Anglican Funds Grafton Diocese

ABN 42 489 753 905

Financial Statements

For the Year Ended 31 December 2019

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Contents

For the Year Ended 31 December 2019

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Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 $	2018 $
Interest income	4	**1,347,255**	1,488,627
Interest expense	5	**(719,329)**	(808,005)
Net interest income		**627,926**	680,622
Non-interest income	4	**219,547**	141,421
Employee benefits expense		**(108,276)**	(123,751)
Depreciation and amortisation expense	5	**(1,483)**	(6,925)
Computer expenses		**(141,543)**	(118,718)
Bank fees and charges		**(12,649)**	(17,838)
Investment management fees		**(17,522)**	(38,482)
Professional fees and charges		**(53,853)**	(74,190)
Travel and accommodation expenses		**(5,742)**	(12,122)
Other expenses		**(27,732)**	(84,418)
Total expenses		**(368,800)**	(476,444)
Profit for the year before contributions to related parties		**478,673**	345,599
Contribution to Anglican Diocese of Grafton		**(175,000)**	(175,000)
Income tax expense		**-**	-
Profit after income tax and contributions to related parties		**303,673**	170,599
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that will be reclassified to profit or loss when specific conditions are met			
Net fair value movements for available-for-sale financial assets	15	**(23,270)**	(137,185)
Other comprehensive income for the year		**(23,270)**	(137,185)
Total comprehensive income for the year		**280,403**	33,414

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement of Financial Position

As At 31 December 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	6	**1,548,780**	3,072,425
Trade and other receivables	7	**28,608**	24,032
Other financial assets	8	**7,154,814**	8,722,787
Loans and advances	9	**25,581,231**	20,771,018
Property, plant and equipment	10	**3,456**	4,939
TOTAL ASSETS		**34,316,889**	32,595,201
LIABILITIES			
Trade and other payables	12	**176,978**	250,935
Deposits	13	**32,413,116**	30,897,025
Provisions	14	**14,006**	14,855
TOTAL LIABILITIES		**32,604,100**	31,162,815
NET ASSETS		**1,712,789**	1,432,386
EQUITY			
Reserves	15	**(31,395)**	(8,125)
Retained earnings		**1,744,184**	1,440,511
TOTAL EQUITY		**1,712,789**	1,432,386

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese
ABN 42 489 753 905

Statement of Changes in Equity

For the Year Ended 31 December 2019

2019

	Retained Earnings	Financial Assets Revaluation Reserve	FVOCI Reserve	Total
	$	$	$	$
Balance at 1 January 2019	1,440,511	-	(8,125)	**1,432,386**
Net profit/(loss) for the year	303,673	-	-	**303,673**
Total other comprehensive income for the year	-	-	(23,270)	**(23,270)**
Balance at 31 December 2019	1,744,184	-	(31,395)	**1,712,789**

2018

	Retained Earnings	Financial Assets Revaluation Reserve	FVOCI Reserve	Total
	$	$	$	$
Balance at 1 January 2018	1,269,912	129,060	-	1,398,972
Restatement due to AASB 9	-	(129,060)	129,060	-
Balance at 1 January 2018 (restated)	1,269,912	-	129,060	1,398,972
Net profit/(loss) for the year	170,599	-	-	170,599
Total other comprehensive income for the year	-	-	(137,185)	(137,185)
Balance at 31 December 2018	1,440,511	-	(8,125)	1,432,386

Statement of Cash Flows

For the Year Ended 31 December 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit after income tax expense		**303,673**	170,599
Non cash flows in profit from operating activities			
Depreciation		**1,483**	6,925
Loss on disposal of property, plant and equipment		**-**	2,367
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		**(4,576)**	4,632
(Increase)/decrease in loans and advances		**(4,810,213)**	2,289,234
Increase/(decrease) in trade and other payables		**(73,957)**	(72,291)
Increase/(decrease) in depositor funds		**1,516,091**	(6,196,086)
Increase/(decrease) in provisions		**(849)**	(1,504)
Loss on disposal of property, plant and equipment		**-**	2,367
Net cash provided by/(used in) operating activities		**(3,068,348)**	(3,793,757)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		**-**	19,636
Net movement in other financial assets		**1,544,703**	3,827,398
Net cash provided by/(used in) investing activities		**1,544,703**	3,847,034
Net increase/(decrease) in cash and cash equivalents held		**(1,523,645)**	53,277
Cash and cash equivalents at beginning of year		**3,072,425**	3,021,515
Cash and cash equivalents at end of financial year	16(a)	**1,548,780**	3,074,792

