

Anglican Diocese of Melbourne
Anglican Development Fund

Consolidated Financial Report
For the year ended 31 December 2021

Anglican Development Fund and its controlled entity

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For the year ended 31 December 2021

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Anglican Development Fund and its controlled entity
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Consolidated 2021 \$	2020 \$
Income			
Finance income	5	1,651,710	1,903,946
Other income	6	343	67,184
Expenses			
Interest expense		(328,515)	(681,865)
Employee benefit expenses		(176,257)	(200,228)
Depreciation expenses		(878)	(889)
Management fees		(172,683)	(123,078)
Other expenses		(475,241)	(449,491)
Surplus for the year before gain/loss on financial assets and investments		498,479	515,579
Changes in fair value of financial assets at fair value through profit or loss		158,929	(116,472)
Loss on donation of investment properties to other entities		-	(2,200,000)
Net gain/(loss) on sale of investment properties		-	275,624
Grants to other entities	7	-	(6,050,000)
Surplus/(Deficit) for the year		657,408	(7,575,269)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>657,408</u>	<u>(7,575,269)</u>
Surplus/(Deficit) for the year is attributable to:			
Non-controlling interest		96,252	26,356
Members of Anglican Development Fund and its controlled entity		<u>561,156</u>	<u>(7,601,625)</u>
		<u>657,408</u>	<u>(7,575,269)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Members of Anglican Development Fund and its controlled entity		<u>657,408</u>	<u>(7,575,269)</u>
		<u>657,408</u>	<u>(7,575,269)</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	10,274,456	22,299,007
Other receivables	9	649,619	812,795
Total current assets		<u>10,924,075</u>	<u>23,111,802</u>
Non-current assets			
Loan receivables	10	24,126,725	25,671,951
Other financial assets	11	28,062,000	14,231,159
Property, plant and equipment		358	1,237
Total non-current assets		<u>52,189,083</u>	<u>39,904,347</u>
Total assets		<u>63,113,158</u>	<u>63,016,149</u>
Liabilities			
Current liabilities			
Payables	12	680,483	248,344
Provisions	13	42,096	42,097
Interest bearing liabilities	14	53,224,077	55,644,674
Total current liabilities		<u>53,946,656</u>	<u>55,935,115</u>
Total liabilities		<u>53,946,656</u>	<u>55,935,115</u>
Net assets		<u>9,166,502</u>	<u>7,081,034</u>
Equity			
Accumulated surplus		<u>2,911,580</u>	<u>2,350,424</u>
Equity attributable to the members of Anglican Development Fund and its controlled entity		2,911,580	2,350,424
Non-controlling interest		<u>6,254,922</u>	<u>4,730,610</u>
Total equity		<u>9,166,502</u>	<u>7,081,034</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of changes in equity
For the year ended 31 December 2021

Consolidated	Accumulated surplus \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2020	9,952,049	974,055	10,926,104
Surplus/(Deficit) for the year	(7,601,625)	26,356	(7,575,269)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(7,601,625)	26,356	(7,575,269)
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	3,730,199	3,730,199
Balance at 31 December 2020	<u>2,350,424</u>	<u>4,730,610</u>	<u>7,081,034</u>
Consolidated	Accumulated surplus \$	Non-controlling interest \$	Total equity \$
Balance at 1 January 2021	2,350,424	4,730,610	7,081,034
Net surplus for the year	561,156	96,252	657,408
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	561,156	96,252	657,408
<i>Transactions with members in their capacity as members:</i>			
Movement in non-controlling interest	-	1,428,060	1,428,060
Balance at 31 December 2021	<u>2,911,580</u>	<u>6,254,922</u>	<u>9,166,502</u>

