

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Financial Statements

For the Year Ended 31 December 2020

Anglican Funds Grafton Diocese

ABN 42 489 753 905

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For the Year Ended 31 December 2020

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Anglican Funds Grafton Diocese

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2020

		2020	2019
	Note	\$	\$
Interest income	4	1,052,759	1,347,255
Interest expense	5	(369,507)	(719,329)
Net interest income		683,252	627,926
Non-interest income	4	202,302	219,547
Employee benefits expense		(108,350)	(108,276)
Computer expenses		(179,039)	(141,543)
Bank fees and charges		(21,200)	(12,649)
Investment management fees		(9,601)	(17,522)
Professional fees and charges		(25,911)	(53,853)
Loss on sale of bonds		(51,044)	(4,685)
Other expenses		(42,187)	(30,272)
Total expenses		(437,332)	(368,800)
Profit for the year before contributions to related parties		448,222	478,673
Contribution to Anglican Diocese of Grafton		(125,000)	(175,000)
Income tax expense		-	-
Profit after income tax and contributions to related parties		323,222	303,673
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met			
Net fair value movements of financial assets	14	(40,400)	(23,270)
Other comprehensive income for the year		(40,400)	(23,270)
Total comprehensive income for the year		282,822	280,403

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese

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Statement of Financial Position As At 31 December 2020

	Note	2020 \$	2019 \$
ASSETS			
Cash and cash equivalents	6	11,651,829	1,548,780
Trade and other receivables	7	4,841	28,608
Other financial assets	8	4,405,870	7,154,814
Other assets		2,814	-
Loans and advances	9	10,871,883	25,581,231
Property, plant and equipment	10	2,574	3,456
TOTAL ASSETS		26,939,811	34,316,889
LIABILITIES			
Trade and other payables	11	106,137	176,978
Deposits	12	24,818,829	32,413,116
Provisions	13	19,234	14,006
TOTAL LIABILITIES		24,944,200	32,604,100
NET ASSETS		1,995,611	1,712,789
EQUITY			
Reserves	14	(71,795)	(31,395)
Retained earnings		2,067,406	1,744,184
TOTAL EQUITY		1,995,611	1,712,789

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2020

2020

	Retained Earnings	FVOCI Reserve	Total
	\$	\$	\$
Balance at 1 January 2020	1,744,184	(31,395)	1,712,789
Net profit/(loss) for the year	323,222	-	323,222
Total other comprehensive income for the year	-	(40,400)	(40,400)
Balance at 31 December 2020	2,067,406	(71,795)	1,995,611

2019

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

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Statement of Cash Flows For the Year Ended 31 December 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit after income tax expense	323,222	303,673
Non cash flows in profit from operating activities		
Depreciation	882	1,483
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	23,767	(4,576)
(Increase)/decrease in other assets	(2,814)	-
(Increase)/decrease in loans and advances	14,709,348	(4,810,213)
Increase/(decrease) in trade and other payables	(70,841)	(73,957)
Increase/(decrease) in depositor funds	(7,594,285)	1,516,091
Increase/(decrease) in provisions	5,225	(849)
Net cash provided by/(used in) operating activities	<u>7,394,504</u>	<u>(3,068,348)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net movement in other financial assets	2,708,545	1,544,703
Net cash provided by/(used in) investing activities	<u>2,708,545</u>	<u>1,544,703</u>
Net increase/(decrease) in cash and cash equivalents held	10,103,049	(1,523,645)
Cash and cash equivalents at beginning of year	1,548,780	3,072,425
Cash and cash equivalents at end of financial year	15(a) <u>11,651,829</u>	<u>1,548,780</u>

The accompanying notes form part of these financial statements.

Anglican Funds Grafton Diocese

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Notes to the Financial Statements For the Year Ended 31 December 2020

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

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

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

The financial report was authorised for issue by the Corporate Trustees on 20 May 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

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

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

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

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

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

(a) Going concern

Under Australian Accounting Standards, financial statements are prepared on the going concern basis when the Fund is expected to:

- be able to pay its debts as and when they fall due; and
- continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Subsequent to balance date, the Corporate Trustees of the Diocese of Grafton, as the Fund's governing body, resolved to cease operations and wind up the Fund. Accordingly, the financial statements have been prepared on a liquidation basis of accounting.

Refer to Note 24 for further information.

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies

(a) Income Tax

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

(b) Revenue recognition

The Fund recognises revenue as follows:

Revenue from contracts with customers

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

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

Rendering of services

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

Interest

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

Other revenue

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

(c) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST.

