

Anglican Diocese of Melbourne Endowment Fund

ABN 82 862 724 352

Financial Report - 31 December 2020

Anglican Diocese of Melbourne Endowment Fund

Contents

31 December 2020

Statement of profit or loss and other comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6
Archbishop and Registrars' declaration	12
Independent auditor's report to the members of Anglican Diocese of Melbourne Endowment Fund	13

Anglican Diocese of Melbourne Endowment Fund
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Year	
	2020	2019
	\$	\$
Investment Income		
Interest Income	99,903	441,145
Distribution Income	3,131,104	4,950,198
Expenses		
Management Expense	(964,768)	(965,987)
Asset consultancy fees	(104,502)	(107,373)
	<u>2,161,737</u>	<u>4,317,983</u>
Operating surplus	2,161,737	4,317,983
Net gain/(loss) on financial assets at fair value through profit or loss	<u>(3,034,301)</u>	<u>9,397,408</u>
Surplus/(deficit) for the year	(872,564)	13,715,391
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>(872,564)</u></u>	<u><u>13,715,391</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Anglican Diocese of Melbourne Endowment Fund
Statement of financial position
As at 31 December 2020

	Note	Year 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	4	4,469,308	16,489,916
Trade and other receivables	5	<u>1,364,105</u>	<u>2,214,628</u>
Total current assets		<u>5,833,413</u>	<u>18,704,544</u>
Non-current assets			
Financial assets held at fair value through profit or loss	6	<u>105,225,075</u>	<u>94,473,863</u>
Total non-current assets		<u>105,225,075</u>	<u>94,473,863</u>
Total assets		<u>111,058,488</u>	<u>113,178,407</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>84,672</u>	<u>86,510</u>
Total current liabilities		<u>84,672</u>	<u>86,510</u>
Total liabilities		<u>84,672</u>	<u>86,510</u>
Net assets		<u>110,973,816</u>	<u>113,091,897</u>
Equity			
Issued units	8	104,264,376	100,778,714
Retained surplus		<u>6,709,440</u>	<u>12,313,183</u>
Total equity		<u>110,973,816</u>	<u>113,091,897</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Anglican Diocese of Melbourne Endowment Fund
Statement of changes in equity
For the year ended 31 December 2020

Year	Issued units \$	Retained surplus \$	Total equity \$
Balance at 1 January 2019	87,444,002	2,991,283	90,435,285
Surplus for the year	-	13,715,391	13,715,391
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	13,715,391	13,715,391
<i>Transactions with owners in their capacity as owners:</i>			
Issue of units (note 8)	42,618,871	-	42,618,871
Redemption of units (note 8)	(29,284,159)	-	(29,284,159)
Distributions paid (note 3)	-	(4,393,491)	(4,393,491)
Balance at 31 December 2019	<u>100,778,714</u>	<u>12,313,183</u>	<u>113,091,897</u>
	Issued units \$	Retained surplus \$	Total equity \$
Balance at 1 January 2020	100,778,714	12,313,183	113,091,897
Deficit for the year	-	(872,564)	(872,564)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(872,564)	(872,564)
<i>Transactions with owners in their capacity as owners:</i>			
Issue of units (note 8)	6,032,994	-	6,032,994
Redemption of units (note 8)	(2,547,332)	-	(2,547,332)
Distributions paid (note 3)	-	(4,731,179)	(4,731,179)
Balance at 31 December 2020	<u>104,264,376</u>	<u>6,709,440</u>	<u>110,973,816</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Anglican Diocese of Melbourne Endowment Fund
Statement of cash flows
For the year ended 31 December 2020

	Note	Year 2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers		(1,071,108)	(698,709)
Payments for purchase of financial assets		(42,172,622)	(21,828,427)
Proceeds from sale of financial assets		28,387,109	4,850,000
Distributions and interest received		<u>4,081,530</u>	<u>4,091,631</u>
Net cash used in operating activities	9	<u>(10,775,091)</u>	<u>(13,585,505)</u>
Net cash from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from applications by unit holders		6,032,994	42,618,871
Redemptions paid		(2,547,332)	(29,284,159)
Distributions paid		<u>(4,731,179)</u>	<u>(4,393,491)</u>
Net cash from/(used in) financing activities		<u>(1,245,517)</u>	<u>8,941,221</u>
Net decrease in cash and cash equivalents		(12,020,608)	(4,644,284)
Cash and cash equivalents at the beginning of the financial year		<u>16,489,916</u>	<u>21,134,200</u>
Cash and cash equivalents at the end of the financial year	4	<u><u>4,469,308</u></u>	<u><u>16,489,916</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies

Endowment Fund (“the Fund”) is enabled by the *Anglican Trusts Corporations Act 1884* as the Fund operates as a common fund of the Anglican Diocese of Melbourne (“the Diocese”). The principal activity of the Fund is the management of funds on behalf of Anglican Dioceses, Agencies and Parishes.

