

The Diocesan Council held 13 Meetings during the reporting period. The record of attendance is set out below.

### Attendance

Name	Eligible meetings to attend (1 July 2016 – 31 July 2017)	Meetings attended
<b>Present</b>		
The Right Reverend Gregory Thompson	10	2
The Right Reverend Dr Peter Stuart	13	13
The Honorable Mr Justice Peter Young AO, (Chancellor)	13	7
His Honour Mr Christopher Armitage, (Deputy Chancellor)	13	1
The Venerable Canon David Battrick	13	11
Ms Bev Birch	13	13
The Reverend Canon Katherine Bowyer	13	11
The Venerable Canon Arthur Copeman	13	12
The Venerable Wendy Dubojski	13	3
Mr Stephen Dunstan	13	11
Mr Peter Gardiner	13	11
The Reverend Canon Janet Killen	13	12
The Reverend Dr Fergus King	13	10
The Venerable Charlie Murry	13	10
The Reverend Canon Dr Julia Perry	13	11
The Venerable Canon Sonia Roulston	13	11
Mr Richard Turnbull	13	12
Mrs Lyn Wickham	13	11
The Very Reverend Stephen Williams	13	11
Mrs Sue Williams	13	13
The Reverend Murray Woolnough	13	12
<b>In Attendance</b>		
Mr John Cleary	6	0
Mr Stephen Phillips	1	1
Mrs Linda Wilson	13	11

### Conflicts of Interest

It is the standing practice of the Diocesan Council to be advised of any conflicts of interest at the commencement of each meeting. These conflicts are recorded in the minutes.

### The Royal Commission

The Diocesan Council was informed to the extent possible about the proceedings in Case Study 42 and Case Study 52.

### The Office of the Bishop

The Diocesan Council was advised of the appointment of Bishop Peter Stuart to exercise all the powers and authorities of the Bishop of Newcastle with effect from 1 December 2016.

On receiving advice that Bishop Thompson had resigned as Bishop, the Diocesan Council passed the following resolution:

The Diocesan Council

- a) Gives grateful thanks to Almighty God for the ministry of Bishop Greg Thompson as the thirteenth Bishop of Newcastle.
- b) Regrets deeply and is greatly grieved that the circumstances of the past twelve months have led Bishop Greg to indicate that he will be resigning as Bishop on 31 May this year.
- c) Expresses its profound thanks to Bishop Greg for all that he has achieved amongst us over the last three years, for his generous giving of himself in this ministry and for his commitment to changing the culture of the Diocese.
- d) Assures Bishop Greg and Kerry of our continued prayers as a Diocese for their future.

### **Support for Survivors including Claims for Redress**

The Diocesan Council has acted to ensure that appropriate processes for support of survivors are in place.

The Diocesan Council confirmed, in May 2017, that the Legal Claims expense (including the best forward estimates in relation to known claims) for the year ended 31 December 2016 would be \$4,105,046.

It confirmed its commitment to having both a Pastoral Care and Assistance Scheme and a framework for responding to claims made outside the scheme known as the Diocesan Claims Resolution Protocol.

The Bishop (or Commissary/Administrator) and the Diocesan Business Manager (or Acting Diocesan Business Manager) have the delegated authority of the Diocesan Council to approve reasonable additional financial assistance to persons who have previously entered into a Deed of Release with the Diocese.

### **Restoration of those Suspended under the Responsible Persons Ordinance**

The Commissary advised the Diocesan Council that he anticipated, at some point a written request from a person or persons who signed the letters considered by the Royal Commission, that they be restored to a role of leadership or ministry in the Cathedral. Those responsible for making the decision at the time will seek advice from the Director of Professional Standards and will be seeking to be satisfied that the person seeking restoration:

The Diocesan Council supported the principle that those who wrote the letters will:

- a. understand, upon reflection, that their letters caused considerable harm to the Bishop, the Cathedral and others, whether intended or not;
- b. have taken appropriate steps to address that harm; and
- c. have been consistently open with others about their deeper understanding about the effect of their letters.
- d. express commitment to ensuring that the Cathedral is a safe place for all people;
- e. openly support the professional standards processes of the Diocese;
- f. affirm the importance managing risks especially by those who had been found to engage in serious misconduct;
- g. listen to, seek to understand and address the experience of those who have indicated that they found the Cathedral to be unsafe; and

- h. recognise the need to address things that cause survivors anxiety or distress.
- i. be committed to the practice of Christian discipleship summarized in the confirmation service (APBA page 93) – studying the bible, participating in the life of the church, sharing in the Holy Communion, praying faithfully and regularly, share the love of Christ and the gospel of reconciliation and hope, loving our neighbours, honour all people, praying and working for peace and justice, all in the strength of the Holy Spirit.