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

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies (continued)

(c) Goods and services tax (GST) (continued)

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

(d) Cash and cash equivalents

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

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

(e) Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets at amortised cost

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

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

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

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

Financial assets at fair value through other comprehensive income

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies (continued)

(e) **Financial instruments (continued)**
Subsequent measurement

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

Impairment of financial assets

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

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

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

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

(f) **Property, plant and equipment**

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

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

Depreciation

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

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

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

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

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

(g) Impairment of non-financial assets

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

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

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

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

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

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

(h) Depositor Funds

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

(i) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Fund during the reporting period, which remain unpaid. The balance is recognised as a liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Employee benefits

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

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

Notes to the Financial Statements For the Year Ended 31 December 2020

2 Summary of Significant Accounting Policies (continued)

(j) Employee benefits (continued)

Defined contribution schemes

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

(k) Adoption of new and revised accounting standards

The Fund has adopted all standards which became effective for the first time at 1 January 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Fund.

(l) New Accounting Standards and Interpretations

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

3 Critical Accounting Estimates and Judgements

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

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

The significant estimates and judgements made have been described below.

Key estimates - impairment

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

4 Revenue and Other Income

	2020	2019
Note	\$	\$
Revenue:		
- interest income	<u>1,052,759</u>	1,347,255
Total revenue	<u>1,052,759</u>	<u>1,347,255</u>
Other income:		
- Line fees	202,188	219,500
- Sundry income	<u>114</u>	<u>47</u>
Total other income	<u>202,302</u>	<u>219,547</u>

5 Result for the Year

The result for the year includes the following specific expenses:

Contributions to defined contribution superannuation funds	8,826	9,203
Interest paid to investors	369,507	719,329
Short-term lease payments	5,200	5,200

6 Cash and Cash Equivalents

Cash on deposit	<u>11,651,829</u>	1,548,780
Total cash and cash equivalents	<u>11,651,829</u>	<u>1,548,780</u>

15(a)

(a) Short term deposits

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

Notes to the Financial Statements For the Year Ended 31 December 2020

7 Trade and Other Receivables

	2020	2019
Note	\$	\$
<i>Expected to mature within the next 12 months</i>		
Accrued interest	4,841	28,608
Total trade and other receivables	4,841	28,608

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

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

8 Other Financial Assets

(a) Other financial assets

Financial assets held at fair value through other comprehensive income

- interest bearing securities

8(b) 3,016,910 5,781,244

Total financial assets held at fair value through other comprehensive income

3,016,910 5,781,244

Financial assets at amortised cost

- fixed rate investments

8(c) 1,388,960 1,373,570

Total financial assets at amortised cost

1,388,960 1,373,570

Total other financial assets

4,405,870 7,154,814

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

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

(c) Financial assets at amortised cost

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

9 Loans and Advances

	2020	2019
	\$	\$
<i>Secured</i>		
Loans	3,834,461	9,345,486
Other credit facilities	7,037,422	16,235,745
Less: Provision for impairment	-	-
Total loans and advances	10,871,883	25,581,231

(a) Loans and receivables

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

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

10 Property, plant and equipment

Plant and equipment

At cost	31,583	31,583
Accumulated depreciation	(29,009)	(28,127)
Total plant and equipment	2,574	3,456
Total property, plant and equipment	2,574	3,456

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

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

	Plant and Equipment	Total
	\$	\$
Year ended 31 December 2020		
Balance at the beginning of year	4,939	4,939
Balance at the end of the year	4,939	4,939
Year ended 31 December 2019		
Balance at the beginning of year	4,939	4,939
Balance at the end of the year	4,939	4,939

Notes to the Financial Statements
For the Year Ended 31 December 2020

11 Trade and Other Payables

Expected to be settled within 12 months

Trade payables	58,120	38,867
Accrued interest	48,017	138,111
Total trade and other payables	106,137	176,978

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

12 Deposits

Maturing within the next 12 months

Funds deposited by The Corporate Trustees of the Diocese of Grafton	11,301,812	16,106,048
Other depositors	13,517,017	16,307,068
Total deposits	24,818,829	32,413,116

13 Employee Benefits

Long service leave	13,110	11,628
Annual leave	6,124	2,378
Total employee benefits	19,234	14,006

Analysis of liability:

Expected to be settled within 12 months	19,234	2,378
Expected to be settled after 12 months	-	11,628
	19,234	14,006