The Fund is an unregistered managed investment scheme as defined by the *Corporations Act 2001*; however the Fund is exempt from regulatory requirements that might otherwise apply, as the Fund meets the criteria as a charitable institution.

New or amended Accounting Standards and Interpretations adopted

The Fund has adopted all the new standards and amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Fund’s financial statements for the annual reporting period beginning 1 January 2020.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

The Fund is not a reporting entity because in the opinion of the Archbishop and Registrar, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared for the purpose of complying with the *Acts of Synod* and must not be used for any other purpose. The Finance Committee, under the responsibility of the Diocesan Council has determined that the accounting policies adopted are appropriate.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Unless otherwise stated the accounting policies are consistent with those of the previous year.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend and distribution income

Dividends and distributions are recognised as income when the right to collection is established.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and other short-term, highly liquid Diocesan funds, which are readily convertible to known amounts of cash and are subject to an immaterial risk of changes in value. This includes investments held in the Anglican Cash Fund.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any impairment allowance at the amount equal to the expected life time credit losses.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Income relating to financial assets that are recognised in profit or loss are presented as interest income and distribution income.

Expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other financial items, except for impairment of trade receivables, which is presented within other expenses. There were no impairment of trade receivables recognised during the current and the previous financial year.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Impairment of financial assets - Trade and other receivables

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'.

The Fund makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 1. Significant accounting policies (continued)

Equity instruments issued by the fund

Issued Units

In accordance with AASB 132 unit holders funds are classified as equity instruments and disclosed as such in the statement of financial position. An equity instrument is any contract that evidences a residual interest in the assets of a scheme after deducting all of its liabilities. Equity instruments issued by the Scheme are recognised at the net of proceeds of applications less the payments for redemptions.

Each issued unit's value (unit price) is determined based upon net assets and returns are dependent upon the profit/loss of the Fund. Each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Management fees

The Diocesan management fee charged to the Fund was set by the Anglican Funds Committee at 0.8% of the net value of the funds under management. The only other direct fee payable by the Fund to management is in relation to the asset consultant and this fee has been set at no more than 0.1% of the net value of funds under management. The management fee expense is reported on an accrual basis.

Income tax

The Fund is an income tax exempt charitable organisation under Subdivision 50-B of the *Income Tax Assessment Act 1997*.

Comparative figures

Comparative figures, where appropriate, are reclassified so as to enhance comparability with the figures presented in the current reporting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Fund for the annual reporting period ended 31 December 2020. The Fund's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Fund, are set out below.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs.

The Fund is not a reporting entity because in the opinion of the Archbishop and Registrar, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. As such, the issuance of this standard is not expected to have any impacts on the disclosure requirements in the financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Fund based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Fund operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Fund unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 3. Distributions

	Year	
	2020	2019
	\$	\$
Distributions declared during the year	<u>4,731,179</u>	<u>4,393,491</u>

The Fund paid distributions during the current year in February and August. Distributions were determined with reference to the financial performance of the fund (excluding movements in the fair value of financial assets).

Unrealised and realised gains of this Fund which were not distributed are reflected in the unit price.

Note 4. Cash and cash equivalents

	Year	
	2020	2019
	\$	\$
Cash at bank	2,090,452	496,065
Investment in Anglican Cash Fund	<u>2,378,856</u>	<u>15,993,851</u>
	<u>4,469,308</u>	<u>16,489,916</u>

Cash at bank includes cash held in investment accounts and the investment in the Cash Fund.

Note 5. Trade and other receivables

	Year	
	2020	2019
	\$	\$
Distributions receivable	479,045	616,768
Imputation credits refundable from the ATO	874,443	1,560,953
Accrued interest	1,612	28,483
Other receivables	<u>9,005</u>	<u>8,424</u>
	<u>1,364,105</u>	<u>2,214,628</u>

The Fund has an income tax exemption and is entitled to a refund of franking credit on franked dividends it receives.