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

Anglican Development Fund and its controlled entity
Consolidated statement of cash flows
For the year ended 31 December 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from course of operations		343	67,184
Payments in course of operations		(441,807)	(7,632,833)
Interest received		1,122,937	1,401,839
Distributions received		869,243	712,001
Interest paid		(453,811)	(760,964)
Distributions paid		(386,473)	(81,058)
		<u>710,432</u>	<u>(6,293,831)</u>
Cash flows from investing activities			
Net payments for financial assets		(13,671,911)	(6,530,694)
Loan advances		(11,445,629)	(1,427,795)
Loan repayments received		12,990,856	10,062,005
Proceeds from disposal of investment property		-	5,945,623
Proceeds from applications by unitholders		1,655,607	10,188,893
Redemptions paid		(99,615)	(6,377,635)
		<u>(10,570,692)</u>	<u>11,860,397</u>
Cash flows from financing activities			
Investments received		2,796,794	18,318,310
Withdrawals from accounts		(4,961,085)	(14,894,473)
		<u>(2,164,291)</u>	<u>3,423,837</u>
Net cash from/(used in) operating activities		<u>710,432</u>	<u>(6,293,831)</u>
Net cash from/(used in) investing activities		<u>(10,570,692)</u>	<u>11,860,397</u>
Net cash from/(used in) financing activities		<u>(2,164,291)</u>	<u>3,423,837</u>
Net increase/(decrease) in cash and cash equivalents		(12,024,551)	8,990,403
Cash and cash equivalents at the beginning of the financial year		22,299,007	13,308,604
Cash and cash equivalents at the end of the financial year	8	<u><u>10,274,456</u></u>	<u><u>22,299,007</u></u>

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

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 1. General information statement and statement of compliance

Anglican Development Fund ("ADF" or "the Fund") is a charitable trust of which Melbourne Anglican Trust Corporation (MATC) is the trustee. The principal activity of the Fund is to provide financing for vicarages, churches and associated facilities. The finance necessary for such loans is derived from investments, gifts and bequests from parishioners, parish councils and other church organisations.

The Group consists of the Anglican Development Fund, as the Parent entity, and its controlled entity, the Yield Fund ("YF"), for the purpose of preparing the consolidated financial statements. The Yield Fund was first consolidated on 31 December 2019.

The YF is enabled by the Anglican Trusts Corporations Act 1884 as the YF operates as a common fund of the Anglican Diocese of Melbourne ("the Diocese"). The principal activity of the YF is the management of funds on behalf of Anglican Dioceses, Agencies and Parishes. As at 31 December 2021, ADF held 80% of units within the YF, giving ADF control over the YF.

The Fund is an approved fund as defined by the *Corporations Act 2001*. The Fund is not subject to the normal requirement to have a disclosure document or product disclosure statement and be registered or have a trust deed under the Corporations Act 2001(Cth). Neither the Fund nor MATC is prudentially supervised by the Australian Prudential Regulation Authority (APRA). The Fund has an exemption from the Banking Act 1959(Cth) issued on 14 December 2017 by APRA effective 1 January 2018.

The consolidated financial statements of the Anglican Development Fund and its controlled entity ("the Group") are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, for the purpose of complying with the *Acts of Synod*, and to meet requirements under the Australian Charities and Not-for-profits Commission Act 2012. The Group is a not-for-profit entity for the purpose of preparing the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for not-for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 Group'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 3.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 17.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Anglican Development Fund as at 31 December 2021 and the results of the subsidiary for the year then ended. Anglican Development Fund and its controlled entity together are referred to in these financial statements as the 'Group'. The controlled entity has a reporting date of 31 December.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group that are attributable to the non-controlling interest are attributed in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Working capital

The Group's balance sheet shows that current liabilities significantly exceed current assets at year-end. This position is common for institutions providing balance sheet based financial services. This results from the classification of all interest bearing liabilities as current in accordance with accounting standards. Approximately 5% (2020: 5%) of customer interest bearing liabilities have maturity dates beyond 12 months. The Diocesan Council believes, based on historic trends in the ADF balance sheet that a significant majority of current liabilities are effectively long-term liabilities from a liquidity perspective, and accordingly, the Group will be able to continue to pay its debts as and when they fall due.

Income from operations

The Group recognises income with respect to AASB 1058 Income of Not-for-Profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt.

Interest income

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.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Distributions

Distributions are recognised as income when the right to payment is established.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

Receivables are recognised at amortised cost, less any allowance for expected credit losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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.

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)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest expenses, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

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; and
- 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 Group's cash and cash equivalents, and most 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

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 2. Significant accounting policies (continued)

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Group's financial liabilities include interest bearing liabilities and payables.