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2019

The financial report covers the Anglican Funds Grafton Diocese ("AFGD" or "the Fund") as an individual entity. The Anglican Funds Grafton Diocese is established as an operation of The Corporate Trustees of the Diocese of Grafton and is governed under the Diocese of Grafton's "Diocesan Governance Ordinance 2008" (as amended), specifically Chapter 18. The ordinance provides that Fund shall be under the control of The Corporate Trustees of the Diocese of Grafton who are empowered to delegate the administration and management of the Fund to a Board.

The Anglican Funds Grafton Diocese is not a separately incorporated legal entity and as such operates as a segment of The Corporate Trustees of the Diocese of Grafton.

The functional and presentation currency of Anglican Funds Grafton Diocese is Australian dollars.

The financial report was authorised for issue by the Board on 11 June 2020.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board. The financial statements have been prepared to meet the reporting requirement of the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813.

The Fund is a not-for-profit entity and has therefore applied the additional "AUS" paragraphs applicable to "not-for-profit" entities. Accordingly, a statement of compliance with International Financial Reporting Standards ("IFRS") cannot be made.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The statement of financial position has been prepared in order of liquidity.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Fund is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) Revenue recognition

The Fund recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Fund is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Fund: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

2 Summary of Significant Accounting Policies (continued)

(b) Revenue recognition (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are “solely payments of principal and interest (SPPI)” on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- investments in equity instruments designated at fair value through other comprehensive income;
- financial assets at fair value through profit or loss; and
- financial assets designated at fair value through profit or loss.

The Fund holds financial assets at amortised cost and at fair value through other comprehensive income.

Financial assets at amortised cost

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's other financial assets at amortised cost are loans & advances, cash investments and term deposits.

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets at fair value through other comprehensive income

The Fund measures financial assets at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are carried in the statement of financial position at fair value with net changes in fair value recognised in the FVOCI Reserve.

This category includes the Fund's other financial assets such as listed and unlisted bonds and notes.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement

After initial recognition, payables, and loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Fund's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

For trade receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(f) Property, plant and equipment

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

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Fund, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	**Useful life**
Plant and Equipment	3 - 10 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Intangibles

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of six years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Impairment of non-financial assets

At the end of each reporting period the Fund determines whether there is any evidence of impairment indicators for its non-financial assets.

2 Summary of Significant Accounting Policies (continued)

(h) Impairment of non-financial assets (continued)

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(i) Depositor Funds

Depositor funds are those that are lodged with Anglican Funds Grafton Diocese by Parishes, Diocesan Organisations and Anglican Parishioners.

(j) 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 Fund during the reporting period, which remain unpaid. The balance is recognised as a liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Employee benefits

Provision is made for the Fund's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

2 Summary of Significant Accounting Policies (continued)

(l) Adoption of new and revised accounting standards

Adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-profit Entities*

The Fund has applied the recognition and measurement requirements of AASB 15 and AASB 1058 for the first time. The nature and effect of the changes as a result of adoption of this accounting standards is described below.

AASB 15 *Revenue from Contracts with Customers* replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations for annual periods beginning on or after 1 January 2019, and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 1058 *Income of Not-for-profit Entities* applies to transactions of not-for-profit (NFP) entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and the receipt of volunteer services. AASB 1058 supersedes the existing requirements in AASB 1004 *Contributions*. AASB 1004 continues to be in force, however, its scope has now been reduced to only cover issues specific to government departments and contributions by owners in the public sector.