### **Ordinances, Policies and Protocols:**

#### ***Ordinances***

The Diocesan Council exercised authority under various Acts and Ordinances to pass the following Ordinances:

- Reserve Fund Finalisation Ordinance 2016
- Professional Standards Ordinance Amendment Ordinance 2016
- Clerical Ministry Ordinance Amendment Ordinance 2017
- Eccleston Land Sale Ordinance 2017
- Martins Creek Land Sale Ordinance 2017
- Olive Maud Medhurst (Variation of Trust) Ordinance 2017
- Newcastle Episcopal Residence Leasing Act (Variation of Trust) Ordinance 20107
- May 2017 Newcastle Anglican Church Corporation Ordinance
- Newcastle Anglican Church Corporation Incorporation Ordinance 2017
- Newcastle Anglican Church Governance Ordinance 2017
- Diocesan Ministry Council Ordinance 2017
- Cathedral Ordinance Amendment Ordinance 2017
- Variation Of The Morpeth Trusts Ordinance 2017
- Ministry Development Fund (Suspension of Operation) Ordinance 2017
- Professional Standards Ordinance Amendment Ordinance #2 2017
- Professional Standards Ordinance Amendment Ordinance 2017
- Tea Gardens Land Sale Ordinance 2017
- Dungog Land Transfer Ordinance 2017

#### ***Policies recorded in policy documents***

The Diocesan Council approved:

- Interim Grievance Policy [scheduled for review June 2017]
- Amendments to Appendix A of the Purchasing and Payments Policy
- Board Member Fees and Expenses
- Drafting principles to ensure Anglican Identity and Support for the Christian Ethos are included in draft ordinances and draft policies.
- Procedures to enable Diocesan Council members to propose business at the Diocesan Council.
- Procedures for Managing Redress Applications

The Diocesan Council endorsed the approval by the Administrator of an Interim set of the Human Resource Policies for Diocesan Office staff.

A draft Integrity Assurance Policy was referred to the Professional Standards Committee for further advice.

#### ***Policy by way of resolution***

- **Ongoing Counselling for Survivors of Abuse** - The Anglican Diocese of Newcastle will meet the costs of ongoing counselling for survivors of abuse related to this Diocese as approved by the Diocesan Business Manager upon receiving a recommendation from the Director of Professional Standards.
- **Survivor Access to documents** - in order to assist a survivor, the Diocese will make available to their solicitor, on request, all documentary evidence available to the Diocese which would normally be subject to formal legal discovery in relation to the survivor.
- **Plaques and other items mentioning clergy found guilty of misconduct** - The Diocesan Council affirmed the Commissary's advice to parish clergy to review (with their parish council and then parishioners) plaques and other memorabilia recognising people who have since found to have been engaged in abuse or serious misconduct. Clergy were advised to make requests for alterations through the Faculty process.
- **Ensuring Fair Process for Respondents** - The Diocesan Council delegated to the Diocesan Business Manager the capacity to waive the provision of meeting the costs outlined in section 101 (3).
- **Retirement Complexes Managed by Parishes** - The Diocesan Business Manager is requested to report any significant changes to management or financial performance of the villages to Diocesan Council.
- **Merit based appointment of staff** – Staff working in the Diocesan Office are to continue to be recruited on a merit basis provided that all staff are required to affirm on employment and when reasonably requested that they will conduct themselves in a manner which respects the Christian ethos of the Anglican Diocese of Newcastle.
- **Registrar and Deputy Registrar** – When registering the grant by the Bishop of licences, faculties and other instruments the terms Registrar and Deputy Registrar will be used by the relevant officer.
- **Appointing an Acting PSD** - In such circumstances as the Professional Standards Director and the Professional Standards Officer are unable to exercise the duties of the Professional Standards Director the Diocesan Council shall only appoint an Acting Professional Standards Director after consultation with the Professional Standards Committee through the Chair and whenever possible with the Professional Standards Director.
- **Higher Duties Allowance for Staff** - A person who has been appointed in an official acting capacity to carry out higher duties in excess of 5 days will be paid an additional 10% of their basic remuneration for each day they carried the higher responsibility.
- **Payments arising from pastoral needs identified by the Bishop** – Where such payments are made they will be initiated by the Bishop and confirmed by the Diocesan Chief Executive. A de-identified report on such expenditure will be made to the Newcastle Anglican Church Corporation Board and to the Diocesan Council.

### **Protocols**

- The Diocesan Council amended the Claims Resolution Protocol to exclude any possibility of raising a time limitation defence in the Redress Protocol for child sexual abuse

### **Decisions Made in Accordance with Section 91 of the Administration of Parishes Ordinance 2010**

In August, the Diocesan Council resolved to exempt the Cathedral Parish from the requirement for a special parish meeting to be held before a parish council is dissolved and replaced with an alternative parish council and from such other requirements as would inhibit the Diocesan Council from dissolving the Cathedral Parish Council.

The Diocesan Council then dissolved the Cathedral Parish Council and appointed the Cathedral Board to undertake all the functions of the Churchwardens and Cathedral Parish Council; and appointed the Cathedral Chapter to exercise the functions and responsibilities assigned to the members of the Cathedral congregation as specified in the Cathedral Ordinance 2012 or the Administration of Parishes Ordinance 2010.

The arrangements under these decisions are to be reviewed in March and September each year.

### **Church Trust Property 2012 and Land Sale Ordinances Interpretation**

The Diocesan Council confirmed that from 1 January 2016 and for the purpose of the interpretation of proceeds of sale in land sale ordinances, the proceeds of sale which go to the Exceptional Special Purposes Trust (5%), Property Acquisition Fund (9%) and Ministry Acquisition Fund (1%) will be calculated after the GST payable on the sale is deducted.

