MONEY FOR MISSION PROGRAM

A great option for income generation for congregations, presbyteries and Synod

Uniting Church in Australia
SYNOD OF VICTORIA AND TASMANIA

All investments carry risks. Past performance is not necessarily indicative of future performance.

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The Uniting Church in Australia Synod of Victoria and Tasmania acknowledges the Australian Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the traditional custodians of the lands on which our Organisation is located and where we conduct our business. We pay our respects to ancestors and Elders, past and present. The Uniting Church in Australia Synod of Victoria and Tasmania is committed to honouring Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

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ABOUT THIS PAPER

Following the July 2019 meeting of the Synod of Victoria and Tasmania, a steering committee was established to explore further possible ways ahead for sustaining mission and ministry in the Uniting Church in Australia. The committee included participants from three presbyteries: Port Phillip East, Yarra Yarra and Port Phillip West, along with four Synod staff from the equipping Leadership for Mission Unit (eLM) and the Mission Resourcing Unit (MRU). What you are about to read comes from work done by the Money for Mission Steering Committee, in consultation with representatives of each of the presbyteries in the Synod of Victoria and Tasmania.

This information booklet proposes a new approach to releasing and using the value inherent in surplus to mission or residential property that could make a significant impact on long-lasting missional sustainability for the Uniting Church in Australia throughout the Synod of Victoria and Tasmania. The approach is invitational to congregations and other Responsible Bodies to consider the benefits of a program that reduces stress, ensures sustainable income streams to support mission initiatives, and benefits the wider church at the same time.

The initial invitation is for congregations and other Responsible Bodies to consider property assets excess to the mission of the Responsible Body. This may include: past manses, excess land, shops, etc. The proposed program offers an alternative to the expensive tasks carried by landlords, spending time and resources on rental arrangements, maintenance and rates.

As you read through this paper, consider the opportunities in mission and ministry that can be sustained through the development of a long-term investment portfolio that resources rather than distracts local Churches from their core ministries.

The proposed approach offers what the Steering Committee believes to be an attractive option of selling excess properties and investing the net sales proceeds in a mix of U Ethical's Australian equities and enhanced cash investment products that aim to provide an attractive rate of return. The benefits will be shared with the Responsible Body selling the property, undertaking to provide equivalent returns to those being gained through rental income.

The U Ethical investment products will also be aiming to provide a sustainable source of income for the wider Church, including long term sustainability for funding of presbytery ministry and mission projects across Victoria and Tasmania. (Note: the term "Responsible Body" used in this paper replaces the term used in previous years, "Beneficial User").

The more the Church comes together in this project, the more the Synod's capacity for sustaining our partnership in God's mission will grow.

The "Fund" and Investment Risk

In this document the word "Fund" is used in a general sense to describe the pool of money that is proposed to be invested in a range of U Ethical investment products, including Australian equities and enhanced cash investments. "Fund" does not imply any specific entity in this document. As with many investment types, the U Ethical Investment products can and do go up and down in value. Past performance is not necessarily indicative of future performance. Congregations and other bodies of the UCA considering investing in this manner are encouraged to take independent advice as to whether to participate in the Fund.

Any investment made in the fund **may not be redeemed or withdrawn** any earlier than 7 years after the date of investment.

Members of the Mission Sustainability
Steering Committee June 2020

TIME FOR CHANGE?

It helps in framing thought and discussion in this area to understand the background to why the Church in this Synod might consider transitioning property to different uses from time to time in the life of the Church. Just as the mission of a congregation can change and evolve over time to meet the needs of the day, so do the needs and situation of the wider Church as a whole change.

This Synod has long used the common wealth of the Church to provide resource and benefit to our congregations, and in serving missional activities. Just as the Church at the time of Union is different to today, so are our needs and capabilities. Our mission is evolving to adjust to the world of today and tomorrow, whilst at the same time traditional pathways to resourcing and sustaining mission are becoming more challenging. Our numbers are fewer, our properties are becoming maintenance-intensive, and the world in which we live is ever more constrained and guided by government regulation and changing laws that lead to rising costs. In our current context the weekly offerings of members to the work of the Church are often no longer enough to sustain the local Church's mission. Many things we used to do ourselves must now be done in different ways; commonly by others who more often than not send us a bill for the work done.

We are indeed fortunate that our Synod holds significant property holdings as part of the common wealth of the UCA in Victoria and Tasmania. We are beholden from time to time to reflect upon our needs and consider how our assets are used in order to exercise wise stewardship in the use (and maybe the re-use) of these assets. For example, a residential property previously used as a manse, no longer needed by the congregation is not the asset class that serves the Church best. It is recognized that a congregation may seek to keep a manse, not currently occupied by a ministry agent, so as to enable a future ministry agent to live in the manse.

This proposed approach is not suggesting or encouraging congregations with a vital ministry future to divest themselves of their capacity to house a ministry agent into the future. The program is encouraging congregations with property surplus to projected missional needs to consider exploring this option.

