



Uniting Church in Australia
Investment Fund (WA)

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4 June 2020

Alasdair Whyte
RSM Australia Pty Ltd
Level 32 Exchange Tower
2 The Esplanade
PERTH WA 6000

Dear Sir

This representation letter is provided in connection with your audit of the financial report of Uniting Church in Australia Synod of Western Australia Investment Fund ("the Investment Fund") for the year ended 31 December 2019, for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, in accordance with the Australian Accounting Standards.

We confirm that (to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Report

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement for the preparation of the financial report in accordance with Australian Accounting Standards; in particular the financial report is fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.
4. All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements are immaterial (Nil), both individually and in the aggregate, to the financial report as a whole.

Information Provided

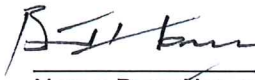
1. We have provided you with:
 - o Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - o Additional information that you have requested from us for the purpose of the audit; and
 - o Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.




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2. All transactions have been recorded in the accounting records and are reflected in the financial report.
3. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - o Management;
 - o Employees who have significant roles in internal control; or
 - o Others where the fraud could have a material effect on the financial report.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
8. We have provided you with all requested information, explanations and assistance for the purposes of the audit.

Yours faithfully


Chairperson of the Investment and Corporate Finance Committee
Name: Barry Honey
Date: 17/06/2020


General Secretary
Name: David de Kock
Date: 17.6.2020


Manager, Investments
Name: Lynette Boorn
Date: 17/06/2020.

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**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
General Purpose Financial Report
As at 31 December 2019**

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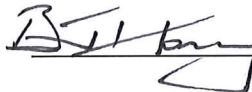
UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND

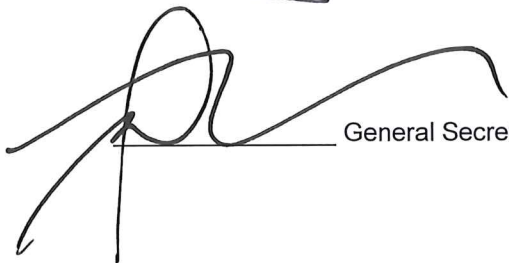
INVESTMENT AND CORPORATE FINANCE COMMITTEE'S STATEMENT

In the opinion of the Investment and Corporate Finance Committee,

- (i) The financial report presents fairly the financial position of the Uniting Church in Australia Synod of Western Australia Investment Fund ("the Investment Fund") at 31 December 2019 and the results of its operations and cash flows for the year ended on that date;
- (ii) The operations of the Investment Fund have been carried out in accordance with the Synod's Constitution; and
- (iii) At the date of this statement, there are reasonable grounds to believe that the Investment Fund will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Investment and Corporate Finance Committee and is signed for and on behalf of the Investment and Corporate Finance Committee by:

 Chairperson of the Investment and Corporate Finance Committee

 General Secretary

 Manager, Investments

Dated: 17 JUNE 2020.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Interest revenue	3a	621,922	653,374
Investment revenue	3b	4,480,450	5,841,610
Gain / (Loss) on revaluation of financial assets	3b	8,245,809	(6,660,598)
		<u>13,348,181</u>	<u>(165,614)</u>
Interest expense	3c	(1,115,065)	(1,265,169)
Other expenses	3d	(5,305,815)	(3,389,192)
		<u>(6,420,880)</u>	<u>(4,654,361)</u>
SURPLUS / (DEFICIT) BEFORE INCOME TAX EXPENSE		6,927,301	(4,819,975)
Income tax expenses		-	-
NET INCOME / (DEFICIT) FOR THE YEAR		<u>6,927,301</u>	<u>(4,819,975)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>6,927,301</u>	<u>(4,819,975)</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 \$	2018 \$
ASSETS			
Cash and cash equivalents	5	14,395,412	12,464,676
Receivables	6	307,405	761,973
Financial assets	7	68,874,421	60,380,236
Loans and advances receivable	8	1,444,924	1,459,774
TOTAL CURRENT ASSETS		<u>85,022,162</u>	<u>75,066,659</u>
Loans and advances receivable	8	6,522,581	8,509,582
Investment properties	9	2,484,186	1,900,000
TOTAL NON-CURRENT ASSETS		<u>9,006,767</u>	<u>10,409,582</u>
TOTAL ASSETS		<u>94,028,929</u>	<u>85,476,241</u>
LIABILITIES			
Deposits	10	73,826,900	72,201,513
Provisions	11	2,000,000	2,000,000
TOTAL CURRENT LIABILITIES		<u>75,826,900</u>	<u>74,201,513</u>
TOTAL LIABILITIES		<u>75,826,900</u>	<u>74,201,513</u>
NET ASSETS		<u>18,202,029</u>	<u>11,274,728</u>
EQUITY			
Retained surplus		<u>18,202,029</u>	<u>11,274,728</u>
TOTAL EQUITY		<u>18,202,029</u>	<u>11,274,728</u>

