

22<sup>nd</sup> February 2022.

Presentation and Resolution for Congregation Meeting

**GWUC: Financial Statements and Reports for Year Ended 31 December 2021.**

We are pleased to submit Financial Accounts of GWUC for financial year 1<sup>st</sup> January 2021-31<sup>st</sup> December 2021. In what has been a challenging year with all the interventions and changes associated with the Covid-19 management and the associated regulations. GWUC has achieved a sound result and remains in an excellent financial position.

We present a Set of Accounts which reflect a Profit and Loss of a small deficit of \$4,784.93 after progressing several important items. That is a pleasing outcome with several important items being significantly behind budget. Importantly, we also recognize that our Operational Deficit was \$52,990.93.

We provide the following commentary of explanations and detail of issues which are pertinent in Church Council and the Congregations understanding the outcome and the various elements:

**Transfer from Deferred Maintenance Reserve**

We have also expensed some major items to allow for appropriate maintenance and updating of carpet, sound system and installed large televisions as replacement items for the overhead projector. We have drawn down Reserves from the Deferred Maintenance Reserve to the extent of \$48,206 as a Balance Day adjustment on 31<sup>st</sup> December 2021 to cover these items. The items purchased were expensed through our 2021 Accounts under approval from Church Council on Finance Committee recommendations.

Prior to the use of these Reserve Funds, we had recorded an Operating Deficiency, i.e., a Cash flow deficiency of \$4,784.93 plus the Deferred Maintenance Transfer of \$48,206 being \$52,990.93. Finance Committee remains comfortable with the drawdown and use of the Deferred Maintenance Reserve.

**Accruals from 2021 to 2022**

We have processed and created Accruals reflecting funds received in 2021 but not applied/ expensed through 2021 which will be used in 2022. These are reflected in accounts for 2021 as \$30,082.83.

We are satisfied in analysing each item as to the appropriateness of the Accruals for 2021.

**Significant Items of Income and Expenditure in 2021.**

Planned Giving Direct Credit Receipts are \$16,802 behind plan for 2021 and this primarily relates to the decision and amended processes when U Ethical ceased to offer and provide the services to manage Direct Credits from individuals to Congregations.

We have worked diligently to determine the implications. We know that twenty-three people did not transfer their Planned Giving Direct Debits directly to Westpac. We have researched and followed through, and we believe that of this number, 5 have again commenced or used envelopes. It is apparent that we have lost somewhere between \$1,500-2,500 per month over the period August- December 2021. This remains an ongoing issue.

Pleasingly Open Plate and Envelopes have held up well. This is a significant issue going forward

### **Rental Income Receipts and Bad Debts.**

We have been fortunate in having some Rental Income from the Manse, but most other Rentals were suspended or ceased in 2021. Our Rental Income fell to \$37,020 against a plan of \$54,000 which is a shortfall of \$16,980.31.

### **Job Keeper Receipts.**

We received \$34,915.68 in receipts from the government under the JobKeeper Scheme in early 2021 and this allowed us to retain all staff and to deliver all programmes. You will appreciate that the JobKeeper receipts were close to the two items above in total. The JobKeeper receipts cancelled out these two major receipt shortfalls.

### **Major Expenses on Maintenance and Upgrades.**

Church Council on the recommendations of Property committee and Finance committee approved several major updates and replacements as expenditure for 2021, whilst the premises would be quieter. We have completed the Carpet replacement, upgraded the sound system and television and camera capabilities to assist with our on-line ministry during the closure and restrictions.

As a Balance Day adjustment, we transferred the sum of \$48,206 from the Deferred Maintenance Reserve.

### **Staff Costs and Budget Implications.**

Our Staff costs as reflected in the Ministerial Team Stipends and Office and Other Staff and Wages is on budget, although the classification in the planned items requires tightening in the 2022 Budget.

### **Profit & Loss for period 1<sup>st</sup> January-31 December 2021.**

We incurred a significant Operating Deficit of \$52,990.93. However, this is readily explained.

This was offset through the Transfer of Funds from the Deferred Maintenance Reserve of \$48,206.

GWUC incurred a Net Deficit (after accruals and transfer of Deferred Maintenance Reserve) of \$4,784.93. We have in prior years indicated that any deficits will continue to eat into our retained earnings accumulated from prior years.