RETHINKING THE MANSE

One form of property asset we know well is the manse. For decades, manses have been bought, built or rented to support our ministry agents as they move from placement to placement. We have a commitment, wherever possible, for ministers to live close to the people they're called to serve alongside.

Over the last few years we've seen a decrease in the number of manses being occupied by ministers. In many cases ministry agents have been acquiring their own homes. Some congregations have joined together to share a ministry agent and therefore have had extra manses.

At the same time, we have also seen manses slowly sold off for a range of reasons. In some cases, congregations or other Responsible Bodies have used the property sales proceeds to invest in redevelopment of church buildings or in the purchase of newer manses.

The UCA Property Trusts in Victoria and Tasmania hold on behalf of the UCA around 380 manse properties. Of these around 152 (40%) are occupied by ministers, whilst the balance (228 or 60%) are generally rented to the residential market, sometimes at less than market rents for missional reasons, but generally for purely rental income reasons. We are aware that some manses are being used by congregations as spaces for administration, education and outreach.

Rental income from these properties has often been used to subsidise ministry costs or on occasion the development or sustainability of missional projects.

The net return figures do not account for the effects of depreciation and ongoing need for building upgrades.

The Steering Committee is aware of many situations where maintenance on residential properties is being deferred, often because of the lack of available funds and people to oversee a maintenance program. The Responsible Bodies must repair and maintain these properties, ensure they are suitable for rent and compliant with legal ownership obligations (occupational health and safety and essential safety measures relating to emergencies such as fire). Responsible Bodies must also observe governance and approval processes around leasing and re-letting of these properties, and generally forsake part of rental income (typically 5-8%) to real estate agents for "management" of the properties.

When renting on the commercial market, congregations are subject to increased rates, and, in some cases, land tax. Congregations need to set aside a percentage of return for maintenance of property.

Offsetting this is the reality that, as owners of property, the UCA in general may benefit from the long-term appreciation in land values. Sometimes this appreciation offsets the devaluation of improvements, but not always.

While there is a significant income generated from these residential properties, the rate of return is rarely one that compares favourably with other rates of income generation. The Synod recently changed its investment strategy to one that aims to deliver an income yield of approximately 4.0% pa, as well as some capital growth. It is important to note that returns are subject to market conditions, investments can go up and down, and past performance is not necessarily indicative of future performance. Most residential properties are providing net returns well below this level. Investigations show that **average rental net returns** (after all costs) are low: 1.44% p.a. in metropolitan areas, and 1.65% p.a. in regional areas, with occasional returns at higher levels, sometimes reflective of low spend on maintenance.

Residential rental income is typically not shared with the wider Church. While congregations fairly benefit from their property portfolios, it would be even more desirable if we had an approach that generated resources that sustain mission and ministry, for the congregation **and** across the Church.

HOW DO WE GET A HIGHER RETURN?

The proposed approach invites congregations, presbyteries and other Responsible Bodies to sell excess properties and invest the property sales proceeds in a shared fund designed to generate a rate of return over the long-term greater than may otherwise be possible from rental income. It could be worth considering subdivision and/or development of the property prior to sale.

Some of the cash flow generated from the capital can be returned to the congregation to be spent at the discretion of the Responsible Body.

The following table outlines examples of investing property sales proceeds from residential properties in the shared Fund. The notable differential return between metro and regional examples simply highlights the importance of developing sustainable resourcing of future mission on an even basis across the whole of the Uniting Church in Victoria and Tasmania.

The proposed approach allows this to be achieved without diminishing the current returns from these property sales proceeds being provided to the Responsible Body – whether a congregation, presbytery or other entity.

Additional income generated could be made available for:

- A return to congregations or other Responsible Bodies, at least at the current net rental level
- Funding of specific presbytery resourcing or other programs and church activities e.g Presbytery block grants, Presbytery and/or eLM Ministers
- Assembly contributions
- Synod Missional funding
- Wider Missional grants
- Congress

Residential Rental Property Sale Examples	Metro Example	Regional Town Example
Assumed Property Value	$1,400,000	$400,000
Current Net rental return (average) based on survey data as at 1 June 2020 #	1.44%	1.65%
Current Net annual rental return to congregation/ Responsible Body	**$20,160**	**$6,600**
Net Sales Proceeds after all costs of sale	$1,370,000	$380,000
Estimated Income Yield assuming 4%p.a. *	$54,800	$15,200
Proposed return to Congregation would be (calculated at 2% Metro and 2.5% Regional)	**$27,400**	**$9,500**
***Incremental* benefit to Responsible Body/Congregation over Average return**	**$7,240**	**$2,900**
***Additional* annual income earmarked for wider Church mission**	**$27,400**	**$5,700**

Net return includes rental received less all property outgoings.
* Subject to market conditions, investments can and do go up and down, past performance is not necessarily indicative of future performance.