The Fund has applied the recognition and measurement requirements of AASB 15 and AASB 1058 under the modified retrospective approach with an initial application date of 1 January 2019. Comparatives have not been restated and continue to be reported under AASB 111, AASB 118 and AASB 1004 and related Interpretations, where relevant.

Classification and measurement

The measurement requirements of AASB 15 and AASB 1058 did not have a significant impact on the Fund.

Adoption of AASB 16 *Leases*

The Fund has applied the recognition and measurement requirements of AASB 16 for the first time. The nature and effect of the changes as a result of adoption of this accounting standards is described below.

AASB 16 *Leases* replaces AASB 117 *Leases* and related Interpretations for annual periods beginning on or after 1 January 2019.

The Fund has applied the recognition and measurement requirements of AASB 16 under the modified retrospective approach with an initial application date of 1 January 2019. Comparatives have not been restated and continue to be reported under AASB 117 and related Interpretations.

Classification and measurement
The measurement requirements of AASB 16 did not have a significant impact on the Fund.

(m) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Board has decided against early adoption of these Standards, but does not expect the adoption of these standards to have any impact on the reported position or performance of the Fund.

3 Critical Accounting Estimates and Judgements

The members of the Board make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment

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

Notes to the Financial Statements

For the Year Ended 31 December 2019

4 Revenue and Other Income

	Note	2019 $	2018 $
Revenue:			
- interest income		**1,347,255**	1,488,627
Total revenue		**1,347,255**	1,488,627
Other income:			
- other income		**219,547**	141,421
Total other income		**219,547**	141,421

5 Result for the Year

The result for the year includes the following specific expenses:

		2019 $	2018 $
Contributions to defined contribution superannuation funds		**9,203**	9,926
Depreciation and amortisation expenses:			
Depreciation - plant and equipment		**1,483**	835
Depreciation - motor vehicles		**-**	6,090
Total depreciation and amortisation expenses		**1,483**	6,925
Interest expense:			
Interest paid to investors		**719,329**	808,005
Leases:			
- short-term lease payments		**5,200**	5,200

6 Cash and Cash Equivalents

	Note	2019 $	2018 $
Cash at bank		**1,548,780**	1,572,425
Short-term deposits	6(a)	**-**	1,500,000
Total cash and cash equivalents	16(a)	**1,548,780**	3,072,425

(a) Short term deposits

Short term deposits include a number of on call accounts and term deposits with maturity dates of less than 3 months.

7 Trade and Other Receivables

	Note	2019 $	2018 $
Expected to mature within the next 12 months			
Accrued interest		**28,608**	24,032
Total trade and other receivables		**28,608**	24,032

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements.

8 Other Financial Assets

(a) Other financial assets

	Note	2019 $	2018 $
Financial assets held at fair value through other comprehensive income			
- interest bearing securities	8(b)	**5,781,244**	7,509,199
Total financial assets held at fair value through other comprehensive income		**5,781,244**	7,509,199
Financial assets at amortised cost			
- fixed rate investments	8(c)	**1,373,570**	1,213,588
Total financial assets at amortised cost		**1,373,570**	1,213,588
Total other financial assets		**7,154,814**	8,722,787

(b) Financial assets held at fair value through other comprehensive income ("FVOCI")

FVOCI comprise:

- investments in bonds and floating rate notes of various listed and unlisted entities. There are fixed maturity dates and floating returns to these assets.

(c) Financial assets at amortised cost

Financial assets at amortised cost comprise investments in term deposits. There are fixed rate returns on these investments and fixed maturity dates.

Notes to the Financial Statements

For the Year Ended 31 December 2019

9 Loans and Advances

	2019 $	2018 $
Secured		
Loans	**9,345,486**	11,890,532
Other credit facilities	**16,235,745**	8,880,486
Less: Provision for impairment	**-**	-
Total loans and advances	**25,581,231**	20,771,018

(a) Loans and receivables

Loans and receivables comprise loans from AFGD to other parties, including Anglican schools, parishes and individuals.

At balance date, no loans are in arrears or past due. As a result, no provision for doubtful debts is considered necessary.

