



DIOCESAN COUNCIL
REPORT TO SYNOD 2015

This report covers the life of the Diocesan Council from August 2014 up to and including the July 2015 meeting.

Meetings of the Diocesan Council

Name	Number of eligible meetings to attend (August 2014 - July 2015)	Number of meetings attended
Thompson, The Right Reverend Gregory	9	8
Stuart, The Right Reverend DrPeter	9	9
Young AO, The Honorable Mr Justice Peter (Chancellor)	9	4
Armitage, His Honour Judge Christopher (Deputy Chancellor)	2	2
Cleary, Mr John	9	9
Allen, Mr Keith	6	4
Battrick, The Venerable Canon David	9	7
Birch, Ms Bev	9	9
Bowyer, The Reverend Canon Katherine	9	8
Bright, The Reverend Canon Hugh	9	6
Copeman, The Venerable Arthur	9	8
Dubojski, The Venerable Wendy	3	3
Gilbertson, Mr Warwick	3	3
Green, Mr Alan	3	3
Hazel-Jawhary, The Reverend Michelle	3	3
Killen, The Reverend Canon Janet	6	4
King, The Reverend Dr Fergus	6	6
Lawson, Ms Melody	6	3
Murry, The Venerable Charlie	9	9
Nowak, Mrs Margaret	3	1
Perry, The Reverend Canon Dr Julia	6	6
Price AM, The Honourable Dr John	9	5
Pullin, The Venerable Stephen	9	0
Roulston, The Venerable Sonia	9	9
Shevels, Mr Cec	9	7
Stuart, The Right Reverend DrPeter	9	9
Turnbull, Mr Richard	9	9
Walsh, The Reverend Judy	3	2
Wickham, Mrs Lyn	6	6
Williams, The Very Reverend Stephen	9	7
Williams, Mrs Sue	9	9
Woolnough, The Reverend Murray	9	7

Changes to the Diocesan Council Membership:

In 2014 the following Diocesan Council members concluded their membership of Diocesan Council:

The Venerable Wendy Dubojski
Mr Alan Green
The Reverend Michelle Hazel-Jawhary
Mrs Judy Walsh

Following the Synod election and Bishops Appointment the new members of Diocesan Council are:

The Reverend Janet Killen
The Reverend Dr Fergus King
Ms Melody Lawson
Mrs Margaret Nowak
The Reverend Canon Dr Julia Perry
Mrs Lyn Wickham

In 2015 the following members have resigned their position on Diocesan Council:

Mr Keith W Allen
The Reverend Canon Hugh Bright
Mrs Margaret Nowak

The Venerable Wendy Dubojski was re-elected to Diocesan Council in July 2015.

Ordinances passed by Diocesan Council under the Synod (Delegation of Powers) Ordinance 2009 or in accordance with the Anglican Church of Australia (Bodies Corporate) Constitutions and Administration Ordinance 1994.

The following Ordinances were passed on the dates shown:

28 August 2014

- Murrurundi (Mount Street) Church Lands Vesting Ordinance 2014

25 September 2014

- Diocesan Council (Archdeacons Responsibilities) Ordinance 2014
- St Peter's East Maitland Endowment Trust Ordinance 2014
- East Maitland (Metford) Land Sale Ordinance 2014

27 November 2014

- Samaritans Housing Amendment Ordinance 2014

28 February 2015

- Wingham Church Lands Vesting Ordinance 2015
- Cathedral Foundation Repeal Ordinance 2015

30 April 2015

- Responsible Persons Ordinance 2015
- Diocesan Council Ordinance Amendment Ordinance 2015
- The Diocese of Newcastle Clarification of the Role of the Body Corporate President Ordinance 2015
- Parish of Murrurundi Endowment Trust Ordinance 2015

30 July 2015

- The Designated Fund Ordinance 2015

Ordinances for consideration by Synod

As at the date of this report, no ordinances have been referred to the Synod

Review of the Diocesan Council Ordinance

In accordance with the Synod 2014 motion regarding the Constitution of the Diocesan council (motion 16.1), a revised ordinance will be brought to the 2016 Diocesan Synod.

Sale of Bishopscourt

Following a motion at the 2014 Synod, the Diocesan Council approved the sale of Bishopscourt at its February 2015 meeting. The matter was then referred to the Trustees of Church Property to approve the sale terms and process.

A marketing campaign was then conducted by the selected agent and expressions of interest were sought. Following this process, contracts were exchanged with the preferred purchaser on the 22nd May 2015 on an unconditional basis with completion due no later than the 22 November 2016.

The identification of the purchaser by the church is the subject of a confidentiality clause. The sale price, however, has been reflected in the year to date accounts for the Trustees of Church Property and will also be outlined in the 2015 audited accounts.