CRITICAL COMMITMENTS

The release of value from the property sale will be:

- Consistent with UCA conciliar structures and processes and respectful of each Council's responsibilities and roles.
- Sensitive to and aware of the needs of the present Responsible Bodies.
- Seen as a logical and appealing transition in the use of common wealth property.
- A conscious and clear choice of the relevant Responsible Body.
- Fair in its approach and openly incorporate sharing of any enhanced benefits of income above that presently being received.
- Seen as transparent and understandable by congregations and presbyteries.
- Structured to allow future benefit to presbytery and support their oversight role and responsibility in a sustainable manner.
- Allowing for the wider church to benefit from targeted income returns higher than presently gained from rental net income
- Allowing for an element of capital growth to be maintained (eg aiming to maintain a parallel to the benefits of real property ownership).
- Providing a simpler and less demanding income stream to Responsible Bodies (meaning that we will aim to provide a higher return for less effort and far more simplicity compared to running a rental property portfolio).
- Able to return an income stream that remains flexible in use and nature in the hands of the recipient – compared to an Interest Only Mission Fund type investment of capital sales proceeds, where earned interest income is restricted in its application.

The Fund may need to allow for a Responsible Body that sells a property yet hopes at some point in the future to reinvest in a manse. Policies will need to be set for such an event, taking into account the income already generated over time, and possibly the need to establish time limitations.

HOW WOULD A RESPONSIBLE BODY PARTICIPATE?

If a Responsible Body wants to participate, it conveys this decision to Presbytery who will review the strategic implications of the property sale, supported by Synod Property Services.

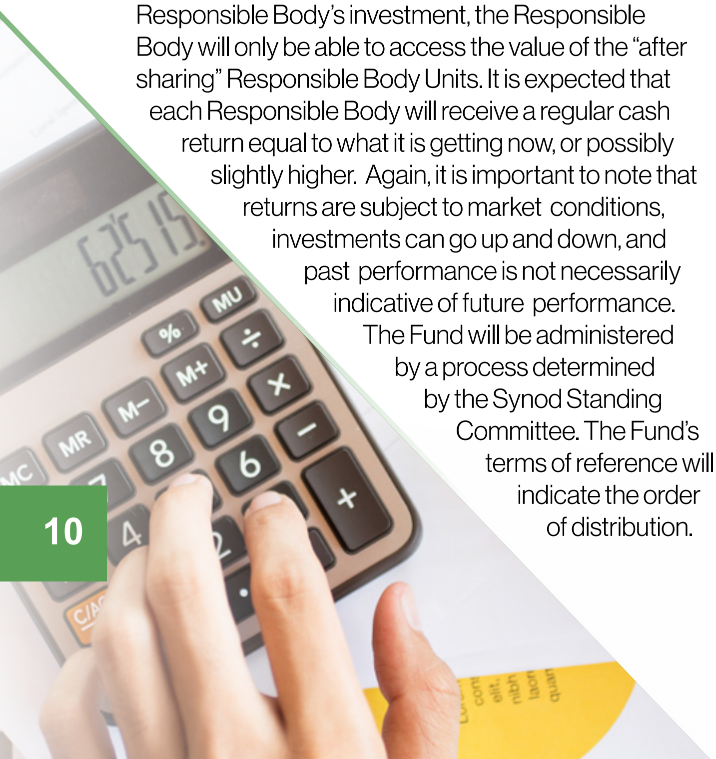
Assuming there is no "higher value" path identified (e.g. preferred development or need for a planning approval process on the property in question):

- The relevant property is sold
- Total proceeds (after selling costs) go into the Fund

Each Responsible Body will receive units in the Fund so that its investment balance is always known. Units in the investment program will represent a proportionate interest in investment products operated by U Ethical, in a similar manner to Interest Only Mission Funds (IOMFs).

Two types of units will be issued being Responsible Body Units, and Wider Church Units. The first type represents the "after sharing" proportion of the net proceeds of sale; the second represents the amount that would have been shared with the wider church. These amounts and the proportion allocated to each type of unit is calculated by applying the current PSP sharing tiers to the net sales proceeds amount – just as happens in a sale under the current UCA Property Sales Proceeds sharing policies.

All units will be rounded to the nearest whole unit in favour of the Responsible Body Units. Distributions from each type of unit will go to the Responsible Body in accordance with the minimum return established for the relevant property, but upon withdrawal of the Responsible Body's investment, the Responsible Body will only be able to access the value of the "after sharing" Responsible Body Units. It is expected that each Responsible Body will receive a regular cash return equal to what it is getting now, or possibly slightly higher. Again, it is important to note that returns are subject to market conditions, investments can go up and down, and past performance is not necessarily indicative of future performance. The Fund will be administered by a process determined by the Synod Standing Committee. The Fund's terms of reference will indicate the order of distribution.



The suggested order would be

1. The Congregation's (or other Responsible Body's) property income replacement
2. Presbytery funding lines pre-defined in terms of reference
3. Assembly
4. Synod Missional Funding
5. Wider Church Missional grants
6. Congress

A Responsible Body will not receive distributions of any capital gains but if they were realised, would receive them upon the redemption of its units. U Ethical, as the manager of the funds in which investments will be made invest with both income and capital growth as targeted outcomes and over the longer term it is reasonable to expect that capital growth will be realised as an outcome of the investment strategy and approach. However, it should be understood that investments can and do go up and down, and past performance is not necessarily indicative of future performance.

