



The Anglican Diocese of Newcastle
**Report of the Newcastle Anglican Church Corporation to
SYNOD 2018**

for the period 1 July 2017 to 31 July 2018

The Newcastle Anglican Church Corporation (NACC) held 10 Meetings during the reporting period. The record of attendance is set out below.

Attendance

Name	Eligible meetings to attend (1 July 2017 – 31 July 2018)	Meetings attended
Present		
Bishop Peter Stuart*	10	8
Bishop Charlie Murry	2	2
Mr Wayne Russell*	10	10
Mrs Jayne Drinkwater*	8	8
Mr Peter Francis*	10	8
Mr Mark Hedges*	10	8
Ms Michelle Jarvie*	10	9
Mr Richard Turnbull*	10	10
Mr Garry Whitaker*	10	9
In Attendance		
Mr Stephen Phillips	10	10
Ms Jenny Chung	4	4
Mrs Linda Wilson	9	9
Mr Glen Cousins	2	2

Resignations and Appointments

Board Members as marked (*) above, were appointed on 1 October 2017.

Ms Jayne Drinkwater resigned from the Boards of the NACC, ASDF and TCP on 2 May 2018.

The board expresses its sincere appreciation to Jayne for her dedicated service to this board and the board of the Trustees since 26 May 2011. Jayne was celebrated as the first female member of the Trustees and has brought insightful business acumen, compassion and a willingness to serve which has greatly benefited the boards and the Diocese of Newcastle.

Bishop Charlie Murry was appointed to the Boards of the NACC, ASDF and TCP on 10 May 2018.

The Board is seeking to fill a casual vacancy on the Boards of the NACC, ASDF and TCP.

Establishment

The Anglican Diocese of Newcastle established the Newcastle Anglican Church Corporation (NACC or Corporation) in May 2017. The NACC became fully operational on 1 October 2017.

The NACC is incorporated under the *Anglican Church of Australia (Bodies Corporate) Act 1938* (NSW) (the Act). Section 4(2) of that Act provides that a Synod of a Diocese may by ordinance, constitute the members of an unincorporated body who are managing, governing, holding or controlling with church trust property, as a body corporate. Accordingly, the NACC is a separate legal entity that, subject to the control of the Bishop, Synod and Diocesan Council, has all the features of a corporation, as if it had been incorporated under the *Corporations Act 2001* (Cth), including perpetual succession, the right to enter into contracts in its own name, the right to own property in its own name, and title to sue and be sued.

The NACC conducts its activities by adopting best practice governance guidelines (as appropriate) as defined by regulatory bodies such as the Australian Securities and Investments Commission (ASIC). The NACC is registered with the Australian Charities and Not-for-Profits Commission (ACNC).

Responsibilities

The NACC has been established as a Standing Committee of the Diocesan Council pursuant to the *Diocesan Council Ordinance 1929 (amended February 2918)*, with primary responsibilities for:

1. The temporal affairs of the Diocese and advising the Bishop and Diocesan Council on those affairs, and;
2. Oversight of the bodies corporate of the Diocese and advising the Bishop and the Diocesan Council on the strategic, financial and risk matters of those entities.

The *Newcastle Anglican Church Corporation Ordinance 2017* gives the power to the NACC to direct an inspection of a Body Corporate of the Diocese (including its finances, its buildings and equipment) and/or direct an inquiry into the operational and general affairs of a Body Corporate of the Diocese, and such other responsibilities and powers as defined in its ordinance

The Board of the Corporation is also the Board of the Trust Corporation - the Trustees of Church Property for the Diocese of Newcastle (TCP) and the Diocese's Religious Charitable Development Fund - the Anglican Savings and Development Fund (ASDF). The Corporation forms a particular aspect of Anglican Church governance to enable the Bishop as the chief pastor and leader of the Diocese to harness human and material resources to further the mission of the Church in the Diocese and elsewhere.

Key Strategic, Business and Policy Matters Considered by the Board

The establishment of the NACC formed a central part of the governance reform strategy adopted by the Diocese out of the recommendations put forward by KPMG upon completion of the Governance and Business Process Review in March 2017. The rationale was to create a Board comprising demonstrated skills, experience and expertise congruent with the requirements for overseeing the business affairs of a complex organisation, such as the Anglican Diocese of Newcastle, which includes a diverse range of activities across 63 parishes (including the operation of a financial institution, a large Aged Care facility, a major not-for profit community service provider and four Anglican schools).

