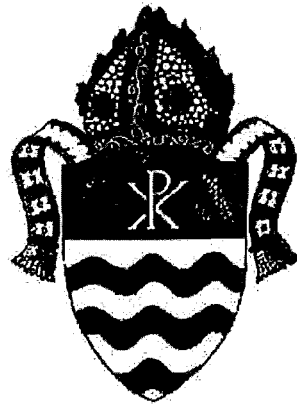


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Anglican Church of Australia Diocese of Grafton

ABN: 54 538 850 840

Financial Statements

For the Year Ended 31 December 2010

Diocese Of Grafton

ABN: 54 538 850 840

For the Year Ended 31 December 2010

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Diocese Of Grafton

ABN: 54 538 850 840

Auditors' Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

K N Rushforth
Registered Company Auditor (ASIC RAN 4367)
WHK Camerons Audit Services
24 Queen Street
GRAFTON NSW 2460

Dated: 1 July 2011

Diocese Of Grafton

ABN: 54 538 850 840

Statement of Comprehensive Income
For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Revenue from related parties	2 4,994,914	4,012,368
Interest received	2 112,326	106,722
Revenue from government	2 168,378	157,131
Other income	2 290,840	360,549
Donations	2 1,694,941	27,788
Employee benefits expense	3 (3,805,966)	(3,587,520)
Depreciation	3 (8,992)	(7,131)
Contributions to religious functions	(141,904)	(149,946)
School Support	(1,367,581)	(811,511)
Bishop appeal committed expenses	(903,520)	-
Other expenses	(1,116,750)	(1,170,616)
Finance costs	3 (77,574)	(57,020)
Loss before income tax	(160,888)	(1,119,186)
Income tax expense	1(b) -	-
Loss after income tax expense	(160,888)	(1,119,186)
Other comprehensive income		
Transfer from trusts	Bp/A 141,882	2,959,000
Total Other comprehensive income	141,882	2,959,000
Total comprehensive (Loss) Profit attributable to Diocese	\$ (19,006)	\$ 1,839,814

The financial statements should be read in conjunction with the accompanying notes

Diocese Of Grafton

ABN: 54 538 850 840

Statement of Financial Position

As At 31 December 2010

	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	591,515	392,529
Trade and other receivables	5	810,227	132,620
Financial assets	6	75,895	75,895
Other current assets	7	54,684	95,867
Total current assets		1,532,321	696,911
Non-current assets			
Financial assets	6	5,494,252	5,348,208
Property, plant and equipment	8	29,176	36,145
Total non-current assets		5,523,428	5,384,353
TOTAL ASSETS		7,055,749	6,081,264
LIABILITIES			
Current liabilities			
Trade and other payables	9	1,093,438	196,183
Financial liabilities	10	478,302	343,107
Short-term provisions	11	88,111	154,289
Other current liabilities	12	17,435	97,537
Total current liabilities		1,677,286	791,116
Non-current liabilities			
Financial liabilities	10	338,548	228,637
Other long-term provisions	11	5,795	8,385
Total non-current liabilities		344,343	237,022
TOTAL LIABILITIES		2,021,629	1,028,138
NET ASSETS		\$ 5,034,120	\$ 5,053,126
EQUITY			
Trust reserve	13	5,494,252	5,348,208
Accumulated losses		(460,132)	(295,082)
TOTAL EQUITY		\$ 5,034,120	\$ 5,053,126

The financial statements should be read in conjunction with the accompanying notes

Diocese Of Grafton

ABN: 54 538 850 840

Statement of Changes in Equity

For the Year Ended 31 December 2010

2010

	Trust Reserves	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 January	5,348,208	(295,082)	5,053,126
Loss attributable to Diocese	-	(160,888)	(160,888)
Trust funds income distributions	28,677	(28,677)	-
Trust funds capital distributions	(24,515)	24,515	-
Transfer from related entity	141,882	-	141,882
Transfers to and from reserves			
Sub-total	146,044	(165,050)	(19,006)
Balance at 31 December 2010	5,494,252	(460,132)	5,034,120