A checklist was developed by the Trustees of Church Property and a working party appointed to identify options for a new residence for the Bishop of Newcastle. This party continues to meet and inspect properties. It is envisaged that a suitable property will be sourced by the end of 2015.

Re-appointment of External Auditors

Cutcher and Neale were re-appointed as the Diocesan auditors for a further term of three years expiring 30th June 2018.

Mission giving across the Diocese

The Newcastle Diocese pledges annually one of the highest amounts to mission from all Dioceses across the country. The total amount received in 2014 was \$371,916.31 which exceeded by far the amount pledged by parishes of \$318,012.00. It was acknowledged that this figure may well be far more, as people are making their donations directly to mission agencies by direct debit, and these amounts do not appear in the Diocesan figures. The Reverend Canon Katherine Bowyer's oversight of the missions committee has been instrumental in the Diocese achieving this result.

Hunter Research Foundation

The Diocese has continued its sponsorship of the Hunter Research Foundation in 2015. This sponsorship assists the Foundation's research program.

Clergy Assistance Program

The Diocesan Council has approved a pilot clergy assistance program to care for clergy with an active licence and their family members living in church housing. This is a similar initiative offered to employees of the Diocesan office under the Employee Assistance Program.

Work Health and Safety

Diocesan Council oversees the effective implementation and management of Work Health and Safety. This year we have been concluding the remediation works for Hazardous Materials Inspection Program and the Fire Safety Audits. The major new focus has been Emergency Management Planning.

We are pleased to report a significant decline in the number of work place accidents and incidences throughout the year.

In terms of a focus for 2015 we have delivered an effective First Aid Training Course to provide basic first aid and response to emergency situations, and Fire Appliance & Fire Emergency Management Training held in 7 locations across the Diocese.

The Diocesan Council commends the work of the parishes and the Property & Risk Officer whilst recognising the ongoing work, commitment and effort required.

Unitisation

The Diocesan Council has been considering the policy question of the unitization of the Permanent Endowments in 2015. Accounting and legal advice have been obtained on the proposal. As at the date of this report, the matter is before the Trustees of Church Property for their consideration with a special meeting of the Trustees of Church Property scheduled for the 25th August 2015.

Royal Commission and Police Strikeforce

The Diocesan Council supports and reaffirms the important work being done by the Director of Professional Standards, the Professional Standards Committee and the Professional Standards Board and confirms that this Diocesan Council is clear in our intention to stand with victims of misconduct and abuse.

This Diocesan Council welcomes the Royal Commission and the Police Investigation. The Professional Standards Board commits itself to supporting the Bishop in dealing with past, present and future matters of this nature.

Liability Claims

The Diocesan Council continues to be appraised of the status of all liability claims and has been considering various funding options for these claims in 2015.

Voting

The Diocesan Council has adopted a preferential method of voting for filling committee vacancies when more than two nominations are received for any position the diocesan council is required to elect.

Policies

Various policies were approved by the Diocesan Council in 2015 covering the areas of

- Privacy
- Media
- Social Media
- Conflicts of Interest
- Code of Conduct

Diocesan Office

Plans have been approved for a Roof Top Terrace at Bishop Housden Hall. This will allow for additional entertaining space for the Bishop to extend hospitality to visitors to the Diocesan office. As at the date of this report, a development application was being prepared for Newcastle City Council.

Throughout 2015, the Diocesan website has also been upgraded as well as the IT systems in the Diocesan office.

The Diocesan Yearbook and the Synod Business Paper are now printed by the Diocesan office resulting in significant cost savings.

Congratulations and Appreciation

The Diocesan Council:

- Thanked Mr Alan Green as he has concluded his ministry as Headmaster of Newcastle Grammar School in September 2014, and his long term commitment to the Diocese.
- Elected Mr Richard Turnbull as a new trustee as at 26 February 2015 and welcomed him to this position.
- Thanked Mr Colin Osbourne and Mr John Kilpatrick for their assistance and continued support with regards to parish operated aged care facilities.
- Congratulated John Price on his Doctorate of Letters awarded by the University of Newcastle.
- Congratulated Bishop Peter Comensoli on his appointment as the Bishop of Broken Bay.
- Thanked the Reverend Canon Hugh Bright for his service as he concluded his ministry as Newcastle Anglican Schools Corporation - Schools Liaison Officer.
- Thanked the Reverend Canon Keith Dean-Jones for his service in this diocese and wished him well in his ministry in Bundaberg, Qld.
- Diocesan Council acknowledged the faithful ministry with the Diocese of the Venerable Stephen Pullin, who has made valuable contributions to the Diocese of Newcastle and the parishes. The Diocesan Council offered him and Robyn their ongoing prayers.

Decisions made in accordance with Section 91 of the Administration of Parishes Ordinance 2010

In accordance with Section 91 of the Administration of Parishes Ordinance, a summary of decisions made by the Diocesan council are attached as an appendix to this report.

