



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

for the period 1 July 2017 to 31 July 2018

The Trustees of Church Property (Trustees or Board) 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
<b>Present</b>		
Bishop Peter Stuart	10	7
Bishop Charlie Murry	2	2
Mr Wayne Russell*	9	9
Mrs Jayne Drinkwater	10	7
Mr Peter Francis*	9	7
Mr Alan Green	1	0
Mr Mark Hedges*	9	7
Ms Michelle Jarvie*	9	8
Ms Katherine Lindsay	1	1
Mr Richard Turnbull	10	10
Mr Garry Whitaker*	9	9
<b>In Attendance</b>		
Mr Stephen Phillips	10	10
Ms Annette West	1	1
Mrs Jenny Chung	3	2
Mrs Linda Wilson	8	8
Mr Glen Cousins	2	2

### Resignations and Appointments

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

Board Members Green and Lindsay retired from the Board on 30 September 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.

### Permanent Endowments (Formerly known as Permanent Trusts)

The Trustees hold the real estate, bequests, endowment fund monies and Tyrrell Endowment Funds on behalf of the parishes and organisations of the Diocese. The Trustees implement their responsibilities under the *Church Trust Property Act 1917* (as amended), the *Bishop Tyrrell Trust Act 1901* (as amended), the *Church Trust Property Ordinance 2012*, The *Newcastle Anglican Church Corporation Ordinance 2017* and the *Newcastle Anglican Governance Reform Ordinance 2017*.

- 1. Tyrrell Endowment Funds** – comprise the capital of the Bishop Tyrrell Trusts either established during his life time or established through his Will.
- 2. Morpeth Endowment Funds** – were created following the sale of St Johns College Morpeth for the purpose of Theological education and ministry development as defined under the Morpeth Trusts Ordinance.

**3. General Endowments Fund** – comprise the capital and, in some cases the accumulated interest, of bequests and other trust monies belonging to the parishes and diocesan organisations and for various diocesan purposes as defined under ordinance.

**(a) Permanent Endowment Funds** consist of the capital bequests received on behalf of parishes, organisations or other areas of ministry in the Diocese. The income generated by the Endowment Funds is available to the beneficiary, but the capital is not available. The proceeds of land sales are often held in Permanent Endowment Funds as is the capital of a number of endowments created by the Synod, the Trustees and the Diocesan Council. At 31 December 2017 the following capital is held in Endowment Funds:

	<b>2017</b>	<b>2016</b>	<b>2015 (*)</b>	<b>2014</b>
Diocesan Endowments (^)	\$5,614,589	\$7,916,240	\$6,033,054	\$8,383,652
Parish Endowments	\$17,331,232	\$18,793,203	\$18,820,425	\$16,785,047
Permanent Endowments Restricted	\$11,521,411	\$11,470,352	\$8,432,673	
Sundry Endowments	\$1,808,221	\$474,662	\$155,443	\$154,784
	<b>\$36,275,453</b>	<b>\$38,654,457</b>	<b>\$33,441,595</b>	<b>\$25,323,483</b>

(^): From 2015 the Diocesan Theology Training Trusts have been reclassified as Morpeth Endowment Funds.

**(b) Temporary Trusts** – Following advice, the Board resolved at their meeting of 23 September 2014 that the management of all current and future temporary trusts be transferred to the Anglican Savings and Development Fund effective from the 1 November 2014. From 2015, these funds have been reported as part of the financial statements of the Trustees.

### Revaluation of Real Estate Assets

A valuation as at 31 December 2015 was performed on land and buildings forming investments by the Trustees of Church Property. Prior to this valuation, properties were recorded on the balance sheet at cost. In accordance with the *Land & Buildings – Valuation and Revaluation Policy and Procedures*, the land and buildings held as pooled assets were revalued by an independent valuer as at 31 December 2017.

The financial statements exclude Parish land and buildings registered in the name of Trustees of Church Property for the Diocese of Newcastle.