### **Review of a Decision Made in Accordance with the Responsible Persons Ordinance 2015**

In September 2016, the Diocesan Council having considered the submission of [an applicant] resolved to advise [the applicant] that the Council considered his submission but did not resolve to vary the decision made by the Commissary with the delegated authority of the Bishop.

### **Use of Trusts**

Endowments/Permanent Trusts decisions were made for  
Birmingham Gardens  
New Lambton  
Georgetown

### **Parish Aid and Assistance**

A grant was made to the Parish of Mt Vincent and Weston (\$7500)

### **Significant Budget Variations**

- The most significant variation in the period related to the legal, counselling and other costs associated with representation by the Bishop, the Assistant Bishop, the Director of Professional Standards, the Diocesan Business Manager and others before the Royal Commission. These expenditures were outlined in detail to the Special Session of Synod in May 2017.
- The Diocesan Council approved
  - expenditure up to \$200,000 to enable the engagement of suitable external consultants to assist in reviewing governance and processes that have been subject to review by the Royal Commission.
  - the sum of up to \$50,000.00 to obtain legal advice in relation to Supreme Court action or Appellate Tribunal referral in relation to the decision of the Diocese of Sydney to affiliate non-Anglican churches within the Diocese of Newcastle.
  - the payment of sitting fees to the President of the Professional Standards Board
  - a donation of \$6,000 to the Blue Knot Foundation from the Special Purposes Fund and general funds.
  - expenditure of approximately \$15,000 in consultancy fees for the Reverend Sandy Jones to assist the Bishop Nomination Board.

- the payment of professional consulting fees to the Chair of the PSC in relation to matters arising for the implementation of the professional standards review recommendations.
- certain financial arrangements made for pastoral reasons relating to clergy well-being or the support of parishes where clergy had needed additional support.
- The Council was advised that the Shared Service Arrangement for Professional Standards with the Diocese of Grafton concluded on 31 December 2016.

### **Parish Assessment Exemptions**

The Council confirmed the exemptions which are approved for purposes of the Parish assessment in accordance with Part 9 of the Administration of Parishes Ordinance 2010.

### **Diocesan Finances**

The Diocesan Council was engaged regularly on matters to do with the financial reports and disclosures for the Diocesan General and Budget Fund and for the TCP.

The Council approved the proposed terms for the loan between the Trustees and Diocesan Council being a loan of \$3,108,426 which will be interest only for 2016 and 2017 with interest based on the RBA Bank Accepted Bills/Negotiable Certificates of Deposit-3 months monthly average '+2%' to be levied' on the end of month balance to take effect from 1 January 2016. The loan term from 1 January 2018 is to be finalized but may possibly be for 15 years.

The Diocesan Council noted that at all times the Diocesan General Account and Budget Fund had access to the funds held in permanent and temporary trusts which were held for general church purposes and were thus able to meet payments as and when they fell due.

In July, the Council gave in-principle approval to the Draft 2018 budget and endorsed the letter from the Administrator inviting the parishes, schools and agencies of the Diocese to make submissions about the capital and income proposals to ensure the payment of redress and the sustainability of the Diocesan Budget.

### **Affiliation by the Diocese of Sydney of Non-Anglican Congregations in the Diocese of Newcastle**

The Diocesan Council received reports on applications of two non-Anglican congregations within the Diocese of Newcastle's boundary to seek affiliation with the Diocese of Sydney. It noted in December that the actions taken by the Bishop, the Assistant Bishop and the Archbishop of Sydney have the potential to open fruitful and appropriate dialogue around the practice and process used by the Diocese of Sydney for affiliating churches.

The Diocesan Council approved a submission to the Archbishop of Sydney and the Standing Committee of the Sydney Diocesan Council.

In May it asked the Administrator to request the Primate to refer questions relating to the power of the Diocese of Sydney to affiliate churches to the Appellate Tribunal, and if the Primate was unable to for any reason it resolved to exercise the powers of the Synod delegated and refer questions relating to the power of the Diocese of Sydney to affiliate churches to the Appellate Tribunal of the Anglican Church of Australia.

### **Clergy Assistance Program**

Approval was given for a further two years of this service with an increase in the recommended allowance to 6 sessions per person per 12 month period.

## **Designated Fund Ordinance – Exemptions**

An exemption on one account was granted to the Samaritans Foundation.  
An exemption on one account was granted to Scone Grammar School.

## **Reviews**

The report of the review of the Ministry Issues procedures in the Clerical Ministry Ordinance 2009 is attached to this report.

The report by KPMG on the governance of the Diocese has previously been made available to members of the Synod through the Diocesan website.

The report by Ms Helen Deas of the professional standards system and redress system has previously been made available to members of the Synod through the Diocesan website.

## **Resignations and Retirements**

In addition to the resignation of the Bishop, since the Diocesan Council last reported there have been other significant resignations or retirements.

- The Diocesan Council received the resignation of Mr John Cleary as the Diocesan Business Manager and expressed its appreciation for the initiatives that he brought to the Diocese in his role as Diocesan Business Manager and for his clear commitment to support survivors and victims of abuse.
- It received the resignations of the Reverend Glen Pope and Mr Geoff Spring from the Professional Standards Committee noting they had to deal with very complicated and difficult matters and both made significant contributions to ensuring appropriate Professional Standards within the Diocese.
- This Diocesan Council expresses its deep appreciation of the Very Reverend Stephen Williams and for his ministry as Dean, as a long serving Diocesan Council Member and for his ministry over many years to the Diocese.