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

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-5 years
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Depreciation rates are reviewed at least annually and, if necessary, adjusted so that they reflect the most recent adjustments in the useful lives of the respective assets. Depreciation charges are made from the time when a depreciable asset is put into use or held ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national guaranteed securities with terms to match, as closely as possible, the estimated future cash outflows.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Income tax

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

Accounting standards issued but not yet effective and not been adopted early by the Company

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 160 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the Group is already producing general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the adoption of this standard is not expected to have a material impact on the disclosure requirements in the financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates.

Fair value of investment properties

Fair value of investment property are the prices at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. Investment property are revalued at the end of each reporting period to reflect their fair value according to the accounting policy on valuing assets and applying generally accepted valuation criteria, methodology and assumptions.

Consolidation of Cash Fund

Although the Group owns approximately 15% of the units of the Cash Fund at 31 December 2021, management has determined that the Group does not have significant influence over the Cash Fund nor is it controlled by the Group. Therefore, the Cash Fund has not been consolidated.

Note 4. Financial risk management

Risk management for the Fund is governed by the Anglican Development Fund Committee as approved by the Diocesan Council. The Committee has written principles for overall risk management, as well as written policies covering specific areas, such as interest rate and credit risk. The Committee utilises the assistance of independent asset consultants.

The Fund does not have any direct investment. The policy of the Fund is to invest in Diocesan investment products. Through its investments in the Yield Fund and Cash Fund ('Anglican Funds') and its dealings with banks and parishes, it is exposed to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk, the risks of which are detailed below:

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 4. Financial risk management (continued)

Market risk

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund as fair value through profit or loss financial assets. The Anglican Funds invests in underlying funds with portfolios consisting of conventional and hybrid interest bearing corporate securities. Consequently the Fund is indirectly exposed to credit risk associated with a debt issuer, and price risk as a consequence of interest rate and market risks arising either directly or as a result of movement in the value of the underlying common stock in the case of hybrid debt.

Credit risk

Credit risk arises from cash and cash equivalents, investments and deposits with banks and financial institutions, as well as credit exposures to parishes, including outstanding receivables and committed transactions. The Fund only deals with credit worthy financial institutions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Fund's Committee under the authority of the Diocesan Council. The utilisation of credit limits are regularly monitored by the management.

There are two loans which exceed 10% of the total of loans outstanding to the ADF at 31 December 2021, however are each less than 10% of the total deposit base. One is to support the ownership of the Mt Ridley Homestead site on which Hume Anglican Grammar School's campus at Mickleham is located. Title to the land is held by MATC and is under the control of Archbishop in Council directly, which has powers to sell the land to repay the loan in the event of default. The second loan is to a significant inner-city parish and financed a rebuild of their church and Christian education centre. This loan is supported by the MATC guarantee in the event of default. As previously noted, the Fund has policies in place to ensure that services that are made to parishes are of an appropriate credit quality. The financial assets measured at fair value through profit or loss represent internal investments in the Anglican Funds. The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets. The Fund has policies in place that limit the amount of credit exposure to each counter party.

The Fund also maintains a capital adequacy ratio of 10% of risk weighted assets. The purpose is to recognise and maintain sufficient capital in relation to the size of each asset allocation to manage credit risk both directly and underlying in the Anglican Funds, as well as market risk and other risks inherent in these funds.

Liquidity risk

The liquidity of the Fund is dependent on investors' funds being maintained.

The Fund manages its liquidity risk by application of a minimum liquidity ratio of 10% of customer investments being held in cash or cash equivalents. Additionally, if required, liquidity is available through redemption of non-cash investments held in Anglican Funds which can be completed within a 12 month period. A significant portion of non-cash investments held in Anglican Funds can be redeemed with 30 days' notice.

As at 31 December 2021, ADF met the minimum liquidity ratio of 10%.

Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The interest-rate risk in the Fund arises from long-term loans to parishes at fixed interest rates and interest bearing investments that can be called on demand or for fixed periods. Other investments, some of which are influenced by underlying market prices, have components of interest rate risk exposure. As the Fund is an investor in the Anglican Funds, the risks inherent in these funds are underlying risks to which the Fund is exposed. The maturity gap between assets and liabilities is recognised.

