



***Seventh-day Adventist Church (SPD) Limited***

**Effective Funds Management**  
**- Draft Proposal -**

**Version dated: 6 May 2009**



# **SOUTH PACIFIC DIVISION FUNDS MANAGEMENT PROPOSAL**

## **1. Introduction**

There is growing community need for non-profit organisations to improve their level of accountability and transparency in relation to the effective use of funds. This has recently been addressed by the Parliament of Australia through a Senate Enquiry into the disclosure regimes for charities and not-for-profit organisations. The Enquiry is examining current disclosure regimes and other measures to assist the not-for-profit sector to improve governance, standards, accountability and transparency. It is also noted in Sanitarium's Strategic Support 2008 Report that the, "Inability to provide employees and consumers with transparency and reporting on funding provided to the SDA church" is a current threat to their organisation. It is therefore important that the SPD consider developing a model of best practice for the management of its funds which will include aligning funds with clearly identifiable projects that have measurable outcomes.

The South Pacific Division (SPD) has been entrusted with various sources of funds and is responsible for deciding on the appropriate levels of disbursement to its Unions, Institutions and Departments. It is important that these funds are managed effectively to achieve the SPD's stated mission, goals and strategies and that this can be easily captured and reported to constituents and related entities.

The degree of effectiveness, in relation to the use of these funds, has often been considered to lie with the recipient. However current thinking in regards to effective grant management suggests that the effectiveness of the grant lies within the grant makers. It is therefore necessary for the SPD to consider developing an effective funds management process where funding is allocated to meet priorities and strategic objectives. This funds management process will include the development of a funding policy which will include an application process, monitoring and final reporting to measure a project's overall effectiveness.

## **2. Funds Management Principles**

- a.) SPD is responsible for how money is allocated and is to be used. SPD money should be used to achieve SPD strategies and objectives.
- b.) SPD need to develop a funds management or grant making policy and put in place a process of accountability and reporting/acquittal.
- c.) Deadlines should be put in place for funds allocated to projects ie. allocated funds for projects not started in 2 years, should revert back to SPD for reallocation.

### **3. Base and Special Appropriations – Unions**

Issues: The need for the SPD to manage funds effectively to achieve goals and strategies and to be able to provide meaningful reports on the use of these funds to constituents and related entities.

Recommendations:

- a.) *Minimise Base Appropriations to Unions.* Base Appropriations to be limited to the equivalent value of the remuneration and costs of the Union Officers that have been appointed by the SPD Executive Committee.
- b.) *Increase the level of project funding initiatives.* All additional funding above Base to be by way of application to the SPD for specific projects, (refer draft application form attached). This additional project funding could also be applied to the following types of projects:
  - i. Support of specific Union positions for a specific time
  - ii. Support of a local mission for a specific time
- c.) *Limit SPD project funding to projects \$50,000 and above.* Smaller projects are to be funded within the Union.
- d.) *Prioritise projects.* Unions are to submit a summary sheet of all the projects being applied for, which will include priority ranking of the projects and a project classification. Projects could be classified as follows:
  - N** – Nurture
  - O** – Outreach
  - F** – Field Support
  - PD** – Professional Development
  - C** – New Capital Works
  - R&M** – MaintenanceProjects are prioritised and selected based on clear criterion that has been developed in a grant making/funds management policy. Preference would be given to those projects that have been aligned with SPD strategies and goals.
- e.) *Adopt new terminology for Base and Special Appropriations.* Base Appropriations to be termed Officers’ Remuneration Funding/Grant or Appointed Officers’ Funding/Grant and for Special Appropriations to be simply termed Project Funding/Grants.

### **4. Accountability**

Accountability of funds is required at all levels of the organisation and it is particularly important for the SPD to be able to explain and promote to church members and donors how church funds are being used, so that they are able to understand and support the church. Currently large blocks of funding are distributed but little information is known as to what specifically was achieved by the use of these funds. The accountability of funds will be improved by aligning funds with specific activities or projects that can then be reported and promoted to constituents and donors.

## **5. Project Selection and Reporting**

### Recommendations:

- a.) *Develop an application form.* This will be important for gathering information to assist in project selection, (refer draft application form attached at [Appendix 1](#)).
- b.) *Develop a grant making/funds management policy.* This will be important for the selection of projects. Projects that are aligned with SPD strategies and objectives are to be given priority (refer draft sample budget attached at [Appendix 2](#) showing the strategic alignments).
- c.) *Develop a Reporting System.* May use similar basis to Global Mission (Strategic Measures Report and a Financial Report). The report should indicate how the objectives in the application have been achieved. Should a report not be submitted this would be seen as breaking the partnership agreement and any new project funding would not be considered until all outstanding projects had been successfully acquitted.
- d.) *Develop quarterly progress reporting for large projects.* Projects above \$500,000 would require a quarterly progress report to be done.

## **6. Other SPD Funding Areas and Reporting**

- a.) Summary Reports to the Board should also be required for the following funding areas:
  - Institute of Worship
  - Global Mission Funds
  - Institute of Public Evangelism
  - Church Planting
  - Church Building Grants
  - Youth Offering
  - Health Offering
- b.) Significant Departmental Projects over \$50,000 are to be included under Project Funding and not as part of the SPD Office Budget.
- c.) The proposed processes of managing funds would not apply to expenditure that has its own source of income support, or to the SPD Office Budget which is treated as an ongoing fixed recurrent cost.

## **7. Base and Special Appropriations – Institutions**

- a.) Further work to be done to determine an appropriate level, basis and terminology for the Base Appropriations made to PAU, AMN and Avondale.
- b.) Special Appropriations for Institutions should also be termed Project Funding/Grants and are to be part of the application process. The Record, the Edge and Hope TV will all be project funded initiatives and have the same application and reporting requirements as listed above for that of Unions.

## **8. Implementation Time Frame**

- a.) An Appropriation Management System to be fully implemented by 1st January 2011 including the Base component.

b.) The Project Funding/Grants component to be started in the 2009/10 budget process.