## **Welcome and thanks**

The Diocesan Council welcomed the appointment of Mr Stephen Phillips as the Diocesan Chief Executive and in so doing expressed its gratitude to all involved in the recruitment process.

The Diocesan Council recognised the enormous contribution that Mrs Linda Wilson had made as the Acting Diocesan Business Manager.

## **Formal Responsibilities**

The Diocesan Council exercised its responsibilities under the Clerical Ministry Ordinance 2009 in relation to the election of a Bishop and under various ordinances in relation to the convening of the Synod.

## **Appointments to Boards, Councils and Committees**

### ***Appointments with a Fixed Term***

- Mr Colin Johnston to the Board of Anglican Care expiring 13 September 2019.

- Mrs Lyn Wickham to the Committee advising Diocesan Council of the Bishops Remuneration under the Clergy Advisory Emoluments Board for the remainder of this term of Synod.
- Mrs Wendy Cross to the Diocesan Audit Committee until 31 March 2018.
- Mrs Wendy Cross and the Reverend Chris Jackson as Diocesan Council appointments to the Board of Samaritans until 1 November 2019.
- Mr Colin Elliott as President of the Professional Standards Board expiring 30 November 2019.
- Ms Katherine Lindsay to the Board of Trustees of Church Property expiring 1 November 2021.
- Mr Colin Johnston as Chair of the Audit Committee expiring 26 April 2018.
- The Reverend Mark Cooper to the Diocesan Incumbency Board for a term of the remainder of the Fifty-First Session of Synod.
- Various clergy and lay members of the Professional Standards Review Panel.
- Ms Linda Wilson was appointed Professional Standards Board Secretary in February 2017.
- Mr Richard Turnbull to the Newcastle Anglican Church Corporation Board 31 October 2020.
- The Reverend Janet Killen to the Professional Standards Committee for a term expiring on 30 June 2020.
- Ms Lyn Wickham as Chair (pro-tem) of the Professional Standards Committee.
- Ms Jenny Chung served as the Acting Registrar from 12 July to 24 July.
- Mrs Helen Deas to be the Chair of the Professional Standards Committee for a period to 31 January 2019.
- Mrs Alison Barry as the Secretary of the Professional Standards Board for a period to 31 January 2019
- The Bishop Administrator appointed Mr Wayne Russell to be the Chair of the Newcastle Anglican Church Corporation (NACC).
- Ms Jayne Drinkwater, Mr Peter Francis, Ms Michelle Jarvie, Mr Mark Hedges and Mr Garry Whitaker were appointed as members of the Board of the NACC to 31 October 2020.
- Bishop Administrator invited Mr Ewen Crouch AM to be a consultant to the Board of the NACC.
- The Honourable Justice Peter Young AO agreed to remain as Chancellor until 1 January 2018. Mr Christopher Armitage will take up appointment on that day.

### **Standing Appointments**

Ms Cathy Rose (the Professional Standards Officer) was appointed to serve as the Acting Professional Standards Director whenever Mr Michael Elliott (the Professional Standards Director) is on leave approved by the Diocesan Business Manager.

The Diocesan Chief Executive was appointed as the Registrar of the Diocese.

Ms Linda Wilson was appointed as the Deputy Registrar.

Ms Linda Wilson was appointed the Chief Operating Officer of the Diocese, Secretary to the Diocesan Council and the Board of the Newcastle Anglican Church Corporation.

Archdeacon Sonia Roulston was appointed as the Secretary to the Diocesan Council (pro-tem during the absence of Ms Linda Wilson).

Mr Giles Coakes was appointed as the Pastoral Care and Assistance Scheme Advisor in place of a panel.

## Deconsecrations

St Luke's Church, Telarah was deconsecrated on 16 March 2017.

St Jame's Church, Martins Creek was deconsecrated on 22 April 2017.

St Paul's Church, Eccleston was deconsecrated on 22 April 2017.

## Attachments

Attachment	Title
	Letter from Atkinson Vinden dated 30 June 2017
A	Independent Report for the Anglican Diocese of Newcastle Review of Part 16 of the Clerical Ministry Ordinance

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THE ANGLICAN DIOCESE OF NEWCASTLE GENERAL FUND  
AND BUDGET ACCOUNT  
ABN 66 773 701 473

Financial Report  
For the Year Ended  
31 December 2016

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# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, there have been:

- (i) no contraventions of the auditor independence requirements of the *Australian Charities and Not-For-Profits Commission Act 2012*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Cutcher & Neale Assurance Pty Limited  
(An authorised audit company)



M.J. O'Connor CA  
Director

10 June 2017

Newcastle

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Independent Audit Report to the Synod of the Anglican Diocese of Newcastle

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of The Anglican Diocese of Newcastle General Fund and Budget Account (the Entity), which comprises the statement of financial position as at 31 December 2016, the statement of surplus or deficit and other comprehensive income, the statement of changes in funds 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 Council Members' declaration.