At 31 December 2017 the following funds were held:

	<b>2017</b>	<b>2016</b>	<b>2015 (*)</b>	<b>2014</b>
Tyrrell Endowment Funds	\$8,959,541	\$8,603,172	\$8,603,172	\$8,530,482
Morpeth Endowment Funds (**)	\$4,714,258	\$9,896,046	\$9,896,046	\$7,466,347
General Endowment Funds	\$36,275,453	\$38,654,457	\$33,441,595	\$25,323,483
Temporary Trusts	\$7,263,098	\$6,474,097	\$6,232,124	Nil (see 3b above)
Reserves		0	0	\$5,061,510
<b>Total</b>	<b>\$57,212,350</b>	<b>\$63,627,772</b>	<b>\$58,172,937</b>	<b>\$46,381,822</b>

(\*): Based on the Restated 31 December 2015 Financial Statements.

(\*\*): Includes from 2015 the Diocesan Theology Training Trusts

At 31 December 2017 these funds were invested as follows:

	2017	%	2016	%	2015 (*)	%	2014	%
Real Estate	\$18,950,217	32.8	\$17,765,152	27.7	\$18,174,724	30.6	\$10,517,807	22.7
Liabilities	(\$607,508)	-1.0	(\$572,864)	(0.9)	(\$1,156,480)	(2.0)	(\$330,019)	(0.7)
Permanent Endowment & Temporary Trust Liabilities (***)	(\$57,212,350)	-99.0	(\$63,627,772)	(99.1)	(\$58,172,937)	(98.0)		
Interest Rate Securities & Deposits	\$10,797,074	18.7	\$10,875,344	16.9	\$10,173,161	17.1	\$13,336,680	28.8
Unit Trust Investment	\$4,941	0	\$10,519	0	\$10,405	0	\$62,255	0.1
Intra Entity Loans	\$0	0	\$3,712,773	5.8	\$3,567,970	6.0	\$1,655,781	3.6
Cash and Receivables (#)	\$9,477,113	16.4	\$12,693,767	19.8	\$8,814,258	14.8	\$1,643,589	3.5
Motor Vehicles & Equipment	\$44,220	0.1	\$132,233	0.2	\$84,634	0.1	\$134,076	0.3
Equities Portfolio	\$18,545,844	32.1	\$19,010,848	29.6	\$18,504,265	31.4	\$19,361,654	41.7
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$46,381,822</b>	<b>100</b>

(\*\*\*) From 2015 reported separately due to unitisation of the Permanent Endowments effective from 1 Jan 2016

(#) From 2015 includes ASDF Temporary Trust balances.

### Financial Assets

Ord Minnett has been managing the Financial Asset portfolio on behalf of the Trustees since February 2011. This portfolio includes direct investment a Responsible Equities Portfolio and direct investment in an Australian Listed Securities portfolio comprising equities, and interest rate securities (bonds, notes and hybrids).

Ord Minnett provide management with regular monthly reporting and address the Trustees on a regular basis to keep the Trustees informed in relation to the portfolios and the financial markets.

### Direct Property

The property portfolio is managed directly by the Trustees with the assistance of the Diocesan Office staff. There have been no significant changes in the composition of the direct property portfolio during the year. The revaluation of the property portfolio undertaken as at 31 December 2017 resulted in an increase in the value of the portfolio of \$1,133,750. In May 2018 the Trustees purchased a residential property at 35 Rosewood Crescent, Fletcher, as a residence for the Assistant Bishop.

### Investment Policy

The Trustees reviewed its investment policy in consultation with Ord Minnett.

### Fee to the Diocese

The Trustees approved a fee payable to the Diocesan Office for accounting and administrative services of 1.25% of Endowment Funds under management less the costs of accounting services provided by Anglican Funds Melbourne and Ord Minnett. The Trustees noted that the actual fee payable to the Diocesan Office in 2017 was \$370,000.

### Financial Matters

The Diocese of Melbourne is contracted to provide services associated with administration of the unitized Permanent Endowment. The initial term of this contract expires on 31 December 2018. The Trustees have resolved to bring these services back under the direct administration of the Diocesan Office. After consultation with the Diocese of Melbourne it has been determined that it will not be appropriate, nor cost effective, to undertake this prior to the expiry of the initial contract term.

The loan to the Diocesan General Fund was repaid in full during the year.

Temporary Trust Funds are placed on deposit with The Anglican Savings and Development Fund.

### **Trust Distribution**

A Distribution Rate of 3.0% was set for 2018.

### **Strategic Directions and Work Plan**

The Anglican Church of Newcastle Strategic Directions and Work Plan 2018-2021 (Strategic Direction) was released on 26 April 2018. The Strategic Direction tasks the NACC and Trustees with responsibility for a range of actions related to the temporal affairs of the Diocese. The Board Members of the Trustee are comprised of the NACC Board Members.