Thanks

The Council thanks the Diocesan Business Manager and the Diocesan Office staff for their assistance throughout the year.

10 August 2015

Annexure to Diocesan Council Report to Synod 2015

Decisions made in accordance with the Administration of Parishes Ordinance 2010

PARISH	DECISION MADE	PART OF ORDINANCE	DATE OF DIOCESAN COUNCIL MEETING
	<p>(H) Parish Assessments</p> <p>It was resolved: "That this Diocesan Council re-confirm that the following exemptions are approved for purposes of the Parish assessment in accordance with Part 9 of the Administration of Parishes Ordinance 2010:</p> <ul style="list-style-type: none"> a) Diocesan missions b) Bequests (capital received in 1st year) c) Government grants d) GST e) Monies applied to permanent capital repayments on Parish loans secured by Episcopal certificate (noting that beyond the 2014 financial year, there will be no loans secured by episcopal certificates) f) Interest earned on ASDF accounts g) Commission earned on accounts held with the ASDF h) Mission monies raised for the Samaritans Foundation i) Monies raised by Mothers Union in pursuit of Mothers Union objectives j) Contributions from parishioners towards farewell and retirement gifts for clergy k) Cathedral Foundation and Cathedral Board Fundraising account." <p>Carried</p>		26 February 2015

Annexure to Diocesan Council Report to Synod 2015

Decisions made in accordance with the Administration of Parishes Ordinance 2010

Gresford	<p>(A) Parish of Gresford – Debt Repayment</p> <p>It was resolved: “This Diocesan Council therefore resolves in accordance with section 8 of the Parish Administration Ordinance (2010) that the Parish of Gresford Paterson be recognised as a 6 (d) Parish.</p> <p>Further this Diocesan Council resolves that the Diocesan Business Manager write to the Parish Secretary of Gresford Paterson Parish to:</p> <ol style="list-style-type: none">1. Notify the Parish of this change of Parish classification.2. Inform the Parish that the Diocesan Council expectation is that the Parish Council will move to immediately pay the entire Parish debt to the Diocese from Parish reserves. This letter should explain to the Parish that now that the Parish is a 6 (d) Parish, the Bishop may at any time appoint an Episcopal Delegate to the Parish who would then have the power to arrange for the payment of the debt from Parish reserves.” <p>Carried</p>		30 April 2015
Georgetown and Birmingham Gardens	<p>(A) Parishes of Georgetown and Birmingham Gardens</p> <p>It was resolved: “That this Diocesan Council extends the arrangements approved in December 2013 for the Parishes of Georgetown and Birmingham Gardens to 31st December 2015 and requests the Archdeacon for Ministry Support, the Venerable Arthur Copeman to bring a report on current ministry in those Parishes to the Bishop by November 2015.”</p> <p>Carried</p>		25 June 2015

The Anglican Diocese of Newcastle
Diocesan Council

Financial Strategy 2016 -2026

Introduction

In preparing the budget for 2016, the Diocesan Council is seeking to develop a financial strategy to address the long-term impact of providing redress to victims and survivors of sexual abuse within the Diocese.

The ten-year horizon arises because as at 1 January 2017, the Diocesan General Fund will have the responsibility to meet principal and interest payments on a loan of \$3 million from the Trustees as well as making provision for additional claims for redress made to the Diocese after 1 July 2015.

Context

While the Church struggles with the financial aspect of redress it is important to keep in mind that this work is in keeping with the Bishop's call to face the past and recognise that over a number of years the Diocese has accepted pastoral responsibility for those who have been hurt in its midst. Responding to survivors appropriately is a work of mission.

The financial constraints now faced are not the responsibility of survivors of abuse but the responsibility of the perpetrators and to an extent the responsibility of the church in responding too slowly to the needs and claims of survivors.

Contrary to commonly held views, the Diocese does not have extensive assets able to use to meet claims for redress. The Trustees of Church Property hold property in trust for particular purposes. They are not available simply to be diverted to other purposes no matter how worthy those purposes may be.

The Diocesan Council, through the Diocesan General Fund and Budget Account and other funds to which it had access has sought to manage claims for redress on behalf of the whole Diocese. In order to meet claims for redress up to 30 June 2015, the Diocesan General Fund and Budget Account secured an advance from the Trustees. That advance is now fully drawn. Further claims for redress are still being submitted to the Diocese. The Diocesan Council will need to ensure that it has appropriate funding arrangements in place. Servicing this debt threatens a serious impact on the Diocese's medium and long-term commitment to mission.

This strategy endeavours to ensure that the Diocese sustains the resources needed for the ongoing ministry and mission of the Church over the long term as it fulfils the mission and ministry imperative of responding to survivors.