The newly formed Board has spent considerable time as a body to understand the complexities of the organisation and its legislative environment with a particular focus on Diocesan financial management in the light of meeting redress obligations. In its journey to put in place a contemporary governance framework the NACC has established 4 standing committees comprising Audit & Risk, Finance & Investment, Property, and Nomination. In addition, the Board has established a Remuneration Committee.

The Audit & Risk Committee is responsible for oversight of financial reporting and accounting policies, internal controls, external and internal audit. In addition, the Audit & Risk Committee has oversight of compliance and risk management. The Audit & Risk Committee considers relevant risk and audit matters from across the Diocese, including those relating to the Schools, Samaritans, Anglican Care, ASDF, Trusts and the Diocesan Office.

The Finance and Investment Committee is responsible for the oversight of the Diocesan Budget comprising the individual budgets for General Fund and Budget Account (General Fund), Trustees of Church Property for the Diocese of Newcastle (TCP), and Anglican Savings and Development Fund (ASDF). In addition, the Finance & Investment Committee has oversight of the operation of the ASDF and the investment activities of the TCP.

The role of the Property Committee is to assist the Diocesan Council and NACC in relation to all property matters and real estate vested in the Trustees for parish purposes as well as all real property held on trust for church purposes pursuant to an Act of Parliament or ordinance. The Property Committee assist the Board on all real property matters related to properties held for investment purposes and assists the Diocesan Council and Ministry Council and Board in relation to the long-term planning for real property for ministry purposes.

The Nomination Committee proposes suitable candidates to the Diocesan Council for election and appointment to the Boards of any Body Corporate and to such other councils, boards or committees of the Diocese as the Diocesan Council may request.

The purpose of the Remuneration Committee is to assist the Board in meeting its responsibilities regarding the determination, implementation and oversight of remuneration arrangements and to oversee arrangements for succession planning of senior employees.

The NACC Board has worked closely with the Bishop in setting the Anglican Church of Newcastle Strategic Directions and Work Plan 2018-2021 which was released on 26 April 2018. Throughout the period, the Board has received and considered information from the Bishop in relation to the Mission and Vision for the Diocese and has given advice on the radical reorganisation of resources necessary for achieving the vision. Vital to this has been the inclusion of the work of the Property Committee and the Finance and Investment Committee which are developing an Asset Management Strategy to support the work of the church and the newly created Mission and Ministry Trust and seeking improvements to the Diocesan investment portfolio respectively.

The Board, with the assistance of the Diocesan Office staff, have and will continue to ensure that the operation of the NACC is consistent with the Strategic Direction and the Work Plan 2018-2021.

Other strategic, business and policy matters considered by the Board during the period are summarised below.

- The Diocesan Budget based on the individual budgets for:
 - General Fund and Budget Account (General Fund)
 - Trustees of Church Property for the Diocese of Newcastle (TCP)
 - Anglican Savings and Development Fund (ASDF)
- Audited Financial Reports for the year ended 31 December 2017, audited by Cutcher & Neale for the General Fund, TCP and the ASDF.
- The appointment of the Diocesan Auditor – recommendation to Diocesan Council.
- The funding of redress.
- Approval of a Purchasing and Payments Policy for the Diocesan Office.
- The creation of a Safe Ministry Assurance Officer position on a part-time basis.
- Review and updating of the ASDF Interest Rate Setting Policy.
- Approval of a Parish Property Delegations Policy for the Diocesan Office.
- Resourcing strategy to support the Diocesan Strategic Directions and Work Plan.
- Risk management and Risk Appetite Statement.
- The development of an Asset Management Strategy, a Property Management Strategy and appointment of a Strategic Property Advisor.
- Review of investment strategies with Ord Minnett including the inclusion of hybrid securities.
- Property matters in relation to¹:
 - the sale of St Margaret's Jesmond
 - the operation of Scone Parish (Strathearn) Village
 - the sale of the retirement villa complex known as All Saints Close –25 Fleet Street New Lambton
 - Construction of Heritage-approved access ramp at St Peter's Church, East Maitland.
 - the sale of 13 & 14 Gibson Close Singleton Heights.
 - the sale of Allworth Church/Hall.
 - property boundary adjustments for the Rectory at Merriwa.
 - Stained-Glass Window project at St Peter's East Maitland – stage 2.
 - MICA Ministries – development proposal
 - Cathedral Close – residential lease
 - Purchase of residence for Assistant Bishop (as Trustees of Church Property)
 - Croudace Bay – options proposal

¹ The NACC recommends to the Bishop and Diocesan Council matters pertaining to the purchase, sale, lease or licence of a building or property.