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

### **Thanks to Diocesan Staff**

The Trustees extend their 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 Trustees 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 during the absence of key personnel through illness. This effort has been appreciated by the Trustees 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 Trustees of Church Property is distributed under a separate cover.



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TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE  
ABN 31 876 908 346

Financial Report  
For the Year Ended  
31 December 2017

## CONTENTS

Auditor's Independence Declaration.....	1
Independent Audit Report.....	2
Trustees' 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 Trustees of Trustees of Church Property for the Diocese of Newcastle.....	21

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

## Auditors 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 as set out in 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 Ltd  
(An authorised audit company)



M.J. O'Connor CA  
Director

NEWCASTLE

30 May 2018

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

## 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 accompanying financial report, being a special purpose financial report of Trustees of Church Property for the Diocese of Newcastle (the Trust), which comprises the statement of financial position as at 31 December 2017, the statement of surplus or deficit and other comprehensive income and 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 Trustees' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its financial performance for the year ended; and
- (ii) the accounting policies described in Note 1 of the financial statements and the *Australian Charities and Not-for-profits Commission Regulations 2013*.

#### 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 Trust 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 Trustees, would be in the same terms if given to the Trustees 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 Trustees of Church Property for The 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.

#### Responsibilities of Trustees for the Financial Report

The Trustees are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and is appropriate to meet the needs of the Synod of the Anglican Diocese of Newcastle. The Trustees' responsibility also includes such internal control as the Trustees determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



# **Trustees of Church Property for the Diocese of Newcastle**

**ABN 31 876 908 346**

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

In preparing the financial report, the Trustees are responsible for assessing the the Trust'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 Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

### **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

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

M.J. O'Connor CA  
Director

NEWCASTLE

7 June 2018

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

## Trustees' Declaration

The Trustees have determined that the entity 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 and the *Australian Charities and Not-for-profits Commission Act 2012*.

The Trustees declare that:

1. The financial statements and notes, as set out on pages 5 to 22, 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 Trustees of Church Property for the Diocese of Newcastle's financial position as at 31 December 2017 and its performance for the year ended on that date.
2. In the Trustees opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution by the Trustees made pursuant to s.60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Trustee .....

Trustee .....

Dated 06 June 2018

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

	Note	2017 \$	2016 \$
Revenue	3	2,757,135	2,693,897
External management fees		(314,282)	(269,839)
Diocesan Management fee		(200,000)	(200,000)
Trust Management fee		(170,000)	(146,778)
Insurance costs		(37,180)	(35,594)
Occupancy costs		(225,423)	(251,552)
Finance costs and trust distributions	4	(2,505,085)	(2,017,024)
Depreciation and amortisation expense	4	(55,488)	(45,247)
Other expenses		(491,311)	(173,415)
<b>Surplus / (deficit) for the year before income tax</b>		<b>(1,241,634)</b>	<b>(445,552)</b>
Income tax expense	1(f)	-	-
<b>Surplus / (deficit) for the year after income tax</b>		<b>(1,241,634)</b>	<b>(445,552)</b>
<b>Other comprehensive income</b>			
Net gain on revaluation of land and buildings		1,133,749	(368,723)
Unrealised gains / (losses) on shares and other equity instruments		107,885	814,275
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

## Statement of Financial Position As at 31 December 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>8,411,471</b>	12,111,599
Trade and other receivables	6	<b>1,125,798</b>	582,172
Other financial assets	7	-	155,351
<b>TOTAL CURRENT ASSETS</b>		<b>9,537,269</b>	12,849,122
<b>NON-CURRENT ASSETS</b>			
Financial assets	7	<b>29,347,858</b>	33,454,133
Property, plant and equipment	8	<b>18,994,437</b>	17,897,385
<b>TOTAL NON-CURRENT ASSETS</b>		<b>48,342,295</b>	51,351,518
<b>TOTAL ASSETS</b>		<b>57,879,564</b>	64,200,640
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>667,214</b>	572,864
Other financial liabilities	10	<b>7,263,098</b>	6,474,097
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,930,312</b>	7,046,961
<b>NON-CURRENT LIABILITIES</b>			
Permanent Trust Liabilities	10	<b>49,949,252</b>	57,153,679
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>49,949,252</b>	57,153,679
<b>TOTAL LIABILITIES</b>		<b>57,879,564</b>	64,200,640
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>
<b>FUNDS</b>			
Accumulated surplus		<b>(7,560,709)</b>	(6,416,383)
Pooled property revaluation reserve		<b>3,470,812</b>	2,337,063
Pooled financial asset reserve		<b>4,089,897</b>	4,079,320
<b>TOTAL FUNDS</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 2017

