



Queensland Catholic Schools  
**Not-for-Profit**  
Guidelines

# Contents

<b>1</b>	<b>Definitions In these Guidelines</b> .....	<b>1</b>
<b>2</b>	<b>Purpose of the Guidelines</b> .....	<b>3</b>
<b>3</b>	<b>Definition of Operated for Profit</b> .....	<b>4</b>
	3.1 Meaning of <i>operated for profit</i> .....	4
<b>4</b>	<b>Prohibited Arrangements</b> .....	<b>5</b>
	4.1 Meaning of prohibited arrangement .....	5
<b>5</b>	<b>Direct or Indirect Connections</b> .....	<b>6</b>
<b>6</b>	<b>Use of Funds</b> .....	<b>7</b>
	6.1 Use of funds .....	7
<b>7</b>	<b>Governance</b> .....	<b>8</b>
	7.1 Governance .....	8
<b>8</b>	<b>NSW Guidelines</b> .....	<b>9</b>
<b>9</b>	<b>Demonstrating Compliance</b> .....	<b>10</b>
<b>10</b>	<b>Payment for Property, Goods or Services</b> .....	<b>11</b>
	10.1 Related Entity Transactions.....	12
	10.2 What is Reasonable Market Value? .....	13
	10.3 Land (Mortgages & Loans) .....	15
	10.4 Land (Leasing/Rent) .....	16
	10.5 Ground Rent/Leases for Unimproved Land .....	17
	10.6 Plant and Equipment.....	18
	10.7 Buildings and Related Works .....	19
	10.8 Intellectual Property .....	20
	10.9 Payment for Goods .....	21
	10.10 Consultancy and Professional Services .....	22
	10.11 Payments to Individual Members of Governing Body .....	23
	10.12 School-Related Travel .....	24
	10.13 Other Common Payments and Financial Transactions .....	25
	10.14 School Fundraising and Donations.....	27
	10.15 Credit/Monetary Loans.....	28
	10.16 Outstanding Debts .....	29
<b>11</b>	<b>Assets and Income</b> .....	<b>30</b>
	11.1 Shared or Joint Use of Assets.....	31
	11.2 Use of Income or Assets for Onsite Ancillary Services.....	32
	11.3 Leasing School-Owned Property and Assets.....	33
	11.4 Disposal of School Assets .....	34
<b>12</b>	<b>Financial Services</b> .....	<b>35</b>
	12.1 Banking Facilities.....	35
	12.2 Insurance.....	36
	12.3 Interest.....	37
<b>13</b>	<b>Relation Between Schools and Church Entities</b> .....	<b>38</b>

13.1	Charges to Schools .....	38
13.2	Differential Fee Arrangements.....	39
13.3	Religious Congregation/PJP Groupings .....	40
13.4	Revenue from School Facilities .....	41
13.5	Separate Financial Arrangements .....	42
<b>14</b>	<b>Review.....</b>	<b>43</b>

# 1 Definitions In these Guidelines

<b>Ancillary service</b>	means an onsite service provided by a Catholic School Authority (CSA)/school to staff or students (including their parents or carers) ancillary to the purpose of operating the school, such as childcare, long day care, early learning centres, preparatory school programs, Out of School Care (OOSC) or vacation care.
<b>Asset</b>	means an economic resource that may depreciate in value over time.
<b>Book value</b>	in relation to an asset of a non-government school, means the value of the asset on the school's balance sheet or other accounting records prepared in accordance with relevant accounting standards.
<b>Catholic School Authority (CSA)</b>	means the school governing body as determined in accordance with the <i>Education (Accreditation of Non-State Schools) Act 2017</i> .
<b>Charity</b>	means an organisation registered under the provisions of the <i>Charities Act 2013</i> .
<b>Close member of a person's family</b>	means those family members who may be expected to influence, or be influenced by, that person in their dealings with the CSA/school and include: (a) that person's children and spouse or domestic partner (b) children of that person's spouse or domestic partner (c) dependants of that person or the person's spouse or domestic partner.
<b>Cost neutral</b>	means no net cost.
<b>Ex-gratia payment</b>	an ex-gratia payment is a payment made without the giver recognising any liability or legal obligation to pay.
<b>Gross rent</b>	(commercial leasing) refers to where the rent is inclusive of all outgoings except utilities (as these are based on the extent used by the tenant such as power, gas, water, telephone and internet).
<b>Ground lease</b>	means a long-term lease of land with the tenant permitted to improve or build upon the land and to enjoy those benefits for the term of the lease.
<b>Ground rent</b>	means the net rent paid for the right of use and occupancy of a parcel of unimproved land, or that portion of the total rental paid that is considered to represent return upon the land only.
<b>Income</b>	means money, or other forms of consideration received periodically from the provision of property, goods or services, investments, gifts, donations, grants, financial assistance or any other gain obtained from the use of a school's assets or CSA's assets.
<b>Joint use</b>	refers to formal arrangements where investment is made jointly between the CSA/school and a third-party to develop, upgrade or maintain a school's asset with the intent that the asset is then available for use by both the school and the third party for an extended period of time.
<b>Net rent</b>	(commercial leasing) refers to where the rent is exclusive of outgoings.

<b>Not-for-profit requirements</b>	means the obligation of non-government schools in receipt of financial assistance from the Queensland and Australian Governments to not operate for profit within the meaning of the <i>Education (Accreditation of Non-State Schools) Act 2017</i> and the <i>Australian Education Regulation 2013</i> .
<b>Reasonable market value</b>	means the price that a knowledgeable and willing third party would pay for property, goods or services in an arm's length transaction from the seller.
<b>Related entity</b>	<p>means a person or a legal entity that is related to a CSA/school either as a result of office, membership, management, control or influence or a personal/familial relationship and includes but is not limited to:</p> <p>(a) a person or close member of that person's family is a related entity if that person:</p> <ul style="list-style-type: none"> <li>(i) has control or joint control over the CSA/school</li> <li>(ii) has significant influence over the CSA/school</li> <li>(iii) is a member of the key management personnel of the CSA/school.</li> </ul> <p>(b) an entity is a related entity to a CSA/school if any of the following conditions apply:</p> <ul style="list-style-type: none"> <li>(i) the entity and the CSA/school are members of the same group</li> <li>(ii) the entity is an associate or joint venture of the CSA/school</li> <li>(iii) the entity and the CSA/school are joint ventures of the same third party</li> <li>(iv) the entity is a joint venture of a third entity and the CSA/school is an associate of the third entity</li> <li>(v) the entity is controlled or jointly controlled by a person identified in (a)</li> <li>(vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or parent of the entity)</li> <li>(vii) the entity, or any other member of a group of which it is part, provides key management personnel services to the CSA/school or to the parent of the CSA/school.</li> </ul> <p>(c) an employee of the CSA/school or an entity identified in (b).</p>
<b>Responsible person</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) a member of the school governing body; or</li> <li>(b) the principal of the school.</li> </ul>
<b>School</b>	means a non-government school registered under the <i>Education (Accreditation of non-State Schools) Act 2017</i> .
<b>Shared use</b>	refers to arrangements where existing school assets are hired out for non-school purposes, usually for a limited or definite time and the asset subject of the shared use remains within the control of the CSA/school.