The accompanying notes form part of this financial report

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received from mortgages and investments		621,922	653,374
Interest paid to depositors		(1,115,065)	(1,265,169)
Investment income		3,721,551	3,998,327
Payments to suppliers		(1,376,507)	(1,389,192)
Grants paid to Synod		<u>(2,000,000)</u>	<u>(1,900,000)</u>
Net cash (used in) / provided by operating activities	12 (b)	<u>(148,099)</u>	<u>97,340</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds for equity investments		965,091	1,224,129
Net loans provided to customers		<u>(511,643)</u>	<u>(324,385)</u>
Net cash provided by investing activities		<u>453,448</u>	<u>899,744</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net Increase / (decrease) in deposits		<u>1,625,387</u>	<u>(386,617)</u>
Net cash provided by / (used in) financing activities		<u>1,625,387</u>	<u>(386,617)</u>
Net increase / (decrease) in cash held		1,930,736	610,467
Cash at the beginning of the year		<u>12,464,676</u>	<u>11,854,209</u>
Cash at the end of the year	12 (a)	<u>14,395,412</u>	<u>12,464,676</u>

The accompanying notes form part of this financial report

UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Surplus \$	Total Equity \$
1 January 2018	16,094,703	16,094,703
Total comprehensive loss for the year	(4,819,975)	(4,819,975)
31 December 2018	<u>11,274,728</u>	<u>11,274,728</u>
	Retained Surplus \$	Total Equity \$
1 January 2019	11,274,728	11,274,728
Total comprehensive income for the year	6,927,301	6,927,301
31 December 2019	<u>18,202,029</u>	<u>18,202,029</u>

The accompanying notes form part of this financial report

UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. PRINCIPAL ACTIVITIES, CONSTITUTION AND BASIS OF PREPARATION

(a) Principal activities

The principal activities of the Investment Fund are to:

- Enlarge and extend the work of the Uniting Church in WA by:
 - (i) receiving deposits at varying rates of interests;
 - (ii) receiving gifts and bequests;
 - (iii) applying money on investments; and
 - (iv) applying surplus funds from operations to the wider work of the Uniting Church
- Encourage and foster a greater appreciation and understanding of Christian Stewardship.

(b) Constitution

The Investment Fund is an unincorporated divisional activity, conducted and ultimately controlled by, the Uniting Church in Australia Synod of Western Australia (the Synod), an entity constituted under the provisions of the Uniting Church in Australia Act, 1976. Under this legislation, all property both real and personal controlled by the Investment Fund as well as the cash, liquid assets and trading securities are vested in the Uniting Church in Australia Property Trust (WA).

The Investment Fund is a lender to other Divisions, Instrumentalities and Agencies of the Synod as disclosed in Note 8 and also borrows funds in the form of deposits received, as disclosed in Note 10.

(c) Basis of presentation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. The Investment Fund is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

The Investment Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. PRINCIPAL ACTIVITIES, CONSTITUTION AND BASIS OF PREPARATION

New, revised or amending Accounting Standards and Interpretations adopted (Cont'd)

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

AASB 1058 Income of Not-for-Profit Entities

The incorporated association has adopted AASB 1058 from 1 January 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

Impact of adoption

AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 January 2019.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

(b) Financial Assets

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit and loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

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 stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities in the form of deposits are recognised at amortised cost, comprising original debt less principal payments and amortisation. Interest expense is recognised using the effective interest rate method.

Measurement basis

For investments carried at amortised cost, gains or losses are recognised in the statement of profit or loss and other comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Financial Assets (Cont'd)

Measurement basis (Cont'd)

For investments with no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date the Investment Fund commits to purchase or sell the asset.