10 Property, plant and equipment

	2019	2018
Plant and equipment		
At cost	**31,583**	31,583
Accumulated depreciation	**(28,127)**	(26,644)
Total plant and equipment	**3,456**	4,939
Total property, plant and equipment	**3,456**	4,939

(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 and previous financial years:

	Plant and Equipment $	Motor Vehicles $	Total $
Year ended 31 December 2019			
Balance at the beginning of year	**4,939**	**-**	**4,939**
Depreciation expense	**(1,483)**	**-**	**(1,483)**
Balance at the end of the year	**3,456**	**-**	**3,456**
Year ended 31 December 2018			
Balance at the beginning of year	7,263	26,604	33,867
Additions	-	-	-
Disposals	(1,489)	(20,514)	(22,003)
Depreciation expense	(835)	(6,090)	(6,925)
Balance at the end of the year	4,939	-	4,939

Notes to the Financial Statements

For the Year Ended 31 December 2019

11 Intangible Assets

	2019	2018
	$	$
Computer software		
Cost	**60,500**	60,500
Accumulated amortisation and impairment	**(60,500)**	(60,500)
Total intangibles	**-**	-

12 Trade and Other Payables

	2019	2018
Expected to be settled within 12 months		
Trade payables	**38,867**	43,624
Accrued interest	**138,111**	207,311
Total trade and other payables	**176,978**	250,935

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

13 Deposits

	2019	2018
Maturing within the next 12 months		
Funds deposited by The Corporate Trustees of the Diocese of Grafton	**16,106,048**	11,478,872
Other depositors	**16,307,068**	19,418,153
Total deposits	**32,413,116**	30,897,025

14 Employee Benefits

	2019	2018
Long service leave	**11,628**	9,488
Annual leave	**2,378**	5,367
Total employee benefits	**14,006**	14,855
Analysis of liability:		
Expected to be settled within 12 months	**2,378**	5,367
Expected to be settled after 12 months	**11,628**	9,488
	14,006	14,855

(a) Employee benefits

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 2(k) to this report.

Notes to the Financial Statements

For the Year Ended 31 December 2019

15 Reserves

	Note	2019 $	2018 $
FVOCI reserve			
Opening balance		**(8,125)**	129,060
Revaluation increment/(decrement)		**(23,270)**	(137,185)
Closing balance		**(31,395)**	(8,125)
Total reserves		**(31,395)**	(8,125)

(a) FVOCI reserve

The financial assets revaluation reserve records the movement in the fair value of financial assets.

16 Cash Flow Information

(a) Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	Note	2019 $	2018 $
Cash and cash equivalents	6	**1,548,780**	3,072,425
Balance as per statement of cash flows		**1,548,780**	3,072,425

(b) Approved standby credit facilities limits

The following facilities were available at the end of the reporting period:

	2019 $	2018 $
Total facilities		
Westpac Banking Corporation	**-**	1,500,000
Anglican Funds South Australia (AFSA)	**1,000,000**	4,000,000
	1,000,000	5,500,000
Used at reporting date		
Westpac Banking Corporation	**-**	-
Anglican Funds South Australia (AFSA)	**-**	-
	-	-
Unused at reporting date		
Westpac Banking Corporation	**-**	1,500,000
Anglican Funds South Australia (AFSA)	**1,000,000**	4,000,000
	1,000,000	5,500,000

The Anglican Funds South Australia (AFSA) facility is secured by a term deposit held with AFSA.

17 Financial Risk Management

The Fund's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans and advances, depositor funds, and other financial assets.