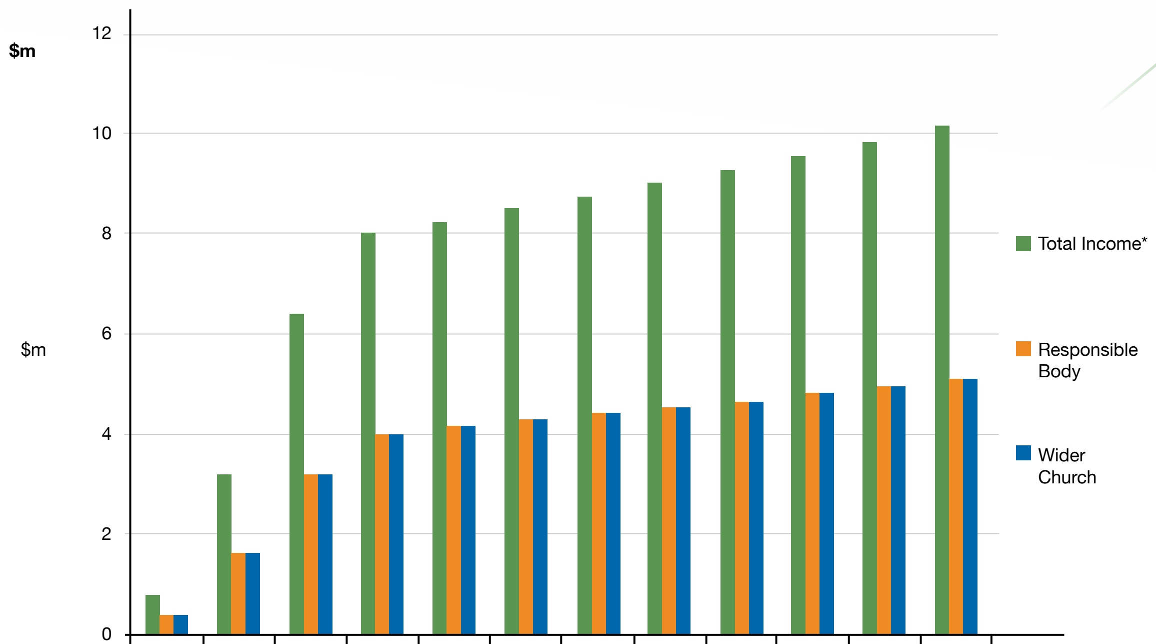
Consistent with the Money for Mission Fund's long-term focus, if a congregation or other Responsible Body is dissolved, its entire balance will remain in the Fund, thenceforth contributing to wider church mission resourcing for future generations. The Policy of the Money for Mission Fund will also provide for the re-investment of surplus distributed income after servicing the purposes of the Fund in acquiring further units to accelerate the growth of the invested capital base.

If a congregation consolidates with another congregation, the congregation's income flow from the Fund can be redirected to the newly consolidated/ amalgamated congregation, or voluntarily relinquished if that be the desire of the Responsible Body.

The reason income from the Fund does not go directly to the presbyteries for distribution is so the distribution process (determined by Standing Committee) can ensure the right projects and congregations get equal access to the pool of funds that is the **common wealth of the UCA. Less wealthy presbyteries are not disadvantaged. This is similar to the purpose of the prior BOMAR body.** Once a sufficient buffer and funding scale is established, grants could be more flexible in a timing sense, and be accessible year – round, not just annually as is the case now.

If a congregation or other Responsible Body wants to spend any capital from its Responsible Body Units held, they are able to do so **provided at least 7 years have passed since investment**. Wider Church sharing will

Theoretical Fund Distribution Income and Recipients



($m)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Value in Fund	$20	$81	$162	$202	$208	$214	$221	$227	$234	$241	$248	$256
# Manses	23	93	184	228	228	228	228	228	228	228	228	228

***Assumptions and Notes:**

(1) All manses not occupied by ministers are sold over 5 years.

(2) Distributed income is 4%, balance of earning are reinvested.

(3) Please refer to Frequently Asked Question 12 for a further explanation of distributions.

(4) It is important to note that returns are subject to market conditions, investments can go up and down, and past performance is not necessarily indicative of future performance.

(5) The chart only models sales proceeds based on manse sales, but the sale proceeds of any property could included.

(6) Income returned to Responsible Bodies are assumed at 2% of investment for simplicity.

be effected at this time by the Wider Church becoming entitled to receive income from all Wider Church Units from the date that redemption of some or all Responsible Body Units occurs. Capital projects would need to go through standard processes of approval.

One of the aims of the Fund is to retain the ability to support future capital projects. This might be through using portfolio income to support the servicing of principal and interest loans used to fund capital projects or via the use of capital funds released by redemption of Responsible Body Units. However, it's important to recognise that covering the entire cost of a loan will be challenging should interest rates rise from the current very low levels. This will allow the Fund to continue to grow and support the long-term sustainability of the entire Church. The simple graph above shows a total return and different streams of "who gets what" if sales proceeds on a progressive basis were invested in a mix of U Ethical's Australian equities and enhanced cash investment products at the ratio of 90% and 10% respectively, and subject to market conditions as has been noted several times in this document The model that produced the chart above assumed the sale of all residential properties surplus to mission in metro and regional areas over 4 years (2020-2023), with full participation and average sale prices of $1.4m (metro) and $0.4m (regional).

