

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
INVESTMENT FUND
General Purpose Financial Report
As at 31 December 2020**

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UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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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 2020 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
David Beards (Acting Chairperson)


General Secretary
Rev David de Kock


Manager – Investment
Lynette Boorn

Dated: 19/5/21

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Interest revenue	3a	446,585	621,922
Investment revenue	3b	12,593,533	4,480,450
Net gain/(loss) on revaluation of financial assets	3b	<u>(8,791,664)</u>	<u>8,245,809</u>
		<u>4,248,454</u>	<u>13,348,181</u>
Interest expense	3c	(857,372)	(1,115,065)
Other expenses	3d	<u>(3,637,124)</u>	<u>(5,305,815)</u>
		<u>(4,494,496)</u>	<u>(6,420,880)</u>
(DEFICIT) / SURPLUS BEFORE INCOME TAX EXPENSE		(246,042)	6,927,301
Income tax expenses		-	-
NET (DEFICIT) / INCOME FOR THE YEAR		<u>(246,042)</u>	<u>6,927,301</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(246,042)</u>	<u>6,927,301</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 2020

	Note	2020 \$	2019 \$
ASSETS			
Cash and cash equivalents	5	15,522,458	14,395,412
Receivables	6	610,193	307,405
Financial assets	7	65,915,602	68,874,421
Loans and advances receivable	8	1,438,315	1,444,924
TOTAL CURRENT ASSETS		83,486,568	85,022,162
Loans and advances receivable	8	6,284,359	6,522,581
Investment properties	9	2,484,186	2,484,186
TOTAL NON-CURRENT ASSETS		8,768,545	9,006,767
TOTAL ASSETS		92,255,113	94,028,929
LIABILITIES			
Trade Payables		66,120	-
Deposits	10	71,483,006	73,826,900
Provisions	11	2,750,000	2,000,000
TOTAL CURRENT LIABILITIES		74,299,126	75,826,900
TOTAL LIABILITIES		74,299,126	75,826,900
NET ASSETS		17,955,987	18,202,029
EQUITY			
Retained surplus		17,955,987	18,202,029
TOTAL EQUITY		17,955,987	18,202,029

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 2020

	Note	2020 \$	2019 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received from mortgages and investments		446,585	621,922
Interest paid to depositors		(857,371)	(1,115,065)
Investment income		3,203,934	3,721,551
Payments to suppliers		(821,004)	(1,376,507)
Grants paid to Synod		<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net cash used in operating activities	12 (b)	<u>(27,856)</u>	<u>(148,099)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds from / (payments for) investments		3,253,966	965,091
Net loans provided to customers		<u>244,831</u>	<u>(511,643)</u>
Net cash provided by investing activities		<u>3,498,797</u>	<u>453,448</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease) / increase in deposits		<u>(2,343,895)</u>	<u>1,625,387</u>
Net cash (used in) / provided by financing activities		<u>(2,343,895)</u>	<u>1,625,387</u>
Net increase in cash held		1,127,046	1,930,736
Cash at the beginning of the year		<u>14,395,412</u>	<u>12,464,676</u>
Cash at the end of the year	12 (a)	<u>15,522,458</u>	<u>14,395,412</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 2020

	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>
	Retained Surplus \$	Total Equity \$
1 January 2020	18,202,029	18,202,029
Total comprehensive loss for the year	(246,042)	(246,042)
31 December 2020	<u>17,955,987</u>	<u>17,955,987</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 2020**

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.

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1. 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.

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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.

(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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Revenue Recognition (Cont'd)

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.

(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.

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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) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(k) Investment Properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Investment Properties (Cont'd)

subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

(l) Trade and other payables

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

(m) Other receivables

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

(n) 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:

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.