Objective

In developing the financial strategy, it has been important to bear in mind the need for sufficient income to enable the Diocese to meet its mission and to meet its annual financial obligations. It has also been important to ensure that when the Diocesan Council repays the loan to the Trustees it has sufficient financial resources to promote new areas of mission and ministry.

Assumptions

In developing this strategy, the following assumptions have been made -

- The Diocese will continue to need to respond to claims for redress and support from survivors of sexual abuse who were members of the Diocese.
- The Trustees must determine on a reasonable basis that the Diocesan General Fund has the capacity to meet the interest and principal of any loans made to it.
- The development of a ten year financial strategy is critical to the future of the Diocese and must consider the capacity of the Diocese to achieve its mission during and beyond the life of the financial facility.
- The responsibility for responding to claims for redress and for developing a financial strategy rests with the Diocesan Council on behalf of the Synod.
- The budgets in recent years have been constructed and delivered on the basis of ensuring economies where possible in the operation of the Diocese.
- The Diocesan Council does not capitalize interest on the Tyrrell and Morpeth trusts in order to provide income to the budget. The real value of those trusts is declining.

Impact of Claims

To date the Diocese has settled claims for redress with associated costs amounting to approximately \$5,000,000.

Assuming that the current loan of \$3 million will have an overall interest charge of 4.5% per annum over the ten years of repayments, the Diocesan Council will need to ensure that it has cash to transfer to the Trustees for annual interest and principal repayments of \$381,480. In addition, the Diocesan and General Budget will need to factor in the order of \$300,000 per annum in relation to provisioning for future claims. This means that the Diocese must generate a surplus (excluding depreciation) of \$575,000 and an overall surplus of \$655,000.

Indicatively, if these funds were to be met entirely from parish assessments the overall income from assessments would need to double. The effect would be that the basic assessment would be \$10,000 on the first \$100,000 of income, 13% on the next \$100,000 of income and 16% on all income in excess of \$200,000. These would still be lower rates than for a number of other dioceses especially dioceses which have been responding for a longer period to claims for redress.

A doubling of assessment rates is not considered the best option but is the option of last resort.

Structuring the strategies

- The development and implementation of strategies requires careful and focussed management.
- Each strategy will require a leader, clarity of purpose and a time frame for progress and completion.
- Most of the strategies will be implemented in the short term, however some will require a number of years for completion and maximum effect.
- Sensitivity analysis has highlighted the critical importance of the majority of projects. There is little margin for under-achievement.
- Timing of projects and achieving milestones is critically important - even small delays will significantly impact on the outcomes.
- Success will depend on the willingness of stakeholders in each area of consideration to examine existing arrangements in a new context and to make a commitment to achievement of objectives for the sake of the ministry of the Anglican Church in the Diocese of Newcastle.

The strategies

1. The Anglican Savings and Development Fund

The ASDF is structured to provide a contribution each year to the operation of the Diocese. The larger the number of institutional and individual investors in the fund the greater the possible contribution to the Diocesan budget.

The ASDF can provide an indication of the contribution but must make its decisions in relation to the financial advice it receives.

It is anticipated that if all parishes, schools and agencies were to use the ASDF as their financial institution an additional \$100,000 - \$150,000 per annum would be available to the Diocese.

The Diocesan Council has passed legislation to enable this to be implemented. Schools, agencies and parishes will be educated about this in the lead up to the Synod.

Note - implementation has begun with this strategy and a higher grant has been factored into the 2016 Budget in the synod business paper.

2. Levy on Parishes

It is imperative that the parishes of the Diocese join in responding to survivors. It is proposed that the Parish Assessment be varied by applying a 10% surcharge to the amount

of assessment calculated in accordance with the Administration of Parishes Ordinance. This would mean for example, a parish with assessable income under \$100,000 would pay \$5000 in assessment and \$500 in a levy making an overall payment of \$5500.

The surcharge would generate funds in the order \$66,000 per annum.

The financial capacity of many parishes is limited and a large increase in assessment is not feasible. The financial impact of this measure is not large. However, this strategy confirms the commitment of the people of the Diocese in providing healing and support to survivors of abuse.

An alternative is to administer this surcharge as part of an insurance levy rather than as part of the parish assessment mechanism.

Note - this strategy is included in the 2016 Budget in the synod business paper however it is intended that the Diocesan Council will formalise it at the November 2015 meeting.

3. Reserve Fund

The Trustees of Church Property maintain a reserve fund to avoid fluctuations in interest payments on permanent trusts. If the reserve fund has funds in excess of those required for this purpose the Trustees and the Diocesan Council can approve payments for other purposes.

The Diocesan Council has asked the Trustees whether there are excess funds in the reserve fund. This may amount to between \$1.5 and \$3 million depending on the reserve policies of the Trustees.

Note - this matter is currently before the Diocesan Council and the Trustees of Church Property for consideration.

