

# FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020



---

Uniting Church SA Investment Fund Ltd

ABN: 46 620 095 472 | AFSL: 501022

# Contents

	<b>Page</b>
Chairperson's Message	i
Manager's Message	ii
Director's Report	1
Auditor's Independence Declaration	4
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Declaration of the Directors	28
Independent Auditor's Report	29

# Chairperson's Message

*It is with much pleasure that I provide this report for the 2020 financial year.*

## **A Year Like No Other In Our Experience**

*Prior to 2020 few, if any, business leaders could claim experience in navigating the many issues presented by a pandemic. It is pleasing to report that, in my view, the Company has managed very well in what could have been a major crisis. This will, I hope, be obvious in the comments I make below. The Company again received tremendous support from individual Uniting Church members and organisations. The team is working hard to ensure this continues. It is important to note the Company continues to meet all the requirements to retain an Australian Financial Services Licence. Two things that flow from this are that the Uniting Church in SA is able to continue its investment activities and we have been able to offer services to other Synods. We are blessed to have such great support.*

## **Governance and Direction**

*We have adapted to the world of virtual meetings. We successfully navigated lockdowns and social distancing. Despite what might be seen as difficulties the Company's Committee Members continued to provide many and appropriate skills for the benefit of the Company and ultimately the Church. In my view the Church is richly blessed by the contribution made by these willing and volunteer professionals and I record here my thanks to them. In the last 12 months the Committee has continued to assess and monitor, to plan and to lead and guide. It assesses its skills and performance against pre-determined criteria. The Risk and Audit sub-committees have been diligent in their tasks. The Committee has continued the process of developing and reviewing all the Company's policies.*

## **Financial Results**

*The Company generated sufficient net income to meet its grant commitment to the Mission & Service Fund in 2020. Further the company was able to increase its equity base. The Committee considers the ability to repay investors is paramount. The Covid-19 pandemic, required the Committee to meet more regularly, sometimes weekly, as the financial & market implications of the pandemic unfolded. The Committee and the investment team continue to review the Company's business model, marketing plans and activities leveraging with an embedded risk management framework.*

## **Looking Forward**

*The Company has a strong sense of its vision:*

*to be the preferred financial services provider for the Uniting Church community,*

*and commitment to its mission:*

*to generate great returns for our investors and our Church by providing high quality financial services.*

*Thank you to the Committee, the Investment Services team and the Church community for the support in a difficult year that allows the Company to remain optimistic about the year ahead.*



**Michael McClaren**

**Chairperson**

**Uniting Church SA Investment Fund Limited**

# Manager's Message

## **Great Support**

2020 has proven to be an extraordinary year. Twelve months ago we all lived with a naivety not knowing what was ahead of us. There have been testing times, with many people the world wide feeling the full brunt of Covid-19. Through it all the Uniting Church community pulled together. Our investors held strong with a total of \$202 million invested with The Uniting Church SA Investment Fund Limited by the end of year. Their ongoing support is the lifeblood of the Fund that enables the Fund to continue to provide grants to the Uniting Church SA.

## **Charitable Purpose**

This support from our Investors has enabled us to continue to provide substantial financial benefits to the mission of the Uniting Church SA. For 2020, Uniting Church SA Investment Fund Limited provided the operational budget of Uniting Church SA with a distribution of \$2.315 million. Our Investors also received competitive interest rates on their investments, being paid a total of \$4.197 million in interest.

## **Teamwork**

During 2020, our team experienced similar restrictions to the public. We were required to work from home at short notice, without knowing when we would be back in the office. We worked from home for several months, and had to work as a team, using our mobile phones, computers and software applications to continue to complete our roles and to provide the service to our customers that we have always strived to give.

It would be wrong to say we did not have our frustrations, and problems, but through it all our team worked together to achieve a successful year. I am like a proud parent, who has had a great opportunity to see the resilience that our team has, and how when needed they can achieve great things in trying times. Unfortunately, we have had to say good-bye to Christine Lam at the end of the year, as Christine has shifted to Sydney with her family. Thank you Christine, it was not a long time that you worked with us, but you made an impression on us.

Our team for the year ended 31 December 2020 was:

Catherine Beckedorf – Investor Service Team Leader

Christine Lam – Senior Accountant (Resigned 24th December 2020)

Stacey Page – Investment Accountant

Stephanie Simpson – Risk and Compliance Officer

Kathy Zito – Investor Relations

Beverly Ong – Investor Relations

## **Thank you**

Thank you for investing with us, investors. You are the reason we are here, and that any of this is possible. I look forward to meeting many of you in the near future. The most important factor in the success of Uniting Church SA Investment Fund Limited is our Investors. Thank you for trusting us with your investments. We do really appreciate your patronage. Our community has such a strong spirit.



**Paul Barnett**

**Manager Investment Services**

**Uniting Church SA Investment Fund Limited**

# Directors' report

The Directors of Uniting Church SA Investment Fund Limited ("the Company") submit the following report for the year ended 31 December 2020.

The annual financial statements of the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 19 March 2021.