## 2 Purpose of the Guidelines

The purpose of the *Queensland Catholic Schools Not-for-Profit Guidelines* (the Guidelines) is to provide advice and guidance to Catholic School Authorities and schools to assist them to meet their obligations as well as to model best practices as entities operating on a not-for-profit basis.

The *Australian Education Act 2013* specifies that Australian Government funding cannot be provided for a school that is operated for profit (section 75). In addition, the *Australian Education Regulation 2013* requires that funds derived from or relating to a school must be applied for the purposes of the school and must not be distributed (whether directly or indirectly) to a School Authority or other entity. There must be appropriate financial policies and practices in place for a school and the granting of not-for-profit status under other legislation, such as the *Australian Charities and Not-for-Profits Commission Act 2012*, may be taken into account in determining whether a school is eligible to receive funding (section 26).

In order to meet school accreditation requirements in Queensland (and to remain eligible for Queensland Government funding), the *Education (Accreditation of Non-State Schools) Act 2017* specifies that

- a) the school must not be operated for profit
- b) the School Authority is not party to prohibited arrangements, that is, contractual arrangements that are not at arm's length and not for the benefit of the school
- c) there are no direct or indirect connections between the School Authority and another entity that could reasonably be expected to compromise independent financial decision making.

In addition to the legislative requirements in Queensland, the Guidelines also contain provisions which highlight the importance of the role that the non-government education sector provides to achieving the educational initiatives and goals for students in Queensland. To this extent, the Guidelines provide guidance to CSAs in a number of areas which may exceed Queensland legislative requirements, but which represent best practice. These parts of the Guidelines are based on the NSW Department of Education *Not-For-Profit Guidelines for Non-Government Schools* (which do have legislative force in NSW). The significance of the NSW requirements to the Guidelines is elaborated on at section 8.

The purpose of the Guidelines is to assist CSA/schools in understanding the requirements of operating on a not-for-profit basis, both in terms of policy documentation and financial arrangements. A comprehensive understanding of such requirements is essential if eligibility for government funding is to be retained.

Throughout the Guidelines the term Catholic School Authority (abbreviated to CSA) is used to mean the school governing body accredited to manage, administer and operate schools under the *Education (Accreditation of Non-State Schools) Act 2017*. Ensuring not-for-profit school operation is the legal responsibility of the CSAs, as is the obligation of repayment of all government funding should this requirement be breached. CSAs own and operate Catholic schools in Queensland. A list of CSAs for Queensland Catholic schools is provided in **Appendix 1**.

## 3 Definition of Operated for Profit

Section 7 of the *Education (Accreditation of Non-State Schools) Act 2017* defines a school operating for profit as follows:

### 3.1 Meaning of *operated for profit*

For this Act, a school is operated for profit if any profits made from the school's operation are used for any purpose other than a purpose for advancing the school's philosophy and aims, as stated in the school's statement of philosophy and aims.

The definition of operated for profit for the purposes of Australian Government funding, stated in section 26 of the *Australian Education Regulation 2013*, is similar in nature:

Whether money derived from or relating to a school in relation to which the person has applied to be the approved authority, block grant authority or non-government representative body:

- (i) has been applied for the purposes of the school or for the purposes of the functions of the authority or body; or
- (ii) has been distributed (whether directly or indirectly) to an owner of the authority or body, or any other person.

Both definitions require that funds derived from the operation of a school be used solely for the operation of the school, rather than for other reasons. This requirement is in line with the approach taken by the Australian Charities and Not-For-Profits Commission, which defines not-for-profit status in the following manner:

*The assets and income of the organisation shall be applied solely to further its objects and no portion shall be distributed directly or indirectly to the members of the organisation except as genuine compensation for services rendered or expenses incurred on behalf of the organisation.*

Non-compliance with the requirement for schools to be operated as not-for-profit entities may entail forms of indirect subsidisation, such as the application of charges upon schools by a parish for the use of government funded school assets, payment of above market rates for services or property, use of particular services in circumstances where more cost-efficient methods may be available, and mechanisms such as differential fee arrangements.

## 4 Prohibited Arrangements

The *Education (Accreditation of Non-State Schools) Act 2017* specifies that if a CSA is a party to, or intends to enter into, prohibited arrangements, the CSA will not be eligible to receive government funding in relation to its school/s. Prohibited arrangements are defined as follows:

### 4.1 Meaning of prohibited arrangement

- (1) A prohibited arrangement is a contract or arrangement in relation to a school—
  - a) entered into by a school's governing body or proposed governing body and another entity not dealing with each other at arm's length; and
  - b) that is not, or will not be, for the benefit of the school.
- (2) For subsection (1)(b), a contract or arrangement is not, or will not be, for the benefit of the school if the contract or arrangement is for property, goods or services—
  - a) at more than reasonable market value; or
  - b) that is not required to advance the school's philosophy and aims, as stated in the school's statement of philosophy and aims.
- (3) Subsection (2) does not limit subsection (1)(b).

Prohibited arrangements will arise where there is a lack of arm's length dealing with other entities, and where the benefit for schools is not the sole determining factor. Contractual and administrative arrangements should be scrutinised to assess whether they are in fact completely independent and capable of withstanding full probity. For example, agreements or other instruments which require the mandatory use of a service provider may be an indicator of absence of arm's length dealing. CSAs should be in a position to demonstrate, if required, that all property, goods and services are secured at no more than reasonable market value, that shared services are being sourced in an appropriately efficient manner and that such property, goods or services are integral to the operation of the school and advancement of the school's philosophy and aims.

## 5 Direct or Indirect Connections

Continuing eligibility for government funding is additionally contingent upon the independent financial decision-making capacity of CSAs. Subsection 10 (d) of the *Education (Accreditation of Non-State Schools) Act 2017* requires that:

There is no direct or indirect connection between the governing body and another entity, and there will not on or after the school's accreditation be a direct or indirect connection between the governing body and another entity, that could reasonably be expected to compromise the independence of the governing body when making financial decisions.