(c) Impairment

At each reporting date, the Investment Fund reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

(d) Provisions

Provisions are recognised when the Investment Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Revenue Recognition

Interest income

Interest income is recognised as it accrues using the effective interest rate 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.

Dividend income

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

Gain or loss on sale of assets

The gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, net of incremental disposal costs. This is recognised in the year in which the significant risks and rewards of ownership transfer to the buyer.

Other revenue

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

(f) Fair value measurement

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

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

UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

(h) Income Tax

The Uniting Church in Australia Synod of Western Australia is exempt from income tax under the provisions of Section 50-5 of the Income Tax Assessment Act 1997 and this exemption encompasses the operations of the Investment Fund.

(i) Comparative figures

Where necessary, the figures for the previous year have been reclassified to facilitate comparison.

(j) Critical accounting judgements, estimates and assumptions

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

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurement Hierarchy

The Investment Fund is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Investment Fund 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Investment Fund assesses the impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Investment Fund and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

	2019	2018
	\$	\$
3. NET SURPLUS FOR THE YEAR		
REVENUE		
a) Interest		
Interest on loans and advances	474,109	524,663
Interest on mortgage securities	29,086	31,070
Interest on cash and deposits	118,727	97,641
INTEREST REVENUE	621,922	653,374
b) Investment		
Investment income	3,213,808	4,122,855
Property income	53,175	101,658
Gain on sale of financial assets	755,369	1,120,981
Other income	458,098	496,116
	4,480,450	5,841,610
Gain / (loss) on financial assets	8,245,809	(6,660,598)
NON-INTEREST REVENUE	12,726,259	(818,988)
TOTAL REVENUE	13,348,181	(165,614)
EXPENSES		
c) Interest		
Interest on deposits	1,115,065	1,265,169
d) Other		
Rental property expenses	195,435	47,981
Investment fees and charges	502,763	625,552
Management expenses	635,571	670,031
Grant to Synod and Foundation	2,000,000	2,000,000
Grants – Wide Work of Church	-	3,500
Administration expenses	42,738	42,128
Loss on revaluation of investment properties	255,814	-
Provision for expected credit losses	1,673,494	-
OTHER EXPENSES	5,305,815	3,389,192
TOTAL EXPENSES	6,420,880	4,654,361

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

4. INTEREST REVENUE AND EXPENSE

The following tables show the average balance of each major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	Average Balance \$	Interest \$	Average Interest Rate %
Interest revenue 2019			
Loans and advances	8,456,915	471,587	5.58
Mortgage securities	511,516	31,608	6.18
Cash and deposit	13,430,044	118,727	0.88
		<u>621,922</u>	
Interest revenue 2018			
Loans and advances	9,289,501	523,616	5.63
Mortgage securities	508,663	32,117	6.31
Cash and deposit	12,159,442	97,641	0.80
		<u>653,374</u>	
Interest expense 2019			
Deposits	73,014,207	1,115,065	1.53
Interest expense 2018			
Deposits	72,394,822	1,265,169	1.75

	2019 \$	2018 \$
5. CASH AND CASH EQUIVALENTS		
Cash at bank	851,416	3,591,783
Cash on deposit	13,543,996	8,872,893
	<u>14,395,412</u>	<u>12,464,676</u>
6. RECEIVABLES		
Sundry debtors	287,199	538,815
GST receivable	20,206	223,158
	<u>307,405</u>	<u>761,973</u>

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019**

	2019 \$	2018 \$
7. FINANCIAL ASSETS		
<i>Financial assets at fair value through profit or loss</i>		
Current		
Equities	44,838,418	40,911,422
Fixed income	21,744,478	16,630,265
Property trusts	2,291,525	2,761,099
Managed funds	-	77,450
	68,874,421	60,380,236
8. LOANS AND ADVANCES RECEIVABLE		
Current	1,444,924	1,459,774
Non-Current	6,522,581	8,509,582
	7,967,505	9,969,356
Loans to Divisions, Instrumentalities and Agencies of Synod	7,439,486	9,474,343
Mortgage securities	476,516	480,419
Others	51,503	14,594
	7,967,505	9,969,356
Maturity analysis		
No longer than 3 months	5,295	-
Longer than 3 and not longer than 12 months	1,439,629	1,459,774
Longer than 1 year and not longer than 5 years	850,450	1,018,906
Longer than 5 years	5,672,131	7,490,676
	7,967,505	9,969,356

Loans to Divisions, Instrumentalities and Agencies to Synod are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage.