## Details of Directors / Office Holders

The names and details of each Director in office at any time during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

**MICHAEL MCCLAREN**  
**Non-Executive Director**  
Chairperson

### Qualifications and memberships

Bachelor of Arts (Accounting)  
Masters of Business Administration  
Diploma of Financial Planning  
Fellow of the Chartered Accountants Australia and New Zealand  
Member of CPA Australia  
Chartered Tax Advisor  
Fellow of the Australian Institute of Company Directors  
Registered Tax Practitioner & Superannuation Auditor  
Chartered Accountant Business Valuation Specialist

**KEVIN BENDER** *(Retired 13 February 2021)*  
**Non-Executive Director**  
Deputy Chairperson  
Chairperson Audit Committee

**Qualifications and memberships**  
Bachelor of Arts (Accounting)  
Masters of Business Administration

**WAYNE MATTERS**  
**Non-Executive Director**  
Chairperson Risk Committee

**Qualifications and memberships**  
Bachelor of Arts (Accounting)  
Graduate Certificate in Business Administration  
Fellow of the Chartered Accountants Australia and New Zealand  
Graduate of the Australia Institute of Company Directors

**ALLISON ASHBY**  
**Non-Executive Director**

**Qualifications and memberships**  
Bachelor of Arts (Hons)  
Fellow of the Australian Institute of Company Directors

**KAREN ELEY**  
**Non-Executive Director**

### Qualifications and memberships

Bachelor of Business (Accounting)  
Diploma in Financial Planning  
Advanced Diploma in Financial Planning  
Certified Financial Adviser  
Association of Financial Advisers

**RYAN DICK** *(Appointed 30 July 2020)*  
**Non-Executive Director**

### Qualifications and memberships

Fellow of the Association of Chartered Certified Accountants  
Member - Australian Certified Practising Accountants  
Graduate Australian Institute of Company Directors  
Senior Certified Finance & Treasury Professional (Finance & Treasury Association)

**PETER BATTERSBY**  
**Executive Director / Company Secretary**

### Qualifications and memberships

Certified in Governance and Risk Management  
Graduate Australian Institute of Company Directors  
Graduate Certificate in Counselling  
Diploma in Business (Human Resource Management and Industrial Relations)  
Bachelor of Arts in Accountancy  
Member - Australian Institute of Company Directors  
Member - Australian Certified Practising Accountants  
Member - Australian Human Resource Institute  
Affiliate of the Governance Institute of Australia Ltd

---

**STEPHANIE SIMPSON**  
**Company Secretary**  
Risk and Compliance Officer  
Uniting Church SA Investment Fund Limited

## Meetings of Directors

During the year, 18 Directors' meetings (including committees of directors) were held. Attendances by each Director are set out below:

	Directors' Meetings		Audit Committee		Risk Committee	
	A	B	A	B	A	B
Michael McClaren	12	12	1	1	5	5
Kevin Bengler	12	12	1	1	5	5
Wayne Matters	12	11	1	1	5	5
Allison Ashby	12	12	1	1	5	5
Karen Eley	12	11	1	1	5	4
Ryan Dick <sup>1</sup>	5	5	0	0	1	1
Peter Battersby	12	11	1	1	5	5

*A - Number eligible to attend*

*B - Number attended*

<sup>1</sup> Ryan Dick was appointed 30 July 2020

## Principal Activities

The Company was established to offer investment services to retail and wholesale clients on behalf of the Uniting Church in South Australia.

It was granted an Australian Financial Services Licence (AFSL) authorising it to provide general financial product advice in relation to securities and non-cash payment products and authorisation to deal in a financial product in relation to securities and non-cash payment products effective from 28 January 2018.

Commencing from 31 March 2018 the Company started trading under the business name UC Invest and began issuing debenture products to retail and wholesale investors.

In the short term, the Company's principal objectives are to:

- Continue providing investors with attractive investment options to support the mission of the Uniting Church in Australia
- Address all relevant regulatory and compliance obligations
- Provide a prudent surplus to benefit the charitable purposes of the Uniting Church in Australia

The Company's longer term objectives are to:

- Further develop the recognition of UC Invest within the Uniting Church community
- Continue to provide high quality, ethical financial products and services which meet the changing needs of our investors
- Continue to provide a prudent surplus to benefit the charitable purposes of the Uniting Church in Australia

To achieve these objectives the Company will continue to:

- Enhance existing financial services and products
- Review relevant regulatory frameworks to ensure the ongoing provision of financial services to our Uniting Church community
- Build strong relationships within the Uniting Church community
- Invest in staff and systems to ensure the organisation is equipped to provide relevant products and services

## Financial Performance Disclosures

The operating profit / (loss) from ordinary operations to 31 December 2020 was \$2,754,411 (2019: \$2,858,146).

A distribution of \$2,314,916 was paid to the Synod of South Australia during the year ended 31 December 2020 (2019: \$2,269,526).

The financial results for the year are as follows:

	2020	2019
	\$	\$
Revenue	7,372,380	8,782,745
Less finance costs	(4,196,561)	(5,508,704)
Less expenses	(421,408)	(415,895)
<b>Profit for the year</b>	<b>2,754,411</b>	<b>2,858,146</b>

The Company derives the majority of its interest revenue through a secured debenture held with The Uniting Church in Australia Property Trust (S.A.) ("UCAPT"). The interest receivable from the debenture is directly tied to financial liabilities with the UCAPT paying a fixed margin over the daily average cost of funds.