(a) Employee benefits

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

14 Reserves

	Note	2020 \$	2019 \$
FVOCI reserve			
Opening balance		(31,395)	(8,125)
Revaluation increment/(decrement)		(40,400)	(23,270)
Closing balance		<u>(71,795)</u>	<u>(31,395)</u>
Total reserves		<u>(71,795)</u>	<u>(31,395)</u>

(a) FVOCI reserve

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

15 Cash Flow Information

(a) Reconciliation of cash

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

Cash and cash equivalents	6	11,651,829	1,548,780
Bank overdrafts		(11,322)	(517,196)
Balance as per statement of cash flows		<u>11,640,507</u>	<u>1,031,584</u>

(b) Approved standby credit facilities limits

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

Total facilities

Anglican Funds South Australia (AFSA)	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

Used at reporting date

Anglican Funds South Australia (AFSA)	-	-
	<u>-</u>	<u>-</u>

Unused at reporting date

Anglican Funds South Australia (AFSA)	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

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

Notes to the Financial Statements For the Year Ended 31 December 2020

16 Financial Risk Management

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

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

	Note	2020 \$	2019 \$
Financial Assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	6	11,651,829	1,548,780
- Trade and other receivables	7	4,841	28,608
- Loans and advances	9	10,871,883	25,581,231
- Other financial assets at amortised cost	8	1,388,960	1,373,570
Financial assets held at fair value through OCI	8	3,016,910	5,781,244
Total financial assets		26,934,423	34,313,433
Financial Liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	11	106,137	176,978
- Deposits	12	24,818,829	32,413,116
Total financial liabilities		24,924,966	32,590,094

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

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

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

(a) Interest Rate Risk

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

16 Financial Risk Management (continued)

(a) Interest Rate Risk (continued)

Financial Instrument Repricing Analytics

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Repricing Within 1 Year		Fixed Interest Rate Repricing 1 to 5 Years		Fixed Interest Rate Repricing After 5 Years		Non-Interest Sensitive		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:														
Cash and cash equivalents	0.40	1.10	11,651,829	1,548,780	-	-	-	-	-	-	-	-	11,651,829	1,548,780
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	4,841	28,608	4,841	28,608
Loans and advances	4.47	5.40	3,761,371	6,343,813	14,886	1,951,638	7,095,626	17,285,780	-	-	-	-	10,871,883	25,581,231
FVOCI	2.80	3.70	-	-	1,015,040	1,166,574	2,001,870	4,614,670	-	-	-	-	3,016,910	5,781,244
Amortised cost	0.10	1.50	288,960	273,570	1,100,000	1,100,000	-	-	-	-	-	-	1,388,960	1,373,570
Total Financial Assets			15,702,160	8,166,163	2,129,926	4,218,212	9,097,496	21,900,450	-	-	4,841	28,608	26,934,423	34,313,433
Financial Liabilities:														
Trade and other payables	-	-	-	-	-	-	-	-	-	-	106,137	176,978	106,137	176,978
Deposits	0.80	1.70	7,075,746	8,114,218	17,743,083	24,298,898	-	-	-	-	-	-	24,818,829	32,413,116
Total Financial Liabilities			7,075,746	8,114,218	17,743,083	24,298,898	-	-	-	-	106,137	176,978	24,924,966	32,590,094

Notes to the Financial Statements For the Year Ended 31 December 2020

16 Financial Risk Management (continued)

(b) Liquidity risk

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

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

The Board has a minimum liquid assets target of 10% of total liabilities. At balance date, the the Fund's liquidity ratio exceeded this and was 65.0% (2019: 12.7%).

Maturity profile of financial liabilities

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

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

	On demand		Less than 3 months		3 to 12 months
	2020	2019	2020	2019	2020
	\$	\$	\$	\$	\$
Trade and other payables	-	-	106,137	176,978	-
Deposits	7,075,746	8,114,218	5,293,177	13,035,360	11,819,906
Total outflow	7,075,746	8,114,218	5,399,314	13,212,338	11,819,906
	3 to 12 months		1 to 5 years		Total
	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$
Trade and other payables	-	-	-	106,137	176,978
Deposits	11,263,538	-	-	24,188,829	32,413,116
Total outflow	11,263,538	-	-	24,294,966	32,590,094

(c) Credit risk

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

Loans and Advances

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

Notes to the Financial Statements For the Year Ended 31 December 2020

16 Financial Risk Management (continued)

(c) Credit risk (continued)

Investments

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

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

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

The Fund does not have any derivative financial instruments at 31 December 2020 and 31 December 2019.