The table shows the potential of this proposed program – however it is well understood that participation will be less than 100% and that in regional areas there are specific factors that could well prevent the sale of some of the regional residential properties. Equally, the table does not factor in any investment of funds arising from the sale of properties other than manses.

U Ethical Fact Sheet

U Ethical have prepared a Fact Sheet on the proposed Money for Mission Fund. **This is provided as an insert to this information booklet and gives some detail on the features,** investment approach and the anticipated allocations to Australian equities and enhanced cash which would support the investment returns from any sales proceeds invested in the Fund.

FREQUENTLY ASKED QUESTIONS

Overall, why is a new program and approach necessary?

For almost two decades the UCA has adopted an approach of using Property Sales Proceeds (PSP) to fund activity in the church.

This has been effected by using PSP to fund the creation of grant pools by which different activity in the church has been resourced – Heritage works, Capital Grants and Congress for example. At times, Synod operations have also been funded directly by use of sales proceeds, or on rare occasions, by interest generated upon invested sales proceeds. Use of capital from sales proceeds by consumption is unwise stewardship of the common wealth assets of the UCA.

To be soundly financial and thence be able to resource mission of the UCA in the future, be that at presbytery, congregational or grant level, we must become capable of funding our needs from income gained from invested capital rather than continually consuming capital. Like the farmer, who sells off the far paddock, then the near one, and eventually the homestead, continually consuming capital funds is a path that has only one ending.

We have time and assets presently that give us the opportunity to leave a lasting and positive legacy for ourselves, the church and our successors.

1. Do we have to sell our manse/manses/other property?

No.

2. Who decides to participate?

The Council of the church entity that is the Responsible Body for the property – typically the Church Council, in consultation with the Presbytery.

3. What do we get to replace rent?

A replacement income at least equivalent to the net after costs annual rental income received presently. This income would be paid 6 monthly. There would be no constraints on the use of this income. See also Q 13.

4. How do you calculate the net rental return on an existing rental property?

The net rental return is the amount of rental received for the property LESS the following costs:

- **a)** Rental fees from a managing agent
- **b)** Book-keeping charges relating to the rental property
- **c)** Council Rates
- **d)** Water Rates
- **e)** Land Tax (if levied)
- **f)** Repair and replacement costs
- **g)** The greater of actual maintenance spend or 15% of rental (noting the Synod Standing Committee resolution that a minimum 15% of rental be put aside for longer term maintenance)
- **h)** An annual amount representing an amortization over 2 years of items not repaired on the property but requiring repair at the present time
- **i)** Any other costs incurred directly in relation to the rental property.

The current net rental return as a percentage (or net yield) is calculated by dividing the net rental return by the gross sales proceeds received for the property. This is the net rental rate used for underwriting and "boost" return purposes (refer FAQ's 10 and 14).

5. Are there any other charges we have to pay?

No. No maintenance, no land tax, no rates, no agent fees.

6. What if we want to build something – and no longer have a manse to sell to fund these works?

There might be two ways:

6.1 A "withdrawal" of some or all of the after sharing sales proceeds from the original sale – which will be the amount that you would have received after sharing if the sale price had been treated as property sales proceeds.

6.2 Income received from the invested sales proceeds can be used to support a loan for such purposes.

A minimum term of 7 years after investment is required before any investment can be redeemed, which will be a condition of investment. This will allow time for the investment to grow and will moderate the impact of any short-medium term capital volatility.

7. Who will manage the allocation of distributions from the fund?

The Fund's investments will be managed by U Ethical.

The Fund's terms of reference and charter will indicate (as determined by the Synod Standing Committee) the application of distributions (earnings) of the Fund.

8. Do we have to take an income to replace rent? Can we sell any property and dedicate proceeds to this fund as our legacy to the church?

It is not mandatory to take income from current or historic sales proceeds invested in the Fund. It is intended that sale of property other than residential properties will allow any sales proceeds to be invested in this manner.

9. Owning a manse gives us the benefit of capital appreciation. How could we still benefit from this if we sell?

For those who agree to sell a property and participate, the proposed approach targets both an increase in the net income available to a Responsible Body, as well as investing and managing the Fund with future capital growth in mind through the mandate provided to U Ethical as managers of the Fund. Any capital growth would be reflected in the value of investment units.

10. How much income do we get if we sell our residential property?

It is expected that as a minimum you will receive the same return as present rental rates provide after your current deductions and costs including maintenance are offset against this rental income.