2009

	Trust Reserves	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 January	3,156,726	56,586	3,213,312
Loss attributable to Diocese	-	(1,119,186)	(1,119,186)
Trust funds income distributions	(607,518)	607,518	-
Trust funds capital distributions	(160,000)	160,000	-
Transfer from related entity	2,959,000	-	2,959,000
Sub-total	2,191,482	(351,668)	1,839,814
Balance at 31 December 2009	5,348,208	(295,082)	5,053,126

The financial statements should be read in conjunction with the accompanying notes

Diocese Of Grafton

ABN: 54 538 850 840

Statement of Cash Flows

For the Year Ended 31 December 2010

	2010	2009
Note	\$	\$
Cash from operating activities:		
Receipts from related parties	4,351,998	4,006,147
Payments to suppliers and employees	(5,036,669)	(4,551,292)
Other income	290,840	360,549
Donations received	734,941	27,788
Interest received	112,394	86,150
School support	(442,339)	(811,511)
Finance costs	(77,574)	(57,020)
Contribution to religious functions	(141,904)	(149,946)
Receipts from government	168,378	157,131
Net cash provided by (used in) operating activities	15(a) <u>(39,935)</u>	<u>(932,004)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,023)	(38,909)
Net proceeds from trust funds	(4,162)	779,815
Net cash provided by (used in) investing activities	<u>(6,185)</u>	<u>740,906</u>
Cash flows from financing activities:		
Net proceeds from borrowings	245,106	97,838
Net cash provided by (used in) financing activities	<u>245,106</u>	<u>97,838</u>
Other activities:		
Net increase (decreases) in cash held	198,986	(93,260)
Cash at beginning of financial year	392,529	485,789
Cash at end of financial year	15(b) <u><u>591,515</u></u>	<u><u>392,529</u></u>

The financial statements should be read in conjunction with the accompanying notes

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies

General information

The financial report is a general purpose financial report prepared for use by members of the Diocese of Grafton.

The Diocese Of Grafton is established under the Anglican Church of Australia Constitution Act 1902 and is incorporated and domiciled in Australia.

(a) Basis of Preparation

The Bishop in Council has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 01 January 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board.

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. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

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

(b) Income Tax

The Diocese of Grafton is exempt from Income tax under Division 50 of the Income Tax Assessment Act 1997.

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Diocese to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(c) Property, Plant and Equipment continued

The Diocese of Grafton has beneficial control over Property, Plant and Equipment held by The Corporate Trustees of the Diocese of Grafton. All assets are held by The Corporate Trustees with the exception of those assets relating to Diocesan Youth and Childrens Ministry. Costs associated with the beneficial use are incurred by the Diocese of Grafton.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over their useful lives to the Diocese commencing from the time the asset is held ready for use. Depreciation is recognised in the statement of comprehensive income.

The estimated useful lives used for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Motor Vehicles	5 years
Computer Equipment	3 years

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

(d) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

(e) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Diocese becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Diocese commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

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

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(e) Financial Instruments continued

Classification and subsequent measurement continued

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included 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 subsequently measured at amortised cost.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Diocese's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(e) Financial Instruments continued

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Diocese sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period, which will be classified as current assets.

Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Diocese assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

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

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(f) Impairment of Assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Diocese estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Employee Benefits

Provision is made for the Diocese's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Provisions have been raised for registry staff working for Diocese of Grafton. Parish staff have been separately provided with employee entitlements from Parish resources.

Superannuation

The Diocese of Grafton contributes to several approved superannuation funds on behalf of its employees. Contributions are charged against the net profit or loss as they are paid or become payable.

(h) Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held-at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(j) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of each reporting period and where outcome of the contract can be estimated reliably.