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

	Note	2019 $	2018 $
Financial Assets			
Cash and cash equivalents	6	**1,548,780**	3,072,425
Loans and receivables:			
- Trade and other receivables	7	**28,608**	24,032
- Loans and advances	9	**25,581,231**	20,771,018
Financial assets held at fair value through OCI	8	**5,781,244**	7,509,199
Financial assets at amortised cost	8	**1,373,570**	1,213,588
Total financial assets		**34,313,433**	32,590,262
Financial Liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	**176,978**	250,935
- Deposits	13	**32,413,116**	30,897,025
Total financial liabilities		**32,590,094**	31,147,960

The Board has responsibility for the establishment and oversight of the risk management framework, identifying and analysing the risks faced by the Fund. Management's policies are approved and reviewed by the Board on a regular basis and relate to the management of:

- Liquidity risk
- Capital adequacy
- Credit risk
- Interest rate risk
- Investing activities

It is, and has been throughout the period under review, the Fund's policy that no trading of financial instruments shall be undertaken. The main risks arising from holding these financial instruments are cash flow risk, interest rate risk, liquidity risk and credit risk. The approach to managing the main risks are summarised below:

(a) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Fund's exposure to interest rate risk is measured and monitored on a monthly basis by the Board.

Notes to the Financial Statements

For the Year Ended 31 December 2019

17 Financial Risk Management (continued)

(a) Interest Rate Risk (continued)

Financial Instrument Repricing Analytics

The Fund's exposure to interest rate risk and the effective weighted average on financial assets and financial liabilities is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Repricing Within 1 Year		Fixed Interest Rate Repricing 1 to 5 Years		Fixed Interest Rate Repricing After 5 Years		Non-Interest Sensitive		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	$	$	$	$	$	$	$	$	$	$	$	$
Financial Assets:														
Cash and cash equivalents	**1.10**	1.90	**1,548,780**	1,572,425	**-**	1,500,000	**-**	-	**-**	-	**-**	-	**1,548,780**	3,072,425
Trade and other receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**28,608**	24,032	**28,608**	24,032
Loans and advances	**5.40**	5.36	**6,343,813**	5,576,131	**1,951,638**	2,787,715	**17,285,780**	12,407,172	**-**	-	**-**	-	**25,581,231**	20,771,018
FVOCI	**3.70**	4.70	**-**	-	**1,166,574**	3,405,899	**4,614,670**	4,103,300	**-**	-	**-**	-	**5,781,244**	7,509,199
Amortised cost	**1.50**	2.30	**273,570**	313,588	**1,100,000**	900,000	**-**	-	**-**	-	**-**	-	**1,373,570**	1,213,588
Total Financial Assets			**8,166,163**	7,462,144	**4,218,212**	8,593,614	**21,900,450**	16,510,472	**-**	-	**28,608**	24,032	**34,313,433**	32,590,262
Financial Liabilities:														
Trade and other payables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**176,978**	250,935	**176,978**	250,935
Deposits	**1.70**	2.30	**8,114,218**	5,116,865	**24,298,898**	25,780,160	**-**	-	**-**	-	**-**	-	**32,413,116**	30,897,025
Total Financial Liabilities			**8,114,218**	5,116,865	**24,298,898**	25,780,160	**-**	-	**-**	-	**176,978**	250,935	**32,590,094**	31,147,960

17 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund may experience difficulties raising funds to meet commitments associated with loan funding or customer withdrawal requests. The Board manages the Fund's liquidity risk by:

- Maintaining cash reserves and credit facilities to meet customer withdrawal requests
- Monitoring cash flow requirements
- Monitoring the liquidity ratio

The Board has a minimum liquid assets target of 10% of total liabilities. At balance date, the the Fund's liquidity ratio exceeded this and was 12.7% (2018: 30.1%).

Maturity profile of financial liabilities

The amounts disclosed in the table reflects the undiscounted contractual settlement terms for the Fund's financial liabilities. As such, the balances in the table may not equal the balances in the statement of financial position.

The Fund‘s liabilities have contractual maturities which are summarised below:

	On demand		Less than 3 months		3 to 12 months
	2019	2018	2019	2018	2019
	$	$	$	$	$
Trade and other payables	-	-	176,978	250,935	-
Deposits	8,114,218	5,116,865	13,035,360	12,908,378	11,263,538
Total outflow	8,114,218	5,116,865	13,212,338	13,159,313	11,263,538

	3 to 12 months	1 to 5 years		Total	
	2018	2019	2018	2019	2018
	$	$	$	$	$
Trade and other payables	-	-	-	176,978	250,935
Deposits	12,871,782	-	-	32,413,116	30,897,025
Total outflow	12,871,782	-	-	32,590,094	31,147,960

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Fund. Credit risk arises principally from the Fund's loan, bank and investment assets.