Advances on mortgage securities are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases, the loan to valuation ratio may be increased, provided adequate Mortgage Guarantee Insurance is affected. All mortgages become payable on demand in the event of the mortgagee's default.

Allowance for expected credit losses

The Investment Fund has recognised \$1,673,494 losses in profit or loss in respect of the expected credit losses for the year ended 31 December 2019. (2018: Nil)

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
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For the year ended 31 December 2019**

	2019 \$	2018 \$
9. INVESTMENT PROPERTIES		
(a) Land and buildings – at independent valuation		
- Land and buildings	<u>2,484,186</u>	<u>1,900,000</u>
	<u>2,484,186</u>	<u>1,900,000</u>
(b) Movements in Carrying Amounts		
Movement in the carrying amounts between the beginning and the end of the financial year		
Carrying amount at beginning of the year	1,900,000	1,900,000
Revaluations losses recognised through P&L	(255,814)	-
Additions at fair value	<u>840,000</u>	<u>-</u>
Carrying amount at end of the year	<u>2,484,186</u>	<u>1,900,000</u>
Independent valuations were performed by a licensed valuer, Burgess Rawson and CoreLogic in 2019. Valuations were on the basis of estimated current market values, based on the properties being sold on the open market at the date of valuation.		
10. DEPOSITS		
Synod funds	42,356,419	39,887,698
Parish and related instrumentalities	29,682,057	30,407,971
Private investors	1,694,338	1,797,230
Accrued interest	<u>94,086</u>	<u>108,614</u>
	<u>73,826,900</u>	<u>72,201,513</u>
Maturity analysis		
No longer than 3 months	63,944,731	61,341,827
Longer than 3 and not longer than 12 months	<u>9,882,169</u>	<u>10,859,686</u>
	<u>73,826,900</u>	<u>72,201,513</u>
11. PROVISIONS		
Grants to Synod	<u>2,000,000</u>	<u>2,000,000</u>

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INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
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	2019 \$	2018 \$
12. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash at the end of the financial year is shown in the Statement of Cash Flows and is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand and at banks	851,416	3,591,783
Short term investment	13,543,996	8,872,893
	14,395,412	12,464,676
(b) Reconciliation of net cash used in operating activities to net surplus		
Net profit / (deficit)	6,927,301	(4,819,975)
(Profit) on sale of investments	(1,213,467)	(1,617,097)
(Gain) / Loss on investments	(8,245,809)	6,660,598
loss on revaluation - investment properties	255,814	-
Provision for expected losses	1,673,494	-
Movement in assets and liabilities		
Decrease / (increase) in receivables	454,568	(226,186)
Increase in provisions	-	100,000
	(148,099)	97,340

13. CONTINGENCIES

There were no contingent liabilities or assets as at 31 December 2019.

14. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the incorporated association:

Audit of the financial statements	34,000	33,000
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**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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15. COMMITMENTS

Total Mortgage Loans committed but not yet drawn at balance date amounted to \$1,750,000 (2018: Nil) All commitments are due to be drawn within one year.

16. RELATED PARTY TRANSACTIONS

(a) Members of the Investment and Corporate Finance Committee

Members of the Committee during the year were:

B Honey (Chair)
D Beards
M Artus
D Gray
B Carey
D de Kock

(b) Advances and deposits

During the year, advances have been made to and deposits received from Divisions, Instrumentalities and Agencies of Synod. These are identified in Notes 8 (Loans and Advances) and 10 (Deposits).

Interest paid and received on these Synod activities is made under the same terms and conditions as other parties and amounted to \$1,090,244 paid (2018: \$1,230,794) and \$471,587 (2018: \$523,616) received for the financial year.

(c) Mortgage loans

Mortgage loans have been made to management, employees and their relatives under similar terms and conditions as other parties.