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

(k) Trade and Other Payables

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

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

(m) Goods and Services Tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Statement of Significant Accounting Policies continued

(n) Comparative Figures

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

(o) Critical Accounting Estimates and Judgments

The Diocese evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Diocese.

Key Estimates

Impairment

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

Key Judgments

Provision for impairment of receivables

Included in trade receivables at the end of the reporting period is an amount receivable of \$173,938 with an impairment provision of \$250.

The financial statements were authorised for issue on 1 July 2011 by the Diocese.

2 Revenue and Other Income

	2010	2009
	\$	\$
Revenue		
- Interest income	112,326	106,722
- Donations	1,694,941	27,788
- Government grants	168,378	157,131
- Revenue from related parties	4,994,914	4,012,368
- Other income	290,840	360,549
	<u>\$ 7,261,399</u>	<u>\$ 4,664,558</u>

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

3 Loss for the Year

(a) Expenses

	2010	2009
	\$	\$
Depreciation	8,992	7,131
Total Depreciation and Amortisation	<u>8,992</u>	<u>7,131</u>
Finance costs	77,574	57,020
Doubtful debts	-	(383)
Employee benefits expense	<u>3,805,966</u>	<u>3,587,520</u>
Audit Remuneration		
Auditing or reviewing the financial report	<u>21,000</u>	19,000
Total Audit Remuneration	<u>21,000</u>	<u>19,000</u>

(b) Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

Grants from related parties	1,090,238	465,697
Employee benefits expense	3,805,966	3,587,520
School Support	1,367,581	811,511
Bishop appeal committed expenses	903,520	-

4 Cash and Cash Equivalents

Cash on hand	400	400
Cash at bank	141,867	176,591
Short-term deposits - GDIF	<u>449,248</u>	<u>215,538</u>
	<u>\$ 591,515</u>	<u>\$ 392,529</u>

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

5 Trade and Other Receivables

	2010	2009
	\$	\$
CURRENT		
Trade receivables	173,938	100,579
Provision for impairment of receivables	<u>(250)</u>	<u>(250)</u>
	173,688	100,329
Sundry debtors	3,900	-
Bishop appeal parish donations receivable	600,000	-
Accrued income	20,504	20,573
Corporate Trustees - Woorabinda Trust (Income)	<u>12,135</u>	<u>11,718</u>
	<u>\$ 810,227</u>	<u>\$ 132,620</u>

6 Financial Assets

	Note		
Held-to-maturity financial assets	6(a)	75,895	75,895
Loans and receivables	6(b)	<u>5,494,252</u>	<u>5,348,208</u>
		5,570,147	5,424,103
Less non-current portion		<u>(5,494,252)</u>	<u>(5,348,208)</u>
Current portion		<u>\$ 75,895</u>	<u>\$ 75,895</u>
(a) Held-to-maturity Investments Comprise:			
GDIF - Sinking Fund		<u>75,895</u>	<u>75,895</u>
		<u>\$ 75,895</u>	<u>\$ 75,895</u>
(b) Loans and receivables			
Corporate Trustees - Diocese of Grafton		<u>5,494,252</u>	<u>5,348,208</u>
		<u>\$ 5,494,252</u>	<u>\$ 5,348,208</u>

The Corporate Trustees hold funds on trust for the benefit of specific Diocese trust purposes. These funds are not available for the general operations of the Bishop in Council or Diocese of Grafton and their use is restricted to the specific trust purposes.