- Parish of Charlestown – development proposal
 - Parish of Hamilton – maintenance
 - Parish of Taree Op-Shop Lease
 - Parish of Telarah-Rutherford – construction of shed for emergency food relief
 - the sale of St James' Bungwahl
 - the purchase of a rectory for the Parish of Wyoming
 - Parish of Adamstown – commercial lease
- Delegations with respect to grant funding.
 - Strategic and capital plans in relation to:
 - The Newcastle Anglican Schools Corporation (NASC)
 - Anglican Care
 - The Samaritans Foundation

Following a special meeting held with these Diocesan Entities in February 2018, the Board recognised the risk posed by significant capital withdrawals on the ASDF and is working closely with these entities to provide a more integrated capital planning framework which will assist the strategic management of business operations.

Composition Schedule of Committees (end June 2018)

Audit & Risk	Finance & Investment	Property	Nomination
Ms Michelle Jarvie (Chair)	Mr Mark Hedges (Chair)	Mr Peter Francis (Chair)	Mr Richard Turnbull (Chair)
Mr Mark Hedges	Mr Garry Whitaker	Mr Wayne Russell	Mr Peter Francis
Mr Garry Whitaker	Ms Michelle Jarvie	Mr Richard Turnbull	Board Appointee (vacant)
		Fr Cameron Freese	DC Clergy Appointee
		DC Lay Appointee (vacant)	Mr Phillip Weston

Remuneration

Mr Wayne Russell (Chair)
 Bishop Peter Stuart
 Mr Garry Whitaker

Thanks to Diocesan Staff

The Board extends its sincere thanks to all Diocesan Staff for their loyalty and commitment to the work of the Diocese through a period of tumultuous change and extraordinary demand. The Board recognises that over the past year and more, employees have supported the Diocese and each other in the midst of a radically changing governance structure, through the departures of senior leaders and long-serving staff and the during absence of key personnel through illness. This effort has been appreciated by the Board and welcomed by the new Board Members and staff joining the Diocesan team on this journey of change which ultimately supports the church to flourish.

Financial Report

The audited Financial Report for the year ended 31 December 2017 for the Newcastle Anglican Church Corporation is distributed under a separate cover.



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

Financial Report
For the Year Ended
31 December 2017

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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 2017, 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 Ltd

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



M.J. O'Connor CA
Director

7 June 2018

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 Audit of the Financial Report

Opinion

We have audited the financial report of The Anglican Diocese of Newcastle General Fund and Budget Account (the Entity), which comprises the statement of financial position as at 31 December 2017, the statement of surplus or deficit and other comprehensive income, the statement of changes in funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Board declaration.

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 2017, and its financial performance for the year then ended in accordance with the accounting policies described in note 1 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-For-Profits Commission Act 2012*, which has been given to the Board Members of the Entity, would be in the same terms if given to the Board Members as at the time of this auditor's report.

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

Emphasis of Matter

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has 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.

Responsibilities of Board Members for the Financial Report

The Board Members of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-For-Profits Commission Act 2012* and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

In preparing the financial report, the Board Members are responsible for assessing the the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

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

M.J. O'Connor
Director

NEWCASTLE

7 June 2018

The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

Board Declaration

The Board 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 the *Australian Charities and Not-For-Profits Commission Act 2012*.

The Board 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 2017 and of its performance for the year ended on that date.
2. In the Board 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 Board made pursuant to S.60.15 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Board Member.....

Board Member.....