4. Unitisation of Trusts

The current approach of the Trustees is to pay realised gains (less any losses and expenses) as interest to each permanent trust. The Trustees transfer unrealised capital gains and losses on investments to the reserve fund rather than transfer them proportionally to each permanent trust. The impact of these decisions is that the real value of each Trust is declining. Some permanent trust accounts are required to capitalise a portion of the interest but this has limited long term effect. The unitisation of trusts allows for the capital value of each permanent trust to be varied in line with the investment outcome of the trustees taking into account expenses and income distribution. The unitisation of trusts would enable the decision not to capitalise interest on the Morpeth and Tyrrell trusts to remain in place.

Note - this matter is currently before the Diocesan Council and the Trustees of Church Property for consideration.

5. Property Levy

Currently 10% of the proceeds from the sale of church trust property goes to the Property Acquisition Fund and the Ministry Development Fund.

An additional 5% could be levied on these transactions for the purpose of supporting redress.

This would generate between \$25,000 - \$100,000 per annum.

Note - this strategy has been factored into the 2016 Budget however it is noted that the Diocesan Council would need to adopt the strategy via an ordinance at its November 2015 meeting for it to take effect.

6. Utilising and restructuring various Diocesan Trusts

The trusts available to the Diocese should be reviewed to ascertain if there is any capital available to reduce the level of indebtedness.

The Diocese received a bequest in excess of \$1,800,000 which can be used for any purpose. The Diocesan Council has preferred to place such bequests on permanent trust as a form of endowment and use the interest. The funds could be fully utilised in one year.

It is possible that there are some trusts which have become impossible or inexpedient to use for the purposes for which they were established. Given the regular review of such trusts it is unlikely. However, if there are such trusts, a proposal to vary those trusts can be considered by the Diocesan Council. The Diocesan Council would be concerned, as is its practice, to ensure that alternatives in keeping with the original trust purposes were considered in the first instance.

Currently the Children, Youth and Education Ministries trust is focused on ministry with people currently under the age of 18 and their families. The CEY Fund could take responsibility for other ministries in the Diocesan Budget associated with children and youth (15-24 year olds), for example University Ministries and Juvenile Justice Chaplaincy support.

Note - a proposal regarding CEY ministries has been factored into the 2016 Budget in the Synod Business Paper. Other related matters are currently before the Diocesan Council.

7. Diocesan Budget Efficiency

Each year the Diocesan budget is expected to find efficiencies. Despite increased expectations, often from external bodies, the Diocesan Office staffing has remained static. This practice can be argued as strengthening efficiencies.

Note - these efficiencies are ongoing and have been factored into the 2016 budget in the Synod Business Paper.



THE ANGLICAN DIOCESE OF NEWCASTLE
GENERAL FUND AND BUDGET ACCOUNT
ABN 66 773 701 473

Financial Report
For the Year Ended
31 December 2014

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The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

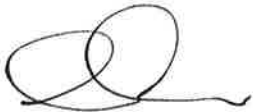
Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014, there have been:

- (i) no contraventions of the auditor independence requirements of the *Australian Charities and Not-For-Profits Commission Act 2012*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Cutcher & Neale Assurance Pty Limited
(An authorised audit company)



M.J. O'Connor CA
Director

23 April 2015

Newcastle

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

Report on the Financial Report

We have audited the accompanying financial report being a special purpose financial report, of The Anglican Diocese of Newcastle General Fund and Budget Account, which comprises the statement of financial position as at 31 December 2014, the statement of surplus or deficit and other comprehensive income and statement of changes in funds for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Council Members' declaration.

Council Members' responsibility for the financial statements

Council Members are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Australian Charities and Not-For-Profits Commission Act 2012*, and the accounting policies outlined in note 1 of the financial statements, and ensuring that they are appropriate to meet the needs to the Synod of the Anglican Diocese of Newcastle.

Council Members' responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-For-Profits Commission Act 2012*.

Audit Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of The Anglican Diocese of Newcastle General Fund and Budget Account as at 31 December 2014, and its financial performance for the year then ended in accordance with the accounting policies described in note 1 of the financial statements.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared to assist The Anglican Diocese of Newcastle General Fund and Budget Account to meet its financial reporting responsibilities under the ordinances of the Anglican Diocese of Newcastle. As a result, the financial statements may not be suitable for another purpose.

Cutcher & Neale Assurance Pty Ltd

Cutcher & Neale Assurance Pty Limited
(An authorised audit company)



M.J. O'Connor CA
Director

1 May 2015

Newcastle

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Council Members' Declaration

The Council Members have determined that The Anglican Diocese of Newcastle General Fund and Budget Account is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements and *Australian Charities and Not-For-Profits Commission Act 2012*.