In our opinion, the accompanying financial report is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- (i) giving a true and fair view of the financial position of The Anglican Diocese of Newcastle General Fund and Budget Account as at 31 December 2016, and its financial performance for the year then ended; and
- (ii) the accounting policies described in Note 1 of the financial statements and the Australian Charities and Not-for-profits Commission Regulations 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 Entity in accordance with the auditor independence requirements of the Australian Charities and Not-For-Profits Commission Act 2012 and 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 confirm that the independence declaration required by the *Australian Charities and Not-For-Profits Commission Act 2012*, which has been given to the Council Members of the Entity, would be in the same terms if given to the Council Members as at the time of this auditor's report.

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

#### Emphasis of Matter

##### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Anglican Diocese of Newcastle General Fund and Budget Account to meet its financial reporting responsibilities under the ordinances of the Anglican Diocese of Newcastle. As a result, the financial statements may not be suitable for another purpose.

##### Prior Period Restatement

Subsequent to issuing the prior year financial report, the Diocesan Council and Trustees of Church Property have reconsidered the accounting treatment for some prior period transactions. Diocesan Council has determined that the prior period balances should be amended. An explanation of the restatements has been disclosed in Note 18 to the financial statements. Our audit report is not modified in respect of this matter.

## Other Information

The Council Members are responsible for the other information. The other information obtained at the date of this auditor's report is included in the Council Members' report, (but does not include the financial report and our auditor's report thereon).

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

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

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

## Responsibilities of Council Members for the Financial Report

The Council Members are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-For-Profits Commission Act 2012* and for such internal control as the Council Members determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

## 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 the financial report.



Cutcher and Neale Assurance Pty Ltd  
(An authorised audit company)



M.J. O'Connor  
Director

NEWCASTLE

27 July 2017

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Council Members' Declaration

The Council Members have determined that The Anglican Diocese of Newcastle General Fund and Budget Account is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements and the *Australian Charities and Not-For-Profits Commission Act 2012*.

The Council Members declare that:

1. The financial statements and notes, as set out on pages 5 to 20, are in accordance with the accounting policies as described in Note 1 and the *Australian Charities and Not-For-Profits Commission Act 2012*; and present fairly, in all material respects, The Anglican Diocese of Newcastle General Fund and Budget Account's financial position as at 31 December 2016 and of its performance for the year ended on that date.
2. In the Council Members' opinion, there are reasonable grounds to believe that The Anglican Diocese of Newcastle General Fund and Budget Account 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 Council Members made pursuant to S.60.15 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Council Member.....



Council Member.....



Dated 20 July 2017

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Statement of Surplus or Deficit and Other Comprehensive Income For the Year Ended 31 December 2016

	2016	2015
Note	\$	\$
Revenue	2 <b>3,467,896</b>	4,893,766
Employee benefits expense	<b>(2,016,633)</b>	(1,866,431)
Depreciation and amortisation expense	9(a) <b>(105,850)</b>	(106,909)
Administration expense	<b>(429,137)</b>	(327,207)
Occupancy expenses	<b>(237,287)</b>	(222,883)
Motor vehicle expenses	<b>(80,670)</b>	(74,107)
Grant and development expenses	<b>(168,068)</b>	(143,285)
Media expenses	<b>(98,549)</b>	(100,836)
Australian church expenses	<b>(71,758)</b>	(73,649)
Insurance claims expense	<b>(218,593)</b>	(177,018)
Finance costs	<b>(138,828)</b>	(92,827)
Other expenses	3 <b>(4,280,419)</b>	(1,569,756)
<b>Surplus/(deficit) before income tax</b>	<b>(4,377,896)</b>	138,857
Income tax expense	1(e) -	-
<b>Surplus/(deficit) after income tax</b>	<b>(4,377,896)</b>	138,857
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(4,377,896)</b>	138,857

The accompanying notes form part of these financial statements.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Statement of Financial Position 31 December 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	5	1,258,805	4,325,220
Trade and other receivables	6	384,063	503,777
Other assets	7	451	2,785
<b>TOTAL CURRENT ASSETS</b>		<b>1,643,318</b>	<b>4,831,782</b>
NON-CURRENT ASSETS			
Financial assets	8	25,607,833	23,258,054
Plant and equipment	9	146,136	213,006
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,753,969</b>	<b>23,471,060</b>
<b>TOTAL ASSETS</b>		<b>27,397,287</b>	<b>28,302,842</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	10	330,928	217,199
Short-term provisions	12	2,650,000	-
Employee benefits	13	171,301	57,084
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,152,230</b>	<b>274,284</b>
NON-CURRENT LIABILITIES			
Borrowings	11	3,557,422	3,418,593
Employee benefits	13	87,907	118,932
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,645,329</b>	<b>3,537,525</b>
<b>TOTAL LIABILITIES</b>		<b>6,797,559</b>	<b>3,811,809</b>
<b>NET ASSETS</b>		<b>20,599,728</b>	<b>24,491,033</b>
<b>Funds</b>			
Reserves	14	1,422,678	1,230,675
Permanent endowments	15	25,607,833	23,258,054
Accumulated surplus		(6,430,783)	2,304
<b>TOTAL FUNDS</b>		<b>20,599,728</b>	<b>24,491,033</b>

The accompanying notes form part of these financial statements.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Statement of Changes in Funds For the Year Ended 31 December 2016

