

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
<hr/>			
Investment income			
Interest income		<u>1,923,316</u>	<u>2,175,255</u>
Total investment income		<u>1,923,316</u>	<u>2,175,255</u>
 Expenses			
Management fees		(194,964)	(200,064)
Asset consultant fees		(64,526)	(66,687)
Bank fees		(120)	(178)
Total operating expenses		<u>(259,610)</u>	<u>(266,929)</u>
 Profit for the year		<u>1,663,706</u>	<u>1,908,326</u>
 Other comprehensive income			-
Total comprehensive income		<u>1,663,706</u>	<u>1,908,326</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
CASH FUND**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	54,807,493	62,178,361
Other receivables	5	<u>857,519</u>	<u>807,722</u>
Total current assets		<u>55,665,012</u>	<u>62,986,083</u>
Total assets		<u>55,665,012</u>	<u>62,986,083</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	<u>181,700</u>	<u>199,966</u>
Total current liabilities		<u>181,700</u>	<u>199,966</u>
Total liabilities		<u>181,700</u>	<u>199,966</u>
Net assets		<u>55,483,312</u>	<u>62,786,117</u>
EQUITY			
Issued units	7	55,483,312	<u>62,786,117</u>
Total equity		<u>55,483,312</u>	<u>62,786,117</u>

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

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Issued units \$	Retained earnings \$	Total equity \$
Balance at 1 January 2015		61,620,530	-	61,620,530
Total comprehensive income for the year		-	1,908,326	1,908,326
Transactions with owners in their capacity as owners:				
- Issue of units		73,024,092	-	73,024,092
- Redemption of units		(71,858,505)	-	(71,858,505)
- Distributions paid and payable	3	-	(1,908,326)	(1,908,326)
Balance at 31 December 2015		<u>62,786,117</u>	-	<u>62,786,117</u>
Balance at 1 January 2016		62,786,117	-	62,786,117
Total comprehensive income for the year		-	1,663,706	1,663,706
Transactions with owners in their capacity as owners:				
- Issue of units		41,727,179	-	41,727,179
- Redemption of units		(49,029,984)	-	(49,029,984)
- Distributions paid and payable	3	-	(1,663,706)	(1,663,706)
Balance at 31 December 2016		<u>55,483,312</u>	-	<u>55,483,312</u>

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

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,873,519	2,411,287
Payments to suppliers		<u>(264,067)</u>	<u>(307,891)</u>
Net cash provided by operating activities	8	<u>1,609,452</u>	<u>2,103,396</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(1,677,515)	(1,903,754)
Proceeds from applications by unit holders		41,727,179	73,024,092
Redemptions paid		<u>(49,029,984)</u>	<u>(71,858,505)</u>
Net cash (used in)/ provided by financing activities		<u>(8,980,320)</u>	<u>(738,167)</u>
Net (decrease)/ increase in cash and cash equivalents		(7,370,868)	1,365,229
Cash and cash equivalents at the beginning of the financial year		<u>62,178,361</u>	<u>60,813,132</u>
Cash and cash equivalents at the end of the year	4	<u><u>54,807,493</u></u>	<u><u>62,178,361</u></u>

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

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Cash Fund (“the Fund”) is enabled by the *Anglican Church of Australia Act 1985* 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 invested 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.

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.

This financial report has been prepared in accordance with the recognition and measurement requirements of all Accounting Standards, and in accordance with the disclosure requirements of Accounting Standards to the extent the Diocesan Council believe these disclosures provide meaningful information to users.

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.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major operational activities as follows:

(i) Interest income

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

(ii) Dividends

Dividends and distributions are recognised as revenue when the right to payment is established.

(b) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Collectability of debtors is reviewed on an ongoing basis and debts known to be uncollectable are written off. An allowance for doubtful receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to their original terms of receivables. The amount of the provision is recognised in the statement of profit and loss and other comprehensive income.

(c) 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.

Term deposits held with financial institutions are classified as cash and cash equivalents.

(d) 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
CASH FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Equity instruments issued by the fund

Financial liabilities and equity instruments issued by the Fund are classified according to the substance of the investments entered into and the definitions of a financial liability and the equity instrument. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Issued Units

In accordance with AASB 132 unitholders 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.

(f) Management fees

The Diocesan management fee charged to the Fund was set by the Anglican Funds Committee at 0.3% of the net value of the funds under management. In addition to this, from 2012 onwards, the Fund will transfer any undistributed profits to Melbourne Anglican Trust Corporation as a management fee. The only other direct fee payable by the Fund 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.

(g) Income tax

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

(h) Comparative figures

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

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not yet been applied in the financial report. Management's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2018)

The standard only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

The Fund does not currently hold any private equity investments so the impact is expected to be immaterial.

