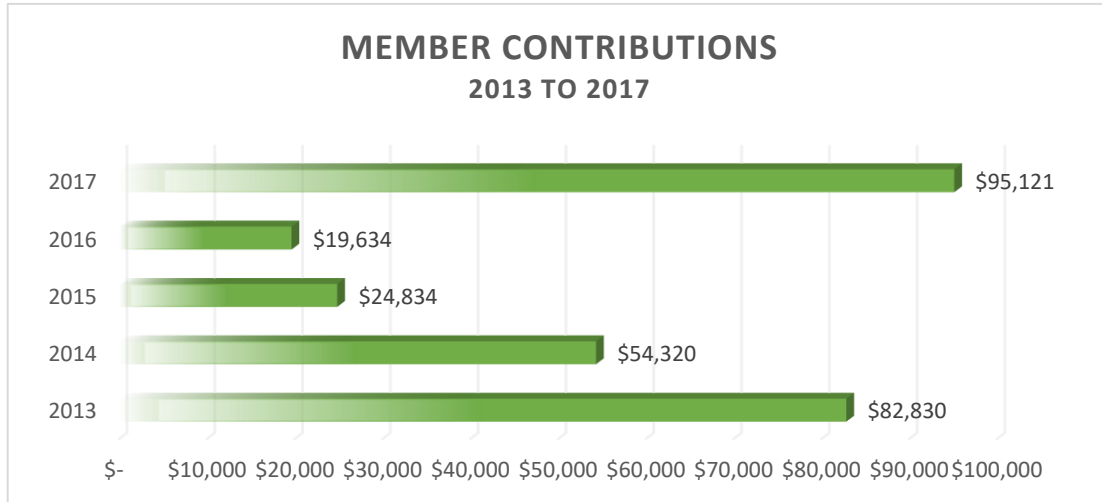
The timely collection of membership fees has been one of our major challenges for the Secretariat. In 2014, the Executive Committee approved an amnesty collection period with an aim to collect pending arrears totaling over \$500,000.00. The amnesty came into effect in January 2015.

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Note that the Secretariat recorded high membership fee collections in year 2013 and 2017 (as per graph on member contribution below). This is mainly due to the GA being in the same year or 1 year prior.



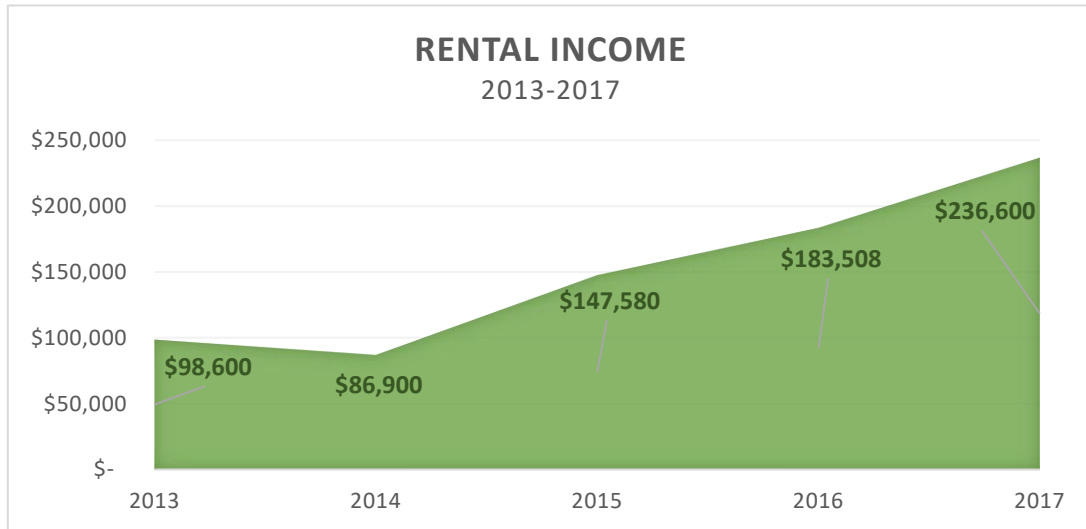
2.3 RENTAL INCOME

In the Executive Committee meeting held in Tahiti in 2013, it mandated the Secretariat staff to have a minimum 2% rate of return on investment property.

The property value in 2013 was \$4.4 million. Prior to 2013, it was \$2.9 million. A recent valuation undertaken in 2018 valued our properties at \$9.9 million.