Loans and Advances

The maximum credit exposure for loans is the carrying value disclosed on the statement of financial position plus any undrawn credit facilities. The Fund manages its risk of losses arising from lending to customers by adopting responsible lending practices including verifying a borrower's capacity to repay and ensuring that appropriate security is taken over each loan. The Fund maintains a lending policy to ensure a consistent and thorough approach is taken to each loan assessment and approval process.

17 Financial Risk Management (continued)

(c) Credit risk (continued)

Investments

The Fund has a strategy to invest in highly rated and ethical instruments so that capital is preserved and liquidity is maintained at all times. The Fund's investment practices are governed by its Investment Policy with regular reporting provided to the Board on the investment portfolio profile and performance.

As at reporting date, there is no indication that any of the Fund's financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The Fund does not have any derivative financial instruments at 31 December 2019 and 31 December 2018.

18 Fair Value Measurement

The Fund measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
  - Other Financial Assets (FVOCI)

The Fund has no other assets or liabilities that are measured at fair value on a non-recurring basis.

Fair value hierarchy

The fair value of financial instruments carried at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Fund:

31 December 2019	**Note**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Financial assets at FVOCI					
Australian securities	8	**5,781,244**	**-**	-	**5,781,244**

18 Fair Value Measurement (continued)

Fair value hierarchy (continued)

31 December 2018	Note	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements					
Financial assets at FVOCI					
Australian securities	8	7,509,199	-	-	7,509,199

The fair value of listed securities are based on closing quoted bid prices at the end of the reporting period.

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

19 Capital Management

The Board manages the level of capital maintained by the Fund with the view of having sufficient capital to absorb economic shocks and protect depositors' funds. The Fund manages its capital levels via its Capital Adequacy Policy which provides for a target level of capital of at least 10% of risk weighted assets. As at balance date, the Fund's capital adequacy ratio was 7.64% (2018: 7.25%).

20 Key Management Personnel Remuneration

The names of members of the Board of the Anglican Funds Grafton Diocese at any time during, or since the end of, the year were:

The Right Reverend Dr Murray Alexander Harvey (Ex-officio; commenced 29 September 2018)*
Mr David John Ford
Mr Kenneth John Adlington
Mr Philip Charles Crandon
Mr Edward Alfred Clarke
Mr Gary Laurence Boyd

The total remuneration paid to key management personnel of the Anglican Funds Grafton Diocese is $NIL (2018: $18,117).

Directors of the Fund do not receive any remuneration for their services.

* These key management personnel receive remuneration through related Diocesan entities.

Notes to the Financial Statements

For the Year Ended 31 December 2019

21 Related Parties

(a) The Fund's main related parties are as follows:

The parent entity, which exercises full control over the Fund, is The Corporate Trustees of the Diocese of Grafton which is established in Australia.

Key management personnel - refer to Note 20.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

The Fund's policy for lending to directors, trustees and other related parties is that all loans and other credit facilities are approved and deposits accepted on the same terms and conditions that apply to all other customers for each type of loan or deposit. No concessional interest rates or other special terms are applied to loans or deposit products for related parties.

There are no loans or other credit facilities advanced to related parties that are impaired at balance date or have been impaired or written-off during the financial year.

The following transactions occurred with related parties:

	2019 $	2018 $
Loans & Advances		
Total value of loans and credit facilities advanced to key management personnel and other related parties during the year	-	-
Interest earned on loans and credit facilities to key management personnel and other related parties during the year	-	10
Deposits		
Total value of deposits held by key management personnel and other related parties at balance date	1,515,536	1,563,658
Total interest paid on deposits held by key management personnel and other related parties during the financial year	38,094	40,203
Other Transactions		
Other transactions with related parties occurring on normal trading terms and conditions are as follows:		
Contribution to Anglican Diocese of Grafton	175,000	175,000
Receivable from Corporate Trustees of the Diocese of Grafton	-	-
Lease payments to Corporate Trustees of the Diocese of Grafton	5,200	5,200

Notes to the Financial Statements

For the Year Ended 31 December 2019

22 Commitments

(a) Capital Expenditure

As at 31 December 2019, the Fund had not engaged in any material capital expenditure commitments (31 December 2018: Nil).