As at 31 December 2020 this debenture facility had principal outstanding of \$194.2 million (31 December 2019: \$186.9 million) which was secured by collateral valued at \$293.7 million (31 December 2019: \$279.4 million).

## Indemnification of Officers and Auditors

During the financial year a premium was paid by the Company, insuring the Directors and Officers of the Company against liabilities incurred in their capacity as a director or officer to the extent permitted by the Corporations Act 2001.

The contract of insurance does not permit disclosure of the nature and extent of the liability covered or the amount of the premium paid.

No indemnity has been given or insurance premiums paid for or on behalf of the auditor.

## Subsequent Events

In the opinion of the Directors, since the end of the year to the date of this report, no matter or circumstance has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future reporting periods, other than as addressed in Notes 16 and 17.

## Entity

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up the Constitution states that each member is required to contribute a maximum of \$2.00 towards any outstanding obligations of the entity.

At balance date the total amount that members of the Company are liable to contribute if the Company was wound up was \$14.00.

## Auditor Independence Declaration

A copy of the Auditor's Independence Declarations as required under s.307C of the Corporations Act 2001 and s.60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is included at page 4 of this report and forms part of the Director's Report.

Signed in accordance with a resolution of the Directors



Michael McClaren  
Director

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED**

***Opinion***

We have audited the financial report of Uniting Church SA Investment Fund Limited ("the Company"), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and 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 of the Directors.

In our opinion, the accompanying financial report of Uniting Church SA Investment Fund Limited, is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*; including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and Division 60 of *the Australian Charities and Not-for-profits Commission Regulation 2013*.

***Basis for opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

***Other information***

The Directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED (CONT)**

***Directors' responsibility for the financial report***

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

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

***Auditor's responsibility 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.

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF UNITING CHURCH SA INVESTMENT FUND LIMITED (CONT)**

***Auditor's responsibility for the audit of the financial report (cont)***

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

*Nexia Edwards Marshall*

Nexia Edwards Marshall  
Chartered Accountants

*B Brett Morkunas*

Brett Morkunas  
Partner

Adelaide  
South Australia

19 March 2021

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
<i>This statement should be read in conjunction with the accompanying notes</i>			
Revenue	2	7,372,380	8,782,745
Finance costs	3	(4,196,561)	(5,508,704)
Expenses	4	(421,408)	(415,895)
<b>OPERATING PROFIT / (LOSS) FOR THE YEAR</b>		<b>2,754,411</b>	<b>2,858,146</b>
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>2,754,411</b>	<b>2,858,146</b>
Other comprehensive income / (loss)		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,754,411</b>	<b>2,858,146</b>

# Statement of Financial Position

As at 31 December 2020

	Note	2020 \$	2019 \$
<i>This statement should be read in conjunction with the accompanying notes</i>			
<b>Assets</b>			
Cash and cash equivalents	5	16,444,955	25,469,846
Trade and other receivables	6	2,380	5,151
Other assets	7	38,664	29,350
Financial assets measured at amortised cost	8	194,213,850	186,933,645
<b>Total Assets</b>		<b>210,699,849</b>	<b>212,437,992</b>
<b>Liabilities</b>			
Trade and other payables	9	652,187	713,905
Financial liabilities measured at amortised cost	10	202,056,882	204,172,802
<b>Total Liabilities</b>		<b>202,709,069</b>	<b>204,886,707</b>
<b>Net Assets</b>		<b>7,990,780</b>	<b>7,551,285</b>
<b>Equity</b>			
Capital contribution reserve	11	6,500,000	6,500,000
Retained surplus	12	1,490,780	1,051,285
<b>Total Equity</b>		<b>7,990,780</b>	<b>7,551,285</b>

# Statement of Changes in Equity

For the year ended 31 December 2020

*This statement should be read in conjunction with the accompanying notes*

	Retained Surplus	Capital Contribution Reserve	Total Equity
Balance at 1 January 2019	462,665	6,500,000	6,962,665
Profit for the year	2,858,146	-	2,858,146
Distribution to Uniting Church SA	(2,269,526)	-	(2,269,526)
<b>Balance at 31 December 2019</b>	<b>1,051,285</b>	<b>6,500,000</b>	<b>7,551,285</b>
Balance at 1 January 2020	1,051,285	6,500,000	7,551,285
Profit for the year	2,754,411	-	2,754,411
Distribution to Uniting Church SA	(2,314,916)	-	(2,314,916)
<b>Balance at 31 December 2020</b>	<b>1,490,780</b>	<b>6,500,000</b>	<b>7,990,780</b>

# Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 \$	2019 \$
<i>This statement should be read in conjunction with the accompanying notes</i>			
<b>Cash Flows from Operating Activities</b>			
Interest received from loans		7,280,205	8,399,954
Interest received from other investments		91,998	411,302
Sundry receipts		3,147	(1,608)
Finance costs		(4,258,729)	(5,485,604)
Payments to suppliers		(430,272)	(449,335)
<b>Net cash flows provided by / (used in) operating activities</b>	<b>13</b>	<b>2,686,349</b>	<b>2,874,709</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments		13,719,793	33,100,046
Purchase of investments		(21,000,000)	(27,500,000)
<b>Net cash flows provided by / (used in) investing activities</b>		<b>(7,280,207)</b>	<b>5,600,046</b>
<b>Cash Flows from Financing Activities</b>			
Investments by investors		117,380,573	152,679,922
Withdrawals by investors		(119,496,692)	(151,156,224)
Distributions to the Uniting Church SA		(2,314,914)	(2,269,526)
<b>Net cash flows provided by / (used in) financing activities</b>		<b>(4,431,033)</b>	<b>(745,828)</b>
Net increase / (decrease) in cash held		(9,024,891)	7,728,927
Cash at beginning of year		25,469,846	17,740,919
<b>Cash at End of Year</b>	<b>5</b>	<b>16,444,955</b>	<b>25,469,846</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

## 1. Summary of significant accounting policies

### General entity information

The Uniting Church SA Investment Fund Limited (*“the Company”*) is a public company limited by guarantee, incorporated and domiciled in Australia. Its registered office is Level 2, 212 Pirie Street, Adelaide SA 5000.

The Company is a registered not-for-profit entity with the Australian Charities and *Not-for-profits Commission (ACNC)* and exists for the charitable purpose of advancing religion by supporting the mission of the Uniting Church in Australia.

The financial statements and accompanying notes for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 19 March 2021.

### Membership

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$2 towards meeting any outstanding obligations.

As at 31 December 2020 the number of members providing a guarantee was seven.

### Capital Contribution Reserve

The Company was capitalised in 2018 through capital contributions received from The Uniting Church in Australia Property Trust (S.A.), which have been taken to this reserve. In the event of winding up, these amounts are subordinated to all other creditor obligations.

### Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations, to satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standard Board (AASB) ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board (IASB).

### Basis of preparation

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

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes.

All amounts presented in the financial statements are in Australian dollars and have been rounded to the nearest dollar.

### New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (a) Cash and cash equivalents

Cash and cash equivalents in the *Statement of Financial Position* comprise cash at bank and cash in hand. These deposits are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purposes of the *Statement of Cash Flows*, cash and cash equivalents consist of cash and cash equivalents as defined above and are net of outstanding bank overdrafts. Bank overdrafts are included within financial liabilities on the Statement of Financial Position.

## (b) Revenue

### i. Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. This 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.

## (c) Financial instruments

### i. Initial recognition and measurement

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

Financial instruments (*except for trade receivables*) 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. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

### ii. Classification and subsequent measurement

#### a) Financial assets

Financial assets are subsequently measured at either:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

This is done on the basis of two primary criteria being the contractual cash flow characteristics of the financial asset and the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- The financial asset is managed solely to collect contractual cash flows; and
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the capital amounts outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

# Notes to the Financial Statements

For the year ended 31 December 2020

- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- The business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost or fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Fund initially designates a financial instrument as measured at fair value through profit or loss if:

- It eliminates or significantly reduces a measurement or recognition inconsistency (*often referred to as an "accounting mismatch"*) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- It is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- It is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

## **b) Financial liabilities**

Financial liabilities are subsequently measured at either:

- Amortised cost; or
- Fair value through profit or loss

A financial liability is measured at fair value through profit or loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which *AASB 3: Business Combinations* applies;
- Held for trading; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- Incurred for the purpose of repurchasing or repaying in the near term;
- Part of a portfolio where there is an actual pattern of short-term profit taking; or
- A derivative financial instrument (*except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship*).

# Notes to the Financial Statements

For the year ended 31 December 2020

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

### iii Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

#### a) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- The right to receive cash flows from the asset has expired or been transferred;
- All risk and rewards of ownership of the asset have been substantially transferred; and
- The Company no longer controls the asset (*i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party*).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### b) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (*i.e. when the obligation in the contract is discharged, cancelled or expires*). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### iv Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at either amortised cost or fair value through other comprehensive income.

# Notes to the Financial Statements

For the year ended 31 December 2020

A loss allowance is not recognised for financial assets measured at fair value through profit or loss or equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under AASB 9:

- The general approach;
- The simplified approach;
- The purchased or originated credit impaired approach; and
- Low credit risk operational simplification.

## a) General approach

Under the general approach, at each reporting period, the Company assesses whether the financial instruments are credit impaired, and if:

- The credit risk of the financial instrument increased significantly since initial recognition, the Company measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- There was no significant increase in credit risk since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

## b) Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade receivables or contract assets that result from transactions that are within the scope of *AASB 15: Revenue from Contracts with Customers* and contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (*i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc.*).

## c) Purchased or originated credit impaired approach

For a financial asset that is considered to be credit impaired (*not on acquisition or originations*), the Company measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract (*e.g. default or past due event*);
- Where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- It is probable the borrower will enter bankruptcy or other financial reorganisation; and
- The disappearance of an active market for the financial asset because of financial difficulties.