2016

	Accumulated Surplus	Reserves	Permanent Endowments	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2016</b>	<b>2,304</b>	<b>1,230,675</b>	<b>23,258,054</b>	<b>24,491,033</b>
Total comprehensive income	(4,377,896)	-	-	(4,377,896)
Revaluation increment (decrement)	-	-	486,592	486,592
Transfers from accumulated surplus to Property Acquisition Fund reserve	(192,003)	192,003	-	-
Transfer from accumulated surplus to recognise Permanent Endowment	(1,863,187)	-	1,863,187	-
<b>Balance at 31 December 2016</b>	<b>(6,430,783)</b>	<b>1,422,678</b>	<b>25,607,833</b>	<b>20,599,728</b>

2015

	Accumulated Surplus	Reserves	Permanent Endowments	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2015</b>	<b>23,285,291</b>	<b>1,066,885</b>	<b>-</b>	<b>24,352,176</b>
Total comprehensive income	138,857	-	-	138,857
Transfers from accumulated surplus to Property Acquisition Fund reserve	(163,790)	163,790	-	-
Transfers from accumulated surplus to recognise Permanent Endowments	(23,258,054)	-	23,258,054	-
<b>Balance at 31 December 2015</b>	<b>2,304</b>	<b>1,230,675</b>	<b>23,258,054</b>	<b>24,491,033</b>

The accompanying notes form part of these financial statements.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (a) Basis of preparation

The Board have prepared the financial statements on the basis that the entity is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Synod of the Anglican Diocese of Newcastle.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the Board have determined are appropriate to meet the needs of the Synod of the Anglican Diocese of Newcastle. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in notes.

#### (b) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Subsequent to issuing the prior year financial report, the Diocesan Council and Trustees of Church Property have reconsidered the accounting treatment for some prior period transactions. Diocesan Council has determined that the prior period balances should be amended. An explanation of the amendments has been disclosed in Note 18.

#### (c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entities accounting policies.

##### Key estimates - impairment

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

#### (d) Revenue and other income

The Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of The Anglican Diocese of Newcastle General Fund and Budget Account's activities as discussed below.

##### Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (d) Revenue and other income

##### Interest revenue

Interest revenue is recognised as it accrues.

##### Rental income

Rental revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return.

##### Trust and Bequest revenue

Trust and bequest revenue to which the entity is the recipient is recorded as revenue when received.

All revenue is stated net of the amount of goods and services tax (GST).

#### (e) Income tax

The Anglican Diocese of Newcastle General Fund and Budget Account is exempt from income tax under section 50-5 of the Income Tax Assessment Act 1997.

#### (f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

#### (h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Impairment is assessed in accordance with Note 1(i).

#### (i) Financial instruments

##### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Financial instruments are subsequently measured at either fair value, amortised cost or cost.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period.

##### Permanent Trust Financial Assets

Permanent trust assets are financial assets that are invested in equities by Trustees of Church Property and where General Fund is beneficiary to the trust. (Refer note 8a).

They are subsequently measured at fair value through other comprehensive income as they are not expected to be realised within 12 months after the end of the reporting period.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (i) Financial instruments

##### Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions. At the end of each reporting period, the Entity assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event or a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of surplus or deficit and comprehensive income.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of surplus or deficit and other comprehensive income.

#### (j) Plant and equipment

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

Cost includes expenditure that is directly attributable to the asset.

##### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated on a straight-line basis over the asset's useful life to the Entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and Equipment	10-25% PC
Leasehold improvements	14% PC
Computer Equipment and software	20-50% PC

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (j) Plant and equipment

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of surplus or deficit and other comprehensive income.

#### (k) Impairment of non-financial assets

At the end of each reporting period, the Entity assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value.

Assets, that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately.

#### (l) 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 Entity during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### (m) Employee benefits

Provision is made for the Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting year. Employee benefits are measured at the amounts expected to be paid when the liability is settled.

Contributions are made by the Entity to an employee superannuation fund and are charged as expenses when incurred.

#### (n) Provisions

Provisions are recognised when the Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1 Summary of Significant Accounting Policies

#### (o) Reserves

Reserves represent funds set aside from accumulated surplus for purposes that have been identified either by Diocesan Council or otherwise as stipulated by Ordinance.

#### (p) Permanent Endowments

The endowments represent funds received by the Diocese of Newcastle in the form of charitable trusts. The funds exist for specific purposes to benefit the Diocese. The Trustees of Church Property for the Diocese of Newcastle manage the investment of these funds on behalf of the Diocesan General Fund and Budget Account. The funds are invested on a long term basis.

### 2 Operating Revenue and Other Revenue

	2016	2015
	\$	\$
Operating revenue		
- Sale of goods - Anglican Encounter	13,022	10,831
- Provision of services	711,848	693,514
	<u>724,870</u>	<u>704,345</u>
Other revenue		
- Rent received Newcastle Grammar School	208,777	204,751
- Operating grants Anglican Savings & Development Fund	250,000	85,000
- Trust interest and endowment income	894,320	986,254
- General income and grants	1,373,870	1,401,367
- Recognition of trust assets and bequests received	16,059	43,078
- Distribution from Trustees of Church Property reserve fund	18 -	1,468,971
<b>Total Revenue</b>	<u><b>3,467,896</b></u>	<u><b>4,893,767</b></u>