Over the last 5 years, the priority and key strategy for these investment properties was to carry out complete renovations and buildings upgrades. These upgrades started in year 2013. The Secretariat was then able to charge market rentals accordingly to enable us to achieve a minimum 2% return on investment. The figure below shows the trend of rental income since 2013. In 2014, the drop in rental income was due to renovation works carried out in some of the buildings which required tenants to vacate whilst renovation works was underway.

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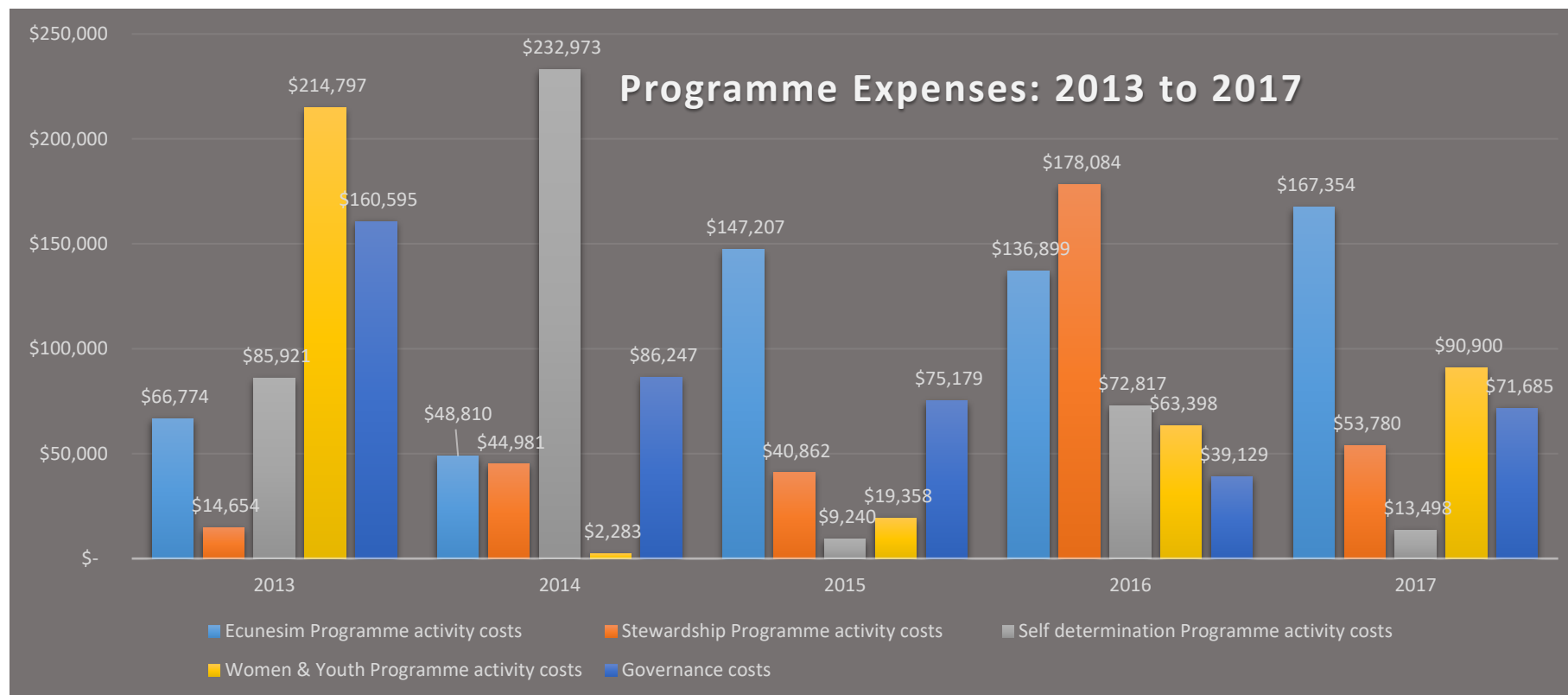
Tabled below is comparative analysis of the actual rental income achieved (as a percentage) based on value of property.

Year	Value of Property	Min. 2% return required	Actual Rental income	Actual % achieved
2013	\$2.9 million	\$ 58,000	\$ 98,600	3.4%
2014	\$4.4 million	\$ 88,000	\$ 86,900	1.9%
2018	\$6 million	\$120,000	\$236,600	3.9 %

AMU has continued to contribute towards the Secretariat’s programme activities because the annual membership fees collected has been very low.