## d) Low credit risk operational simplification

If a financial asset is determined to have low credit risk at the initial reporting date, the

# Notes to the Financial Statements

For the year ended 31 December 2020

Company assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- There is a low risk of default by the borrower;
- The borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

## **e) Recognition of expected credit losses in financial statements**

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the *Statement of Profit or Loss and Other Comprehensive Income*.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (*e.g. loan commitments yet to be drawn, financial guarantees*), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

## **(d) Trade and other receivables**

Trade and other receivables include amounts due from donors and any outstanding grant receipts. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

## **(e) 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 Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

## **(f) 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

# Notes to the Financial Statements

For the year ended 31 December 2020

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

## **(g) Use of judgements and estimates**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and the 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 company.

### **Key estimates**

#### *Impairment*

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers.

## **(h) Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible 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 amount less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

## **(i) Comparative figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

## **(j) Income tax**

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997. The Company is a registered not-for-profit entity with the *Australian Charities and Not-for-profits Commission (ACNC)*.

## **(k) Provisions**

Provisions are recognised when the Company has a present, 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.

## **(l) New standards for application in future reporting periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 31 December 2020. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

# Notes to the Financial Statements

For the year ended 31 December 2020

	2020	2019
<b>2. Revenue</b>		
Secured debenture income	7,280,205	8,399,954
Interest received	91,998	381,671
Other income	177	1,120
	<b>7,372,380</b>	<b>8,782,745</b>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Geographical regions

Australia	7,372,380	8,782,745
	<b>7,372,380</b>	<b>8,782,745</b>

## 3. Finance costs

Interests paid to investors	4,196,561	5,508,704
	<b>4,196,561</b>	<b>5,508,704</b>

## 4. Expenses

Outsourced personnel costs <sup>1</sup>	290,790	277,937
Administration	130,618	137,958
	<b>421,408</b>	<b>415,895</b>

<sup>1</sup> The Uniting Church Synod of South Australia provides all administrative support and human resources for the operations of the Company. Uniting Church SA Investment Services personnel are employed by the Synod of South Australia and provide expertise and investment services on an outsourced basis.

## 5. Cash and cash equivalents

Cash held at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	84,942	38,787
Cash management account	16,360,013	25,431,059
	<b>16,444,955</b>	<b>25,469,846</b>

### Impairment of cash and cash equivalents

Class of Asset	Gross Carrying Amount	Loss Allowing Provision	Loss Adjusted Carrying Amount
Cash at bank	84,942	-	84,942
Cash management account	16,360,013	-	16,360,013
	<b>16,444,955</b>	<b>-</b>	<b>16,444,955</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

	2020	2019
6. Trade and other receivables		
Trade receivables	2,380	5,151
	<b>2,380</b>	<b>5,151</b>

## Credit risk associated with trade and other receivables

The Fund has no significant concentration of credit risk, associated with trade and other receivables, with respect to any single counterparty or group of counterparties other than those receivables provided for and mentioned within this note.

The following table details the Fund's trade and other receivables exposed to credit risk (*prior to collateral and other credit enhancements*) with aging analysis and impairment provided thereon. Amounts are considered as "past due" when the debt has not been settled within the terms agreed between the Fund and the counterparty to the transaction.

The balances of receivables that remain within the initial terms (*as detailed in the table below*) are considered to be of high credit quality.

The Fund has applied the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables.

2020	Current	> 30 days past due	> 60 days past due	> 90 days past due	Total
Expected loss rate	0%	1%	2.5%	7.5%	-
Gross carrying amount	2,380	-	-	-	2,380
Loss allowing provision	-	-	-	-	-
	<b>2,380</b>	-	-	-	<b>2,380</b>

2019	Current	> 30 days past due	> 60 days past due	> 90 days past due	Total
Expected loss rate	0%	1%	2.5%	7.5%	-
Gross carrying amount	5,151	-	-	-	5,151
Loss allowing provision	-	-	-	-	-
	<b>5,151</b>	-	-	-	<b>5,151</b>

The Fund has not written-off any amounts during the year nor has any amounts receivable which are past due or considered unrecoverable.

	2020	2019
7. Other assets		
Prepayments	38,664	29,350
	<b>38,664</b>	<b>29,350</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

## 8. Financial assets measured at amortised cost

Financial assets consist of fixed term deposits held with approved deposit-taking institutions regulated by APRA and a secured debenture with The Uniting Church in Australia Property Trust (S.A.) ("UCAPT"), the legal entity of the Uniting Church in South Australia.

The debenture facility enables the Company to lend up to \$250 million of any funds raised from the issue of debentures to retail and wholesale investors to the UCAPT. This facility is secured via a Security Deed which places a charge over collateral held by Uniting Fund SA (an investment activity of the UCAPT).

As at 31 December 2020 this debenture facility had principal outstanding of \$194.2 million (31 December 2019: \$186.9 million) which was secured by collateral valued at \$293.7 million (31 December 2019: \$279.4 million).

	2020	2019
Secured debenture with The UCA Property Trust (SA)	194,213,850	186,933,645
	<b>194,213,850</b>	<b>186,933,645</b>

### Impairment of financial assets measured at amortised cost

Class of Asset	Gross Carrying Amount	Loss Allowing Provision	Loss Adjusted Carrying Amount
Secured debenture with The UCA Property Trust (SA)	194,213,850	-	194,213,850
	<b>194,213,850</b>	<b>-</b>	<b>194,213,850</b>

Refer to Note 18 for information regarding the liquidity profile and credit risk associated with the Fund's financial assets.