For residentially rented properties that are sold with net sales proceeds invested in the Fund, a "boost" in income over the present net rental return (i.e. the net rental yield as a percentage) that was being received prior to sale will be provided as follows:

- for metropolitan properties, an additional 0.5% p.a. of the total invested funds will be paid, subject to a cap on the total return to the Responsible Body of 2.25%
- for Regional/Rural properties, an additional 0.75% p.a. of the total invested funds will be paid, subject to a cap on the total return to the Responsible Body of 2.5%

This income will be derived from units in the Fund – the larger the property sale proceeds, the more units you will be issued, and the more income you may receive.

11. Does this go on forever?

It is anticipated that for as long as the entity that sold the property exists and the investment strategy continues to support the estimated returns, the income stream will be paid

12. Where does the income go if the Responsible Body that sold the property ceases to exist?

Capital funds will be retained in the Fund, and future income generated will contribute to the funding of Presbyteries and other needs such as further missional activities.

13. How are earnings going to be distributed?

The priority order for the allocation of Fund distributions will look like:

- **a)** The Responsible Body
- **b)** Presbytery funding
- **c)** Assembly
- **d)** Synod Missional funding
- **e)** Wider Church Missional grants
- **f)** Congress

14. Is this guaranteed income?

Income, capital and total investment returns can never be guaranteed. It is likely that over time the capital value of investments will fluctuate as will portfolio income. However, the proposed approach will underwrite a return to the Responsible Body that sells a property and invests in units in the Fund.

This underwrite will be no less than the net return being received by the Responsible Body on the property prior to sale after all costs of that property are accounted for against gross rental income. It must be noted that in order to protect the long-term capital of the fund, the underwrite:

- **a)** only applies to the net rental return for the specific Responsible Body's residential rental property calculated against the gross sales proceeds from that property;
- **b)** does not apply to the income "boost" amount referred to in FAQ 10;
- **c)** is always subject to the Fund being able to support any such payment from the distributed income of the Fund; and
- **d)** does not require the Fund to sell units in order to meet the underwrite

15. Can we choose to receive a higher return in exchange for letting go of any right to the capital sales proceeds?

Maybe – if there is demand for this flexibility then it could be accommodated. For example, a Responsible Body might see advantage in a higher return for a fixed and quite short period e.g. 2 to 3 years, on the basis it is willing to forego future income or rights to units. Within limited bounds and return expectations, it is possible this could be accommodated in some situations, but it **should not** be assumed.

Any request of this nature would need to be well supported and explained, and would be considered on its merits

16. Can we choose to take a lesser return than we presently receive?

Yes, generosity is welcomed, always; see 7 above. Doing this will provide more for others and Church mission.

17. How do we elect to participate?

Pass a resolution at a Church Council meeting and advise the Presbytery of the details of the property to be sold. Presbytery (if supportive) will advise Property Services of the joint desire to add the sales proceeds of this property to the Fund. Property Services will assess any value-add development potential and further engage with Presbytery / Congregation if a significant value uplift is considered possible.

Property Services will otherwise facilitate a disposal of the property following a governance process to formalise the relevant Trust's consent to sale.

18. Who benefits from this program?

1. Congregations (or other Responsible Bodies) selling a property
    - Receiving the same or more income as presently received, remembering always that the Fund income is subject to market conditions, is projected and not certain (other than as outlined in Q 13), and that past performance is not necessarily indicative of future performance.
    - Being completely free of any property ownership related responsibilities post sale;
    - Depending on needs, retaining an ability to receive After sharing capital proceeds of sale at a point in time.
2. Presbytery – via funding being provided from the property sales proceeds investment returns
3. Property Services/UCA Legal – (maybe) via a sales co-commission, project management or legal transaction support fees
4. Wider Church – by a greater income generation than that of the present, enlarging the pie such that more parts of the church including Presbytery might benefit from this resource, and thence sustaining mission of the UCA.
5. U Ethical – via investment management fees, which support its annual grant to the Church.

19. What if we don't want to participate?

There is no obligation to participate however the program is designed to be beneficial to those who choose to participate. If you choose not to participate then you will remain the Responsible Body for the relevant property, and also remain responsible for the property upkeep, legal compliance, property charges and any landlord obligations and exposures.

21. What can we use the income we receive from the Fund for?

You can use the income to support the ministry and mission of the Uniting Church.

22. How may presbyteries benefit?

Presbyteries can receive funding for their activities from the Fund that they might use for any purpose. It is intended that this income may replace some or all of the present funding from Synod, with presbyteries being given greater individual discretion over how and where to spend this income.

23. What about wider church sharing?

Net Sales proceeds invested in this program will be not be shared at the time of investment in the Fund. Sharing in the longer term is reflected in the allocation of two types of units as set out in this booklet in the section headed "How would a Responsible Body Participate?".

Capital entitlement sharing is activated by certain trigger events, such as a withdrawal of some or all Responsible Body Units, dissolution of a Responsible Body, or the passing of time in relation to Manse for Manse treatment (see also FAQ 25).

Revenue sharing is effected by the use of income over that returned to the Responsible Body for wider Church resourcing as set out in FAQ 13.

This is because the invested funds are to generate an income that will resource mission and in time specific grant activity associated with mission proposals. Once established, the Fund will be capable of generating surplus income which will be able to be directed to missional resourcing and allocated by a committee representing a range of councils of the church.