Dated 06 June 2018

The Anglican Diocese of Newcastle General Fund and Budget Account

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Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2017

		2017	2016
	Note	\$	\$
Revenue	2	4,766,337	3,467,896
Employee benefits expense		(1,999,791)	(2,016,633)
Depreciation and amortisation expense	9(a)	(40,503)	(105,850)
Administration expense		(581,732)	(429,137)
Occupancy expenses		(308,188)	(237,287)
Motor vehicle expenses		(71,000)	(80,670)
Grant and development expenses		(252,950)	(168,068)
Media expenses		(120,924)	(98,549)
Australian church expenses		(58,452)	(71,758)
Insurance claims expense		(100,874)	(218,593)
Finance costs		(83,792)	(138,828)
Other expenses	3	(4,647,520)	(4,280,419)
Surplus/(deficit) before income tax		(3,499,389)	(4,377,896)
Income tax expense	1(l)	-	-
Surplus/(deficit) after income tax		(3,499,389)	(4,377,896)
Other comprehensive income		-	-
Total comprehensive income		(3,499,389)	(4,377,896)

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 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	3,037,098	1,258,805
Trade and other receivables	6	424,892	384,063
Other assets	7	21,990	451
TOTAL CURRENT ASSETS		<u>3,483,980</u>	<u>1,643,318</u>
NON-CURRENT ASSETS			
Financial assets	8	19,059,530	25,607,833
Plant and equipment	9	110,793	146,136
TOTAL NON-CURRENT ASSETS		<u>19,170,323</u>	<u>25,753,969</u>
TOTAL ASSETS		<u>22,654,303</u>	<u>27,397,287</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	286,464	330,928
Short-term provisions	12	4,335,000	2,650,000
Employee benefits	13	192,323	171,301
TOTAL CURRENT LIABILITIES		<u>4,813,787</u>	<u>3,152,230</u>
NON-CURRENT LIABILITIES			
Borrowings	11	-	3,557,422
Employee benefits	13	81,671	87,907
TOTAL NON-CURRENT LIABILITIES		<u>81,671</u>	<u>3,645,329</u>
TOTAL LIABILITIES		<u>4,895,458</u>	<u>6,797,559</u>
NET ASSETS		<u>17,758,845</u>	<u>20,599,728</u>
Funds			
Permanent Endowments	15	19,059,530	25,607,833
General reserve	14	1,453,470	1,422,678
Accumulated surplus		(2,754,155)	(6,430,783)
TOTAL FUNDS		<u>17,758,845</u>	<u>20,599,728</u>

The accompanying notes form part of these financial statements.

The Anglican Diocese of Newcastle General Fund and Budget Account

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Statement of Changes in Funds For the Year Ended 31 December 2017

2017

	Accumulated Surplus	Reserves	Permanent Endowments	Total
	\$	\$	\$	\$
Balance at 1 January 2016	(6,430,783)	1,422,678	25,607,833	20,599,728
Total comprehensive income	(3,499,389)	-	-	(3,499,389)
Revaluation increment (decrement)	-	-	658,506	658,506
Transfer from accumulated surplus to Property Acquisition Fund reserve	(30,792)	30,792	-	-
Transfer from Permanent Endowments to Accumulated Surplus on redemption of trust funds	7,206,809	-	(7,206,809)	-
Balance at 31 December 2017	(2,754,155)	1,453,470	19,059,530	17,758,845

2016

	Accumulated Surplus	Reserves	Permanent Endowments	Total
	\$	\$	\$	\$
Balance at 1 January 2015	2,304	1,230,675	23,258,054	24,491,033
Total comprehensive income	(4,377,896)	-	-	(4,377,896)
Revaluation increment (decrement)	-	-	486,592	486,592
Transfer from accumulated surplus to Property Acquisition Fund reserve	(192,003)	192,003	-	-
Transfer from accumulated surplus to recognise Permanent Endowment	(1,863,187)	-	1,863,187	-
Balance at 31 December 2016	(6,430,783)	1,422,678	25,607,833	20,599,728

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 2017

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The Board 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 10 - Consolidated Financial Statements
AASB 124 - Related Party Disclosures
AASB 132 - Financial Instruments Disclosure and Presentation

The significant accounting policies disclosed below are those which the Board 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.

(c) 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 entities accounting policies.

Key estimates - impairment

The entity 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.

Key estimates - Provision for legal proceedings

The entity assesses the status of legal claims at the end of the reporting period based on all available information in relation to settlement.

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 2017

1 Summary of Significant Accounting Policies

(d) Plant and equipment

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

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:

Plant and Equipment	10-25% PC
Leasehold improvements	14% PC
Computer Equipment and software	20-50% 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 or fair value.

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 2017

1 Summary of Significant Accounting Policies

(e) Financial instruments

Permanent Trust Financial Assets

Permanent trust assets are financial assets that are invested in equities by Trustees of Church Property and where General Fund is beneficiary to the trust. (Refer note 8a).