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

7 Other Assets

	2010	2009
	\$	\$
Current		
Prepayments	54,684	95,867
	<u>\$ 54,684</u>	<u>\$ 95,867</u>

8 Property Plant and Equipment

PLANT AND EQUIPMENT

Plant and equipment

At cost	14,223	12,200
Accumulated depreciation	(6,941)	(4,494)
Total plant and equipment	<u>7,282</u>	<u>7,706</u>

Motor vehicles

At cost	32,725	32,725
Accumulated depreciation	(10,831)	(4,286)
Total motor vehicles	<u>21,894</u>	<u>28,439</u>

Total plant and equipment	<u>29,176</u>	<u>36,145</u>
Total property, plant and equipment	<u>\$ 29,176</u>	<u>\$ 36,145</u>

(a) Movements in Carrying Amounts

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

	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$
Balance at the beginning of year	7,706	28,439	36,145
Additions	2,023	-	2,023
Depreciation expense	(2,447)	(6,545)	(8,992)
Carrying amount at the end of 31 December 2010	<u>\$ 7,282</u>	<u>\$ 21,894</u>	<u>\$ 29,176</u>

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

9 Trade and Other Payables

	2010	2009
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	189,918	196,183
Bishop appeal committed expenses payable	903,520	-
	<u>\$ 1,093,438</u>	<u>\$ 196,183</u>

10 Financial Liabilities

CURRENT		
Unsecured liabilities		
GDIF Loans	431,427	30,607
Corporate Trustees	46,875	312,500
	<u>\$ 478,302</u>	<u>\$ 343,107</u>
NON-CURRENT		
Unsecured liabilities		
GDIF Loans	-	181,762
Corporate Trustees	338,548	46,875
	<u>\$ 338,548</u>	<u>\$ 228,637</u>

11 Provisions

CURRENT		
Employee benefits	88,111	84,289
Professional Standards	-	70,000
	<u>\$ 88,111</u>	<u>\$ 154,289</u>
NON-CURRENT		
Employee benefits	5,795	8,385
	<u>\$ 5,795</u>	<u>\$ 8,385</u>

	Employee entitlements	Professional Standards	Total
	\$	\$	\$
Opening balance at 1 January 2010	92,674	70,000	162,674
Additional provisions	32,842	-	32,842
Amounts used	(31,610)	(70,000)	(101,610)
Balance at 31 December 2010	<u>\$ 93,906</u>	<u>\$ -</u>	<u>\$ 93,906</u>

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

11 Provisions continued

Provision for long-term employee benefits

A provision has been recognised for employee benefits relating to long service for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(g).

12 Other Liabilities

Current

	2010	2009
	\$	\$
Accrued expenses and income in advance	17,435	40,037
Ministry Unit Donations	-	57,500
Total	\$ 17,435	\$ 97,537

13 Trust Reserves

The Corporate Trustees hold funds on trust for the benefit of specific Diocese trust purposes. These funds are not available for the general operations of the Bishop in Council or Diocese of Grafton and their use is restricted to the specific trust purposes.

14 Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

- Current year	20,000	19,000
- Prior year	1,000	-

Diocese Of Grafton

ABN: 54 538 850 840

Notes to the Financial Statements

For the Year Ended 31 December 2010

15 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2010	2009
	\$	\$
Net loss for the period	(160,888)	(1,119,187)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation	8,992	7,131
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(677,607)	(26,793)
(Increase)/decrease in other assets	41,183	3,035
Increase/(decrease) in trade payables and accruals	897,255	47,385
Increase/(decrease) in provisions	(68,768)	94,105
Increase/(decrease) in other liabilities	(80,102)	62,319
	<u>\$ (39,935)</u>	<u>\$ (932,005)</u>

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>591,515</u>	<u>392,529</u>
	<u>\$ 591,515</u>	<u>\$ 392,529</u>

16 Capital and Leasing Commitments

The Diocese has no capital commitments and no lease commitments under non cancellable operating or finance leases.

17 Financial Risk Management

The Diocese's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from Diocese entities.