Note 6. Financial assets held at fair value through profit or loss

	Year	
	2020	2019
	\$	\$
<i>This balance comprises of the following:</i>		
Investments recognised as financial assets measured at fair value through profit or loss	<u>105,225,075</u>	<u>94,473,863</u>

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 6. Financial assets held at fair value through profit or loss (continued)

All investments are held in listed/unlisted unit trusts, and direct investments. The fair value of investments is supported by annual investment statements prepared by external parties.

	Year	
	2020	2019
	\$	\$
Opening balance	94,473,863	68,078,028
Additions	42,172,622	21,848,427
Disposals	(28,387,109)	(4,850,000)
Gain/(loss) for the year	(3,034,301)	9,397,408
	<u>105,225,075</u>	<u>94,473,863</u>

Note 7. Trade and other payables

	Year	
	2020	2019
	\$	\$
Accrued expenses	<u>84,672</u>	<u>86,510</u>

Note 8. Issued units

	Year			
	2020	2019	2020	2019
	Units	Units	\$	\$
Issued units	<u>96,912,539</u>	<u>93,827,692</u>	<u>104,264,376</u>	<u>100,778,714</u>

Unit holders are entitled to a share of accumulated funds on redemption of their units at the prevailing unit price. In the even of the Fund winding up, all accumulated funds will be provided to unit holders.

Each unit represents a right to an individual share in the Fund. There are no separate classes of unit and each unit has the same rights attaching to it as all other units of the Fund.

	Year	
	2020	2019
	\$	\$
Opening balance	100,778,714	87,444,002
Applications	6,032,994	42,618,871
Withdrawals	(2,547,332)	(29,284,159)
Closing balance	<u>104,264,376</u>	<u>100,778,714</u>

Anglican Diocese of Melbourne Endowment Fund
Notes to the financial statements
31 December 2020

Note 9. Reconciliation of surplus/(deficit) to net cash used in operating activities

	Year	
	2020	2019
	\$	\$
Surplus/(deficit) for the year	(872,564)	13,715,391
Adjustments for:		
Proceeds from sale of financial assets measured at fair value through profit or loss	28,387,109	4,850,000
Payments for purchase of financial assets measured at fair value through profit or loss	(42,172,622)	(21,848,427)
Gain/(loss) on financial assets measured at fair value through profit or loss	3,034,301	(9,397,408)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	850,523	(922,388)
Increase/(decrease) in trade and other payables	(1,838)	17,327
Net cash used in operating activities	<u>(10,775,091)</u>	<u>(13,585,505)</u>

Note 10. Contingencies & commitments

There were no contingencies or commitments as at 31 December 2020.

Note 11. Events after the reporting period

Subsequent to 31 December 2020, the COVID-19 pandemic continues to spread around the world and this is resulting in an increased level of volatility in global markets. As a result there remains a significant degree of uncertainty regarding the longer term impacts on investment valuations and returns.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Note 12. Registered office details

The registered office of the Fund is:
209 Flinders Lane
Melbourne VIC 3000

**Anglican Diocese of Melbourne Endowment Fund
Archbishop and Registrars' declaration
31 December 2020**

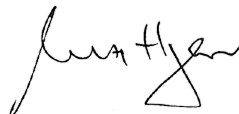
As stated in Note 1 to the financial statements, in our opinion, the Fund is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report.

In our opinion the financial statements of the Fund present fairly, as required by the *Acts of Synod*, the financial position of the Fund as at 31 December 2020 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia to the extent described in Note 1 to the financial statements.

In our 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.



The Most Reverend Dr Philip Freier
Archbishop of the Diocese of Melbourne



Malcolm Tadgell
Registrar

28 May 2021

Independent Auditor's Report

To the Diocesan Council

Report on the audit of the financial report

Opinion

We have audited the financial report of Anglican Diocese of Melbourne Endowment Fund (the Fund), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Archbishop and Registrars' declaration.

In our opinion, the accompanying financial report of the Anglican Diocese of Melbourne Endowment Fund:

- a. presents fairly, in all material respects, the Fund's financial position as at 31 December 2020 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1.
- b. complies with Australian Accounting Standards to the extent described in Note 1.

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 Fund in accordance with 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 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

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The special purpose financial report has been prepared for the purpose of fulfilling the Fund's financial reporting responsibilities under the Acts of Synod. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Diocesan Council and those charged with governance for the financial report

The Diocesan Council (the Council) is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial report are appropriate to meet the requirements of the Acts of Synod and meets the needs of the Council. This responsibility also includes 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. The Council authorise these responsibilities to the Finance Committee.

In preparing the financial report, management is responsible for assessing the Fund'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 intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 the 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.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 28 May April 2021