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(n) Critical accounting judgements, estimates and assumptions (Cont'd)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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	2020 \$	2019 \$
3. NET SURPLUS FOR THE YEAR		
REVENUE		
a) Interest		
Interest on loans and advances	365,828	474,109
Interest on mortgage securities	22,108	29,086
Interest on cash and deposits	58,649	118,727
INTEREST REVENUE	446,585	621,922
b) Investment		
Investment income	3,437,421	3,213,808
Property income	69,302	53,175
Gain on sale of financial assets	9,043,786	755,369
Other income	43,024	458,098
	12,593,533	4,480,450
Gain / (loss) on financial assets	(8,791,664)	8,245,809
NON-INTEREST REVENUE	3,801,869	12,726,259
TOTAL REVENUE	4,248,454	13,348,181
EXPENSES		
c) Interest		
Interest on deposits	857,372	1,115,065
d) Other		
Rental property expenses	11,084	195,435
Investment fees and charges	429,672	502,763
Management expenses	311,878	635,571
Grant to Synod and Foundation	2,750,000	2,000,000
Administration expenses	134,490	42,738
Loss on revaluation of investment properties	-	255,814
Provision for expected credit losses	-	1,673,494
OTHER EXPENSES	3,637,124	5,305,815
TOTAL EXPENSES	4,494,496	6,420,880

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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 2020			
Loans and advances	7,333,318	365,828	4.99%
Mortgage securities	511,772	22,108	4.32%
Cash and deposit	14,958,935	58,649	0.39%
		<u>446,585</u>	
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 expense 2020			
Deposits	71,842,260	<u>857,372</u>	1.19%
Interest expense 2019			
Deposits	73,014,207	<u>1,115,065</u>	1.53%
		2020	2019
		\$	\$

5. CASH AND CASH EQUIVALENTS

Cash at bank	504,993	851,416
Cash on deposit	<u>15,017,465</u>	<u>13,543,996</u>
	<u>15,522,458</u>	<u>14,395,412</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

6. RECEIVABLES

Sundry debtors	596,340	287,199
GST receivable	<u>13,853</u>	<u>20,206</u>
	<u>610,193</u>	<u>307,405</u>

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	2020 \$	2019 \$
7. FINANCIAL ASSETS		
<i>Financial assets at fair value through profit or loss</i>		
Current		
Equities	37,903,747	44,838,418
Fixed income	18,385,858	21,744,478
Property trusts	4,362,940	2,291,525
Managed funds	5,263,057	-
	65,915,602	68,874,421
8. LOANS AND ADVANCES RECEIVABLE		
Current	1,438,315	1,444,924
Non-Current	6,284,359	6,522,581
	7,722,674	7,967,505
Loans to Divisions, Instrumentalities and Agencies of Synod	7,227,151	7,439,486
Mortgage securities	465,650	476,516
Others	29,873	51,503
	7,722,674	7,967,505
Maturity analysis		
No longer than 3 months	3,749	5,295
Longer than 3 months and not longer than 12 months	1,434,566	1,439,629
Longer than 1 year and not longer than 5 years	757,858	850,450
Longer than 5 years	5,526,501	5,672,131
	7,722,674	7,967,505

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 nil losses in profit or loss in respect of the expected credit losses for the year ended 31 December 2020. (2019: \$1,673,494)

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	2020 \$	2019 \$
9. INVESTMENT PROPERTIES		
(a) Land and buildings – at independent valuation		
- Land and buildings	<u>2,484,186</u>	<u>2,484,186</u>
	<u>2,484,186</u>	<u>2,484,186</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	2,484,186	1,900,000
Revaluations losses recognised through P&L	-	(255,814)
Additions at fair value	<u>-</u>	<u>840,000</u>
Carrying amount at end of the year	<u>2,484,186</u>	<u>2,484,186</u>
10. DEPOSITS		
Synod funds	39,888,517	42,356,419
Parish and related instrumentalities	29,986,575	29,682,057
Private investors	1,545,467	1,694,338
Accrued interest	<u>62,447</u>	<u>94,086</u>
	<u>71,483,006</u>	<u>73,826,900</u>
Maturity analysis		
No longer than 3 months	60,928,102	63,944,731
Longer than 3 and not longer than 12 months	<u>10,554,904</u>	<u>9,882,169</u>
	<u>71,483,006</u>	<u>73,826,900</u>

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	2020	2019
	\$	\$
11. PROVISIONS		
Grants to Synod	2,750,000	2,000,000
<i>Grants to Synod</i>		
The provision represents Investment Fund expenses that are paid through Synod.		
<i>Movement in provisions</i>		
		\$
Opening Balance as at 1 January 2020		2,000,000
Additional provision recognized		2,750,000
Amount paid		(2,000,000)
Closing Balance as at 31 December 2020		2,750,000
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	504,993	851,416
Short term investment	15,017,465	13,543,996
	15,522,458	14,395,412
(b) Reconciliation of net cash used in operating activities to net surplus		
Net (deficit) / profit	(246,042)	6,927,301
(Profit) on sale of investments	(9,086,810)	(1,213,467)
(Gain) / Loss on investments	8,791,644	(8,245,809)
loss on revaluation - investment properties	-	255,814
Provision for expected losses	-	1,673,494
Movement in assets and liabilities		
Decrease / (increase) in receivables	(302,788)	454,568
Increase in provisions	750,000	-
Increase in accruals	66,120	-
	(27,856)	(148,099)
Net cash (used in) operating activities	(27,856)	(148,099)