	Accumulated surplus	Pooled property revaluation reserve	Pooled financial assets reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	<b>(6,416,383)</b>	<b>2,337,063</b>	<b>4,079,320</b>	<b>-</b>
Operating surplus/(deficit)	(1,241,634)	-	-	(1,241,634)
Other comprehensive income	-	-	107,885	107,885
Transfer to accumulated surplus	97,308	-	(97,308)	-
Revaluation of land and buildings - pooled assets	-	1,133,749	-	1,133,749
<b>Balance at 31 December 2017</b>	<b>(7,560,709)</b>	<b>3,470,812</b>	<b>4,089,897</b>	<b>-</b>

### 2016

	Accumulated surplus	Pooled property revaluation reserve	Pooled financial assets reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2016</b>	<b>(6,204,808)</b>	<b>2,705,786</b>	<b>3,499,022</b>	<b>-</b>
Operating surplus/(deficit)	(445,552)	-	-	(445,552)
Other comprehensive income	-	-	814,275	814,275
Transfer to accumulated surplus	233,977	-	(233,977)	-
Revaluation of land and buildings - pooled assets	-	(368,723)	-	(368,723)
<b>Balance at 31 December 2016</b>	<b>(6,416,383)</b>	<b>2,337,063</b>	<b>4,079,320</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 1 Summary of Significant Accounting Policies

#### (a) Basis of Preparation

The Trustees 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 reporting requirements of the Synod of the Anglican Diocese of Newcastle.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the Trustees 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 the notes.

#### (b) Comparative figures

Where required by accounting policies adopted, 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 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

##### Key estimates - impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity 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.

At each reporting date, the entity assesses whether there is objective evidence that financial instruments have been impaired. Financial assets classified as other financial assets are measured at amortised cost and financial assets classified as shares and other equity instruments are held for long term investment and are measured at fair value through funds.

#### (d) 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 entity's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the tax authority.

Interest revenue is recognised as it accrues.

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

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 1 Summary of Significant Accounting Policies

#### (d) Revenue and other 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.

The profit on the sale of non current assets is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

#### (e) Trust distributions and finance costs

The Trustees resolved to convert the investment in pooled funds to a Synthesised Unit Trust Model effective from 1 January 2016. Pooled investment earnings are distributed to the charitable trusts throughout the year, in proportion to the trust capital invested, by way of cash payments. These payments are reported as finance costs in the income statement. At the end of the financial year, any undistributed surplus or deficit attributable to pooled investments is also allocated to the charitable trusts in proportion to the capital invested.

#### (f) Income Tax

The Trustees of Church Property for the Diocese of Newcastle are exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

#### (g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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.

#### (h) Cash and cash equivalents

Cash and cash equivalents include 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 are subject to insignificant risk of change in value and bank overdrafts.

#### (i) Trade and other receivables

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

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of surplus or deficit and other comprehensive income.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 1 Summary of Significant Accounting Policies

#### (j) Property, Plant and Equipment

Property, plant and equipment is carried at either cost or fair value as indicated less, where applicable, accumulated depreciation and impairment losses.

##### Land and Buildings

Land and buildings acquired at arm's length are valued at cost at the date of acquisition. Land and buildings acquired at no cost or for a nominal consideration are recognised at fair value as at the date of acquisition.

Land and buildings are carried at fair value on the Statement of Financial Position.

##### Plant and equipment

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

##### Depreciation

The depreciable amount of all fixed assets, but excluding land and buildings, 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 asset are shown below:

<b>Class of Fixed Asset</b>	<b>Depreciation rate</b>
Plant and Equipment	5%-33%
Motor Vehicles	20%

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

#### (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) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.



# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 1 Summary of Significant Accounting Policies

#### (m) Trust Liabilities

##### Permanent Trusts

These liabilities represent trust accounts that are invested on behalf of other Diocesan entities or are endowments associated with restricted assets (Refer Notes 2 and 10). It is not expected that the permanent trusts will be called upon within the following twelve months.