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Notes to the Financial Statements

For the Year Ended 31 December 2010

17 Financial Risk Management continued

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

	Note	2010 \$	2009 \$
Financial Assets			
Cash and Cash equivalents	4	591,515	392,529
Loans and receivables	6(b)	5,494,252	5,348,208
Held-to-maturity investments			
- GDIF - Sinking Fund	6(a)	75,895	75,895
Available-for-sale financial assets			
Total financial assets		<u>\$ 6,161,662</u>	<u>\$ 5,816,632</u>
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	9	1,093,438	196,183
- Borrowings	10	816,850	571,744
Total financial liabilities		<u>\$ 1,910,288</u>	<u>\$ 767,927</u>

18 Clarence Valley Anglican School

In June 2011 the Grafton Diocese Investment Fund has agreed to the restructuring of the Clarence Valley Anglican School loans. In that funds gifted under the Bishop's Appeal, to Bishop-in-Council and subsequently gifted to the Corporate Trustees (and ultimately Grafton Diocese Investment Fund), have been allocated to Clarence Valley Anglican School working capital debt, thereby allowing a total of \$7.3 million of Clarence Valley Anglican School debt to be subordinated to all other creditors of the school. The subordination provides for no interest to be charged on the debt, and that the repayment of this debt will only be required when the school is solvent in that the school has the ability to pay all other debts as and when they fall due and the school has consolidated gross assets that exceed its total gross liabilities. The term of this subordination is for a period of five years to June 2016.

Clarence Valley Anglican School's remaining debt is subject to a fifteen (15) year term with both capital and interest repayment conditions. The school's current five (5) year plan (2011-2016) indicates that these loan conditions can be fully achieved. Thus the Diocese is not required to provide any ongoing support to the school. School support funds provided for the year ended 31 December 2010 was \$1,367,581 (2009: \$811,511).

19 Economic Dependence

The ability of Diocese to continue as going concern is significantly dependent on the distribution from Grafton Diocese Investment Fund and Donations from other related parties.

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Notes to the Financial Statements

For the Year Ended 31 December 2010

20 Events After the Reporting Date

- (a) The Grafton Diocese Investment Fund ("GDIF") has made loans totalling \$10,292,774 to the Clarence Valley Anglican School ("CVAS"). The Board of the GDIF has been in discussions with CVAS to restructure the loans. These discussions have involved a range of interested parties within the Diocese including the Corporate Trustees, and Bishop in Council. An Independent Oversight Committee has been assisting with advice on the restructure. In June 2011 the GDIF agreed to a restructure of the CVAS loans. Under the restructure, the loans are to be split into two tranches. The first tranche, initially \$4.7 million will be provided on commercial terms including regular principal and interest repayments. The second tranche, initially \$5.6 million, will be subordinated to all other creditors of CVAS. It will be interest free until 30 June 2016.

Subject to the final response to the Bishop's Appeal the first tranche is expected to reduce to \$3.0 million and the second tranche (subordinated loan) increase to \$7.3 million. The purpose of the restructure is to provide CVAS with assurance that it can pay its debts as and when they fall due, and continue to operate on a "going concern" basis.

- (b) A range of diocesan organizations have responded to a Bishop's appeal in relation to the CVAS debt restructure. The aims of the appeal are to;
- (i) provide funding of approximately \$7.3 million to support the provision of the subordinated loan to CVAS, as disclosed in Note 18
 - (ii) provide funding of approximately \$0.5 million to cover the costs of the CVAS debt restructure, and
 - (iii) provide funding of approximately \$2 million for ongoing sustainable ministry by a range of diocesan organisations.
- (c) Based on the agreed CVAS loan restructure, and the pledges to the Bishop's appeal, the Board of the Corporate Trustees has determined that the loans to CVAS were not impaired at balance date.

At the date of this report an amount of \$10.9 million was pledged to the appeal for the above purposes.

21 Diocese Details

(a) **Registered office**

The registered office of the Diocese is:

Diocese Of Grafton
50 Victoria Street
GRAFTON NSW 2460

Diocese Of Grafton

ABN: 54 538 850 840

Statement by the Secretary of The Bishop in Council

The accounting records have been properly maintained and in my opinion the accounts as presented give a true and fair view of the operations of the Diocese of Grafton for the year ended 31 December 2010 and of the state of affairs at that date, and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements.