17 Fair Value Measurement

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

- Financial assets
 - Other Financial Assets (FVOCI)

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

Fair value hierarchy

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

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

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

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

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2020					
Recurring fair value measurements					
Financial assets at FVOCI					
Australian securities	8	<u>3,016,910</u>	-	-	<u>3,016,910</u>
31 December 2019					
Recurring fair value measurements					
Financial assets at FVOCI					
Australian securities	8	<u>5,781,244</u>	-	-	<u>5,781,244</u>

Notes to the Financial Statements For the Year Ended 31 December 2020

17 Fair Value Measurement (continued)

Fair value hierarchy (continued)

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

Transfers between levels of the hierarchy

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

18 Capital Management

The Board manages the level of capital maintained by the Fund with the view of having sufficient capital to absorb economic shocks and protect depositors' funds. The Fund manages its capital levels via its Capital Adequacy Policy which provides for a target level of capital of at least 10% of risk weighted assets. As at balance date, the Fund's capital adequacy ratio was 18.13% (2019: 7.64%).

19 Related Parties

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

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

Key management personnel - refer to Note 20.

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

(b) Transactions with related parties

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

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

Anglican Funds Grafton Diocese

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Notes to the Financial Statements For the Year Ended 31 December 2020

19 Related Parties (continued)

(b) **Transactions with related parties (continued)**

The following transactions occurred with related parties:

	2020 \$	2019 \$
Deposits		
Total value of deposits held by key management personnel and other related parties at balance date	1,231,599	1,515,536
Total interest paid on deposits held by key management personnel and other related parties during the financial year	32,669	38,094
Other Transactions		
Other transactions with related parties occurring on normal trading terms and conditions are as follows:		
Contribution to Anglican Diocese of Grafton	147,305	175,000
Lease payments to Corporate Trustees of the Diocese of Grafton	5,200	5,200

20 Key Management Personnel Remuneration

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

The Right Reverend Dr Murray Alexander Harvey*
Mr David John Ford
Mr Kenneth John Adlington (resigned February 2021)
Mr Philip Charles Crandon
Mr Edward Alfred Clarke
Mr Gary Laurence Boyd

Subsequent to the end of the reporting period, the Board of the Anglican Funds Grafton Diocese was disbanded after a decision to wind up the Fund. See Note 24 for further details.

On February 25 2021, the above Board members ceased to hold office and upon this date the Corporate Trustees of the Diocese of Grafton were made responsible for all governance matters.

The names of the Corporate Trustees of the Diocese of Grafton are:
The Right Reverend Dr Murray Alexander Harvey (Ex-officio)
Dr Gordon John Burch
Mr Lindsay Ian Walker
Ms Lee Bronwyn Archinal (resigned 24 April 2021)
Mr Stephen Geoffrey Campbell
Mrs Kelley Leanne Malaba

The total remuneration paid to key management personnel of the Anglican Funds Grafton Diocese is \$NIL (2019: \$NIL).

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

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

Notes to the Financial Statements For the Year Ended 31 December 2020

21 Commitments

(a) Capital Expenditure

As at 31 December 2020, the Fund had not engaged in any material capital expenditure commitments (31 December 2019: Nil).

(b) Lease Commitments

The Fund leases premises from the Corporate Trustees of the Diocese of Grafton at market rates. The Fund has no commitment in relation to this lease at 31 December 2020.

(c) Outstanding Loan Commitments

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

	2020	2019
	\$	\$
Loans approved but not funded	-	6,000,000
Undrawn overdraft and credit facilities	10,585,066	8,437,018
Total loan commitments	10,585,066	14,437,018

22 Auditor's Remuneration

Remuneration of the auditor Thomas Noble & Russell, for:

- auditing or reviewing the financial statements	18,400	19,800
- other services - assistance with financial reporting	2,610	2,610
- other services - consulting	-	16,700
Total auditor's remuneration	21,010	39,110

23 Contingencies

In the opinion of the Board, the Fund did not have any contingencies at 31 December 2020 (31 December 2019: Nil).

24 Events Occurring After the Reporting Date

Voluntary wind-up of Anglican Funds Grafton Diocese operations

On the 1 January 2018, the Anglican Funds Grafton Diocese (AFGD) regulatory landscape changed with the commencement of Banking Exemption No.1 of 2017 (the instrument) made by the Australian Prudential Regulation Authority (APRA) pursuant to its powers under the Banking Act 1959.