The classification as non-current liabilities is consistent with the Trustees support for the past and current practice of the Trustees of Church Property to seek the best possible long term returns on the permanent trusts by investing in a level of non-cash assets which provide for a mixture of growth and income.

The Trustees recognise the permanent nature of the trusts and expect only to liquidate permanent trust funds in exceptional circumstances.

##### Temporary Trusts

Temporary trust accounts are established for a specific purpose and both the capital and interest can be returned to the Diocesan entity for the purposes for which they were given, subscribed or raised. The Trustees' investment strategy provides that these funds are invested as separate cash deposits on a short term basis. Temporary trusts are therefore designated as restricted in use and do not form part of the pooled investment funds.

#### (n) Reserves

##### (i) Pooled property revaluation reserve

Property, being land and buildings, acquired with pooled funds is recorded at fair value. Accumulated increments in value are reported as a separate reserve within total funds. When a revalued property asset is disposed of, the fair value increments are transferred to accumulated surplus.

##### (ii) Pooled financial assets reserve

Investments in financial assets, such as equities, are recorded at fair value. The accumulated value of net unrealised gains and unrealised losses are reported as a separate reserve within total funds. When financial assets are disposed of, the unrealised gain or loss is transferred to accumulated surplus.

### 2 Operating Segments

The Trustees have identified distinct operating segments to differentiate between the investment portfolios, being either pooled investments or restricted asset investments. The reporting is consistent with the internal reports that are reviewed and used by management and the Trustees for their assessment of financial performance and asset valuations.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 2 Operating Segments

#### Segment financial performance

	<b>Restricted</b>	<b>Pooled</b>	<b>Total</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	414,336	2,342,799	2,757,135
External management fees	-	(314,282)	(314,282)
Diocesan management fee	-	(200,000)	(200,000)
Trust management fee	-	(170,000)	(170,000)
Insurance costs		(37,180)	(37,180)
Occupancy costs	(16,500)	(208,923)	(225,423)
Finance costs and trust distributions		(2,505,085)	(2,505,085)
Depreciation and amortisation expense	-	(55,488)	(55,488)
Other expenses	(397,836)	(93,475)	(491,311)
Surplus/(deficit)	-	(1,241,634)	(1,241,634)

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 2 Operating Segments

#### Segment financial position

	Restricted 2017 \$	Pooled 2017 \$	Total 2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7,892,178	519,293	8,411,471
Trade and other receivables	-	1,125,798	1,125,798
Total current assets	7,892,178	1,645,091	9,537,269
<b>NON-CURRENT ASSETS</b>			
Other financial assets	2,749,400	26,598,458	29,347,858
Property, plant and equipment	8,142,931	10,851,506	18,994,437
Total non-current assets	10,892,331	37,449,964	48,342,295
Total assets	18,784,509	39,095,055	57,879,564
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	-	667,214	667,214
Temporary trust liabilities	7,263,098	-	7,263,098
Total current liabilities	7,263,098	667,214	7,930,312
<b>NON CURRENT LIABILITIES</b>			
Permanent trust liabilities	11,521,411	38,427,841	49,949,252
Total non-current liabilities	11,521,411	38,427,841	49,949,252
Total liabilities	18,784,509	39,095,055	57,879,564
NET ASSETS	-	-	-
<b>FUNDS</b>			
Accumulated surplus/(deficit)	-	(7,560,709)	(7,560,709)
Pooled property - revaluation reserve	-	3,470,812	3,470,812
Pooled financial asset reserve	-	4,089,897	4,089,897
TOTAL FUNDS	-	-	-

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 3 Revenue

	2017	2016
	\$	\$
Revenue from ordinary operations		
- Interest received	313,020	284,930
- Dividends received	1,396,794	1,479,679
- Rent received	966,393	613,203
- Trust management fee income	53,140	86,227
- Sundry income	27,788	229,858
Total Revenue	<u>2,757,135</u>	<u>2,693,897</u>

### 4 Surplus for the Year

#### (a) Expenses

Finance costs - distributions paid:

- Diocesan Trusts	213,953	387,322
- Parish Trusts	442,036	702,043
- Tyrrell Trusts	335,149	602,607
- Sundry Trust and bank	3,886	5,829
- Balance of distribution payable	1,510,061	319,223
- Total finance costs and trust distributions	<u>2,505,085</u>	<u>2,017,024</u>