## 9. Trade and other payables

Trade payables	12,107	11,657
Accrued interest payable to investors	640,080	702,248
	<b>652,187</b>	<b>713,905</b>

The value reported at trade and other payables is expected to be paid within 12 months.

## 10. Financial liabilities measured at amortised cost

Financial liabilities consist of debentures which are issued by the Company to retail and wholesale clients. Wholesale clients hold funds which are either at-call or in term investments. Retail clients hold funds which are either in 31 day notice accounts or in term investments.

Debentures issued to retail investors	83,016,906	79,353,656
Debentures issued to wholesale investors	119,039,976	124,819,146
	<b>202,056,882</b>	<b>204,172,802</b>

Refer to Note 18 for information regarding the liquidity profile of the Fund's financial liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2020

2020

2019

## 11. Capital contribution reserve

The Fund was capitalised during 2018 through capital contributions received from The Uniting Church in Australia Property Trust (S.A.), which have been taken to this reserve. In the event of winding up, these amounts are subordinated to all other creditor obligations.

Balance at the beginning of the year	6,500,000	6,500,000
Net increment/(decrement) for the year	-	-
<b>Balance at the end of the year</b>	<b>6,500,000</b>	<b>6,500,000</b>

## 12. Retained surplus

In accordance with the Company's Constitution and its Charitable Purposes; each year the Company shall distribute the maximum prudent surplus, as determined by the Directors, to the Uniting Church SA.

Balance at the beginning of the year	1,051,285	462,665
Net increment for the year	2,754,411	2,858,146
<b>Total available for distribution</b>	<b>3,805,696</b>	<b>3,320,811</b>

Distribution paid to the Uniting Church SA	(2,314,916)	(2,269,526)
<b>Balance at the end of the year</b>	<b>1,490,780</b>	<b>1,051,285</b>

## 13. Notes to the statement of cash flows

Reconciliation of profit to net cash flows from operating activities:

Profit for the year	2,754,411	2,858,146
Changes in assets and liabilities		
(Increase) / Decrease in operating receivables	(6,344)	23,236
Increase / (Decrease) in operating payables	(61,718)	(6,672)
<b>Cashflow from operating activities</b>	<b>2,686,349</b>	<b>2,874,710</b>

### Changes in liabilities arising from Financial Activities

	Balance 1 Jan 2020	Cash Flows	Non-Cash Adjustments	Balance 31 Dec 2020
Financial Liabilities	204,172,802	(2,116,119)	199	202,056,882

	Balance 1 Jan 2019	Cash Flows	Non-Cash Adjustments	Balance 31 Dec 2019
Financial Liabilities	202,650,015	1,523,698	(911)	204,172,802

*Financial liabilities consist of debentures issued to both retail and wholesale clients.*

### Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments which are readily convertible to cash within one working day, net of outstanding overdrafts.

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

# Notes to the Financial Statements

For the year ended 31 December 2020

	2020	2019
<b>13. Notes to the statement of cash flows (con't)</b>		
Cash and cash equivalents ( <i>Refer to Note 5</i> )	16,444,955	25,469,846
<b>Cash at year end</b>	<b>16,444,955</b>	<b>25,469,846</b>

## 14. Auditor's remuneration

Fee payable in relation to audit	11,800	11,600
<b>Cashflow from operating activities</b>	<b>11,800</b>	<b>11,600</b>

Audit fees are included within *Administration Expenses* disclosed in Note 4.

## 15. Contingent assets and contingent liabilities

The Directors of the Company are not aware of any contingencies requiring disclosure in the financial statements.

## 16. Coronavirus Pandemic (COVID-19)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had on the Company based on known information. This consideration extends to the nature of the services provided, customers and investment markets in which the Company operates.

The impact of the Coronavirus (Covid-19) pandemic on the Company includes decreased revenue due to the general decrease in interest rates. To address and mitigate the negative effects on the Company, a range of measures were implemented to reduce risk. These included in particular reducing interest rates offered to investors and general management of costs.

Other than as addressed above, there does not currently appear to be either any other significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date as a result of the Coronavirus (COVID-19) pandemic.

As the pandemic is ongoing it is not practical to estimate the potential future impacts on the Company.

## 17. Events subsequent to reporting date

Other than as addressed above the Directors are not aware of any matter or circumstance not otherwise dealt with in the financial statements (refer to 19. Related party transactions) that has significantly or may significantly affect the operations of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2020

## 18. Financial Risk Management

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Directors maintain an Audit Committee and a Risk Committee to oversee the financial reporting, audit and risk management processes.

The Risk Committee's major role, within the risk management organisational structure, is to monitor approved policies and procedures in relation to the:

- Risk management framework
- Specific risk management policies
- Internal controls and risk management
- Compliance with law, regulation and policy

The Audit Committee's major role is to monitor approved policies and procedures in relation to:

- Statutory and financial reporting requirements
- Auditor independence and performance
- Internal audit

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

### **Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of their contractual obligations which could lead to the Company experiencing a financial loss.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that counterparties to transactions are of sound credit worthiness.