The introduction and operation of the new instrument meant stricter conditions were in place over the way AFGD was to provide a retail product to a retail investor. The purpose of these stricter conditions imposed by APRA was to clearly differentiate the investment products offered by entities such as AFGD to retail consumers from Authorised Deposit-taking Institutions (ADI). Institutions in the latter class are subject to prudential regulations by APRA whereas AFGD is not and importantly deposits made with an ADI are backed by the government.

The result of the change in legislation governing operations of AFGD was to limit the potential for AFGD to transact with a broader pool of potential clients who wanted to deposit funds within the AFGD framework.

Notes to the Financial Statements For the Year Ended 31 December 2020

24 Events Occurring After the Reporting Date (continued)

Over the next two years AFGD's balance sheet and operating results would show that the operation was unable to build the required capital reserves required to withstand the possibility of identified business risks materialising or material amount of cash withdrawals occurring. The stability of the fund to withstand these foreseeable risks was dependent on the continued maintenance of deposits held for The Corporate Trustees of the Grafton Diocese. While at the same time returns generated by the fund were only modestly contributing to the Diocesan budget and not representative of a market based return for alternative prudential investments.

The governance bodies overseeing the AFGD operation, recognising the increasing regulatory, financial and business risks AFGD was operating within, assessed the strategic options available to the fund.

A number of alternative strategies were considered and from those several were selected for further detailed assessment.

Upon further investigation it became evident that an orderly wind up of the fund was the appropriate course of action and continuing to operate in the current mode posed unacceptable risks.

A joint working group containing members of the Corporate Trustees, Bishop-in-Council and the AFGD Board made recommendations concerning an orderly wind up of the fund. Those recommendations were formally accepted by each of the Corporate Trustees, AFGD Board and were confirmed by an Ordinance passed by the Bishop-in-Council on 25 March 2021.

Letters advising of the progressive closure of AFGD closure were sent to each AFGD client and stakeholder on 26 March 2021. This letter included an assurance for stakeholders, particularly individuals, that all funds held by the AFGD are secure and for individual depositors of funds are redeemable giving the customary 1-month notice with those experiencing hardship able to apply for sooner redemptions.

At the time of issuing the financial report the orderly wind of the fund was ongoing and in line with initial timelines set however an estimate of the financial effect of this decision is unable to be disclosed at this time.

As a result of the decision taken to wind up the Fund and the expectation that the wind up be completed within 12 months from the date of authorising the current financial report, the liquidation basis of accounting has been selected as the most appropriate basis for measuring all assets and liabilities of the fund.

Other

The impact of Coronavirus (COVID-19) pandemic is ongoing. It is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian government.

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

25 Statutory Information

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

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

Anglican Funds Grafton Diocese

ABN 42 489 753 905

Statement by the Corporate Trustees

That, with regard to the financial statements for Anglican Funds Grafton Diocese, the Corporate Trustees declare that:

1. the financial statements and notes for the year ended 31 December 2020 are in accordance with the ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements;
 - b. give a true and fair view of the financial position and performance of the Fund;
 - c. the activities of the Anglican Funds Grafton Diocese have been undertaken in line with the delegated authority of the Board of Management as per Chapter 18 of the Diocese Governance Ordinance 2008.
2. In the Trustees' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Trustees of The Corporate Trustees of the Diocese of Grafton.



The Right Reverend Dr Murray Alexander Harvey



Mrs Kelley Leanne Malaba

Dated this 20th day of May 2021



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

Report on the audit of the financial report

Opinion

We have audited the financial report of Anglican Funds Grafton Diocese ("the Entity") which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by the Corporate Trustees.

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

- a) gives a true and fair view of the Entity's financial position as at 31 December 2020 and of its financial performance and cash flows for the year then ended; and
- b) complies with Australian Accounting Standards – Reduced Disclosure Requirements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("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.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1(a) in the financial report, which explains that the Trustees of the Corporate Trustees of the Diocese of Grafton intend to liquidate the Entity and therefore do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a liquidation basis because of the factors described in Note 24. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Trustees for the Financial Report

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

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

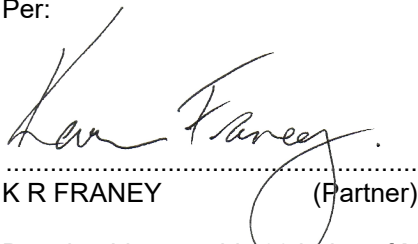
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:



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K R FRANEY (Partner)

Dated at Lismore this 20th day of May 2021