3.0 EXPENDITURE REPORT



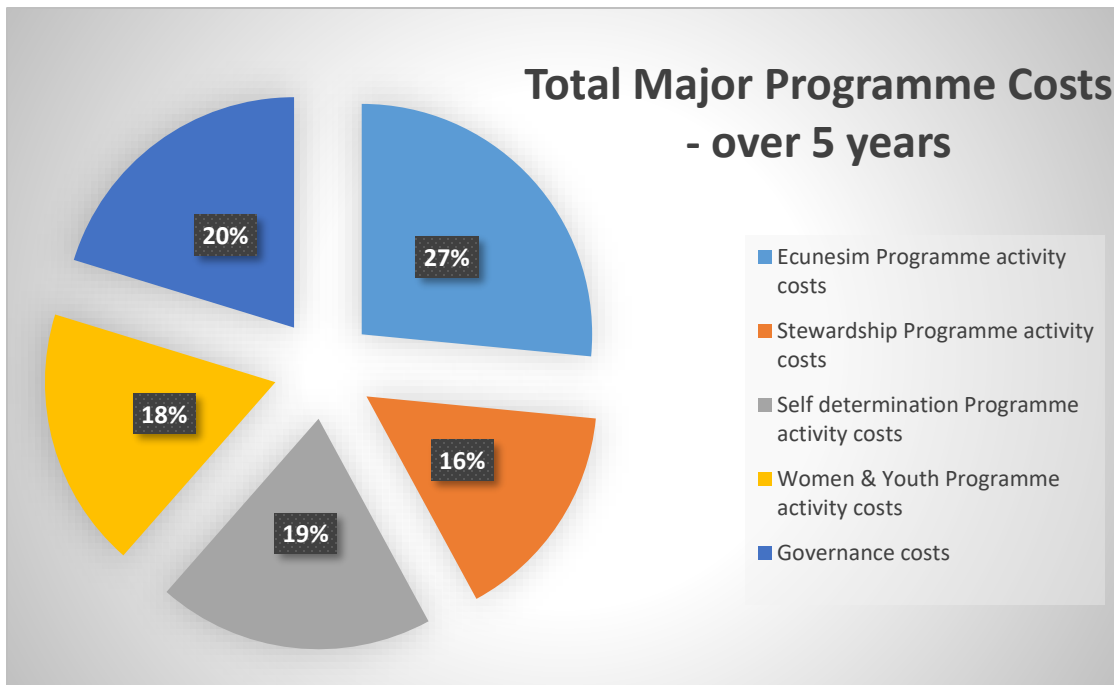
Programme Expenses	2013	2014	2015	2016	2017
Ecumenism Programme activity costs	\$ 66,774	\$ 48,810	\$ 147,207	\$ 136,899	\$ 167,354
Stewardship Programme activity costs	\$ 14,654	\$ 44,981	\$ 40,862	\$ 178,084	\$ 53,780
Self-determination Programme activity costs	\$ 85,921	\$ 232,973	\$ 9,240	\$ 72,817	\$ 13,498
Women & Youth Programme activity costs	\$ 214,797	\$ 2,283	\$ 19,358	\$ 63,398	\$ 90,900
Governance costs	\$ 160,595	\$ 86,247	\$ 75,179	\$ 39,129	\$ 71,685

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- Major expenditure for the Secretariat over the last 5 years was towards
 - Ecumenism Programme Activity Costs (\$0.56 million) followed by;
 - Governance costs (\$0.43 million);
 - Self-determination programs (\$0.41 million);
 - Women & Youth programme costs (\$0.39 million) and then;
 - Stewardship programs (\$0.33 million)



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4.0 BALANCE SHEET

	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	424,466	522,868	499,969	357,394	217,576
Other receivables	36,681	23,134	30,812	92,579	88,647
Total Current Assets	461,147	546,002	530,781	449,973	306,223
Non-current Assets					
Property at Valuation	4,410,000	4,410,000	4,410,000	4,410,000	10,190,000
Plant and equipment at WDV	34,027	38,172	42,158	28,600	25,678
Total non-current assets	4,444,027	4,448,172	4,452,158	4,438,600	10,215,678
TOTAL ASSETS	4,905,174	4,994,174	4,982,939	4,888,573	10,521,901
Current Liabilities					
Trade and other payables	62,752	78,072	79,296	98,094	67,803
Employee liability benefits	14,609	12,948	12,948	4,680	19,730
Unexpended funds	-	-	138,855	111,764	121,565
Deferred income	22,677	147,588	-	5,409	3,405
Total current liabilities	100,038	238,608	231,099	219,947	212,503