The Company is primarily exposed to two asset classes in relation to its financial instruments. These are:

- Cash and short term investments
- Debenture facility with UCAPT

Cash, for liquidity purposes, is held predominantly with an APRA regulated Australian Bank. These funds are held at-call and only represent 7.8% of total assets.

The credit risk relating short term investments is considered to be limited as the counterparties are APRA regulated Approved Deposit-taking Institutions (ADIs) and the terms of these investment are normally less than 90 days in duration.

The debenture facility enables the Company to invest up to \$250 million of funds raised from retail and wholesale investors with The Uniting Church in Australia Property Trust (S.A.), the legal entity of the Church in South Australia ("the Church"). This facility provides a commercial return to the Company which is commensurate with the assessed risk of the investment.

Credit concentration risk is managed and mitigated through a range of processes including the Company holding security over particular assets of the Church, continuous monitoring of the value of collateral held and regular financial reporting between the two parties.

# Notes to the Financial Statements

For the year ended 31 December 2020

## 18. Financial Risk Management (con't)

As at 31 December 2020 this loan facility had principal outstanding of \$194.2 million (31 December 2019: \$186.9 million) which was secured by collateral valued at \$293.7 million (31 December 2019: \$279.4 million).

The Company does not lend funds to any other counterparty.

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Company has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk.

The Company manages this risk through the following mechanisms:

- Daily monitoring of its current liquidity position
- Forecasting of expected future obligations
- The availability of diversified funding sources
- The application of withdrawal limits for significant redemptions
- Stress testing and contingency planning

Under the conditions set by the Australian Financial Services Licence (AFSL) held by the Company, the Australian Securities and Investments Commission (ASIC) have set three specific conditions that are required to be maintained at all times. These are:

- Base level financial requirements (positive net assets test)
- Cash flow needs requirement
- Requirement to hold adjusted surplus liquid funds  
(Required minimum holding as at 31 December 2020: \$6,013,545)

*The following table summarises the maturity profile of the Company's financial assets and liabilities.*

2020 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	16,444,955	-	-	-	-	16,444,955
Fixed term investments	-	-	-	-	-	-
Secured debenture	-	-	-	-	194,213,850	194,213,850
<b>Total financial assets</b>	<b>16,444,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,213,850</b>	<b>210,658,805</b>

2020 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	56,526,731	42,302,196	78,078,749	25,149,206	-	202,056,882
<b>Total financial liabilities</b>	<b>56,526,731</b>	<b>42,302,196</b>	<b>78,078,749</b>	<b>25,149,206</b>	<b>-</b>	<b>202,056,882</b>

2019 Financial Assets	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Cash and cash equivalents	25,469,846	-	-	-	-	25,469,846
Fixed term investments	-	-	-	-	-	-
Secured debenture	-	-	-	-	186,933,645	186,933,645
<b>Total financial assets</b>	<b>25,469,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186,933,645</b>	<b>212,403,491</b>

2019 Financial Liabilities	At Call	< 3 mths	3 to 12 mths	1 to 5 yrs	No Specified Maturity	Total Carrying Amount
Financial liabilities	63,308,715	67,220,092	56,469,263	17,174,732	-	204,172,802
<b>Total financial liabilities</b>	<b>63,308,715</b>	<b>67,220,092</b>	<b>56,469,263</b>	<b>17,174,732</b>	<b>-</b>	<b>204,172,802</b>

# Notes to the Financial Statements

For the year ended 31 December 2020

## 18. Financial Risk Management (con't)

### Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Company issues debentures to both retail and wholesale investors and promises to repay the principal plus interest on agreed terms.

There is a direct link between the liabilities and interest bearing assets of the Company. As at 31 December 2020, the secured debenture between the Company and The Uniting Church in Australia Property Trust (S.A.) represented 92% of total assets.

The agreement between the two parties results in the debenture paying a fixed margin over the floating daily average interest rate applicable to retail and wholesale investors.

The weighted average interest rates on classes of financial assets and financial liabilities are as follows:

<b>2020</b>	<b>Average Balance</b>	<b>Interest</b>	<b>Average Rate</b>
<b>Financial Assets</b>			
Cash at bank	125,654	-	0.00%
Cash management accounts	16,034,838	95,553	0.60%
Secured debenture	187,035,980	7,280,205	3.89%
	<b>203,196,472</b>	<b>7,375,758</b>	<b>3.63%</b>
<b>Financial Liabilities</b>			
Investor funds	194,724,440	4,196,561	2.16%
	<b>194,724,440</b>	<b>4,196,561</b>	<b>2.16%</b>
<b>2019</b>			
<b>Financial Assets</b>			
Cash at bank	1,059,955	1,172	0.11%
Cash management accounts	16,967,023	243,686	1.44%
Fixed term deposits	4,833,333	136,813	2.83%
Secured debenture	188,780,133	8,399,954	4.45%
	<b>211,640,444</b>	<b>8,781,625</b>	<b>4.15%</b>
<b>Financial Liabilities</b>			
Investor funds	203,610,815	5,508,704	2.71%
	<b>203,610,815</b>	<b>5,508,704</b>	<b>2.71%</b>

### Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk as at 31 December 2020. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

