



Lutheran Church
of Australia

**SUBMISSION TO SENATE ECONOMICS REFERENCES
COMMITTEE HEARING ON FINANCE FOR NOT FOR
PROFIT SECTOR**

FRIDAY 23 SEPTEMBER 2011



**Lutheran Church
of Australia**

EXECUTIVE SUMMARY OF SUBMISSION

PART A: SNAPSHOT OF THE LUTHERAN CHURCH

- The Lutheran Church of Australia funds the traditional administrative functions of the Church from the donations of its 50,000 members
- The Lutheran Church of Australia is developing creative ways to identify, tap into and receive external funding to assist in budget shortfalls
- The Lutheran Church of Australia uses a simple concept of raising and disbursing capital using a Fund that has been in existence since 1927

PART B: PRESENTATION POINTS

- Ensure that unintended consequences of changes to legislation do not have major negative impact on The Lutheran Church of Australia's ability to serve the Australia community.
 - Policies affecting the **Religious** Charitable Development Funds - right now the Lutheran Fund operate retail accounts for the benefit of the Church with the provision of cost effective capital which funds a diverse contribution to Australian society.
 - Make an effort to understand how we operate before you implement policy
- The Lutheran Church of Australia as a national body continues to struggle with the time, effort and resources required to comply with the redundant duplication of every state having different legislation and regulations to govern the same circumstances.
- The Lutheran Church of Australia would propose that broadening in the definition for the eligibility of a Deductible Gift Recipient status would increase our capacity to raise funds for altruistic purposes.
 - Youth and Family programmes
 - Aboriginal assistance programmes



SNAPSHOT OF LUTHERAN INITIATIVES AND ISSUES

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- The Lutheran Church of Australia (The Church) was incorporated in its current organizational structure in 1966.
 - The first Lutheran Church was planted in Australia in 1838 from Germany.
 - The Church consists of the National Office (LCA) and 6 Districts, being New South Wales, Queensland, South Australia/Northern Territories, Victoria/Tasmania, Western Australia and New Zealand (which is also a national church in its own right).
 - The LCA is a truly national church; it is not a confederation of state based organisations.
- Some quick demographics:
 - Membership is estimated at around 50,000 practising Lutherans amounting to approximately 0.023% of population of Australia.
 - 105 school campuses across all states equating to 4.5% of the education population
 - 5th largest Aged Care Provider in Not For Profit Sector across all states
 - Lutheran building stock of insured value currently over \$3 billion greatly boosted and grown through capital flow over generations. The value of land is over and above this value.
 - \$325 million dollars capital currently provided through the Lutheran Fund for Lutheran projects at below commercial interest rates (5% - unchanged since 1921).
 - Over \$400 million invested in capital stable Australian ADI's.
 - Estimated that the Fund provides benefits and services to a total value in excess of \$10 million per year, in the form of direct contribution; interest savings and services at no cost.
 - Capital adequacy ratio of the Fund is of 18% compared to the required APRA rate of 8%.
- The Church relies on donations for its administrative functions
 - Funds its own traditional administrative functions from donations of its members.
 - Is looking to non-traditional sources of funds as these functions become more onerous and more expensive due to in most part increased legislative requirements
 - Is using business partners to assist in these external funding options
- The Church is keen to be able to encourage its members to give donations directly to its mission and outreach programmes .
 - Where the programme is of an altruistic nature with direct benefits for the community a broadening in the definition for the eligibility of a Deductible Gift Recipient status would increase our capacity to raise funds for these purposes.
 - For examples:
 - Youth and Family programmes
 - Aboriginal assistance programmes



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- The Church is a national body
 - The church it operates in all states and territories of Australia.
 - Every state and territory has its own versions of legislation including, but not limited to:
 - Work Place Occupational Health and Safety
 - Teacher Registration
 - Food service
 - Corporations Law
 - Associations Law
 - Child Safety legislation
 - Professional registration requirements
 - In an effort to introduce common policies and using our size to develop economies of scale of our operations across The Church the LCA is required to be cognisant of and comply with the various “local” differences that are required to be adhered to, creating additional work and administrative overhead that is then unable to be used for our core mission and vision.

What does the Lutheran Church need from government in the context of this review?

- Preservation and protection of appropriately targeted tax exemptions for altruistically authentic organisations.
- Recognition that Faith based organisations have been pioneers in this area and are unique from other not-for-profits due to their constituent support and diversity of welfare work across a range of sectors.
- Ensure that unintended consequences of changes to legislation do not have major negative impact on its ability to operate as a religious organisation.
- Make an effort to understand us as people, members, organisations, national body.
- Standardised functional legislation
- Policy that preserves exemption from Corporations Law fundraising provisions.
- Policy that preserves exemption from the Banking Act. The LLL is not regulated by APRA but is recognised to be a **Religious** Charitable Development Fund as administered by APRA.