Depreciation

- Depreciation - plant and equipment	44,215	28,987
- Depreciation - motor vehicles	11,273	16,260
Total depreciation expense	<u>55,488</u>	<u>45,247</u>

### 5 Auditors' Remuneration

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

Assurance services

- Audit fees	16,700	16,220
- other assurance services	33,375	17,850
	<u>50,075</u>	<u>34,070</u>

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 6 Trade and other receivables

	2017	2016
	\$	\$
CURRENT		
Sundry receivables	258,661	281,832
ATO receivables	77,444	75,883
Inter-entity receivables - other Diocesan entities	768,134	199,892
Interest receivables	21,559	24,565
Total trade and other receivables	<u>1,125,798</u>	<u>582,172</u>

### 7 Financial assets

CURRENT		
Loans and receivables - other Diocesan entities	-	155,351
Total current assets	<u>-</u>	<u>155,351</u>
NON-CURRENT		
Other financial assets - at cost (a), (b)	3,636,000	3,636,000
Available for sale financial assets (c)	25,711,858	26,260,711
Loans and receivables - other Diocesan entities	-	3,557,422
Total non-current assets	<u>29,347,858</u>	<u>33,454,133</u>

#### (a) Assets pledged as security

The value of assets pledged as security include the following:

Other financial assets - at cost	<u>3,636,000</u>	<u>3,636,000</u>
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Trustees of Church Property have provided cash deposits as security for the combined Diocesan Schools borrowing facilities. These deposits have been reported as non-current assets as they are expected to be in place for the term of the loans. The Trustees have discretion as to the form of the security and have also provided mortgage security as disclosed in Note 8(b).

#### (b) Other financial assets - at cost

Term deposits are recorded at amortised cost. Interest income is recognised in the statement of surplus or deficit and other comprehensive income.

#### (c) Shares and other equity instruments - at fair value

Listed equity instruments are re-valued based on quoted market values monthly. Realised and un-realised gains/(losses) on shares and other listed equity instruments are recognised within other comprehensive income. Dividends on shares are recognised in comprehensive income on the date the dividend is declared. Equity instruments are not held for speculative or trading purposes. Financial assets allocated to the investment portfolio have been disclosed as non-current assets.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 8 Property, plant and equipment

#### LAND AND BUILDINGS

	2017	2016
	\$	\$
Land and buildings at fair value - restricted (i)	8,100,217	8,100,217
Land and buildings at fair value - pooled assets (ii)	10,850,000	9,664,935
	<u>18,950,217</u>	<u>17,765,152</u>
Total land and buildings	<u>18,950,217</u>	<u>17,765,152</u>
<b>Plant and equipment</b>		
At cost	531,360	529,560
Accumulated depreciation	(517,681)	(467,247)
Total plant and equipment	<u>13,679</u>	<u>62,313</u>
<b>Motor vehicles</b>		
At cost	38,895	80,362
Accumulated depreciation	(8,354)	(10,442)
Total motor vehicles	<u>30,541</u>	<u>69,920</u>
<b>Total property, plant and equipment</b>	<u>18,994,437</u>	<u>17,897,385</u>

(i) Land and buildings - restricted, represents assets held at fair value that are restricted in use. These land and building assets include the Bishop's residence and land and buildings classified as Tyrrell 1855 Endowment, which represents land granted by the Crown to Bishop Tyrrell in 1855 for an episcopal residence and education purpose. The land and buildings are held on trust under the Newcastle Episcopal Residence Act 1900 and is currently leased to Newcastle Grammar School.

(ii) Land and buildings - pooled assets were revalued at 31 December 2017. An independent valuation was obtained from Talyor Byrne Valuers.

(iii) Parish land and buildings - The financial statements exclude Parish land and buildings registered in the name of Trustees of Church Property for The Diocese of Newcastle. The buildings have been valued at \$533,823,228 for Insurance purposes (replacement cost) by Ansvar Insurance. The Trustees have not estimated the value of Parish land.