A direct or indirect connection that compromises the independent financial decision making of a CSA will therefore result in ineligibility for government funding for schools. The standard in relation to this provision is not that independent financial decision making has actually been compromised, but that the existence of the direct or indirect connection in itself 'could reasonably be expected to compromise the independence of the governing body'. This is a high benchmark of compliance and requires CSAs to be cognisant of appearance and perceptions of independence, as well as of fact. This is particularly the case in respect of CSAs' relationships with other entities or administrative structures within the Church which may have the potential to create a perception of compromised financial management or decision making.

## 6 Use of Funds

Throughout the Guidelines, a key test of whether a school is being operated on a not-for-profit basis is whether particular items of expenditure are 'required for the operation of the school'. If this test is met, along with the expenditure being at no more than market value, then the purchase or transaction is likely to be compliant. While the criterion of 'for the operation of the school' can be construed broadly, in respect of government funding, both State and Federal legislation and guidelines provide specific parameters for the utilization of government funds. For State Government funding, these are specified in the *Non-State Schools Recurrent Grant Policy* as:

### 6.1 Use of funds

The state recurrent grant is provided to the governing body of an eligible non-state school for the purpose of meeting the costs of operating the school. The funds can only be used for the following:

- a) teaching and general staff salaries;
- b) professional development;
- c) curriculum development and implementation;
- d) maintaining the school's land and buildings; and
- e) general operating expenses of the school.

The state recurrent grant must not be expended, or committed to be expended, on the purchase of land and buildings.

Use of Federal Government funding is prescribed in section 29 (2) of the *Australian Education Regulation 2013* as follows:

- (2) Without limiting subsection (1), the purpose mentioned in that subsection includes the following:
  - a) salaries and other expenses relating to staff at the school, including expenses related to the professional development of the staff;
  - b) developing materials related to the school's curriculum;
  - c) general operating expenses of the school;
  - d) maintaining the school's land and buildings;
  - e) purchasing capital equipment for the school;
  - f) in any case—administrative costs associated with the authority's compliance with the Act and this regulation.

Given these explicitly authorised purposes, any use of funds that can be categorised under these headings definitely falls within requirements for the operation of a school. Funds sourced privately must also be used for the operation of a school if not-for-profit status is to be maintained. While that may provide a small degree of flexibility, say for example to enable the purchase of land for a school, overall their use should be closely aligned with those specified for government funds. Given this, the parameters set for expenditure of government funds can act as useful guidance and direction for the management of all school funds.

# 7 Governance

School accreditation (and funding eligibility) in Queensland also relies on a CSA being able to show it has appropriate governance arrangements in place. Section 6 of the *Education (Accreditation of Non-State Schools) Regulation 2017* requires that:

## 7.1 Governance

- (1) A school's governing body must have a document that outlines the organisational structure for the governance of the school, and includes the following details:
  - (a) the key functions and responsibilities of any entity that supports the governing body in the governance of the school;
  - (b) the reporting arrangements—
    - (i) within the governing body; and
    - (ii) between the governing body and any entity that supports the governing body in the governance of the school.
- (2) The organisational structure must be designed to ensure the effective, transparent and accountable governance of the school.
- (3) The governing body must, if asked by the board, give a copy of the document mentioned in subsection (1) to the board.

## 8 NSW Guidelines

Following amendments to the NSW *Education Act 1990* strengthening not-for-profit requirements for non-government schools, the NSW Department of Education published guidelines in September 2015 specifying how schools should ensure compliance. An updated version of the Guidelines was published in June 2019. These guidelines provide a level of detail concerning financial transactions and arrangements that are useful benchmarks and indicators of not-for-profit compliance more broadly. Given this, sections of the guidelines that are relevant to Queensland non-government school circumstances are included in this document as a guide for CSAs. Excerpted sections of the guidelines are reproduced under the Creative Commons Attribution 4.0 International Licence, with attribution to the State of New South Wales through the NSW Department of Education © 2015.

## ***NSW Government Not-For-Profit Guidelines for Non-Government Schools***

(Adapted excerpts):

# 9 Demonstrating Compliance

In general, CSAs and their schools should be able to demonstrate compliance by ensuring the following types of policies and business records are kept and made available if requested:

- a) implementation of appropriate financial controls and governance systems to manage the financial affairs of a school;
- b) evidence that financial transactions and decisions are transparent, at arm's length and of reasonable market value;
- c) evidence that conflicts of interest between personnel and related entities are being appropriately managed in relation to school operations; and,
- d) records of audited annual financial statements.

CSAs/schools already maintain a set of records to assist governing bodies to meet other legislative and regulatory requirements (such as those of the Australian Taxation Office, the Australian Charities and Not-For-Profits Commission and the Australian Securities and Investment Commission) and as part of internal CSA/school management practices. In many cases CSAs/schools will be able to use existing records to demonstrate compliance with the not-for-profit requirements.

## 10 Payment for Property, Goods or Services

This section provides guidance on complying with the not-for-profit funding requirements when carrying out common financial transactions. Common areas of expenditure for CSAs/schools include:

**Property:** including land (or rent), plant and equipment, buildings, intellectual property.

**Goods:** including office consumables, books, information technology provision, foodstuffs, teaching aids.

**Services:** human resources/employment, specialist consultants, utilities (water/electricity), telecommunications, maintenance contractors, transport providers.

CSAs/schools have obligations under the not-for-profit requirements in relation to their use of assets and income. These obligations are summarised as:

Any payment made by a CSA/school to a related entity or other person or body for property, goods or services:

- a) must not be more than market value
- b) services must be required for the operation of the school
- c) must be reasonable in the context that the CSA/school is receiving government financial assistance.

A CSA/school must not make any payment to a person in connection with the person's position as a member of the governing body of the school unless it is reimbursing that person's costs incurred in connection with the operation of a school.

Any part of a CSA/school's assets (in so far as they relate to a school) or its income (in so far as it arises from the operation of a school) must only be for the operation of a school.

Examples of relevant policies and records that could be used by CSAs/schools to demonstrate compliance are listed below, however this is not an exhaustive list.

## 10.1 Related Entity Transactions

A definition of related entity is included in section 1 definitions. A related entity transaction is a transfer of resources, services, liabilities or obligations between a CSA/school and a related entity. There does not need to be expenditure of money. Related entity transactions can include:

- a) purchases, sales, donations;
- b) receipt of goods, services or proper
- c) leases;
- d) transfers of property including intellectual property;
- e) loans;
- f) guarantees; or
- g) provision of employees on a paid or complimentary basis.

CSAs/schools should exercise great care if contemplating entering into related entity transactions to ensure that they can demonstrate reasonable market value where the relationship between the CSA/school and related entity is not at “arm’s-length”.