Due to its investment in the Cash Fund, the Fund effectively holds interest-bearing assets. The Cash Fund's income and operating cash flows are dependent on changes in market interest rates as embodied in investments in the underlying funds. Due to its objectives it is the policy of the Cash Fund not to hedge these exposures.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 5. Finance income

	Consolidated	
	2021	2020
	\$	\$
Interest from cash management accounts	7,303	3,856
Distribution income - Cash Fund	30,326	116,238
Interest on loans	1,092,325	1,397,983
Distribution income - managed funds	521,756	385,869
	<u>1,651,710</u>	<u>1,903,946</u>

Note 6. Other income

	Consolidated	
	2021	2020
	\$	\$
Rental income	343	67,184
	<u>343</u>	<u>67,184</u>

Note 7. Donation Expenses

During the previous financial year, the Group made a donation to the Anglican Diocese of Melbourne ("the Diocese") of \$6,050,000 as a repayment of a transfer made during the global financial crisis that occurred in 2008. The original transfer was made to ensure the Group had adequate liquidity during the period and there was no expectation that this would be paid back, hence no liability was recognised. Given the Group had excess liquidity, a decision was approved to donate this back to the Diocese.

Note 8. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Cash at bank	4,746,427	2,127,918
Investment in Cash Fund	5,528,029	20,171,089
	<u>10,274,456</u>	<u>22,299,007</u>

Note 9. Other receivables

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Other receivables (a)	72,867	152,867
Other receivables - Anglican organisations (b)	576,752	659,928
	<u>649,619</u>	<u>812,795</u>

(a) Other receivables primarily relate to accrued distribution income and investments with the Fund's clearing house.

(b) The balance represents intercompany balances owing from the parties within the Anglican Diocese group.

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 10. Loan receivables

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Loans receivable from Parishes	14,863,072	15,781,056
Loans receivable from other corporate entities	8,279,467	8,872,163
Car loans receivable from MATC	984,186	1,018,732
	<u>24,126,725</u>	<u>25,671,951</u>

Loans are provided to approximately 55 parishes in the region and 4 other corporate Anglican entities (2020: 58 and 3 respectively), with major loans disclosed above. Loans to parishes are provided for capital projects including new buildings, renovations, fittings, fixtures and equipment. The loans are provided with average interest rates ranging from 1.4% to 6.5% (2020: 2.4% to 6.5%) and loan terms have a range of terms depending on their purpose and the asset they have funded. Current loan terms vary from three to twenty five years, which is the greatest permitted by the ADF's Constitution.

Note 11. Other financial assets

	Consolidated	
	2021	2020
	\$	\$
<i>Financial assets measured at fair value through profit or loss</i>		
Investments held in managed funds	<u>28,062,000</u>	<u>14,231,159</u>

Note 12. Payables

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Accrued expenses	18,787	15,700
Accrued interest	71,656	196,952
Other payables	590,040	35,692
	<u>680,483</u>	<u>248,344</u>

Note 13. Provisions

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Employee entitlements	<u>42,096</u>	<u>42,097</u>

Note 14. Interest bearing liabilities

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Interest bearing liabilities	<u>53,224,077</u>	<u>55,644,674</u>

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 14. Interest bearing liabilities (continued)

Of which:

Parish bonus investors	(i)	2,908,275
At call for		
- Individual investors	(ii)	4,538,329
- Anglican organisations	(ii)	4,015,933
- Parish investors	(ii)	21,728,000
		<u>30,282,262</u>
Fixed term for		
- Individual investors	(iii)	12,950,397
- Anglican organisations	(iii)	3,690,031
- Parish investors	(iii)	3,393,112
		<u>20,033,540</u>
		<u><u>53,224,077</u></u>

(i) Parish bonus liability funds

Parish bonus liability funds are unsecured and repayable on demand. There is no fixed term. The funds bear annual floating interest rates of between 0.20% and 0.75% (2020: 0.80% to 0.90%).

(ii) At call liability funds

At call liability funds are unsecured and repayable on demand. There is no fixed term. The funds bear annual floating interest rates of between 0.20% and 0.60% (2020: 0.30% to 1.50%).

For accounts held by non-affiliate individuals, investors are required to give a minimum of 31 days' notice of the withdrawal of funds in order to comply with the regulation required by ASIC.

(iii) Fixed term liability funds

Fixed term liability funds are unsecured and repayable on maturity. The terms are fixed periods ranging from 3 months to 24 months. The funds bear annual fixed interest rates of between 0.20% and 1.70% (2020: 0.45% to 2.50%). Existing term investments entered into in earlier years, which still have a balance at year end, bear annual fixed interest rates up to 3.5%.