The Council Members declare that:

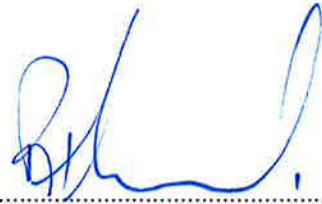
1. The financial statements and notes, as set out on pages 5 to 19, are in accordance with the accounting policies as described in Note 1 and the *Australian Charities and Not-For-Profits Commission Act 2012*; and present fairly, in all material respects, The Anglican Diocese of Newcastle General Fund and Budget Account's financial position as at 31 December 2014 and of its performance for the year ended on that date.
2. In the Council Members' opinion, there are reasonable grounds to believe that The Anglican Diocese of Newcastle General Fund and Budget Account will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Council Members made pursuant to S.60.5 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Council Member.....



Council Member.....



Dated 30 April 2015

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2014

		2014	2013
	Note	\$	\$
Revenue	2	5,053,966	26,256,247
Employee benefits expense		(1,939,177)	(2,016,740)
Depreciation and amortisation expense	8(a)	(104,480)	(130,202)
Administration expense		(318,508)	(358,703)
Occupancy expenses		(282,124)	(240,714)
Motor vehicle expenses		(90,766)	(92,027)
Grant and development expenses		(106,026)	(261,455)
Media expenses		(90,209)	(136,414)
Australian church expenses		(78,720)	(76,395)
Insurance claims expense		(173,493)	(119,282)
Consultancy expenses		-	(170,825)
Other expenses	2	(2,134,463)	(1,959,397)
Surplus/(deficit) before income tax		(264,000)	20,694,091
Income tax expense	1(l)	-	-
Surplus/(deficit) after income tax		(264,000)	20,694,091
Other comprehensive income		-	-
Total comprehensive income		(264,000)	20,694,091

The accompanying notes form part of these financial statements.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Statement of Financial Position

As At 31 December 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,355,758	1,449,096
Trade and other receivables	5	148,431	347,649
Financial assets	7	1,828,275	350,138
Other assets	6	1,444	20,970
TOTAL CURRENT ASSETS		3,333,908	2,167,852
NON-CURRENT ASSETS			
Financial assets	7	23,124,904	22,976,050
Plant and equipment	8	249,094	335,394
TOTAL NON-CURRENT ASSETS		23,373,998	23,311,444
TOTAL ASSETS		26,707,906	25,479,296
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	288,500	575,558
Short-term provisions	11	350,000	140,000
Employee benefits	12	92,212	61,069
TOTAL CURRENT LIABILITIES		730,713	776,628
NON-CURRENT LIABILITIES			
Borrowings	10	1,515,307	-
Employee benefits	12	109,711	86,493
TOTAL NON-CURRENT LIABILITIES		1,625,018	86,493
TOTAL LIABILITIES		2,355,731	863,121
NET ASSETS		24,352,175	24,616,175
Funds			
Reserves	13	167,029	167,029
Accumulated surplus		24,185,146	24,449,146
TOTAL FUNDS		24,352,175	24,616,175

The accompanying notes form part of these financial statements.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Statement of Changes in Funds For the Year Ended 31 December 2014

2014

	Accumulated Surplus	Reserves	Total
	\$	\$	\$
Balance at 1 January 2014	24,449,146	167,029	24,616,175
Total comprehensive income	(264,000)	-	(264,000)
Balance at 31 December 2014	24,185,146	167,029	24,352,175

2013

	Accumulated Surplus	Reserves	Total
	\$	\$	\$
Balance at 1 January 2013	3,758,001	164,083	3,922,084
Net movement in reserves	(2,946)	2,946	-
Total comprehensive income	20,694,091	-	20,694,091
Balance at 31 December 2013	24,449,146	167,029	24,616,175

The accompanying notes form part of these financial statements.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The Council Members have prepared the financial statements on the basis that the entity is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Synod of the Anglican Diocese of Newcastle.

The financial statements have been prepared in accordance with all applicable Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Interpretations) that have a material effect with the following exceptions:

AASB 7 - Financial Instruments: Disclosures
AASB 101 - Presentation of Financial Statements
AASB 107 - Statement of Cash Flows
AASB 124 - Related Party Disclosures
AASB 132 - Financial Instruments Disclosure and Presentation

The significant accounting policies disclosed below are those which the Council Members have determined are appropriate to meet the needs of the Synod of the Anglican Diocese of Newcastle. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in notes.

(b) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the fund applies an accounting policy change it is applied within the year that the policy is determined.

(c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entities accounting policies.

Key estimates - impairment

The Council assesses impairment at the end of the reporting year by evaluating conditions specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements

For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(d) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Buildings	2% PC
Plant and Equipment	20% PC
Leasehold improvements	14% PC
Computer Equipment	33% PC

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of surplus or deficit and other comprehensive income.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial instruments are subsequently measured at either amortised cost or cost.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period.