# Notes to the Financial Statements

For the year ended 31 December 2020

## 18. Financial Risk Management (con't)

<b>Change in profit</b>	<b>2020</b>	<b>2019</b>
Decrease in average interest rate payable to investors by 1%	2,020,569	2,041,728
Increase in average interest rate payable to investors by 1%	(2,020,569)	(2,041,728)
<b>Change in equity</b>		
Decrease in average interest rate payable to investors by 1%	2,020,569	2,041,728
Increase in average interest rate payable to investors by 1%	(2,020,569)	(2,041,728)
<b>Change in profit</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(2,106,588)	(2,124,035)
Increase in average interest rate receivable from interest related investments by 1%	2,106,588	2,124,035
<b>Change in equity</b>		
Decrease in average interest rate receivable from interest related investments by 1%	(2,106,588)	(2,124,035)
Increase in average interest rate receivable from interest related investments by 1%	2,106,588	2,124,035

### **Fair Values**

The Company uses various methods in estimating the fair value of a financial instrument. The methods can be categorised into three types:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets and financial liabilities, as well as the methods used to estimate the fair value, are summarised in the table below.

# Notes to the Financial Statements

For the year ended 31 December 2020

## 18. Financial Risk Management (con't)

	Year Ended 31 December 2020				Year Ended 31 December 2019			
	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total	Quoted Market Price	Valuation Technique: Market Observable Inputs	Valuation Technique: Non Market Observable Inputs	Total
<b>Financial Assets</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>		<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	
	\$ 000's	\$ 000's	\$ 000's		\$ 000's	\$ 000's	\$ 000's	
Cash and cash equivalents	16,445	-	-	16,445	25,469	-	-	25,469
<b>Financial Assets</b>								
Secured Debenture	-	194,214	-	194,214	-	186,934	-	186,934
<b>TOTAL</b>	<b>16,445</b>	<b>194,214</b>	<b>-</b>	<b>210,659</b>	<b>25,469</b>	<b>186,934</b>	<b>-</b>	<b>212,403</b>
<b>Financial Liabilities</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>		<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	
	\$ 000's	\$ 000's	\$ 000's		\$ 000's	\$ 000's	\$ 000's	
Financial liabilities	-	202,057	-	202,057	-	204,173	-	204,173
<b>TOTAL</b>	<b>-</b>	<b>202,057</b>	<b>-</b>	<b>202,057</b>	<b>-</b>	<b>204,173</b>	<b>-</b>	<b>204,173</b>

## 19. Related party transactions

The South Australian Synod of the Uniting Church provides outsourced personnel services to the Company at the cost detailed in Note 4.

Employees, committee members and other entities associated with the Uniting Church SA may hold investments with the Company. These investments are lodged on terms no more favorable than would normally be available to any other individual or entity.

The primary asset held by the Company is in a secured debenture between the Company and The Uniting Church in Australia Property Trust (S.A.) ("UCAPT"), the legal entity of the Uniting Church in South Australia.

A loan facility agreement is in place that enables the Company to lend up to \$250 million from any funds raised through the issue of debentures to retail and wholesale investors to the UCAPT. This facility is secured, under a general security deed, by the investment assets of the UCAPT.

As at 31 December 2020 this loan facility had principal outstanding of \$194.2 million (31 December 2019: \$186.9 million) which was secured by collateral valued at \$293.7 million (31 December 2019: \$279.4 million).

Since the end of 2020 investment markets have continued to be volatile. The UCAPT invests in many investments including equities, securities, property, cash and loans. UCAPT has a substantial level of equity, and is in a strong position to be able to repay the debenture whenever required.

There are no provisions or expenses recognised during the year for bad or doubtful debts relating to outstanding balances due from any related parties.

# Declaration of the Directors

31 December 2020

In the opinion of the directors of Uniting Church SA Investment Fund Limited:

- a) the financial statements and notes set out on pages 7 to 27 of the 2020 Financial Report are in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, the *Corporations Act 2001* and:
  - i. comply with Australian Accounting Standards and other mandatory professional reporting requirements to the extent described in Note 1; and
  - ii. give a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
- b) there are reasonable grounds to believe that the Fund is able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors of Uniting Church SA Investment Fund Ltd.



**Michael McClaren**  
Chairperson  
Uniting Church SA Investment Fund Ltd



**Wayne Matters**  
Chairperson, Audit Committee  
Uniting Church SA Investment Fund Ltd

Adelaide  
19 March 2021

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SUBDIVISION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT  
2012 TO THE DIRECTORS OF UNITING CHURCH SA INVESTMENT FUND LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020 there have been no contraventions of the auditor independence requirements as set out in any applicable code of professional conduct in relation to the audit.

*Nexia Edwards Marshall*

Nexia Edwards Marshall  
Chartered Accountants

*Brett Morkunas*

Brett Morkunas  
Partner

Adelaide  
South Australia

19 March 2021

## Contact Us

Call: 1300 274 151

Visit: [ucinvest.com.au](https://ucinvest.com.au)

Email: [info@ucinvest.com.au](mailto:info@ucinvest.com.au)

Level 2, 212 Pirie Street  
Adelaide SA 5000

GPO Box 2145  
Adelaide SA 5001

---

UC Invest is a trading name of Uniting Church SA Investment Fund Limited.

ACN: 620 095 472 | ABN: 46 620 095 472 | AFSL: 501022