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13. CONTINGENCIES

There were no contingent liabilities or assets as at 31 December 2020 (2019: Nil).

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:

	2020	2019
	\$	\$
Audit of the financial statements	34,500	34,000

15. COMMITMENTS

Total Mortgage Loans committed but not yet drawn at balance date amounted to \$nil (2019: \$1,750,000) 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 (Deputy Chair)
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 \$836,859 paid (2019: \$1,090,244) and \$375,415 (2019: \$920,123) received for the financial year. Grants payable to Synod as 31 December 2020 is \$2,750,000 (2019: \$2,000,000).

(c) Mortgage loans

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

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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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.

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.

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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For the year ended 31 December 2020**

17. FINANCIAL INSTRUMENTS (Cont'd)

(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:

2020

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	504,993	-	-	-	-	504,993
Cash on deposit	0.39	-	15,017,465	-	-	-	15,017,465
Receivables	-	-	-	-	-	610,193	610,193
Financial assets	-	-	-	-	-	65,915,602	65,915,602
Loans and advances	4.87	-	1,438,315	757,858	5,526,501	-	7,722,674
Total financial assets		504,993	16,455,780	757,858	5,526,501	66,525,795	89,770,927
(ii) Financial Liabilities							
Deposits	1.19	-	71,483,006	-	-	-	71,483,006
Payables	-	-	-	-	-	66,120	66,120
Total financial liabilities		-	71,483,006	-	-	66,120	71,549,126
Net financial assets		504,993	(55,027,226)	757,858	5,526,501	66,459,675	18,221,801

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

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

Interest rate sensitivity

At 31 December 2020, if interest rates had changed by +/- 100 basis points (2019: +/- 100 basis points) from the year end rates with all other variables held constant, deficit for the year (2019: profit for the year) would have been higher/lower by \$482,379 (2019: lower/higher by \$514,640) 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 \$37,903,746 or 57% of total financial assets (2019: \$44,838,419 or 65%). The balance pertains to fixed income securities, totalling \$18,385,858 or 28% of total financial assets (2019: totalling \$21,744,478 or 32%), property trusts, totalling \$4,362,940 or 7% (2019: \$2,291,525 or 3%) and managed funds, totalling \$5,263,057 and under 8% of total financial assets (2019: NIL and under 1%).

At 31 December 2020, if the market price of equities changed by +/- 15% (2019: +/- 15%) from the year end with all other variables held constant, deficit for the year (2019: profit for the year) would have been lower/higher by \$5,685,562 (2019: higher/lower by \$6,725,763).

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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

2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets at fair value through profit or loss	65,915,602	-	-	65,915,602
Investment properties	-	2,484,186	-	2,484,186
Total assets	<u>65,915,602</u>	<u>2,484,186</u>	<u>-</u>	<u>68,399,788</u>

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
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>

**UNITING CHURCH IN AUSTRALIA SYNOD OF WESTERN AUSTRALIA
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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

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



RSM Australia Pty Ltd

Level 32 Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 92619100

F +61(0) 8 92619111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

To the Members of Uniting Church in Australia Synod of Western Australia Investment Fund

Opinion

We have audited the financial report of the Uniting Church in Australia Synod of Western Australia Investment Fund ('the Investment Fund'), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Investment and Corporate Finance Committee ("the Committee Statement").

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Investment Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Investment Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of Management and The Committee for the Financial Report

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

In preparing the financial report, management is responsible for assessing the Investment Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Investment Fund or to cease operations, or has no realistic alternative but to do so. The Committee is responsible for overseeing the Investment Fund's financial reporting process.

THE POWER OF BEING UNDERSTOOD

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RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

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Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PTY LTD

A Whyte

ALASDAIR WHYTE
Director

Perth, WA
Dated: 26 May 2021