(b) Lease Commitments

The Fund leases premises from the Corporate Trustees of the Diocese of Grafton at market rates. The Fund has no commitment in relation to this lease at 31 December 2019.

(c) Outstanding Loan Commitments

Loans and credit facilities approved but not funded or drawn at balance date:

	2019 $	2018 $
Loans approved but not funded	**6,000,000**	12,000,000
Undrawn overdraft and credit facilities	**8,437,018**	11,397,580
Total loan commitments	**14,437,018**	23,397,580

23 Auditor's Remuneration

Remuneration of the auditor Thomas Noble & Russell, for:

	2019	2018
- auditing or reviewing the financial statements	**19,800**	19,410
- other services - assistance with financial reporting	**2,610**	2,560
- other services - consulting	**16,700**	-
Total auditor's remuneration	**39,110**	21,970

24 Contingencies

In the opinion of the Board, the Fund did not have any contingencies at 31 December 2019 (31 December 2018: Nil).

25 Events Occurring After the Reporting Date

The outbreak of the COVID-19 virus and the responses taken at a government, diocesan and community level to limit the health impact of the virus, has and will have a substantial financial impact on the Fund in the 2020 year. It will be expected that depositors may need to withdraw some of their funds to cover loss of income sources during the period of restrictions. It is also anticipated that entities with credit facilities (e.g. schools) will need to increase their use of those facilities to bridge the period of restrictions. In addition to this, requests to vary lending arrangements by suspending repayments and converting principal plus interest payments to interest only payments will be received.

To mitigate against those effects, the Corporate Trustees will maintain its deposits at a high level ($16,106,048 at 31 December 2019) to maintain a strong liquidity for the Fund. The Fund will also investigate the extent to which credit facilities can be transferred to other lenders so that the exposure to borrowers is reduced.

With the above actions and the support of Bishop-in-Council that mandated the use of the Fund by the parishes and entities of the Diocese of Grafton, it is expected that the Fund will successfully operate through the period in which the COVID-19 restrictions are in place.

25 Events Occurring After the Reporting Date (continued)

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

26 Statutory Information

The registered office of and principal place of business of the Fund is:

Anglican Funds Grafton Diocese
Level 1, 50 Victoria Street
Grafton NSW 2460

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement by the Board of the Anglican Funds Grafton Diocese

The Board of the Anglican Funds Grafton Diocese declare that:

1. the financial statements and notes for the year ended 31 December 2019 are in accordance with the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 and:

    a. comply with Australian Accounting Standards - Reduced Disclosure Requirements;

    b. give a true and fair view of the financial position and performance of the Fund;

    c. the activities of the Anglican Funds Grafton Diocese have been undertaken in line with the delegated authority of the Board of Management as per Chapter 18 of the Diocese Governance Ordinance 2008.

2. In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairperson ....

David Ford

AFGD Board Member ....

Edward Clarke

Dated this 11th day of June 2020

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

Independent Auditor's Report to the Members of Anglican Funds Grafton Diocese

Report on the audit of the financial report

Opinion

We have audited the financial report of Anglican Funds Grafton Diocese ("the Entity") which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Board.

In our opinion, the accompanying financial report of the Entity is in accordance with ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813, and:

a) gives a true and fair view of the Entity's financial position as at 31 December 2019 and of its financial performance and cash flows for the year then ended; and

b) complies with Australian Accounting Standards – Reduced Disclosure Requirements.

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

Emphasis of Matter - Events occurring after the Reporting Date

We draw attention to Note 25 to the financial report, which describes the uncertainties and possible effects on the Entity arising from its management of the on-going issues related to the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing 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 management either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

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

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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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

Per:

Ken Franey

....

K R FRANEY (Partner)

Dated at Lismore this 11th day of June 2020