We have indicated to Church Council that with our staffing resources locked in and committed for the next several years, we need to be more prudent in the budget and in terms of expenditure.

Our Rental income and property income does provide a means of meeting all operational transactional expenditure. The Planned giving which continues to diminish by approximately 1.5% per annum is required to meet all Staffing expenditure, all programme needs as well as Mission & Service Costs.

This has been achieved in 2021 and we have tightly managed all expenditure. However, we have indicated that the time has come for Church Council to prioritize projects and expenditure and we really need to be conscious of the need to attract and source new revenue streams.

We are pleased to comment upon the attached Balance Sheet.

### **Balance Sheet as of 31 December 2021.**

We present a Balance Sheet which demonstrates a strong historical performance and the accumulation of funds. Following our 2021 results the Balance Sheet remains strong, but we reiterate that we cannot continue to accumulate deficits without establishing new revenue streams.

Our retained earnings stand at \$187,931 after being reduced by the Deficit of \$4,784.93.

We have reduced our Deferred Maintenance Reserve from \$73,529 to \$25,333 following the use of \$48,206 for the major property maintenance and upgrades. We now will need to contribute funds to this account in 2022 and beyond to enable the necessary expenditure upon Manses when transitions or changes occur. We have not contributed any funds to Deferred Maintenance Reserve in 2021. Kindly note that we have discussed the use of the Deferred Maintenance Reserve and its accounting with our auditor. Our treatment will be reassessed as our Accounts are Audited.

We have created a Families and Young Adults Reserve by transferring funds from the De Raven Reserve and From the Kombi Reserve. These were Liabilities held within our Accounts and we have now created a Reserve of \$11,093 for future use in terms of Young Adults and / or families in future years.

As commented above we have created Accruals from 20221 for use in 2022 to the extent of \$30,082.

#### **Bank Accounts and Investment Management.**

During 2021 Finance Committee recommended significant changes to the management of our surplus funds via the adoption of a Funds Management Investment strategy. As you are aware Interest Rates have been at negligent levels.

We have transferred funds into U Ethical Growth Account and U Ethical Cash Management Trust Wholesale. We now have almost \$153,000 in these Managed funds and we will transfer more in a structured approach over the next year.

Whilst always conscious of our liquidity needs there is a need to seek to earn the best available returns at lowest risk. We have reduced our holding through Westpac, both our transaction account (\$46,091) balance and funds maintained in Term Deposit (\$50,308).

Our overall Total Bank and Investment Accounts at end of 2021 is \$\$292,495 against a Budget of \$333,820 due to the expenditure on Property Maintenance items.

#### **Marriott Bequest – Deferred Liabilities.**

We created specific Liability Accounts for the balance of the Marriott Bequest.

We transferred the unused Balance of the Marriott Bequest funds from the Endowment fund into GWUC Balance Sheet as a Deferred Liability. The balance remains at \$49,357.79.

We are conscious that continuing work is being undertaken to enable the expense and completion of proposals which meet the tenor of the Will documents.

#### **Summary and Recommendation.**

Finance committee is pleased to present Profit and Loss Accounts for Year ended 31 December 2021 and Balance Sheet as of 31 December 2021. A solid result in that we provided all staff and programmes and met all expenditure requests. Church Council has accepted the Financial Accounts.

After a challenging year, these represent a solid performance but again a significant Operating Deficit, which reflected items applied for expenditure on Carpet, Televisions and cameras and sound equipment. Our Net Deficit after the transfer of the Deferred Maintenance reserve funds of \$48,206 was \$4,784.93.

Our small deficit reflects tight control. There remain ongoing concerns as to our offering and Planned giving Direct Debit. We remain concerned as to our demographics and the recent passing and loss of several long-standing congregation members will impact us in many ways.

Attached are several Reports for information purposes. Finance Committee recommends that Church Council adopt these accounts and authorize the forwarding to Yates and Partners, our auditors to complete the Audit Processes.

We will then make the Financial Accounts available to the congregation and forward to Presbytery.

Finance Committee appreciates the support from Church Council and its officers.

**Recommendation to Congregation Meeting:**

Church Council and Finance Committee have confirmed the annual Financial Statements and Accounts as at 31 December 2021.

It is recommended that the Congregation Meeting approve the Accounts as presented and for forwarding to our Auditors and then to Presbytery

**Ken M Coutts**

**GWUC Treasurer.**