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(j) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Fund and that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There is no estimate or assumption that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Significant accounting estimates and judgements made in the current year relate to:

- classification of issued units as equity

Management have applied judgement in their determination that the Fund does not have a contractual obligation to pay distributions, notwithstanding it is expected that the Fund will continue to pay ongoing distributions.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Fund is exposed to interest rate risk, credit risk and liquidity risk arising from the equity instruments issued by the fund it holds. The Risk Management policies employed by the Fund to manage these risks are discussed below.

Risk management is carried out by the Anglican Funds 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.

(a) Market risk

Due to the nature of the Fund, it has no currency risk or price risk, however does have interest rate risk. Interest rate risk is the risk that the value of financial instruments issued by the fund will fluctuate due to changes in market interest rates. The Fund invests directly in cash investments which are subject to market interest rates and is therefore subject to this risk.

The Fund's income and operating cash flows are therefore 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 fund not to hedge these exposures.

(b) Credit risk

Credit risk is the risk that a party to the equity instruments issued by the fund will cause a financial loss to the Fund by failing to discharge an obligation. The Fund is exposed to credit risk through the cash and cash equivalents and term deposits as disclosed in note 4.

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank and deposits are held with reputable organisations with a strong credit rating.

(c) Liquidity risk

The Fund monitors its exposure to liquidity risk by ensuring that on a daily basis there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due, including redemptions to unitholders.

Given that the Fund only invests in highly liquid assets such as cash and cash equivalents/term deposits and has no borrowings, liquidity risk is minimal.

(d) Fair value risk

The Fund does not have any equity instruments issued by the fund held at fair value.

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
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NOTE 3: DISTRIBUTIONS DECLARED			
Distribution declared during the year		<u>1,663,706</u>	<u>1,908,326</u>

The Fund paid distributions during the current year in February, May, August and November. Fixed rate distributions are pre-determined with reference to the expected financial performance of the Fund each quarter (excluding movements in the fair value of financial assets).

NOTE 4: CASH AND CASH EQUIVALENTS

Cash at bank		807,493	2,178,361
Term deposits		<u>54,000,000</u>	<u>60,000,000</u>
		<u>54,807,493</u>	<u>62,178,361</u>

Term deposits held with financial institutions are classified as cash and cash equivalents as they are generally readily convertible to known amounts of cash and are subject to an immaterial risk of changes in value. These represent the investments of the Fund in accordance with the investment policy.

NOTE 5: OTHER RECEIVABLES

Accrued interest		<u>857,519</u>	<u>807,722</u>
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NOTE 6: TRADE AND OTHER PAYABLES

Distributions payable		124,019	137,828
Management fees payable		<u>57,681</u>	<u>62,138</u>
		<u>181,700</u>	<u>199,966</u>

NOTE 7: ISSUED UNITS

55,483,312 issued units (2015: 62,786,117)		<u>55,483,312</u>	<u>62,786,117</u>
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Unit holders are entitled to a share of accumulated funds on redemption of their units at the prevailing unit price. In the event 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.

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$	2015 \$
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NOTE 8: RECONCILIATION OF PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1,663,706	1,908,326
Change in operating assets and liabilities			
(Increase)/decrease in receivables		(49,797)	236,031
Decrease in payables		<u>(4,457)</u>	<u>(40,961)</u>
Net cash inflow from operating activities		<u><u>1,609,452</u></u>	<u><u>2,103,396</u></u>

NOTE 9: CONTINGENCIES & COMMITMENTS

There were no contingencies or commitments as at 31 December 2016.

NOTE 10: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no events occurring after balance date that had, or may have, a material effect on the financial statements.

NOTE 11: REGISTERED OFFICE DETAILS

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

**ANGLICAN DIOCESE OF MELBOURNE
CASH FUND**

STATEMENT BY THE ARCHBISHOP AND REGISTRAR

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 2016 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

Melbourne
Date: July 2017

Ken Spackman
Registrar/General Manager Business Services

Melbourne
Date: July 2017

INDEPENDENT AUDITOR'S REPORT TO THE DIOCESAN COUNCIL

Auditor's Opinion

We have audited the financial report, being a special purpose of financial report, of Anglican Diocese of Melbourne Cash Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2016, and 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 comprising to the financial statements, including a summary of significant accounting policies and the statement by the Archbishop and Registrar.

In our opinion, the accompanying financial report of Anglican Diocese of Melbourne Cash Fund presents fairly, in all material respects, the Fund's financial position as at 31 December 2016 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis for Auditor's 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 is 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 audit opinion.

Emphasis of Matter – Basis of Accounting

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

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Responsibility of the Council 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 statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the Council under the *Acts of Synod* and are appropriate to meet the needs of the Council. This responsibility includes such internal controls as the Council determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The council authorise these responsibilities to the Anglican Funds Committee.

In preparing the financial report, the Council 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_files/ar3.pdf. This description forms part of our auditor’s report.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Michael Climpson
Partner

Melbourne, July 2017