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SNAPSHOT OF LUTHERAN CAPITAL FLOW

- The Lutheran Church commenced a fund in the 1920's through its visionary pioneers.
- The Fund acts as a Treasury resource for The Church and all of its altruistic activities around Australia. This embraces local churches and communities; national and state ministry organisations; the Lutheran national theological college; Schools and colleges; welfare organisations; residential aged care organisations and other activities.
- Simple concept of raising and disbursing capital:
 - Lutheran constituents and supporters deposit funds on an interest bearing basis.
 - Loans are made exclusively to Church projects at discounted rates.
 - A small margin is made to cover costs and build reserves to protect depositors' funds.
 - Excess capital is invested short term into Australian financial intermediaries to derive interest and protect depositors' funds.
- There are numerous innovations that the Lutheran Church has developed over the years:
 - Concept of matching deposits to aid liquidity and growth.
 - Technology enhancement to reach all of Australia and the next generation.
 - Faith promotion initiatives and direct support of program building.
 - Administer welfare programs and enable donations through a central resource.
 - Strong overlap with School system and education.
- The Fund is strictly charitable and for altruistic purposes:
 - Loans only made to Church projects.
 - Run by a voluntary Board but with high qualifications and diligence.
 - Surpluses used to make grants for altruistic purposes or preserved for future projects and protecting depositor's funds.
 - No profit motive and low interest rate margin (not adjusted for economic conditions).

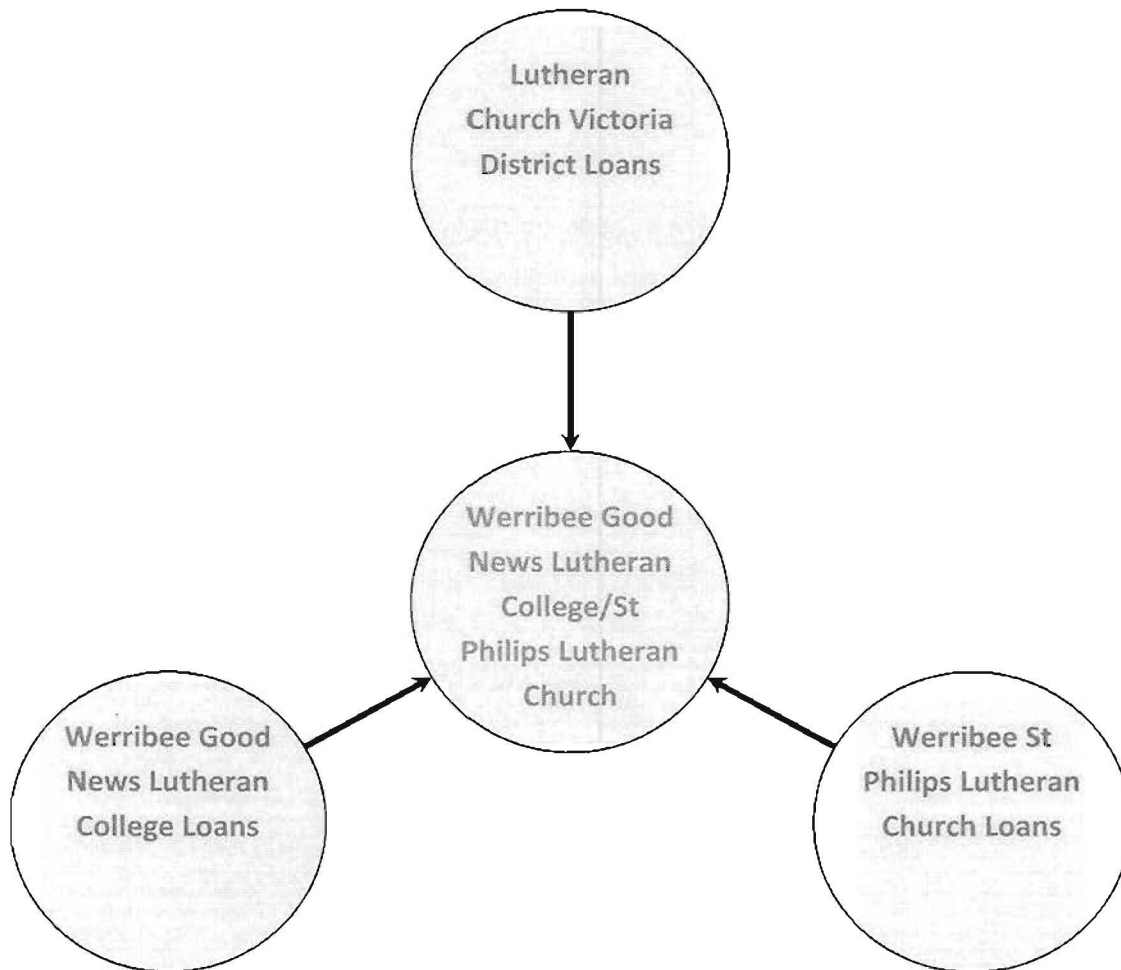


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Case Study of a Lutheran Project

Purchase additional land in a joint venture for Werribee Good News

Lutheran College and Werribee St Philips Lutheran Church



Total Loans from Fund: \$12.45M

(Including \$4.35M Interest Free)

Estimated Annual Interest Saving:

\$578,550

Summary:

Church gets its project funded at 5% without assigning a mortgage.

Depositors get 4.75% return in a highly liquid environment.

Local Community gets benefit of state of the art facilities to improve education.

Australia gets no drain on public capital and better efficiency in its funding of private schools