

**ANGLICAN SAVINGS AND DEVELOPMENT FUND
REPORT TO SYNOD 2015**

I have pleasure in submitting my report to Synod as Chairman of Anglican Savings and Development Fund (ASDF).

The Directors of the Fund for the period covered by this report were:

The Right Reverend Gregory Thompson (Bishop - Ex Officio)
The Right Reverend Dr Peter Stuart
Mr Micah Jenkins
Mr Malcolm McDonald (Chairman)
Mr John Cleary (Diocesan Business Manager)

ASDF was established by Ordinance in 1979 to assist in the expansion of the work of the Diocese and the activities of the Fund have in part been directed toward its making financial contributions to the Diocesan budget. The Board will continue to review the level of these contributions having regard to the Fund's operating results and level of reserves. In the year ended 31 December 2014 the contribution amounted to \$75,000.

We have continued to enhance the Funds operating systems particularly in the area of on line transactional capabilities, enabling Diocesan entities to increase engagement with ASDF both as depositors and borrowers.

Diocesan entities with short term surplus funds now have the opportunity to place those funds with ASDF and while this results in some volatility in total funds on deposit, it provides an overall net benefit to the Diocese.

At 31 December 2014 total depositor balances were \$17.7 million (of which Diocesan entities other than parishes accounted for \$5.3 million) and at 30 June 2015 that balance stood at \$18.0 million (\$5.5 million).

Support

I convey my thanks and appreciation to all parishes, Diocesan entities, clergy and laity who have supported our mission.

I would like to acknowledge with gratitude the work of my fellow Board members and of Mr John Cleary and his staff who have so ably managed the affairs of ASDF during the period. John continues to work with our investment advisors to develop innovative and financially prudent ways to invest our funds and to attract further deposits to ASDF thus enhancing our potential for even greater support for the Diocese.

Malcolm McDonald

Chair



ANGLICAN SAVINGS AND DEVELOPMENT FUND - DIOCESE OF NEWCASTLE

Financial Report
For the Year Ended
31 December 2014

CONTENTS

Auditor's Independence Declaration.....	1
Independent Audit Report.....	2
Board Members' Declaration.....	4
Statement of Surplus or Deficit and Other Comprehensive Income.....	5
Statement of Financial Position.....	6
Statement of Changes in Funds.....	7
Notes to the Financial Statements.....	8
Statement by the Secretary / Treasurer.....	18

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Auditors Independence Declaration

In accordance with subdivision 60-C of the *Australian Charities and Not-for-Profit Commission Act 2012*, I am pleased to provide the following declaration of independence to the Board Members of Anglican Savings & Development Fund - Diocese of Newcastle.

As the audit partner of the audit of the financial statements of Anglican Savings & Development Fund - Diocese of Newcastle for the financial year ended 31 December 2014, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-Profit Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Cutcher & Neale Assurance Pty Ltd

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



Mark O'Connor
Director

15 April 2015

Newcastle

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Independent Audit Report to the Synod the Anglican Diocese of Newcastle

Report on the Financial Report

We have audited the accompanying financial report being a special purpose financial report, of Anglican Savings & Development Fund - Diocese of Newcastle, 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 management's assertion statement.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profit Commission Act 2012* to the extent described by the accounting policies in Note 1 of the financial statements, and for such internal control as management 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.

Opinion

In our opinion, the financial report of Anglican Savings & Development Fund - Diocese of Newcastle is in accordance with division 60 of the *Australian Charities and Not-for-Profit Commission Act 2012*, including;

- (a) giving a true and fair view of the entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements and the *Australian Charities & Not-for-Profit Commission Regulations 2013*.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Independent Audit Report to the Synod the Anglican Diocese of Newcastle

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report is prepared to assist Anglican Savings & Development Fund - Diocese of Newcastle to meet its financial reporting responsibilities under the ordinances of the Anglican Diocese of Newcastle. As a result, the financial report may not be suitable for another purpose.

Cutcher & Neale Assurance Pty

Cutcher & Neale Assurance Pty
(an authorised audit company)



Mark O'Connor
Director

Newcastle

17 April 2015

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Board Members Declaration

The Board Members' have determined that the fund is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 of the financial statements.

The Board Members declare that:

1. The financial statements and notes, as set out on pages 5 - 17, are in accordance with the Australian Charities and Not-for-Profit Commission Act 2012 and:
 - (a) comply with accounting standards to the extent described in Note 1; and
 - (b) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the entity.
2. In the Board Members' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made pursuant to subdivision 60.15 of the *Australian Charities and Not-for-Profit Commission Regulations 2013* and in accordance with a resolution by the Board Members.