### 3 The surplus/(deficit) for the year includes the following specific expenses

Other expenses:		
Synod and conference expenses	17,686	33,432
Property sale costs	47,597	55,739
Legal claims	4,105,046	1,312,647
Sundry expenses	110,091	167,938
<b>Total other expenses</b>	<u><b>4,280,420</b></u>	<u><b>1,569,756</b></u>

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 4 Auditors' Remuneration

	2016	2015
	\$	\$
Assurance Services		
Audit fees - Cutcher & Neale	30,700	15,760
Other non-assurance services	-	4,071
	<u>30,700</u>	<u>19,831</u>

### 5 Cash and Cash Equivalents

Cash on hand	700	700
Cash at bank	1,258,105	4,324,520
Total cash and cash equivalents	<u>1,258,805</u>	<u>4,325,220</u>

### 6 Trade and Other Receivables

CURRENT		
Trade receivables	296,646	167,134
GST receivable	69,588	21,771
Parish loans - interest free	11,800	47,673
Inter entity receivables - Other Diocesan entities	6,029	267,199
Total current trade and other receivables	<u>384,063</u>	<u>503,777</u>

### 7 Other Assets

CURRENT		
Prepayments & sundry assets	451	2,785

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 8 Financial assets

	2016	2015
	\$	\$
NON CURRENT		
Other financial assets	8(a) <u>25,607,833</u>	<u>23,258,054</u>

#### (a) Other financial assets

All investments are trust accounts and are invested with the Trustees of Church Property for the Diocese of Newcastle. Under normal operating conditions, it is not expected that the permanent trusts will be called upon within the following twelve months and the assets have therefore been classified as non-current. As at 31 December 2016 it was the intention not to call on the permanent trusts in the next twelve months, the Diocesan Council acknowledges and supports the past and current practice of the Trustees of Church Property to seek the best possible long term returns on the trusts by investing in a level of non-cash assets which provide for a mixture of growth and income.

Post balance date, in June 2017 Diocesan Council have passed the Variation of The Morpeth Trusts Ordinance 2017 with the Diocesan Council expected to withdraw funds from this and other permanent trusts as part of the Diocesan financial strategy to fund its redress obligations. It is estimated that the amount will be \$5M.

### 9 Property, Plant and Equipment

#### PLANT AND EQUIPMENT

##### Plant and equipment

At cost	99,307	86,934
Accumulated depreciation	<u>(71,402)</u>	<u>(56,449)</u>
Total plant and equipment	<u>27,905</u>	<u>30,485</u>

##### Computer equipment

At cost	107,862	107,862
Accumulated depreciation	<u>(107,862)</u>	<u>(107,862)</u>
Total computer equipment	<u>-</u>	<u>-</u>

##### Leasehold Improvements

At cost	729,210	702,603
Accumulated depreciation	<u>(610,979)</u>	<u>(520,082)</u>
Total improvements	<u>118,231</u>	<u>182,521</u>
<b>Total plant and equipment</b>	<u><b>146,136</b></u>	<u><b>213,006</b></u>

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 9 Property, Plant and Equipment

#### (a) Movements in Carrying Amounts

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

	Plant and Equipment \$	Leasehold Improvements \$	Total \$
<b>2016</b>			
Balance at the beginning of year	30,485	182,521	213,006
Additions	12,373	26,607	38,980
Depreciation expense	(14,953)	(90,897)	(105,850)
Balance at 31 December 2016	<u>27,905</u>	<u>118,231</u>	<u>146,136</u>
<b>2015</b>			
Balance at the beginning of year	31,837	217,258	249,095
Additions	13,947	56,873	70,820
Depreciation expense	(15,299)	(91,610)	(106,909)
Balance at 31 December 2015	<u>30,485</u>	<u>182,521</u>	<u>213,006</u>

### 10 Trade and Other Payables

	2016 \$	2015 \$
<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	358,706	215,945
Sundry payables and accrued expenses	(27,778)	1,254
	<u>330,928</u>	<u>217,199</u>
<b>NON-CURRENT</b>		

### 11 Borrowings

<b>NON-CURRENT</b>		
Unsecured liabilities:		
Related party borrowings	<u>3,557,422</u>	<u>3,418,593</u>

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 12 Provisions

	2016	2015
	\$	\$
CURRENT		
Legal proceedings	<u>2,650,000</u>	-

### 13 Employee benefits

CURRENT		
Long service leave	22,297	-
Annual leave	87,770	57,084
Termination payments	<u>61,234</u>	-
	<u>171,301</u>	<u>57,084</u>
NON-CURRENT		
Long service leave	<u>87,907</u>	118,932

### 14 Reserves

Stipend advance scheme reserve	63,604	63,604
Parish aid and development reserve	26,082	26,082
Chaplaincy reserve	12,000	12,000
CEY Ministries	65,343	65,343
Property Acquisition Fund	<u>1,255,649</u>	1,063,646
Total reserves	<u>1,422,678</u>	<u>1,230,675</u>

### 15 Permanent Endowments

Bishop Tyrrell Trust	1(p) 8,197,199	8,041,200
Morpeth Trust	1(p) 10,088,030	9,896,047
Other trusts	1(p) 7,322,604	5,320,807
Total Permanent Endowments	<u>25,607,833</u>	<u>23,258,054</u>

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 16 Financial Risk Management

The main risks The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Entity's financial instruments consist mainly of cash deposits, local money market instruments, short-term investments, accounts receivable and payable.

