



MONEY FOR MISSION PROGRAM

HOW DOES SHARING WORK IN THE MFMF?

Background

UCA policies established many years ago and built upon since that time support the resourcing of mission in our Church by recognising the common wealth element of real property in our Church. Primarily coming from the work of the (now no longer) Board of Mission and Resourcing (BOMAR), our Property Sales Proceeds (**PSP**) policies set out how proceeds of sale are shared with the Wider Church according to a prescribed formula. These policies see some of all real property sale proceeds going toward a range of missional activities, with the allocation of monies generally being performed in the form of grants across specific activities and areas of the UCA's missional programs, the Victorian and Tasmanian Congresses and the congregational network.

This historical approach is capital consumptive – that is, it uses capital, which once spent, cannot be used to support further mission and activity of the church.

In contrast, the MFMF is structured around the central premise of our Synod resourcing our mission from the earnings generated by invested capital, which is then able to sustain mission on a recurring basis, and also allowing by its continuing nature, greater flexibility and capability to meet the needs of the evolving future mission “of the day”.

What is in this information sheet?

This information sheet sets out:

- ▶ the current PSP sharing approach for sales proceeds
- ▶ by comparison explains how the MFMF approaches sharing and
- ▶ describes how the sharing approaches are used to set investment unit apportionment between a Responsible Body and the Wider Church
- ▶ gives information around how the MFMF program can consider requests for LIP deductions that might be made by church bodies considering the sale of surplus to mission property and investing sales proceeds in the MFMF



MONEY FOR MISSION PROGRAM

Issue Date: 31 July 2021 - Page 2/4

Sharing under PSP Policies

PSP sharing is applied to the net proceeds of sale. This means that what we receive at settlement from the purchaser, has the costs of sale taken off (such as legal costs and fees) leaving a net sum. PSP policies generally provide for a Local Initiative Proceeds (LIP) of up to \$30,000 to be taken directly from the net sales proceeds by the selling Responsible Body before any sharing is performed.

Once the net sales proceeds are known, the sharing proportions are determined by the following formula:

For Net Sales proceeds:

between \$0 and \$200,000	10% is shared with the Wider Church
between \$200,001 and \$2 million	40% is shared with the Wider Church
between \$2,000,001 and \$4 million	60% is shared with the Wider Church, and
for amounts over \$4 million	80% is shared with the Wider Church

Some worked examples, to show how the formula works are:

Net Sales proceeds	Wider Church Share	Responsible Body Share
\$150,000	10% of \$150,000 = \$15,000	\$150,000 – 15,000 = \$135,000
\$350,000	10% of \$200,000 plus 40% of \$150,000 = (\$20,000 + \$60,000) = \$80,000	\$350,000 – \$80,000 = \$270,000
\$2,750,000	10% of \$200,000 plus 40% of \$1,800,000 plus 60% of 750,000 = \$20,000 + \$720,000 + \$450,000 = \$1,190,000	\$2,750,000 - \$1,190,000 = \$1,560,000
\$5,000,000	10% of \$200,000 plus 40% of \$1,800,000 plus 60% of \$2,000,000 plus 80% of \$1,000,000 = \$20,000 + \$720,000 + \$1,200,000 + \$800,000 = \$2,740,000	\$5,000,000 – \$2,740,000 = \$2,260,000

As can be seen, PSP sharing works on a sliding scale, and is not a fixed percentage. This has been the case since around 2011. Changes to the PSP sharing scales must be approved by Standing Committee or the full Synod, with the most recent changes in 2018 being a result of the Major Strategic Review.



MONEY FOR MISSION PROGRAM

Issue Date: 31 July 2021 - Page 3/4

Sharing under the MFMF Program

Sharing is calculated in the MFMF to determine the proportion or percentage of units to be allocated to the Responsible Body and the Wider Church at the time of investment, as this is needed to establish longer term entitlement to the income generated from the invested funds represented by the units.

This sharing may be calculated in one of two ways:

1. For Residential Rental Property net sales proceeds, the traditional PSP scales are used, as described above, to work out the percentage of issued units allocated between the Responsible Body and the Wider Church; *and*
2. For other property net sales proceeds, sharing is calculated by reference to the income generated from the invested funds, rather than the actual capital funds invested.