The recommendations below for record keeping and policies should be closely adhered to by CSAs/schools when engaging in any related entity transaction to assist in ensuring compliance with the not-for-profit requirement.

## 10.2 What is Reasonable Market Value?

A CSA/school may be considered as operating for profit if any payment is made by the CSA/school to a related entity or other person or body for property, goods or services at more than reasonable market value.

Generally, reasonable market value can be defined as the price that a knowledgeable and willing third party would pay for property, goods or services in an arm's length transaction from the seller. Reasonable market value may be influenced by a range of factors including, but not limited to:

- a) the quantity and consistency of provision of the good or service;
- b) the location of the school;
- c) if the good or service is required urgently, in an emergency or at short notice or must be completed within a specified timeframe (for example, outside of normal business hours);
- d) if the good or service is in short supply at the required standard;
- e) heritage or related issues (in relation to building and related works);
- f) the types of warranties provided (if any);
- g) installation costs and ongoing maintenance and parts;
- h) relevant procurement standards; or,
- i) local government requirements.

### Relevant Policies

CSAs/schools can implement policies and procedures to help ensure they are getting the best value for their money and not paying more than a reasonable market value. Such policies and procedures may include some of the elements below:

- a) using evaluation criteria to assess reasonable market value;
- b) getting more than one quote when purchasing property, goods or services;
- c) consolidated/bulk ordering and purchasing;
- d) forecasting to identify future business needs;
- e) using a tender process for higher-value items or long-term contracts;
- f) establishing a list of preferred suppliers; and,
- g) having appropriate business governance policies (conflicts of interest, anti-fraud & corruption, staff delegations, supplier performance monitoring, staff awareness and training in contracting and procurement).

In addition, CSAs/schools should have specific policies and procedures for situations where an urgent procurement may be required to address an emergency.

### Other Requirements

All related entity transactions carried out by a CSA/school should be disclosed and recorded in the CSA/school's audited related party transactions register.

Also note that there are various other legislative obligations placed upon organisations who engage in related entity transactions. For further information CSAs/schools should contact ASIC, ACNC or seek professional legal or financial advice.

### **Examples of records or policies that may be kept**

The table below provides examples of the records and policies that may assist to demonstrate compliance with not-for-profit requirements in respect of related entity transactions.

- a) An up to date related party transaction policy and centralised register which contains both related party and related entity transactions
- b) Proper recording of related entity transactions in business accounts
- c) A 'Conflict of Interest Policy'
- d) A policy dealing with fraud and corruption (including reporting such incidences)
- e) A process clearly defined within the purchasing/recruitment or related entity transactions policy detailing how market value can be shown in relation to employing/contracting a related entity and appropriate delegations and segregation of duties set and adhered to
- f) Adequate recording of minutes/approvals.

### **10.3 Land (Mortgages & Loans)**

CSAs/schools may need to arrange loans or obtain finance for the operation of a school including the purchase of land. This includes obtaining finance from a lender of their choice and determining the type and structure of finance most appropriate for the school.

Section 10.2 (reasonable market value) applies to the terms and conditions of any loans or finance facilities that a school may undertake.

Generally, CSAs/schools will borrow money from a financial institution (bank, credit union or building society). Features of mortgage loans such as the size of the loan, maturity of the loan, interest rate, method of repayment and other characteristics can vary.

#### **Examples of records or policies that may be kept**

The table below provides examples of the records that may assist to demonstrate compliance with not-for-profit requirements relating to mortgages, loans and interest payments.

- a) Evidence that the school has tested the market with respect to obtaining finance
- b) Written loan agreements which include relevant terms and conditions (for e.g. loan repayment schedules)
- c) Documents evidencing registration of land title and land valuations
- d) Appropriate documented reasons to support any school loans or other finance with a combined rate of interest and fees that could be considered unusually high given the type of loan, security provided, loan valuation ratio or other relevant circumstances
- e) Business records that document prior approval to enter the agreement by the board
- f) Business records demonstrating the need to purchase property for the purposes of operating the school.

## 10.4 Land (Leasing/Rent)

CSAs/schools may enter into commercial leases for the purpose of operating a school. Most commercial leases will generally include a clause specifying what type of business activities can be undertaken: the 'permitted use'. CSAs/schools should ensure that the lease allows the land to be used for the purposes of operating a school.

Other terms of any commercial lease should include, but not be limited to:

- a) term of the lease and any options to renew the lease
- b) amount of rent charged and when it is payable
- c) provisions covering rent increases or reviews including timing and method used (fixed percentage, market-based or CPI)
- d) clauses setting out who is responsible for costs such as utilities, property rates taxes, insurance and repairs, i.e outgoings. Two common ways to deal with outgoings include 'Gross Rent' or 'Net Rent'
- e) security in favour of the landlord payable by the tenant in the case that the tenant defaults in their obligations (such as the non-payment of rent). If the tenant is a company then personal guarantees from the company's directors may be required by the landlord. It is also common for landlords to request security in the form of a bank guarantee for an amount equal to three (3) months' rent
- f) provisions clearly setting out who is responsible for maintaining/repairing the property and fixtures and fittings during the term of the lease
- g) clauses that address what improvements or modifications can be made to the property by either party, who will pay for the improvements and whether the tenant is responsible for returning property to its original condition at the end of the lease.

Section 13.1 contains more detailed guidance on the approach to schools being charged rent by third party entities (including Church entities).

## **10.5 Ground Rent/Leases for Unimproved Land**

Ground lease is a lease of vacant land only without including any buildings/improvements on the land.

The tenant is permitted to develop the land during the lease. Generally, when the lease expires, both the land and the improvements to the land (including buildings) are placed into the ownership of the landlord (unless an exception is created).

As the tenant is responsible for improving the land, through the construction of buildings, etc., ground leases usually have longer terms than other types of commercial leases to allow the tenant to take advantage of the investment in improving the land (use and/or depreciation). Normally, all relevant taxes incurred during the lease period will be paid by the tenant.

The tenant usually pays ground rent for the use of the land and not rent based on the improved value of the land. Because a ground lease allows the landlord to assume all improvements once the lease term expires, the landlord may sell the property at a higher rate.

### **Examples of records or policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements for property leases.

- a) Written lease agreements that contain at least basic commercial lease terms (see above)
- b) Documents evidencing registration of leases (where applicable)
- c) Business records that document prior approval to enter the agreement by the board
- d) Business records demonstrating the need to lease property for the purposes of operating the school.

## 10.6 Plant and Equipment

CSAs/schools purchase plant and equipment to use in operating a school. Some common examples of plant and equipment include:

- a) Buildings (see below)
- b) Motor vehicles
- c) Machinery
- d) Solar panels and battery storage
- e) Office and classroom equipment (furniture, computers, audiovisual equipment, etc.).