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:

	2016	2015
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,258,805	4,325,220
Trade and other receivables	393,296	503,777
Diocesan Temporary Trust Funds and Permanent Endowments	<u>25,607,833</u>	<u>23,258,054</u>
<b>Total financial assets</b>	<u>27,259,934</u>	<u>28,087,051</u>
<b>Financial Liabilities</b>		
Trade and other payables	331,246	217,199
Borrowings	<u>3,557,422</u>	<u>3,418,593</u>
<b>Total financial liabilities</b>	<u>3,888,668</u>	<u>3,635,792</u>

The Diocesan Council Members have overall responsibility for the establishment of The Anglican Diocese of Newcastle General Fund and Budget Account's financial risk management framework. This includes the development of policies covering specific areas such as credit risk, liquidity risk and market risk relating to interest rate risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and The Anglican Diocese of Newcastle General Fund and Budget Account's activities.

The day-to-day risk management is carried out by The Anglican Diocese of Newcastle General Fund and Budget Account's finance function under policies and objectives which have been approved by the Diocesan Council Members. The Diocesan Business Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and assessment of market forecasts for interest rate movements.

The Diocesan Council Members receive bi-monthly reports which provide details of the effectiveness of the processes and policies in place.

The Anglican Diocese of Newcastle General Fund and Budget Account does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 16 Financial Risk Management

Mitigation strategies for specific risks faced are described below:

#### Interest Rate Risk

The Anglican Diocese of Newcastle General Fund and Budget Account is exposed to interest rate risk fluctuations on its cash at bank and cash on deposit.

#### Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is managed through a collection policy based on the amount, ageing and circumstances related to the outstanding amounts. The level of debt and the doubtful debts provision is reviewed regularly by the Council Members. Any debts required to be formally recovered by legal action by management are done so in accordance with the collection policy.

The Anglican Diocese of Newcastle General Fund and Budget Account does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into apart from inter entity and other Diocesan entity loans.

#### Liquidity risk

Liquidity risk arises from the possibility that The Anglican Diocese of Newcastle General Fund and Budget Account might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The fund manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, The Anglican Diocese of Newcastle General Fund and Budget Account ensures that it has sufficient cash on demand to meet expected operational expenses as required.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 16 Financial Risk Management

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### Net fair values

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

### 17 Contingent Liabilities

At the date of this report, the Diocese of Newcastle may have potential liabilities for legal claims. It is not possible to determine the amount or exact nature of potential claims, nor whether potential claims may be covered by insurance.

The Diocesan Council continues to ensure adequate funding will be made available for settlement of any potential liability arising from legal claims.

Management are currently seeking guidance from the Diocesan Council and the Diocesan lawyers with respect to these matters.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 18 Prior Period Errors and Restatements

#### (a) Amendment to distribution of discretionary funds from Trustees of Church Property

In November 2015, an amount of discretionary funds was distributed from Trustees of Church Property reserves. The amount of \$4,887,564 was distributed to the Anglican Diocese of Newcastle General Fund and Budget Account.

This matter was addressed at the Third Session of the Fifty First Synod in December 2016.

Subsequent to adopting the 2015 financial report, the Trustees have considered further information and resolved to amend the distribution and have approved a loan to the Diocesan General Fund and Budget Account of \$3,418,594 to be provided as a low interest loan (bank bill rate + 2%) for 15 years.

This adjustment of \$3,418,594 has been recorded in the financial statements as a reduction of income and therefore a reduction of the operating result and recognition of a loan payable. Net assets decreased by the same amount.

#### (b) Recognition of Permanent Endowments

The endowments represent funds received by the Diocese of Newcastle in the form of charitable trusts. The funds exist for specific purposes to benefit the Diocese. The Trustees of Church Property for the Diocese of Newcastle manage the investment of these funds on behalf of the Diocesan General Fund and Budget Account. Since initial recognition, the funds have been reported as part of accumulated surplus.

The accounting policy has been amended to reflect the restricted nature of the funds implied by the charitable trusts and report the Permanent Endowments as a separate component of total funds.

#### (c) Property Acquisition Fund Reclassification

The Property Acquisition Fund has been transferred from accumulated surplus to a reserve to identify the contribution of diocesan property sales in accordance with the Ministry Development Fund Appropriation Ordinance 2005.

# The Anglican Diocese of Newcastle General Fund and Budget Account

ABN 66 773 701 473

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 18 Prior Period Errors and Restatements

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 31 December 2016 is as follows:

	Previously stated \$	2015 Adjustments \$	Restated \$
<b>Statement of Comprehensive Income</b>			
Revenue	8,312,360	(3,418,594)	4,893,766
Total comprehensive income 18(a)	3,557,452	(3,418,594)	138,858
<b>Statement of Financial Position</b>			
Borrowings	-	(3,418,594)	(3,418,594)
Accumulated surplus	27,742,598	-	27,742,598
Reclassify 2015 distribution 18(a)	-	(3,418,594)	(3,418,594)
Reclassify permanent endowments 18(b)	-	(23,258,054)	(23,258,054)
Recognise Property Acquisition Fund reserve	-	(1,063,646)	(1,063,646)
	<b>27,742,598</b>	<b>(27,740,294)</b>	<b>2,304</b>