Why are there two ways?

In establishing the MFMF program we wanted to make it more appealing to invest sales proceeds in the MFMF program compared to the PSP approach.

For residential sales this is achieved by:

- a) underwriting the net rental presently received;
- b) allowing income to be used for any purpose, missional or otherwise;
- c) allowing for a “premium” to be given over the present yield or percentage return, subject to caps; *and*
- d) calculating the future returns (or yield) on the full amount of the invested sales proceeds, and not just a lower “after-sharing” amount

In the case of sales proceeds that come from non-residential property sales this is accomplished via:

- a) a slightly higher rate of return than would be available by investment of after-sharing sales proceeds in an Interest Only Mission Fund
- b) recognising the disparity in property values between regional/rural and metropolitan areas and to ensure that for all sales values the MFMF is more appealing, a reduction in the income sharing at lower sales values, giving more to Responsible Bodies at these levels, while increasing slightly the sharing at the middle tier level; *and*
- c) allowing income to be used for any purpose, missional or otherwise.

The property value scales used to share the income generated, and from this calculation, to apportion the units of invested capital between Responsible Body and the Wider Church are:

between \$0 and \$200,000	5% (not 10%) sharing of income is applied
between \$200,001 and \$2 million	45% (not 40%) sharing of income is applied
between \$2,000,001 and \$4 million	60% sharing of income is applied, and
for amounts over \$4 million	80% sharing of income is applied.

The resultant income sharing split between Responsible Body and Wider Church is then used to calculate the unit allocations at the time of investment of the sales proceeds.



MONEY FOR MISSION PROGRAM

Issue Date: 31 July 2021 - Page 4/4

What offsets (including LIP requests) can be made against Sales proceeds?

UCA policy and practice recognise those costs that may be allowable as offsets against gross sale proceeds before sharing is applied.

In general, true costs of sale are allowable, and include legal costs, agent fees, in some cases, Property Services or development fees or charges, and the costs of subdivision and with pre-approval, sometimes specific preparation for sale costs are deductible.

Normal repair costs (structural or otherwise) and the usual costs of ownership - gardening, rates, land tax etc - **are not** allowable offsets or recoveries against sale proceeds.

The UCA has a PSP policy relating to an ability for a Responsible Body to apply to take what is called a Local Initiative Payment (commonly called a **LIP**) from sales proceeds prior to sharing. The LIP was introduced to recognise that many smaller congregations have need for cash flow funding to stay afloat on a day-to-day basis, and that mandating investment of all funds in an income producing after-sharing investment account placed financial pressure upon such congregations. Further considerations included it being an incentive to sell, an avenue to income replacement, to assist further feasibility studies or to undertake other capital or non-capital initiatives.

LIP requests do not require the money to be spent on any missional application whereas historically, investment of net sales proceeds in an IOMF do require that income is spent on missional projects or activities.

The MFMF Program provides benefit in both financial return and use of funds flexibility and for these reasons, the broad approach is that the program does not support LIP Payments, as stated in the MFMF Program Booklet in FAQ 37.

The MFM Terms of Reference do allow for consideration of requests for flexibility of approach e.g. in trading off return rates for unit entitlements as described in the MFMF Program Booklet FAQ 15. Any proposal for treatment of sale proceeds by provision of a LIP or another structure will be assessed on its merits and the benefits of arrangements to the whole of church as well as any individual Responsible Body. In the first instance, contact your Presbytery Property Committee for any request of this type, who will then confer with Property Services.

In practice, and when supported by presbytery, especially in the case of rural and regional congregational properties, the governing bodies that consider sale approval requests for MFMF Program properties are able to consider LIP requests on merit.

Contacts

Your Presbytery Minister

Peter Thomas - 0410 487 373
peter.thomas@victas.uca.org.au

Steve Abonyi

Steve.Abonyi@victas.uca.org.au
Siobhan Reed
Siobhan.Reed@victas.uca.org.au