Costs of plant and equipment usually include the purchase price and taxes, as well as any related costs such as construction, installation, delivery and handling charges.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to the purchase of plant and equipment.

- a) Copies of quotes
- b) Tax invoices and/or cash book records of daily receipts and payments
- c) Written contracts relating to the supply of goods
- d) Asset registers
- e) Tender documentation
- f) Business records that document prior approval to purchase property/plant by the board
- g) Business records demonstrating the need to purchase plant and equipment for the purposes of operating the school.

## 10.7 Buildings and Related Works

For building and related works, reasonable market value may be influenced by a range of factors including timeliness, quality of the building finish and materials, availability and reliability of contractors.

Where payments are made for building and related works, schools should ensure that they can readily substantiate that work of that value was completed at the school. For new buildings, this may include retaining copies of relevant planning approvals and construction certificates.

### Examples of records or policies that may be kept

The tables below provide examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to building and related works.

- a) Written quotes received by the school for all building and related works (excluding routine maintenance work covered by contracts) that appropriately details the scope of works obtained in accordance with the school's purchasing manual
- b) Appropriate approval to proceed from delegated staff member after reviewing all quotes
- c) Appropriate records supporting all payments for building and related works made by the school (including all supplier invoices)
- d) Appropriate records supporting any payments for building or related works that could be considered unusual because of their higher value (for example, work to heritage-listed buildings or land remediation)
- e) Clear delegations in policy which include board involvement in the authorisation process for higher levels of expenditure.

In relation to new buildings or other substantial works:

- a) Copies of development consent and stamped plans
- b) Copies of construction or occupation certificates
- c) Comparative analysis to ensure that the school is getting good value for the services the contractor will provide
- d) Business records as evidence of prior approval.

## 10.8 Intellectual Property

Intellectual property may form a valuable asset to a CSA/school.

Intellectual property is intangible property which is protected by law relating to patents, trademarks, copyright or, in some circumstances, common law.

Patents and trademarks can be protected through registration with IP Australia. Like all property, rights in intellectual property can be transferred or sold to another party.

### **Examples of records or policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to intellectual property assets.

- a) Appropriate evidence of the intellectual property provided to the school, such as a copy of the licence agreement, contract or other assignment document
- b) Documents that prove the registration of intellectual property (e.g. trademark registration).

## 10.9 Payment for Goods

CSAs/schools routinely purchase goods for the provision of education, including for school administration or accommodating the educational needs of students. Goods are tangible commodities or materials used in the operation of the school and may include items like:

- a) office consumables (e.g. paper, printer cartridges, stationary)
- b) student materials (e.g. art supplies, books)
- c) sanitary goods (e.g. cleaning supplies)
- d) perishable goods (e.g. foodstuffs).

### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to the purchase of goods.

- a) A purchasing manual that includes policies and procedures for testing the market value of purchases at different thresholds (including testing existing suppliers) appropriate to the school
- b) Financial reports (e.g. annual budgets, accounts payable, financial statements etc.)
- c) Tax invoices and quotations
- d) Stocktake records
- e) Cash book records of daily receipts and payments
- f) Written contracts or agreements for the supply of goods
- g) Appropriate records authorising school payments by a responsible person for the CSA/school
- h) School credit card policy with procedures for the use of school credit cards, regular acquittal of school credit card expenditure by a responsible person for the school who is not the cardholder, and the submission/retention of purchase receipts.

## 10.10 Consultancy and Professional Services

CSAs/schools may engage consultants and other professionals from time to time to provide specialist advice and/or services for school projects or operations. Engagements must be required for the operation of the school, be at market value and reasonable in the circumstances.

Some common consultancy/professional services that CSAs/schools may engage include:

- a) Accountants
- b) Solicitors
- c) Architects or designers
- d) Horticulturists or arborists
- e) Social workers, counsellors and education professionals.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to consultancy or professional services.

- a) Appropriate evidence of the market value of the professional services being tested in accordance with the school's purchasing policy prior to the engagement of the consultant/expert
- b) A copy of a services agreement or contract detailing the nature of professional services provided by consultants or experts to the school, including an estimate of the total expected fees
- c) Appropriate evidence that any professional services paid for by the school were received, such as copies of any reports or other documents produced by the relevant consultant or expert
- d) Appropriate evidence of completion or adoption of the work by the school i.e. approval of policies/reports by board, follow-up work instigated, training provided to staff, signed check sheets noting new advice/policy by staff
- e) Records (both decisions, rationale and evaluation of costs) that adequately demonstrate the need to engagement consultants/staff on a long-term basis or at higher than normal rates
- f) Approved minutes and reports to support actions (as required).

## **10.11 Payments to Individual Members of Governing Body**

CSAs/schools that receive government funding are not permitted to pay remuneration to individual members of school governing bodies in connection with their role on the school governing body.

CSAs/schools are permitted to reimburse school governing body members for reasonable expenses incurred as a necessary part of conducting school business, however reimbursed expenses should be supported by appropriate documentation (e.g. payment receipts).

Members of school governing bodies who are also a paid employee in another position within the CSA/school, such as the school Principal or a teacher, should be remunerated exclusively for their employment within the CSA/school and not their position on the school governing body. Information in section 10.10 (Payment for Consultancy and Professional Services) and section 10.1 (Related Entity Transactions) may also be relevant.

Alternative governance or management structures which are used to circumvent the prohibition of payment to governing body members will be considered non-compliant with the not-for-profit requirements.

Non-cash gifts of nominal value may be provided to school governing body members at the discretion of the CSA/school (for example, on retirement as recognition of service to the school).

### **Examples of records or policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to the reimbursement of members' expenses.

- a) Receipts for all purchases by school governing body members who have been reimbursed by the school
- b) Documented reasons for all reimbursed purchases
- c) An employment contract and/or statement of duties for any other paid role in the school held by school governing body members in accordance with employee salaries, benefits and severance packages in 10.11 above
- d) Yearly signed declarations from members noting their understanding and compliance with regulations (this can also include related parties information).

## 10.12 School-Related Travel

CSAs/schools can pay for travel expenses if required for the operation of a school. This may include travel expenses incurred by board members, teachers or other employees as a result of their attendance at training, seminars, conferences and similar events relevant to their position and responsibilities.

Personal travel must not be paid for by school funds.

Reimbursement for reasonable travel costs incurred by employees whilst performing their duties could also be specified in individual employment contracts.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to the reimbursement of school-related travel expenses.