24. We already have some (historical) property sales proceeds. Can we place this into the Fund?

Yes, but it should be noted that depending on your present investment rate of return, the same degree of improvement compared to net residential returns may not be experienced.

25. Does the Manse for Manse exemption still apply?

If a manse was sold and the sale proceeds invested in the Fund, Units of two types as explained in "How would a Responsible Body Participate?" in this booklet would be issued. There would be a window during which units of both types could be redeemed for the purpose of a manse purchase in the future.

The window for Manse related redemption would be from 7 to 10 years, after which there would be no opportunity to redeem the Wider Church Units. Responsible Body Units could be redeemed after 7 years for an approved missional project.

26. Are there restrictions on redemption of Responsible Body Units?

As with Property Sale Proceeds (PSP), which are required to be invested in capital projects of missional foundation (or otherwise placed into an IOMF with 5 yearly reviews), similar criteria would apply to a request to redeem Responsible Body units for capital works funding.

A request of this type would be subject to the relevant missional discernment and governance processes of the UCA e.g Church Council, Presbytery and Synod approvals would be necessary in the case of a congregational Responsible Body requesting unit redemption, as is the present case for retained PSP.

Upon redemption of some or all of a Responsible Body's Responsible Body Units, any associated Wider Church Units would cease to pay a return to the relevant Responsible Body with future income from these units contributing to resources to support the other recipients of fund distributions as set out in Q 13.

Funds invested will not be able to redeemed until at least 7 years after the date of investment.

27. If we redeem some or all of our Responsible Body Units, what happens to our Income from the investment?

If you sell some or all of your Responsible Body Units after the minimum investment period of 7 years, your income will change as follows:

a) For **Responsible Body** Units – income will reduce proportionate to the number of units sold from the original total held, to zero if all units are sold; and

b) For **Wider Church** Units – from the **first sale of some or all** of the Responsible Body Units held, the Responsible Body **will cease receiving income from the Wider Church Units**, with that income thenceforth being for the benefit of the Wider Church missional activity resourced by the Fund. This approach is equitable in that it reflects:

- **i)** the advantage provided to the Responsible Body by the income over the period prior to sale of some or all Responsible Body Units being calculated against the full pre-sharing sale proceeds, and
- **ii)** the flexibility of use of any income received from investment in the Fund.

28. Can a Presbytery "pool" funds from sale of congregational property into units in the Fund to resource broader initiatives in regional areas?

The short answer is "Yes" – by agreement between the entities involved. The present Responsible Body(ies) would need to transfer Responsible Body status to the Presbytery, which would then seek approval to sell the property(ies) and invest the net sale proceeds in the Fund with income directed to a specific purpose as agreed with the donor entities. If at a point in time there was a need for capital for missional works, there would be the opportunity to redeem Responsible Body units after 7 years, subject to relevant approvals and missional foundation for the works proposed.

29. Can we "roll-over" an existing IOMF into the Fund

Yes but with some restrictions. As an IOMF contains "post sharing" sale proceeds, only Responsible Body Units would be issued. However, as an IOMF requires review every five years, including Presbytery support for retention of the capital and uses of the income earned, a five year limitation would be placed on distributions from any funds "rolled over" to the Fund. For further income after a five year period to be received, approval for this would need to be sought as is the case currently for reinvestment of IOMFs that have "matured" at the five year mark. If a renewal was not approved by Presbytery and the other governance bodies of the UCA who consider IOMF renewals, the Responsible Body Units would be reclassified as Wider Church Units.

Once transferred into the Fund, Units from a roll-over IOMF investment would not be able to be redeemed any earlierthan 7 years from the initial investment, assuming that a renewal was approved at year 5. Any redemption of IOMF Units would be assessed on missional foundation and merit as is the case with use of IOMF capital and income today. Income from a rolled over IOMF investment would be benchmarked against and set to the rate of return from the traditionally invested IOMF's but would be able to be spent as the relevant Responsible Body decides.

30. How can I build without access to PSP in the first seven years?

Income could be used to support a loan for capital to fund construction works, or to support lease payments on rented property. In reality if a manse is sold that has not been occupied by a minister for an extended period, the need for a new manse is unlikely. It is more likely that a decision to sell and participate in this project should consider future capital project needs – as vacant manses or other "surplus" property have sometimes been seen as a source of capital for missional property projects.

As the Fund grows in scale the ability of distributions to fund missional activity in the wider church domain will increase significantly, which may provide some answer to this area of question. This is even more so when it is very likely that the contraction of our numbers and congregations will result in more vacant or unused property being disposed of and the proceeds invested in the Fund.

31. If we redeem units in the future at what value are the units redeemed?

Redemption would be at the value of Units on the date of withdrawal. The proposed investment approach will include actions and strategies intended to both generate distributable income as well as, over the medium to longer term, capital growth.

In the longer term, it is reasonable to expect that future Fund values will increase. However, as with many investment types, U Ethical's Investment products can and do go up and down in value. Past performance is not necessarily indicative of future performance.