Guarantee by Melbourne Anglican Trust Corporation

In this Guarantee, the Council of the Diocese pledges all the assets of the Diocese of Melbourne to guarantee the obligations of the Melbourne Anglican Trust Corporation in relation to the Anglican Development Fund to investors in the Fund. This Guarantee was first made in October 2008 and was renewed for three years in December 2020.

Note 15. Financial instruments

	2021	2020
	\$	\$
Financial assets at amortised cost		
Cash and cash equivalents	10,274,456	22,299,007
Other receivables	649,619	812,795
Loan receivables	24,126,725	25,671,951
	<u>35,050,800</u>	<u>48,783,753</u>
Financial assets measured at fair value through profit or loss		
Investments held in managed funds	<u>28,062,000</u>	<u>14,231,159</u>
Total financial assets	<u><u>63,112,800</u></u>	<u><u>63,014,912</u></u>

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 15. Financial instruments (continued)

	2021 \$	2020 \$
Financial liabilities at amortised cost		
Payables	680,483	248,344
Interest bearing liabilities	<u>53,224,077</u>	<u>55,644,674</u>
Total financial liabilities	<u><u>53,904,560</u></u>	<u><u>55,893,018</u></u>

Note 16. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the controlled subsidiary, the Yield Fund. The proportion of ownership interests held by the Group as at 31 December 2021 was 81% (2020: 82%).

The Yield 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 Yield Fund's country of incorporation and principal place of business is Australia.

Note 17. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021 \$	2020 \$
Surplus/(Deficit)	<u>972,006</u>	<u>(6,995,149)</u>
Total comprehensive income	<u>972,006</u>	<u>(6,995,149)</u>

Statement of financial position

	Parent	
	2021 \$	2020 \$
Total current assets	<u>7,647,737</u>	<u>11,118,093</u>
Total assets	<u>57,473,995</u>	<u>58,876,315</u>
Total current liabilities	<u>53,927,869</u>	<u>55,919,415</u>
Total liabilities	<u>53,927,869</u>	<u>55,919,415</u>
Equity		
Accumulated surplus	<u>3,546,126</u>	<u>2,956,900</u>
Total equity	<u><u>3,546,126</u></u>	<u><u>2,956,900</u></u>

Anglican Development Fund and its controlled entity
Notes to the consolidated financial statements
For the year ended 31 December 2021

Note 18. Related party transactions

Transactions with related entities

The principal activity of the Fund is to provide financing for vicarages, churches and associated facilities. The finance necessary for such loans is derived from investments, gifts and bequests from parishioners, parish councils and other church organisations. Given that transacting with these entities is the principal activity of the Fund, they are considered to be third party.

Other transactions that occurred with related parties include:

Interest income	280,034
Interest expenses	(1,242)

Transactions with key management personnel

During the year, no remuneration was paid to key management personnel of the Fund.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 20. Contingencies & Commitments

There are no contingencies or commitments as at 31 December 2021.

Note 21. Registered Office Details

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

**Anglican Development Fund and its controlled entity
Archbishop and Registrars' declaration
For the year ended 31 December 2021**

In the opinion of the Archbishop and Registrar of Anglican Development Fund and its controlled entity (the Group):

a. The financial statements and notes of Group are in accordance with the *Australian Charities and Non-for-profits Commission Act 2012*, including:

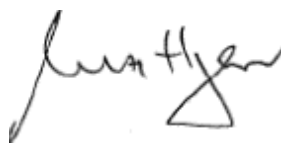
- Giving a true and fair view of its financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- Complying with Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and

b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Archbishop and Registrar



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



Mr Malcolm Tadgell
Registrar

27 May 2022

Auditor's Independence Declaration

To the Diocesan Council

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Anglican Diocese of Melbourne Anglican Development Fund for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 27 May 2022

Independent Auditor's Report

To the Diocesan Council

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report of Anglican Diocese of Melbourne Anglican Development Fund (the "Fund") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 financial report of Anglican Diocese of Melbourne Anglican Development Fund has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 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 Group 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.

Responsibilities of the Diocesan Council for the financial report

The Diocesan Council (the Council) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as management determine 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, the Council are responsible for assessing the Group'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 Council either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Council are responsible for overseeing the Group'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.

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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council 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 Group'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 Group 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.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 27 May 2022