- a) Receipts for all purchases by school governing body members who have been reimbursed by the school
- b) Policies and procedures for the payment of school-related travel expenses appropriate within the context of the school
- c) Appropriate evidence that all travel expenses paid for by a school were required for the operation of the school and not personal in nature
- d) Appropriate evidence that all travel expenses paid for by a school were approved by the school Principal or another responsible person for the school.

## 10.13 Other Common Payments and Financial Transactions

### Compensation, Settlements and Other One-Off Payments

From time to time CSAs/schools may make payments to individuals in order to settle claims made against a CSA/school based on alleged breaches of a CSA/school's obligations under contract, statute or common law. Examples would include claims relating to breaches of duty of care, negligence or employment related disputes.

Where such payments are made, a CSA/school should ensure it has received legal advice that such payment is reasonable and not excessive in the circumstances.

#### Ex-Gratia Payments

Legally, ex-gratia payments are sums of money paid when there is no recognised obligation or liability to pay. In insurance claims, it may take the form of payment for which the insurer did not appear to be liable.

As there is no admitted legal liability for such payments, ex-gratia payments will generally not comply with the not-for-profit requirements.

#### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to the payment of settlement costs or costs imposed by an external arbitrator.

- a) Appropriate legal documentation supporting any compensation or related payments made by a CSA/school (such as a copy of a deed of settlement)
- b) Appropriate records detailing the reasons for any compensation or other payments made by a CSA/school
- c) Policies and procedures, including appropriate delegations and segregation of duties, to support any routine compensation or other payments made by a CSA/school.

### Student Scholarships and Prizes

Schools may exercise discretion in making reasonable payments to students in connection with cash prizes (or equivalent), scholarships and related expenditure.

#### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit in relation to the payment of student scholarships and prizes.

- a) Policies and procedures supporting any student scholarship or cash prize routinely awarded by the school

- b) Appropriate records supporting any payments made by the school in connection with a student scholarship or cash prize, including that the payment was authorised by the CSA or a responsible person within the school
- c) Documentary evidence that any conflicts of interest have been dealt with appropriately.

## **Student Fee Concessions**

CSAs/schools may offer student fee concessions or remissions to existing or prospective students of a school.

### **Examples of records or policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to student fee concessions

- a) Policies and procedures supporting any student fee concessions, remissions or other adjustment to fees and charges offered by the school
- b) Complete records and approvals, in line with procedures, on all student fees and remissions exercised
- c) Documentary evidence that conflicts of interest (if any) have been dealt with appropriately.

## 10.14 School Fundraising and Donations

A CSA/school may undertake funding raising activities with a view to making donations to other parties provided that such donations do not contravene the not-for-profit requirements. To demonstrate compliance donations must be:

- a) Related to a CSA/school's philosophy and aims
- b) Collected from fundraising activities that are separate or discrete from a CSA/school's normal sources of income (such as parent fees or government financial assistance)
- c) Recorded as a third-party transaction and donated in a transparent manner which clearly records the beneficiary and the purpose of the donation.

### Making Donations to Registered Charitable Organisations

Before promoting a fundraising activity, CSAs/schools may wish to consider the validity of the organisation that will benefit from the fundraising activity. CSAs/schools wishing to be involved in more formal fundraising activities to support charitable causes (not associated with the operation of a school) could consider fundraising activities that raise donations for "charitable purposes" which are donated to registered "charities" (both concepts defined in the *Charities Act 2013* (Cth)).

For further information about charitable purposes and charities, CSAs/schools should contact the Australian Charities and Not-for-profits Commission on 13 22 62, by email [advice@acnc.gov.au](mailto:advice@acnc.gov.au), or visit their website at <http://www.acnc.gov.au>.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to fundraising and donations.

- a) Communications and correspondence to parents and community in respect of the collection of donations., clearly indicating their rationale and purpose.
- b) Financial records that record the receipt and payment of donations as third-party transactions
- c) Annual Financial Statements (AFS) that note the receipt and payment of third-party transactions
- d) Financial records linked to the administration of a special purpose fund established under the Deductible Gift Recipient (DGR) scheme regulated by the ATO.

## 10.15 Credit/Monetary Loans

A CSA/school may lend money to other CSAs/schools provided that such loans:

- a) are provided at rates which are calculated at a reasonable market value
- b) are required for the operation of a school
- c) would not be considered as unreasonable in the context that a CSA/school that is providing the loan is receiving financial assistance from the government.

### Loans to Non-School Entities

Generally, loans from a CSA/school to a non-school entity or a third-party (including a staff member) will not comply with the not-for-profit requirements because:

- a) they are unlikely to be for the operation of a school
- b) they are likely to be considered as being unreasonable in the context of a CSA/school receiving government assistance.

### Consumer Credit Loans

CSAs/schools should also note that the provision of a loan to a person (including an employee) or a strata corporation would be considered as a consumer loan under the provisions of the *National Consumer Credit Protection Act 2009* (Cth) and subject to the requirement to hold an Australian Credit Licence.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist CSAs/schools demonstrate compliance with not-for-profit requirements in relation to loans and credit.

- a) Documented market research on options available to the school in respect to investing any excess funds
- b) A written loan agreement that contains provisions for:
  - (i) a fixed or definite term
  - (ii) the payment of interest calculated at reasonable market rates and/ or repayment schedules
  - (iii) adequate security over the loan taking into account the risks of non- payment
  - (iv) debt recovery
- c) business records demonstrating approval for the provision of the credit/loan
- d) written agreement on joint use of facilities when the school loaning the money gains rights with respect to the other party's premises (if appropriate).

## 10.16 Outstanding Debts

CSAs/schools may consider writing-off or selling outstanding debts in accordance with an appropriate policy or procedure dealing with debt recovery/management.

Generally speaking, CSAs/schools need to demonstrate that adequate efforts have been made to recover outstanding debts or that the cost of recovery of the debt would outweigh the benefit of receiving the outstanding debt prior to making a decision not to pursue a debtor.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist CSAs/schools demonstrate compliance with not-for-profit requirements in relation to the provision of credit or monetary loans.

In relation to debt management, CSAs/schools should implement policies and retain records that include:

- a) an appropriate policy or procedure for writing-off or selling outstanding debts
- b) written documentation supporting the premise that debts were only written off after options for recovery had been exhausted or that the costs of debt recovery outweighed the benefits of receiving the outstanding debt.

# 11 Assets and Income

Placing assets or income into the hands of third parties, such that they are beyond scrutiny or recovery, would amount to payment that is unreasonable under the not-for-profit requirements.

Where school income and/or assets are paid to a third party to purchase assets that are to be held on trust for the school, or otherwise held by a third party, that could amount to payment that is unreasonable.