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17. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Investment Fund's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial Asset			
Cash	5	Cash includes cash at bank readily convertible into cash.	N/A
Cash on deposit	5	Short term deposit is stated at the lower of cost and net realisable value. Interest is recognised in the income statement when earned.	Short term deposit is held on an on-call basis.
Receivables	6	Receivables are recognised for amounts to be received in the future in connection with refundable franking credits.	N/A
Equities	7	Equities are carried at market value. Dividend income is recognised when the dividends are received.	N/A
Fixed income	7	Fixed income securities are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Property trusts	7	Property trusts are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Managed funds	7	The managed funds are carried at market value. Income is recognised as revenue as it is accrued.	N/A
Loans to divisions, instrumentalities and agencies of Synod	8	Amounts receivable from related parties/entities are carried at nominal amounts due. Where a loan is known to be doubtful, a specific provision may be made.	Advances are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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17. FINANCIAL INSTRUMENTS (Cont'd)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial Asset			
Mortgage Securities	8	First mortgage securities are carried at nominal amounts due. Where a loan is known to be doubtful, a specific provision may be made.	Advances on mortgages are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases the loan to valuation ratio may be increased provided adequate Mortgage Guarantee Insurance is affected. All mortgages become payable on demand in the event of mortgagor default.
(i) Financial Liabilities			
Deposits	10	Deposits are carried at principal amounts plus interest accrued. Interest is recognised as it is accrued.	Interest is calculated in accordance with the terms of each contract.

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17. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management

The main risks arising from the Investment Fund's financial instruments are interest rate risk, liquidity risk, credit risk and market price risk. The Investment Fund does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments.

(b) Interest rate risk

The Investment Fund is exposed to interest rate fluctuations on its cash at bank, short term investment, loans and advances, and deposits. The Investment Fund actively monitors interest rates for cash at bank and short term investment to maximise interest income. The Investment Fund also actively monitors interest rates for loans and advances, and deposits in order to provide competitive rates, which has the resultant effect of ensuring funds are available for investment purposes to attract higher returns to finance the Uniting Church in Australia activities and for Uniting Church related entities to access funds for their objectives.

The Investment Fund's exposure to interest rate risk and the effective weighted interest rates on those financial assets and financial liabilities are as follows:

2019

Financial Instrument	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate			Non-interest bearing \$	Total \$
			1 year or less \$	1 to 5 years \$	More than 5 years \$		
(i) Financial Asset							
Cash	0.01	851,416	-	-	-	-	851,416
Cash on deposit	0.88	-	13,543,996	-	-	-	13,543,996
Receivables	-	-	-	-	-	307,405	307,405
Financial assets	-	-	-	-	-	68,874,421	68,874,421
Loans and advances	5.88	-	1,444,924	850,450	5,672,131	-	7,967,505
Total financial assets		851,416	14,988,920	850,450	5,672,131	69,181,826	91,544,743
(ii) Financial Liabilities							
Deposits	1.53	-	73,826,900	-	-	-	73,826,900
Total financial liabilities		-	73,826,900	-	-	-	73,826,900
Net financial assets		851,416	(58,837,980)	850,450	5,672,131	69,181,826	17,717,843

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17. FINANCIAL INSTRUMENTS (Cont'd)

2018

Financial Instrument	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate			Non-interest bearing \$	Total \$
			1 year or less \$	1 to 5 years \$	More than 5 years \$		
(i) Financial Asset							
Cash	0.01	3,591,783	-	-	-	-	3,591,783
Cash on deposit	0.80	-	8,872,893	-	-	-	8,872,893
Receivables	-	-	-	-	-	761,973	761,973
Financial assets	-	-	-	-	-	60,380,236	60,380,236
Loans and advances	5.97	-	1,459,774	1,018,906	7,490,676	-	9,969,356
Total financial assets		3,591,783	10,332,667	1,018,906	7,490,676	61,142,209	83,576,241
(ii) Financial Liabilities							
Deposits	1.75	-	72,201,513	-	-	-	72,201,513
Total financial liabilities		-	72,201,513	-	-	-	72,201,513
Net financial assets		3,591,783	(61,868,846)	1,018,906	7,490,676	61,142,209	11,374,728

Interest rate sensitivity

At 31 December 2019, if interest rates had changed by +/- 100 basis points (2018: +/- 100 basis points) from the year end rates with all other variables held constant, profit for the year (2018: deficit for the year) would have been higher/lower by \$514,640 (2018: lower/higher by \$497,675) mainly as a result of lower/higher interest expense for deposits.