They are subsequently measured at fair value through other comprehensive income as they are not expected to be realised within 12 months after the end of the reporting period.

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.

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 2017

1 Summary of Significant Accounting Policies

(f) Impairment of non-financial assets

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.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call, 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 are 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.

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 2017

1 Summary of Significant Accounting Policies

(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.

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 the entity is the recipient 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

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Operating Revenue and Other Revenue

	2017	2016
	\$	\$
Operating revenue		
- Sale of goods - Anglican Encounter	11,520	13,022
- Provision of services	722,991	711,848
	<u>734,511</u>	<u>724,870</u>
Other revenue		
- Rent received Newcastle Grammar School	-	208,777
- Operating grants Anglican Savings & Development Fund	325,000	250,000
- Trust interest and endowment income	489,931	894,320
- General income and grants	1,356,879	1,373,870
- Recognition of trust assets and bequests received	1,860,016	16,059
	<u>4,766,337</u>	<u>3,467,896</u>
Total Revenue	4,766,337	3,467,896

3 The surplus/(deficit) for the year includes the following specific expenses

Other expenses:		
Synod and conference expenses	36,009	17,686
Property sale costs	49,197	47,597
Legal claims	4,373,973	4,105,046
Sundry expenses	188,341	110,091
	<u>4,647,520</u>	<u>4,280,420</u>
Total other expenses	4,647,520	4,280,420

4 Auditors' Remuneration

Assurance Services		
Audit fees - Cutcher & Neale	30,140	30,700
	<u>30,140</u>	<u>30,700</u>

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Notes to the Financial Statements For the Year Ended 31 December 2017

5 Cash and Cash Equivalents

	2017	2016
	\$	\$
Cash on hand	500	700
Cash at bank	3,036,598	1,258,105
Total cash and cash equivalents	<u>3,037,098</u>	<u>1,258,805</u>

6 Trade and Other Receivables

CURRENT		
Trade receivables	438,800	296,646
GST receivable	34,229	69,588
Parish loans - interest free	12,020	11,800
Inter entity receivables - Other Diocesan entities	(60,157)	6,029
Total current trade and other receivables	<u>424,892</u>	<u>384,063</u>

7 Other Assets

CURRENT		
Prepayments & sundry assets	<u>21,990</u>	451

8 Financial assets

NON CURRENT		
Permanent Trusts	8(a) <u>19,059,530</u>	<u>25,607,833</u>

(a) Permanent Trusts

All investments are trust accounts and are invested with the Trustees of Church Property for the Diocese of Newcastle. The Diocesan Council recognise the working capital deficiency as presented in the statement of financial position. Whilst the permanent trusts invested with the Trustees of Church Property are reported as non-current assets, the Diocesan Council has authority to, and may resolve to, liquidate the financial assets to fund current liabilities. Together with cash flows generated from operating activities, the ability to liquidate the non-current financial assets is critical to the overall liquidity management strategies of the General Fund and Budget Account. The Board acknowledge and support 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 2017

9 Property, Plant and Equipment

	2017	2016
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	102,751	99,307
Accumulated depreciation	(85,582)	(71,402)
Total plant and equipment	<u>17,169</u>	<u>27,905</u>
Computer equipment		
At cost	109,577	107,862
Accumulated depreciation	(108,040)	(107,862)
Total computer equipment	<u>1,537</u>	<u>-</u>
Leasehold Improvements		
At cost	729,210	729,210
Accumulated depreciation	(637,123)	(610,979)
Total improvements	<u>92,087</u>	<u>118,231</u>
Total plant and equipment	<u><u>110,793</u></u>	<u><u>146,136</u></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:

	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
2017			
Balance at the beginning of year	27,905	118,231	146,136
Additions	5,160	-	5,160
Depreciation expense	(14,359)	(26,144)	(40,503)
Balance at 31 December 2017	<u>18,706</u>	<u>92,087</u>	<u>110,793</u>
2016			
Balance at the beginning of year	30,485	182,521	213,006
Additions	12,373	26,607	38,980
Depreciation expense	(14,953)	(90,897)	(105,850)
Balance at 31 December 2016	<u>27,905</u>	<u>118,231</u>	<u>146,136</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 2017

10 Trade and Other Payables

	2017	2016
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	278,883	358,706
Sundry payables and accrued expenses	7,581	(27,778)
	<u>286,464</u>	<u>330,928</u>