## 11.1 Shared or Joint Use of Assets

It is a requirement that school assets only be used for the operation of the school. However, it is common practice for schools to have various arrangements for the shared or joint use of school assets and facilities by other schools or sectors of the community, such as sporting facilities, school halls, classrooms, playgrounds and performance venues and such community use is regarded as being part of the broader operation of the school.

CSAs/schools are encouraged to make their facilities available for use by the community when not required by the school, to meet increasing demand for facilities by communities. However, community use of a CSA/school's assets is discretionary.

Where a CSA/school elects to share the school's assets with other sectors of the community, the following principles must be observed:

- a) assets should only be made available for shared or joint use when they are not required by the school
- b) shared or joint use of assets must not detrimentally affect or obstruct the usual activities of the school
- c) shared or joint use of assets must not cause the CSA/school to incur a material liability
- d) the income of a CSA/school must not be used to subsidise a commercial (for profit) use of a CSA/school's assets
- e) any shared or joint use of assets for a commercial (for profit) purpose must be at least reasonable market value
- f) any shared or joint use of assets must be lawful and meet all relevant requirements (e.g. WH&S, child protection, student and staff welfare).

CSAs/schools should prioritise the use of their assets for educational purposes where there is competing demand for the use of those assets for non- educational or commercial uses.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist CSAs/schools to demonstrate compliance with not-for-profit requirements in relation to sharing school assets with the community.

- a) Copies of written agreements or contracts documenting arrangements for the shared or joint use of CSA/school assets with third parties
- b) Cash book records of daily receipts and payments
- c) Asset booking/management records
- d) Policies and procedures that facilitate appropriate use (shared or joint use) of CSA/school's assets by third-parties or communities
- e) Business records demonstrating approval for shared or joint use of school facilities.

## 11.2 Use of Income or Assets for Onsite Ancillary Services

Ancillary services means services provided by a CSA/school to staff or students (including their parents or carers) ancillary to the purpose of operating the school, such as childcare, long day care, early learning centres, preparatory school programs, Out of School Care (OOSC) or vacation care.

The provision of ancillary services by CSAs/schools is important for students and their families, staff and school communities.

CSAs/schools may provide ancillary services where the following principles are followed:

- a) For commercial (for profit) providers of ancillary services:
  - (i) no CSA/school income is used to pay for the provision of ancillary services with the not-for-profit requirements
  - (ii) any use of a CSA/school's assets for the provision of ancillary services must be at least at reasonable market value.
- b) For not-for-profit providers of ancillary services:
  - (i) no CSA/school income is used to pay for the provision of ancillary services unless the provider of ancillary services directs their assets (surplus funds) back to the CSA/school
  - (ii) any use of a CSAs/school's assets for the provision of ancillary services must not cause the CSA/school to incur a material liability.

Transactions relating to the provision of ancillary services must be transparent and consistent with the intent of the Act. The provision of ancillary services must also be lawful and meet all relevant legal, regulatory and policy requirements (such as child protection, and the safety and welfare of students and staff).

### Examples of records or policies that may be kept

The table below provides examples of records that may assist CSAs/schools to demonstrate compliance with not-for-profit requirements in relation to use of income or assets for onsite ancillary services.

- a) For commercial (for profit) ancillary services, evidence that no CSA/school income is being used to pay for the service and any use of CSA/schools assets is at least at market rates
- b) For not-for-profit ancillary services, evidence that no CSA/school income is being used to pay for the service unless surplus funds are directed back to the CSA/school and use of assets do not incur a material loss for the CSA/school.

### **11.3 Leasing School-Owned Property and Assets**

CSAs/schools may lease school-owned property or assets to third parties. This may include leasing the school canteen or uniform shop to a private operator.

Where a school receives a non-financial benefit from the lease of school-owned property or assets to a third party (such as the school canteen), it is acceptable for the lease arrangement to be on terms that are reasonable in the circumstances. Other lease arrangements entered into by schools, such as the leasing of a school-owned investment property, should be at no less than reasonable market value.

#### **Examples of records or policies that may be kept**

The table below provides examples of records that may assist CSA/schools to demonstrate compliance with not-for-profit requirements in relation to leasing of assets.

- a) A written lease/ licence agreement supporting all leasing or hiring of school assets
- b) Evidence that the terms of the lease are reasonable in the circumstances where the lease is for the benefit of the school.

## 11.4 Disposal of School Assets

CSAs/schools that receive government funding should not dispose of school assets at a value below reasonable market value.

In some cases, reasonable market value may be less than the asset's book value, particularly where there is limited demand for the school asset being disposed. Therefore, whether a school asset is valuable (or not) will depend on the circumstances. For example:

- a) school computers approaching the end of their useful operational life will generally not be considered as valuable school assets; but,
- b) a mini-bus purchased by a school for transporting children would be considered to be a valuable asset.

Note that any money received through the sale of school assets is characterised as school income.

### Examples of records or policies that may be kept

The table below provides examples of records that may assist CSAs/schools demonstrate compliance with not-for-profit requirements in relation to the disposal of assets.

- a) a school asset register listing the details of all school assets above a nominated value appropriate within the context of the school
- b) appropriate evidence of annual asset stocktakes being completed by the school or evidence of other review of valuable assets being conducted by the school in line with the normal annual audit process
- c) policies and procedures for disposing or writing-off (depreciation/amortization) school assets
- d) appropriate records supporting the disposal or write-off (depreciation/ amortization) of any school asset, including that the disposal or write-off was approved by a responsible person within the school.

### Asset Registers

It is suggested that asset registers should include:

- a) a description of the asset
- b) the serial number of the asset if applicable
- c) the date and cost of purchase of the asset
- d) the invoice number for the purchase
- e) location of asset
- f) the date and method of disposal (if applicable)
- g) any amount recovered at disposal (if applicable).

## 12 Financial Services

### 12.1 Banking Facilities

CSAs/schools typically utilise the services of Catholic Development Funds (CDFs) for the purpose of depositing and borrowing funds. It is important that the arrangements in place between CSAs/schools and CDFs can be seen to be broadly comparable to banking facilities available from other commercial providers.

In assessing this, consideration should be given to how deposit and lending rates compare to those generally on offer. A deposit rate below what other financial institutions are offering, or a lending rate above the going market rate, could be seen as a transference of funds out of education to other non-education uses. Yet the full context of the financial services being provided needs to be taken into account for a valid assessment to be made, rather than a sole focus on rates. For example, a commercial bank may offer a lower borrowing rate, yet as a matter of course require refinancing of the loan every five-year period. A CDF, on the other hand, may have a marginally higher borrowing rate yet provide loan terms of ten or twenty years without a requirement to refinance, therefore delivering in fact a lower effective borrowing rate. Other positive advantages of CDFs may be low-document lending, continuity of a stable financial relationship and in-depth understanding of the functioning environment that Catholic schools operate in.