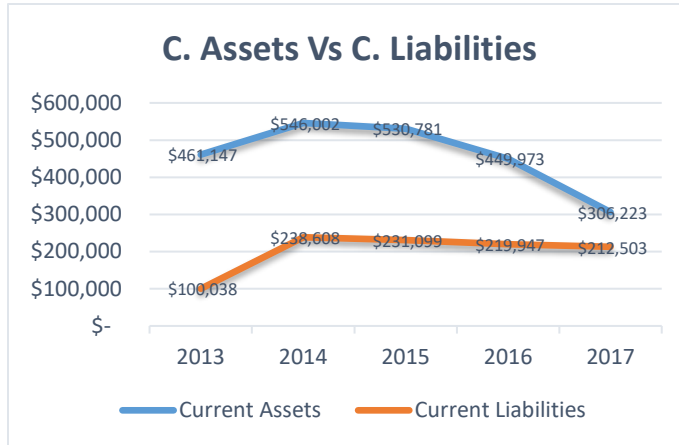
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TOTAL LIABILITIES	100,038	238,608	231,099	219,947	212,503
NET ASSETS	4,805,136	4,755,566	4,751,840	4,668,626	10,309,398
Accumulated funds and reserves					
Capital	457,722	457,722	457,722	457,722	457,722
Trust and reserve fund	308,392	308,392	308,392	308,392	272,908
Asset Revaluation Reserve	2,014,009	1,996,082	1,966,938	1,944,330	7,670,518
Accumulated funds	2,025,013	1,993,370	2,018,788	1,958,182	1,908,250
Total accumulated funds and reserves	4,805,136	4,755,566	4,751,840	4,668,626	10,309,398



(1) Current Asset vs Current Liabilities – 2013 to 2017



Over the last 5 years, PCC has had the ability to pay its short-term current liabilities with its current assets, signifying a healthy working capital ratio. PCC has managed its cash flow from internally generated property rentals and membership fees to managing donor funds to ensure that it has sufficient cash to meet its liabilities and obligations when they fall due.

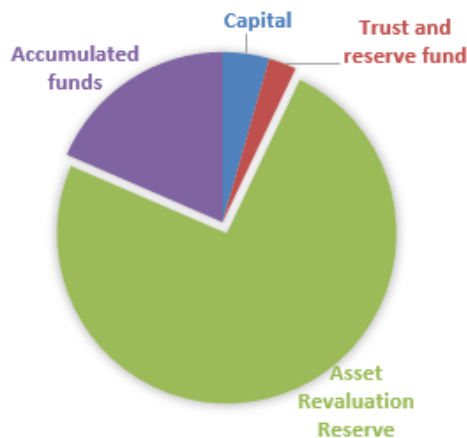
(2) Property Valuation – 2013 to 2017



In 2017, PCC’s property valuation significantly increased to \$10.1 million from \$4.4 million. This is due to the prime location of the properties and the high demand for such properties. This increased valuation will also be seen in the future by increased market rentals.

(3) Accumulated Funds & Reserves – at 31 December 2017

ACCUMULATED FUNDS AND RESERVES- 2017



PCC’s accumulated funds & reserves status as of 31 December 2017 totals \$10.3 million. This is on the back of the high market value of PCC properties. The strength of PCC’s Balance Sheet comes from its property assets which should hold its value into the future and also provide an income stream to support its programme activities. Asset Revaluation Reserve makes up 74% (\$7.6 m) and Accumulated funds makes up 19% (\$1.9 million)



5.0 RECOMMENDATIONS

5.1 GRANT INCOME

THAT THE PCC SECRETARIAT STRIVE TO FUNDRAISE FOR 100% DONOR FUNDING FOR ITS ACTIVITIES.

5.2 MEMBERSHIP FEES

THAT THE SECRETARIAT CONTINUE TO ENCOURAGE CHURCHES TO PAY THEIR MEMBERSHIP FEES.

5.3 RENTAL INCOME

5.3.1 THAT THE SECRETARIAT CONTINUE TO MAXIMISE RETURNS FROM THE PROPERTIES

5.3.2 MANDATES THE TRUSTEES AND THE SECRETARIAT NOT TO SELL ANY OF ITS PROPERTIES

5.3.3 THAT THE SECRETARIAT WITH THE GUIDIANCE OF THE FINANCE AND PROPERTY, THE EXECUTIVE COMMITTEE AND THE TRUSTEE, EXPLORE INVESTMENT OPPORTUNITIES FOR THE VAC