Board Member



Board Member

Dated 16 April 2015

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

		2014	2013
	Note	\$	\$
Revenue	2	619,928	629,838
Fair value adjustment on Investments		(1,691)	7,976
Interest costs		(212,993)	(277,841)
Parish commission paid		(28,457)	(25,046)
Management fee		(60,740)	(69,931)
Grants paid		(75,000)	-
Employee benefits		(85,940)	(87,374)
Other expenses		(107,801)	(124,456)
Surplus / (deficit) before income tax		47,306	53,166
Income tax expense	1(c)	-	-
Surplus / (deficit) after income tax		47,306	53,166
Other comprehensive income		-	-
Total comprehensive income		47,306	53,166

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Statement of Financial Position As At 31 December 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,020,828	7,669,019
Trade and other receivables	5	471,335	371,242
Other financial assets	6	10,615,782	6,081,738
TOTAL CURRENT ASSETS		16,107,945	14,121,999
NON-CURRENT ASSETS			
Trade and other receivables	5	1,812,837	342,695
Property, plant and equipment	7	-	-
Intangible assets	8	25,822	53,127
TOTAL NON-CURRENT ASSETS		1,838,659	395,822
TOTAL ASSETS		17,946,604	14,517,821
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	30,775	31,407
Depositors' funds - at call	10	17,709,989	14,327,880
TOTAL CURRENT LIABILITIES		17,740,764	14,359,287
TOTAL LIABILITIES		17,740,764	14,359,287
NET ASSETS		205,840	158,534
EQUITY			
Accumulated surplus / (deficit)		205,840	158,534
TOTAL EQUITY		205,840	158,534

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

2014

	Retained Earnings
	\$
Balance at 1 January 2014	158,534
Total comprehensive income	<u>47,306</u>
Balance at 31 December 2014	<u>205,840</u>

2013

	Retained Earnings
	\$
Balance at 1 January 2013	105,368
Total comprehensive income	<u>53,166</u>
Balance at 31 December 2013	<u>158,534</u>

The accompanying notes form part of these financial statements.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

1 Summary of Significant Accounting Policies

(a) 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 Board applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be presented.

(b) Critical accounting estimates and judgements

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 entity's accounting policies.

Key estimates - impairment

The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined. Fair value less costs to sell or current replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(c) Income tax

No provision for income tax has been raised as the Fund is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(d) Revenue and other income

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

Interest revenue

Interest revenue is recognised as it accrues.

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

1 Summary of Significant Accounting Policies continued

(e) 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.

(f) 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.

(g) 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 Company 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.

(h) Receivables

Trade and sundry debtors

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a reducing balance basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

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

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

1 Summary of Significant Accounting Policies continued

(i) Property, plant and equipment continued

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	25%

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

(j) Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of three years. It is assessed annually for impairment.

(k) Depositors' Funds

Depositor's funds are shown as current liabilities as the fund does not have an unconditional right to defer settlement of the liability. It is not considered probable by the Board that fixed term depositors' funds of \$1,916,693 (2013: \$3,482,997) will be repaid within 12 months of balance date.

(l) Investments

Investments in listed entities and marketable securities are measured at fair value, being quoted market prices at reporting date.

(m) Financial instruments

Initial recognition and measurement

The Fund classifies investment assets as Trading Portfolio financial assets (Current Assets).

All investments are initially recognised at the fair value of the consideration paid. After initial recognition, investments are measured at their fair value. Fair value of listed securities is determined by reference to the last sale price at the close of business at reporting date. Gains on Trading Portfolio investments are recognised in the Statement of Comprehensive Income.

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.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

1 Summary of Significant Accounting Policies continued

(m) Financial instruments continued

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

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 in the stock exchange. At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event.