11 Borrowings

NON-CURRENT		
Unsecured liabilities:		
Related party borrowings	-	3,557,422
	<u>-</u>	<u>3,557,422</u>

12 Provisions

CURRENT		
Legal proceedings	4,335,000	2,650,000
	<u>4,335,000</u>	<u>2,650,000</u>

13 Employee benefits

CURRENT		
Long service leave	53,783	22,297
Annual leave	138,540	87,770
Termination payments	-	61,234
	<u>192,323</u>	<u>171,301</u>
NON-CURRENT		
Long service leave	81,671	87,907
	<u>81,671</u>	<u>87,907</u>

14 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
Property Acquisition Fund	1,286,441	1,255,649
Total reserves	<u>1,453,470</u>	<u>1,422,678</u>

15 Permanent Endowments

Bishop Tyrrell Trust	9,517,175	9,164,753
Morpeth Trust	4,836,718	10,088,030
Other trusts	4,705,637	6,355,050
Total Permanent Endowments	<u>19,059,530</u>	<u>25,607,833</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 2017

16 Financial Risk Management

In accordance with the Newcastle Anglican Church Corporation Ordinance 2017, the NACC was appointed on 1 October 2017.

The role of the NACC is to oversee the temporal, financial, business and administrative affairs of the Diocese. The NACC Board is accountable to the Diocesan Council and the Diocesan Synod. The Diocesan Council has delegated to the Board the primary responsibility for these aspects of Diocesan life. It has also delegated to the Board the primary responsibility for advising the Bishop and the Diocesan Council about these affairs as well as the strategic, financial and risk matters of the Body Corporates of the Diocese.

The Board of the NACC is also the Board of the Trust Corporation (the Trustees of Church Property for the Diocese of Newcastle) and Diocese's Religious Charitable Development Fund (the Anglican Savings and Development Fund).

The Board has formed the Audit and Risk Committee and the Finance and Investment Committee whose responsibilities include risk management and financial oversight. The Committees discharge their responsibilities through risk assessment procedures, policy setting, monitoring of controls and monitoring of financial performance. The Committees report to the Board of the Newcastle Anglican Church Corporation about their activities and recommendations.

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

The entity's financial instruments consist of cash deposits, investments in permanent trusts, accounts receivable and payable.

The totals for each category of financial instruments are as follows:

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	3,037,098	1,258,805
Trade and other receivables	424,892	384,063
Financial assets - permanent trusts	19,059,530	25,607,833
Total financial assets	22,521,520	27,250,701
Financial Liabilities		
Trade and other payables	286,464	330,928
Borrowings	-	3,557,422
Total financial liabilities	286,464	3,888,350

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 2017

16 Financial Risk Management

Interest Rate Risk

(i) Interest rate risk

The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to interest rate fluctuations on its cash at bank and cash on deposit. The Finance and Investment Committee monitors interest rates and reports to the NACC Board for cash at bank and on deposit through financial reports prepared by management and external investment advisors.

(ii) Equity price risk

Permanent trusts are financial assets invested in shares and other equity instruments by the Trustees of Church Property for the Diocese of Newcastle. The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to fair value movements in the market price of the equities.

The NACC Board, with advice from the Finance and Investment Committee, is responsible for setting the investment policy for the Trustees of Church Property for the Diocese of Newcastle. Risk is managed through diversification of investments across industries and geographic locations.

(iii) 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 described in Note 1 to the financial statements.

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 NACC Board, with advice from the Finance and Investment Committee, manages this risk through the following budgeting and financial planning activities;

- Development of annual operating budgets;
- Monitoring financial performance and working capital requirements;
- Development of long-range financial goals along with funding strategies to achieve them;
- Development of multi-year operating budgets that integrate strategic plan objectives and initiatives.

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 2017

16 Financial Risk Management

Credit risk

Credit risk is limited to trade and other receivables and is managed through a collection policy based on the amount, ageing and circumstances related to the outstanding amounts.

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.

17 Contingent Liabilities

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 potential claims, nor whether potential claims may be covered by insurance.

The Board continue to ensure adequate funding will be made available for settlement of any potential liability arising from legal claims.

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

The Anglican Diocese of Newcastle General Fund and Budget Account

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Statement by the Board Members of The Anglican Diocese of Newcastle General Fund and Budget Account

The accounting records have been maintained, and in our 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 2017, and 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.

Board Member

Board Member

Dated 6 June 2018