The Anglican Diocese of Newcastle General Fund and Budget Account

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Notes to the Financial Statements For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(e) Financial instruments continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions. At the end of each reporting period, the entity assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event or a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of surplus or deficit and comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of surplus or deficit and other comprehensive income.

(f) Impairment of non-financial assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value.

Assets, that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately.

The Anglican Diocese of Newcastle General Fund and Budget Account

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Notes to the Financial Statements For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

(h) Employee benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to the end of the reporting year. Employee benefits been measured at the amounts expected to be paid when the liability is settled.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(i) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Impairment is assessed in accordance with Note 1(e).

(k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Income tax

The Anglican Diocese of Newcastle General Fund and Budget Account is exempt from income tax under section 50-5 of the Income Tax Assessment Act 1997.

(m) Revenue and other income

The entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of The Anglican Diocese of Newcastle General Fund and Budget Account's activities as discussed below.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

1 Summary of Significant Accounting Policies continued

(m) Revenue and other income continued

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue

Interest revenue is recognised as it accrues.

Rental income

Rental revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return.

Trust and Bequest revenue

Trust and bequest revenue to which Budget is the recipient has is recorded as revenue when received.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

2 Operating Revenue and Other Revenue

	2014	2013
	\$	\$
Sales revenue		
- Sale of goods - Anglican Encounter	23,240	20,499
- Provision of services	648,753	666,119
	<u>671,993</u>	<u>686,618</u>
Other revenue		
- Rent received Newcastle Grammar School	201,300	196,124
- Operating grants Anglican Savings & Development Fund	75,000	-
- Trust interest and endowment income	1,017,357	1,082,034
- General income and grants	1,202,322	1,274,764
- Recognition of trust assets	1,885,993	23,016,706
Total Revenue	<u>5,053,966</u>	<u>26,256,247</u>

(a) The surplus/(deficit) for the year includes the following specific revenue and expenses

- Recognition of Diocesan Temporary Trust Funds and Permanent Endowments as assets	1,885,993	23,016,706
- Legal claims expense	<u>(1,845,132)</u>	<u>(1,648,411)</u>

3 Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor:

Assurance Services		
Audit fees - Cutcher & Neale	8,200	8,070
Other non-assurance services	2,400	-
	<u>10,600</u>	<u>8,070</u>

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

4 Cash and Cash Equivalents

	2014	2013
	\$	\$
Cash on hand	700	700
Cash at bank	1,355,058	1,448,396
Total cash and cash equivalents	<u>1,355,758</u>	<u>1,449,096</u>

5 Trade and Other Receivables

CURRENT

Trade receivables	78,408	25,385
GST receivable	19,259	57,383
Parish loans - interest free	50,764	45,418
Inter entity receivables - Other Diocesan entities	-	219,463
Total current trade and other receivables	<u>148,431</u>	<u>347,649</u>

6 Other Assets

CURRENT

Prepayments & sundry assets	<u>1,444</u>	<u>20,970</u>
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7 Financial assets

CURRENT

Held-to-maturity financial assets	<u>1,828,275</u>	<u>350,138</u>
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NON CURRENT

Other financial assets	7(a) <u>23,124,904</u>	<u>22,976,050</u>
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(a) Other financial assets

All investments are trust accounts and are invested with the Trustees of Church Property for the Anglican Diocese of Newcastle. It is not expected that the permanent trusts will be called upon within the following twelve months and have therefore been classified as non-current. As it is the intention not to call on the permanent trusts in the next twelve months, the Diocesan Council acknowledges and supports the past and current practice of the Trustees of Church Property to seek the best possible long term returns on the trusts by investing in a level of non-cash assets which provide for a mixture of growth and income.

The Anglican Diocese of Newcastle General Fund and Budget Account

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Notes to the Financial Statements For the Year Ended 31 December 2014

8 Property, Plant and Equipment

	2014	2013
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	72,987	54,806
Accumulated depreciation	(41,150)	(28,622)
Total plant and equipment	<u>31,837</u>	<u>26,184</u>
Computer equipment		
At cost	107,862	107,862
Accumulated depreciation	(107,862)	(107,862)
Total computer equipment	<u>-</u>	<u>-</u>
Leasehold Improvements		
At cost	645,729	645,729
Accumulated depreciation	(428,472)	(336,519)
Total improvements	<u>217,257</u>	<u>309,210</u>
Total plant and equipment	<u>249,094</u>	<u>335,394</u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Balance at 31 December 2014

Balance at the beginning of year	-	26,184	-	309,210
Additions	-	18,181	-	-
Depreciation expense	-	(12,528)	-	(91,952)
Balance at 31 December 2014	<u>-</u>	<u>31,837</u>	<u>-</u>	<u>217,257</u>