32. After the Fund provides a return to the investing Responsible Body, who decides where further distributions are directed?

It is anticipated that the existing committees of the UCA (Ministry and Mission, and Property and Operations) would determine the recipients and quantum of funds that can be supported by the Fund distributions. This would include the areas listed on page 7 of this booklet in the section on "How do we get a higher return?". For wider church missional support, it is anticipated that an application process similar to the present Grants process would be undertaken to assist in balancing across all geographic areas of our church missional resourcing that is ultimately derived from the common wealth.

33. I thought this was only for (ex-) manses?

Manses not used for housing ministers have been an early focus as they represent "low hanging fruit". The Fund can accept sale proceeds from any property that is surplus to needs, or is no longer able to be supported or maintained by congregations or any other Responsible Body. See FAQ 35 also.

34. Can we still elect to have PSP treated as it is at present?

Current policies developed largely by the BOMAR body still exist and should a Responsible Body prefer to share Property Sales Proceeds in this manner it will still be possible. If the Fund proves successful it is likely that a policy change would be considered that might direct sale proceeds to the Fund.

35. What if we sell a property that has no income presently – what do we get paid?

This answer applies to non-residential rental properties. A Responsible Body may have property that is surplus to need or may become a more effective an asset to missional service via accessing the latent value in such a property. It is more often the case that the burden of maintaining the property – be it financial or physical – is simply becoming an ever-increasing challenge for the Responsible Body to meet their obligations in relation to the property.

The Fund is able provide a return to Responsible Bodies in such a situation if they converse upon their options internally and with Presbytery in the case of congregations, and subsequently decide to sell the property.

A property of this type may often not be generating a rental return, and as it is not a residential rental property, a different approach to establishing a return is necessary. This is based on a transparent and equitable formula that provides for an improved r return to the Responsible Body than that which would be available from investing post-sharing returns into an IOMF, while also providing more flexibility in use of the income earned than that available from IOMF returns, which must be missionally directed. This approach will allow invested sales proceeds to provide a positive return, able to reverse the negative returns inherent in a non-income producing property.

If a Responsible Body has no need for income from the property sale proceeds from the sale of such a property they may dedicate part or all of the investment returns to the Wider Church.

This approach may also be used to calculate a return rate for congregations with post-sharing cash from previous property sales that has not yet been invested in an IOMF.

The Money for Mission Program will provide a spreadsheet calculator and a ready reckoner table to assist Responsible Bodies to understand how income on sales proceeds originating from properties of this type is calculated, and the advantages of investing in the Money for Mission Program compared to other avenues such as the establishment of a post-sharing Interest Only Mission Fund.

36. PSP Related Questions

36.1 What about the existing PSP approach?

The current PSP approach will still be available to those Responsible Bodies who might wish to use it.

The beneficiaries of PSP funds would still continue to receive a share of sales proceeds as they do presently. Transition planning for activity within the PSP funding area has identified that sufficient funding exists within the PSP pools to meet present funding obligations. Further, there are other ways in which funding may be introduced to support PSP funded activity in a transition period.

Long term, the intent of the new approach and program is to replace capital based funding via the current PSP with income based funding of missional activity, thus creating a truly sustainable future resource for mission in the UCA.

36.2 Will the current PSP approach continue?

Yes, at least for the next 2-3 years. If successful, the new approach will provide funding on a recurrent basis for missional programs and grants presently funded through PSP.

36.3 What about the impact on PSP Funding of this new approach?

If the new approach is successful, the PSP funding pathway will dry up progressively – as indeed it is forecast to do in any event.

36.4 Can the UCA support for UAICC (Congress) be continued?

The present pooled funding for PSP can meet Congress needs for the current period of committed funding to 2022. If needed, additional funds can be made available to the PSP program and the Congress grant pool to meet this need in a transition period. Decisions on Congress funding lie with the Synod Standing Committee.

36.5 Why can't the UCA continue using the current PSP approach?

Remember, the primary intent of this new approach and program is to put the UCA in a position of resourcing its missional needs from recurrent income derived from the proceeds of sale – rather than continuing to consume capital by using the actual sale proceeds to fund our needs.

37. Can we take a LIP payment from the Sales proceeds before investment?

In limited circumstances a LIP payment may be available to Responsible Bodies looking to invest in the MFMF. If this is being considered it should be discussed in the first instance with your Presbytery.

Refer also the MFMF Sharing Information Sheet available on the UCA VicTas Website in the MFMF Resources section which provides more information on this topic.

The benefits of the MFMF that must also be remembered when considering a LIP are that the Responsible Body:

a) gets the benefit of earnings upon 100% of the invested funds for residential property sales, not just the "after sharing" amount;

b) has a high degree of flexibility in how the income earned is used; and

c) is intended to benefit from a return upon unvested residential sales proceeds greater than the net rental presently being received.

38. Does the current income sharing policy (i.e. a minimum 15%) apply to income a Responsible Body would receive from the Fund?

No. The present policy on income relates primarily to property development outcomes that create a property asset that generates rental income as opposed to sales proceeds.

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