#### **Examples of records and policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to banking facilities.

- a) Evidence of market testing of banking services being accessed
- b) Evaluation that full range of services being provided delivers value and cost effectiveness.

## 12.2 Insurance

As with banking services, the conditions on which CSAs/schools purchase insurance must be justifiable in commercial terms. That is, premiums and coverage should be in line with prevailing market expectations. Where an insurance company is a related entity, such as Catholic Church Insurance (CCI), full probity and transparency of quotation and procurement must be maintained.

In a similar way to the assessment of banking facilities, insurance provision should be considered in the totality of what is being offered. This would include level of service, understanding of school contexts and insurance coverage for such areas as historical child abuse which may not be covered by other insurers. Informed by a thorough consideration of these type of factors, the insurance cover selected should be commercially competitive while addressing the specific needs and situations of schools.

### Examples of records and policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to insurance.

- a. Evidence of evaluation of different insurance options
- b. assessment of how well coverage addresses particular situation and requirements of CSA/school.

## 12.3 Interest

A CSA/school may earn interest on government funding provided for education purposes. Similarly, a CSA operating multiple schools may utilise aggregated government funding, when not in immediate use, to secure interest via short term deposits.

Interest earned on government funding must only be used for its specified purposes. In accordance with the *Australian Education Regulation 2017*, school funding can be expended on appropriate administration expenses. Individual government funding programs typically provide direction and guidance as to the use of interest earned on funds for the program. It is important that CSAs/schools comply with these directions. Diversion of interest on education funding to activities unrelated in any manner to education could potentially impact upon a CSA/school's not-for-profit status.

### Examples of records and policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to interest.

Commercial practice should be transparent and appropriately documented, and the interest on funds paid for education purposes should be retained for those purposes.

# 13 Relation Between Schools and Church Entities

## 13.1 Charges to Schools

The circumstances under which a charge or fee may be made to a school by a parish or Congregation/Order/ Public Juridic Person (PJP) are limited and not recommended as best practice. The transfer of school funding to purposes of a non-education nature is unlawful and may result in the removal of all government funding support to a school.

In respect of facilities, a rent or lease arrangement may be problematic. Since the 1960s, at nearly all school sites, the construction, refurbishment or maintenance of facilities has involved the use of some component of government funding. The Australian or State Governments retain equity in many school buildings. Each school site is different in terms of the value and conditions of government grants applied, therefore each site needs to be looked at individually.

In respect of services, fees may only be charged if a genuine service is being provided on a commercially equivalent basis. For example, a parish or Congregation/Order/PJP may charge an 'administration fee' if it actually carries out administrative work for a school, but only if such a charge is at reasonable market value and is necessary for the operation of the school.

CSAs/schools may also be subject to other specific policies governing these processes (e.g. Diocesan or Religious Order/PJP policy). For example, in the Archdiocese of Brisbane, it is current Archdiocesan policy that:

"Charging the school for the use of buildings erected for school purposes and funded from school funds, including government grants, is regarded as improper by governments and the community and is therefore prohibited. It is Archdiocesan policy that parish priests do not charge rent to the school for school premises. This regulation removes any uncertainty as to whether the buildings were financed directly or indirectly by governments and parents. Charging the school rent for use of non-school parish facilities is forbidden."

### Examples of records and policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to charges to schools.

- a) Evidence that a good or service is in fact being provided in exchange for the payment and is necessary for the operation of the school
- b) Evaluation that the charge or fee is at a reasonable market value.

## 13.2 Differential Fee Arrangements

A parish primary school could set one fee level for students whose parents participate in the parish planned giving program and a higher fee level for students whose parents do not participate in planned giving. In this instance the enrolment of students and the fee charged by the school are contingent on whether the parents are making payments to the parish which may be the ultimate owner and operator of the school. Legal advice has concluded that this arrangement would not be consistent with conditions on school funding and the requirement for CSAs/schools to operate as not-for-profit entities. Arguably in this hypothetical instance the school is being used by the parish to distribute a profit to the parish.

There are circumstances in which voluntary donations to the parish can be legally and legitimately solicited, but they must not be related to a 'promise' of school enrolment or to the fee levels being charged by the school. All income of the school must be applied for the purposes of the school in order for the school to be operating in accordance with funding conditions. This includes parental fees and private income raised for the school.

### Examples of records and policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to differential fee arrangements.

- a) Documented policies and procedures dealing with fee concessions and adjustments.
- b) Clear demarcation between school and parish financial arrangements (see **Appendix 2**).

### **13.3 Religious Congregation/PJP Groupings**

Congregational schools may establish groupings of schools to provide services and to maintain the charism of the order. A fee may be paid to be part of the grouping. These fees should be transparent to school communities.

It could be argued that these fees are being used to support other areas within a religious congregation/PJP and are excessively high for the services provided. If this were the case, this may breach the not-for-profit requirements imposed as a condition of school funding.

#### **Examples of records and policies that may be kept**

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to religious congregation/PJP groupings.

Religious Congregations/PJPs should examine their practices to ensure they comply with relevant Federal and State legislation. Independent expert advice may be sought as part of this assessment.

## 13.4 Revenue from School Facilities

School facilities such as halls are typically constructed using a combination of government grants and school loan funds. Once constructed, a school will use the facility during school hours and pay outgoings such as maintenance, cleaning and utilities. In this situation, there could be a decision that income derived from the hall from non-school use, including weekend and large function hire, will be allocated to the parish

The parish, because it is not paying the associated costs, including interest on debt and outgoings, is securing a profit from the school hall which has been part funded by government for school use. This is not good or acceptable practice.

### Examples of records and policies that may be kept

The table below provides examples of records that may assist to demonstrate compliance with not-for-profit requirements in relation to revenue from school facilities.

The receipt of external income derived from the after-hours use of school facilities should be recorded in school accounts and used only for school purposes.

### **13.5 Separate Financial Arrangements**

Typically, CSAs/schools enjoy close relationships on many levels with parishes and Religious Congregations, Orders and PJP's. Compliance with statutory not-for-profit requirements does not mean that these relationships and connections need to be broken. Rather financial arrangements and dealing between the parties must be on a transparent and commercially justifiable basis. A useful resource in this area is the document *Archdiocese of Brisbane: The Administration of Parish School Assets*, which sets out approaches to managing this area in a collaborative and respectful manner, with 'Congregation' or 'Order' or 'PJP' able to be substituted for 'parish' where applicable.

## 14 Review

The Guidelines will be reviewed three years from the endorsement date.

The Guidelines were endorsed by the Commission Meeting No: 393 on 19 November 2019.