Balance at 31 December 2013

Balance at the beginning of year	437,500	34,186	24,314	300,230
Additions	-	2,498	-	103,260
Depreciation expense	(1,108)	(10,500)	(24,314)	(94,280)
Disposals - written down value	(436,392)	-	-	-
Balance at 31 December 2013	<u>-</u>	<u>26,184</u>	<u>-</u>	<u>309,210</u>

The Anglican Diocese of Newcastle General Fund and Budget Account

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Notes to the Financial Statements For the Year Ended 31 December 2014

9 Trade and Other Payables

	2014	2013
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	276,984	574,862
Sundry payables and accrued expenses	3,172	696
Inter entity payables - other Diocesan entities	8,344	-
	<u>288,500</u>	<u>575,558</u>

10 Borrowings

NON-CURRENT		
Unsecured liabilities:		
Related party borrowings	<u>1,515,307</u>	-

11 Provisions

CURRENT		
Legal proceedings	<u>350,000</u>	140,000

12 Employee benefits

CURRENT		
Annual leave	<u>92,212</u>	61,069
NON-CURRENT		
Long service leave	<u>109,711</u>	86,493

13 Reserves

Stipend advance scheme reserve	63,604	63,604
Parish aid and development reserve	26,082	26,082
Chaplaincy reserve	12,000	12,000
CEY Ministries	65,343	65,343
Total reserves	<u>167,029</u>	<u>167,029</u>

The Anglican Diocese of Newcastle General Fund and Budget Account

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Notes to the Financial Statements

For the Year Ended 31 December 2014

14 Financial Risk Management

The main risks The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The entity's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	1,355,758	1,449,096
Trade and other receivables	166,361	347,648
Diocesan Temporary Trust Funds and Permanent Endowments	<u>24,953,179</u>	<u>23,326,188</u>
Total financial assets	<u><u>26,475,298</u></u>	<u><u>25,122,932</u></u>
Financial Liabilities		
Trade and other payables	280,156	715,558
Borrowings	<u>1,515,307</u>	-
Total financial liabilities	<u><u>1,795,463</u></u>	<u><u>715,558</u></u>

The Diocesan Council Members have overall responsibility for the establishment of The Anglican Diocese of Newcastle General Fund and Budget Account's financial risk management framework. This includes the development of policies covering specific areas such as credit risk, liquidity risk and market risk relating to interest rate risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and The Anglican Diocese of Newcastle General Fund and Budget Account's activities.

The day-to-day risk management is carried out by The Anglican Diocese of Newcastle General Fund and Budget Account's finance function under policies and objectives which have been approved by the Diocesan Council Members. The Diocesan Business Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and assessment of market forecasts for interest rate movements.

The Diocesan Council Members receive monthly reports which provide details of the effectiveness of the processes and policies in place.

The Anglican Diocese of Newcastle General Fund and Budget Account does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

14 Financial Risk Management continued

Mitigation strategies for specific risks faced are described below:

Interest Rate Risk

The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to interest rate risk fluctuations on its cash at bank and cash on deposit. The fund actively monitors interest rates for cash at bank and on deposit to maximise its interest income.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is managed through a collection policy based on the amount, ageing and circumstances related to the outstanding amounts. The level of debt and the doubtful debts provision is reviewed regularly by the Council Members. Any debts required to be formally recovered by legal action by management are done so in accordance with the collection policy.

The Anglican Diocese of Newcastle General Fund and Budget Account does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into apart from inter entity and other Diocesan entity loans.

Liquidity risk

Liquidity risk arises from the possibility that The Anglican Diocese of Newcastle General Fund and Budget Account might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The fund manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, The Anglican Diocese of Newcastle General Fund and Budget Account ensures that it has sufficient cash on demand to meet expected operational expenses as required.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Notes to the Financial Statements For the Year Ended 31 December 2014

14 Financial Risk Management continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Net fair values

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

15 Contingent Liabilities and Contingent Assets

At the date of this report, the Diocese of Newcastle may have potential liabilities for legal claims. It is not possible to determine the amount or exact nature of many of these potential claims, nor whether those potential claims may be covered by insurance.

The Diocesan Council continues to ensure adequate funding will be made available for settlement of any potential liability arising from these claims.


Management are currently seeking guidance from the Diocesan Council and the Diocesan lawyers with respect to these matters.

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Statement by the Diocesan Business Manager of the Anglican Diocese of Newcastle General Fund and Budget Account 31 December 2014

The accounting records have been properly maintained, and in my opinion, the financial statements as presented give a true and fair view of the operations of the Anglican Diocese of Newcastle General Fund and Budget Account for the year ended 31 December 2014, and of the state of its affairs at that date, in compliance with applicable Australian Accounting Standards, the *Australian Charities and Not-For-Profits Commission Act 2012*, and other mandatory professional requirements as set out in Note 1 of the financial statements.



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John Cleary - Diocesan Business Manager

Dated 30 April 2015