(iv) Plant and equipment contains restricted assets purchased for Janet Street. At 31 December 2017, the values attributable to the Endowment of the See is at written down value of \$42,714.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 8 Property, plant and equipment

#### (a) Movements in carrying amounts of property, plant and equipment

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

	Capital Works in Progress	Land and Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2017</b>					
Balance at the beginning of year	-	17,765,152	62,313	69,920	17,897,385
Additions	-	51,315	1,800	-	53,115
Disposals - written down value	-	-	-	(28,106)	(28,106)
Depreciation expense - restricted asset	-	-	(6,219)	-	(6,219)
Depreciation expense	-	-	(44,215)	(11,273)	(55,488)
Revaluation increment	-	1,133,750	-	-	1,133,750
<b>Balance at the end of the year</b>	<b>-</b>	<b>18,950,217</b>	<b>13,679</b>	<b>30,541</b>	<b>18,994,437</b>

	Capital Works in Progress	Land and Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2016</b>					
Balance at the beginning of year	278,130	16,677,148	16,724	67,910	17,039,912
Additions	-	809,874	74,576	38,895	923,345
Disposals - written down value	-	-	-	(20,625)	(20,625)
Transfers	(278,130)	278,130	-	-	-
Depreciation expense	-	-	(28,987)	(16,260)	(45,247)
<b>Balance at the end of the year</b>	<b>-</b>	<b>17,765,152</b>	<b>62,313</b>	<b>69,920</b>	<b>17,897,385</b>

#### (b) Assets pledged as security

The following assets have been pledged as security:

First registered mortgage over the premises at 134 King Street Newcastle, 48 Newcomen Street Newcastle and 50 Church Street Newcastle New South Wales in relation to Diocesan School borrowings (refer to Note 7(a)).

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 9 Trade and other payables

	2017	2016
	\$	\$
CURRENT		
Trade payables	609,496	504,466
Amounts received in advance	48,000	29,236
GST payable	9,718	33,133
Inter-entity payables - other Diocesan entities	-	6,029
	<u>667,214</u>	<u>572,864</u>

### 10 Trust Liabilities

CURRENT		
Temporary trust liabilities - direct investment	<u>7,263,098</u>	6,474,097
NON-CURRENT		
Permanent trust liabilities - direct investment	11,521,411	11,470,352
Permanent trust liabilities - pooled investment	<u>38,427,841</u>	<u>45,683,327</u>
	<u>49,949,252</u>	<u>57,153,679</u>

### 11 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 Trustees of Church Property for the Diocese of Newcastle 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, commercial bills, debentures, shares and other equity instruments, accounts receivable and payable, and trust liabilities.

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



# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

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

### 11 Financial Risk Management

	2017	2016
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	8,411,471	12,111,599
Trade and other receivables	1,125,798	582,172
Loans and receivables - current	-	155,351
Other financial asset - non-current	3,636,000	3,636,000
Shares and other equity instruments	25,711,858	26,260,711
Loans and receivables - non-current	-	3,557,422
<b>Total financial assets</b>	<b>38,885,127</b>	<b>46,303,255</b>
<b>Financial Liabilities</b>		
Trade and other payables	667,214	572,864
Trust liabilities	57,212,350	63,627,776
<b>Total financial liabilities</b>	<b>57,879,564</b>	<b>64,200,640</b>

#### 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

The Trustees of Church Property for the Diocese of Newcastle is exposed to interest rate fluctuations on its cash at bank and cash on deposit. The Finance and Investment Committee monitors interest rates for cash at bank and on deposit through financial reports prepared by management and external investment advisors.

##### (ii) Equity price risk

The Trustees of Church Property for the Diocese of Newcastle invest permanent endowments in shares and other equity instruments. The Trustees of Church Property for the Diocese of Newcastle is exposed to fair value movements in the market price of the equities.

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 disclosed in Note 1 to the financial statements.

# **Trustees of Church Property for the Diocese of Newcastle**

**ABN 31 876 908 346**

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

### **11 Financial Risk Management**

#### **Liquidity risk**

Liquidity risk arises from the possibility that the Trustees of Church Property for The Diocese of Newcastle might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. 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;
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

#### **Credit risk**

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

The Trustees of Church Property for the Diocese of Newcastle do not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into.

# Trustees of Church Property for the Diocese of Newcastle

ABN 31 876 908 346

## Statement by the Trustees of Trustees of Church Property for the Diocese of Newcastle

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 Trustees of Church Property for the Diocese of Newcastle for the year ended 31 December 2017, and the state of its affairs at that date, in compliance with applicable Australian Accounting Standards, *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional requirements as set out in Note 1 of the financial statements.

Trustee .....

Trustee .....

Dated 06 June 2018