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 other 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 profit or loss.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

2 Revenue from continuing operations

	2014	2013
	\$	\$
Revenue from investments and interest	<u>617,470</u>	626,619
Other revenue		
- Sundry income	<u>2,459</u>	3,219
Total Revenue	<u>619,929</u>	<u>629,838</u>

3 Auditors' Remuneration

Audit Fees - Cutcher & Neale	<u>16,500</u>	16,250
------------------------------	---------------	--------

4 Cash and Cash Equivalents

Cash at bank and in hand	734,149	1,983,664
Other cash and cash equivalents	<u>4,286,679</u>	5,685,355
	<u>5,020,828</u>	<u>7,669,019</u>

5 Trade and Other Receivables

CURRENT

Accrued Interest	128,717	96,845
Other receivables	6,096	-
GST Receivable	1,224	1,024
Loans - Other Anglican Diocesan entities - unsecured	<u>335,298</u>	273,373
	<u>471,335</u>	<u>371,242</u>

NON-CURRENT

Loans - Other Anglican Diocesan entities - unsecured	(a) <u>1,812,837</u>	342,695
--	----------------------	---------

(a) Security

The entity does not hold any collateral over mortgage loans. Under the terms of two loan agreements, the property title deeds are required to be retained at the Diocesan Office under control of the *Trustees of Church Property*.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

6 Financial Assets

	2014	2013
	\$	\$
Investment portfolio - other listed hybrid equity instruments and floating rate notes at fair value	(a) 4,855,306	5,308,347
Interest bearing deposits	5,760,477	773,391
Total financial assets	<u>10,615,783</u>	<u>6,081,738</u>

(a) Shares and other listed equity instruments at fair value

Shares in listed corporations, other listed hybrid equity instruments and floating rate notes are re-valued based on the quoted market value six-monthly. Realised and un-realised gains/(losses) are recognised within the statement of comprehensive income. Dividends on shares are recognised in comprehensive income on the date the dividend is declared. Investments are held for liquidity and trading purposes.

7 Plant and Equipment

Plant and equipment		
At cost	31,049	57,281
Accumulated depreciation	(31,049)	(57,281)
Total plant and equipment	<u>-</u>	<u>-</u>

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

8 Intangible Assets

	2014	2013
	\$	\$
Computer software		
Cost	81,925	81,925
Accumulated amortisation and impairment	(56,103)	(28,798)
Total Intangibles	25,822	53,127

9 Trade and Other Payables

CURRENT		
Unsecured liabilities		
Sundry payables and accrued expenses	30,775	31,407
	30,775	31,407

10 Depositors' funds

CURRENT		
Unsecured liabilities:		
At call	4,410,829	6,925,870
Temporary trusts	6,786,469	572,115
Fixed term deposits 6 - 12 month original maturity	4,595,998	3,346,898
Fixed term deposits 1 - 5 year original maturity	1,916,693	3,482,997
	17,709,989	14,327,880

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

11 Financial Risk Management

The main risks the Fund is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

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

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

	2014	2013
	\$	\$
Financial Assets		
Cash and cash equivalents	5,020,828	7,669,019
Trade and other receivables	2,284,172	713,713
Investment portfolio	4,855,306	5,308,347
Interest bearing deposits	5,760,477	773,391
Total financial assets	17,920,783	14,464,470
Financial Liabilities		
Trade and other payables	30,775	31,407
Depositor funds	17,709,989	14,327,880
Total financial liabilities	17,740,764	14,359,287

Financial risk management policies

The Board has overall responsibility for the establishment of the Fund's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, credit risk and market risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The day-to-day risk management is carried out by the Fund's finance function under policies and objectives which have been approved by the Board. The 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 risk and assessment of market forecasts for interest rate movements.

The Board receives bi-monthly reports which provide details of the effectiveness of the processes and policies in place.

The Fund does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

11 Financial Risk Management continued

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Anglican Savings & Development Fund - Diocese of Newcastle and arises principally from Anglican Savings & Development Fund - Diocese of Newcastle's receivables.

Liquidity risk

Liquidity risk arises from the possibility that Anglican Savings & Development Fund - Diocese of Newcastle 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;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Anglican Savings & Development Fund - Diocese of Newcastle ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

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.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Fund is also exposed to earnings volatility on floating rate instruments.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

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

11 Financial Risk Management continued

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

Net fair values

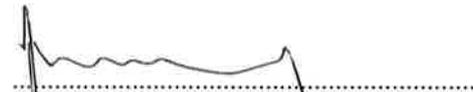
Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Anglican Savings & Development Fund - Diocese of Newcastle

ABN 37 901 809 074

Statement By The Secretary/Treasurer of the Anglican Savings & Development Fund - Diocese of Newcastle

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 Anglican Savings & Development Fund for the Diocese of Newcastle for the year ended 31 December 2014, and of the state of its affairs at that date, in compliance with applicable Australian Accounting Standards and other mandatory professional requirements as set out in Note 1(a) of the financial statements.



John Cleary - Secretary/Treasurer

Dated 16 April 2015