.....

Anthony Newby

Secretary

Dated: 1 July 2011

Diocese Of Grafton

ABN: 54 538 850 840

Statement by the Members of the Bishop In Council

In the opinion of the members of the Bishop-in-Council of the Diocese of Grafton:

- (a) the accompanying financial statements give a true and fair view of the operations of the Diocese of Grafton for the year ended 31 December 2010, and of the state of affairs at that date and are properly drawn up in accordance with the accounting policies as described in Note 1 to the financial statements; and
- (b) at the date of this statement there are reasonable grounds to believe that the Diocese of Grafton will be able to pay its debts, as and when they fall due.

Signed in accordance with a resolution at a duly constituted meeting.

For and on behalf of
THE MEMBERS OF THE
BISHOP-IN-COUNCIL

.....
The Rt. Rev. Keith Slater

.....
Mr David John Miller F(Rtd)LGMA, JP

Dated: 1 July 2011

Diocese Of Grafton

ABN: 54 538 850 840

Disclaimer to the Members of Diocese of Grafton

The additional financial data presented on pages 26 - 27 is in accordance with the books and records of the Diocese of Grafton which have been subjected to the auditing procedures applied in our statutory audit of the Diocese of Grafton for the financial year ended 31 December 2010. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than The Diocese of Grafton) in respect of such data, including any errors of omissions therein however caused.

K N Rushforth
Registered Company Auditor (ASIC RAN 4367)
WHK Camerons Audit Services
24 Queen Street
GRAFTON NSW 2460

Dated: 4 July 2011

Diocese Of Grafton

ABN: 54 538 850 840

Detailed Income Statement

For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Income		
Fees	102,909	104,831
Revenue from related parties	3,801,767	3,441,840
Contributions from related parties	1,090,238	465,697
Donations	1,694,941	27,788
Revenue from government	168,378	157,131
Interest income	112,326	106,722
Other income	290,840	360,549
Total income	7,261,399	4,664,558
Less: Expenses		
Accounting fees	28,962	1,855
Administration and management fees	30,000	30,000
Advertising	8,735	4,036
Seminar and conference costs	61,313	46,658
Auditors remuneration	21,000	19,000
Bad debts	-	(383)
Bank charges	4,139	4,813
Cleaning	7,507	7,898
Computer and internet expenses	13,759	11,440
Consulting and professional fees	61,295	167,782
Contributions to religious functions	141,904	149,946
Depreciation	8,992	7,131
Donations	5,075	14,439
Electricity and gas	21,657	17,070
Finance costs	77,574	57,020
Freight, postage and distribution	6,781	8,643
General expenses	34,034	27,257
Hire of equipment	559	-
Insurance	523,367	515,324
Motor vehicle expenses	3,682	3,825
Other employee costs	423,782	492,018
Other operating expenses	64,245	60,655
Program Costs	3,955	35,625
Printing and stationery	34,542	26,233
Rates	4,365	3,464
Rent expense	32,000	31,450

This statement should be read in conjunction with the attached Disclaimer.

Diocese Of Grafton

ABN: 54 538 850 840

Detailed Income Statement

For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Repairs and maintenance	14,930	17,637
Salaries	3,013,393	2,767,228
School Support	1,367,581	811,511
Security costs	3,387	2,346
Staff training	8,537	9,608
Subscriptions	7,982	10,125
Superannuation contributions	278,323	252,920
Telephone and fax	23,762	24,179
Travel and accommodation	95,715	79,245
Workers compensation	81,931	65,746
Bishop appeal committed expenses	903,520	-
Total Expenses	7,422,285	5,783,744
Loss before transfers	(160,886)	(1,119,186)
Other items:		
Loss attributable to Diocese	\$ (160,886)	\$ (1,119,186)

This statement should be read in conjunction with the attached Disclaimer.