(c) Market Price Risk

The Investment Fund is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as available for sale financial assets. The Investment Fund is not exposed to commodity price risk.

To manage its price risk arising from investments in financial assets, the Investment Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Investment Fund. The majority of the Investment Fund's investments are in equities, totalling \$44,838,419 or 65% of total financial assets (2018: \$40,911,422 or 68%). The balance pertains to fixed income securities, totalling \$21,744,478 or 32% of total financial assets (2018: 16,630,265 or 27%), property trusts, totalling \$2,291,525 or 3% (2018: \$2,761,099 or 5%) and managed funds, totalling NIL and under 1% of total financial assets (2018: \$77,450 or under 1%).

At 31 December 2019, if the market price of equities changed by +/- 15% (2018: +/- 15%) from the year end with all other variables held constant, profit for the year (2018: deficit for the year) would have been lower/higher by \$6,725,763 (2018: higher/lower by \$6,136,713).

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17. FINANCIAL INSTRUMENTS (Cont'd)

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions to fulfil deposit redemptions, both foreseen and unforeseen. The Investment Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets or liabilities.

When necessary, cash for unforeseen events may be sourced from liquidation of financial assets at fair value through profit and loss. For the maturity and composition of the deposits, please see Note 10.

(e) Credit Risk

Credit risk arises from cash deposited with banks and financial institutions as well as credit exposures from loans and advances. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Loans to divisions, instrumentalities and agencies to Synod are generally made against a Letter of Undertaking. In most cases, there is no registered mortgage as the owner of the property available as security is the Trustee of the Investment Fund. Monthly repayments are monitored strictly every month by the Investment Fund and action will be taken immediately for any payment arrears.

The Investment Fund minimises concentrations of credit risk in relation to mortgages and advances to divisions, instrumentalities and agencies of Synod by undertaking transactions with a large number of customers.

Advances on mortgage securities are normally for fixed terms and limited to two thirds of sworn valuation but in exceptional cases, the loan to valuation ratio may be increased, provided adequate Mortgage Guarantee Insurance is affected. All mortgages become payable on demand in the event of the mortgagee's default.

For the maturity and composition of loans and advances, please see Note 8.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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18. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Investment Fund's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) 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

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets at fair value through profit or loss	68,874,421	-	-	68,874,421
Managed funds (unlisted)	-	-	-	-
Investment properties	-	2,484,186	-	2,484,186
Total assets	<u>68,874,421</u>	<u>2,484,186</u>	<u>-</u>	<u>71,358,607</u>

2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets at fair value through profit or loss	60,302,786	-	-	60,302,786
Managed funds (unlisted)	-	-	77,450	77,450
Investment properties	-	1,900,000	-	1,900,000
Total assets	<u>60,302,786</u>	<u>1,900,000</u>	<u>77,450</u>	<u>62,280,236</u>

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18. FAIR VALUE MEASUREMENT (Cont'd)

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and short-term investments:

The carrying amounts approximate fair values because they are receivable on demand.

Receivables:

The carrying amount approximates fair value due to its short-term nature.

Financial assets:

These are carried at quoted market prices at the reporting date for listed securities or dealer quotes for unlisted securities.

Loans and advances:

The fair values are estimated using their carrying amounts due to their short-term nature and market interest rates charged.

Customers' term deposits:

The fair values are estimated using their carrying amounts due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 3

Unlisted investments in securities are not material to the Fund.

19. SUBSEQUENT EVENTS

On 12 March 2020 Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. The impact of COVID-19 on the Investment Fund is likely to have a material impact on its financial investments.

As at the date of this report

- The fair value of Investment Fund's financial assets has declined by approximately 6.6% from the carrying values stated in the financial statements.
- There is no information available to determine fair value of investment properties.
- The Investment Fund believes it has sufficient cash reserves to support its curtailed activities

Other than the above there were no other matters or circumstances which have arisen that has significantly affected or may significantly affect the Investment Fund operations, the results of those operations or the Investment Fund state of affairs in future financial years.

20. INVESTMENT FUND DETAILS

The principal place of business of the Investment Fund is:

Uniting Church in Australia
85 – 89 Edward St
EAST PERTH WA 6001