THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED

(a company limited by guarantee)
ACN 000 022 480
ABN 89 725 654 978
AFSL No.: 292186

FINANCIAL REPORT

for the financial year ended 30 June 2020

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED

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THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
(a company limited by guarantee)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Directors of The Uniting Church (NSW) Trust Association Limited ("the Association") submit the following report for the year ended 30 June 2020. The financial report of the Association for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 16 October 2020.

DIRECTORS

Names, qualifications, experience and special responsibilities

The names and details of the Directors of the Association in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

J. Collins, BCom (Chairperson)	Former Senior Credit Risk Executive Member, The Uniting Church (NSW) Trust Association Limited Member, Pittwater Uniting Church
W.J. Bird, BEc	Executive Director, Treasury and Investment Services Chairperson, Ethical Investments Monitoring Committee, The Uniting Church in Australia Synod of NSW and the ACT Responsible Manager, The Uniting Church (NSW) Trust Association Limited Independent Member of the Investment Committee of Government Employees Superannuation Board of Western Australia Member, Menai Illawong Uniting Church
C.A. Feldmanis, BCom, MAppFin, FAICD, SFFin, TFASFA, CPA, CFTP, AGIA (*resigned 31 July 2020*)	Non-Executive Director, Perpetual Equity Investment Company Ltd Non-Executive Director, Hunter Water Corporation Non-Executive Director, FIIG Securities Ltd Non-Executive Chair, Bell Asset Management Non-Executive Director, Omni Bridgeway Ltd Non-Executive Director, Bell Financial Group
J.C. Fry, BA, MA, BTh	Minister of the Word, Uniting Church in Australia General Secretary, The Uniting Church in Australia Synod of NSW and the ACT Member, The Uniting Church Property Trust (NSW) Member, The Uniting Church Property Trust (ACT) Member, Uniting Board Member, Uniting Mission and Education Board Member, Synod Property Board
K.V. Hawkins, BBus, MA, MPP, GAICD	Non-Executive Director, G&C Mutual Bank Ltd Managing Director, Allister Redlands Pty Ltd Principal Consultant, NeuroLeadership Institute
C.E. Lee, BEc, BA, MBus, GAICD	Non-Executive Chair, BlueCHP Ltd Non-Executive Director, Home4Life Ltd Non-Executive Director, Assured Guaranty Australia Non- Executive Chair, Brightlight Impact Holdings Director, Union University & Schools Club of Sydney Ltd Member, Synod Property Board

J.P. Masters, BEc, FAICD, PFIAA, CRMA, CGEIT, CFE	Non-Executive Director, Celtaxsys Aus Pty Ltd Chairman, Australian Online Giving Foundation Councilor (Board Member), Medical Council of NSW Managing Director, Masters Le Mesurier (International) Pty Ltd Independent Chair, Audit and Risk Committee, NSW Office of Sports, State Sporting Venues Authority and Combat Sports Authority Independent Chair, Audit and Assurance Committee, Woollahra Municipal Council Independent Member, Audit and. Risk Committee, Justice Health and Forensic Mental Health Network Member, The Uniting Church (NSW) Trust Association Limited Council Member and Member, Eastwood Uniting Church
P. Mazzola, PhD, MAppFin, BCom (merit), MAICD, FCPA, F Fin	Lecturer (Finance), School of Accounting, Economics & Finance, Faculty of Business and Law, University of Wollongong Member of Academic Senate, University of Wollongong Member of the Wiley Academic Advisory Board
S.M. Roes, GAICD	Director, Property & Asset Management, NSW Police Force Licensed Real Estate Agent No. 813455
S.B. Stanton, BEc, BTh, GAICD	Minister of the Word, Uniting Church in Australia, in placement at St. John's Uniting Church Wahroonga Member, The Uniting Church (NSW) Trust Association Limited

COMPANY SECRETARIES

I.J. Perry, BBus, CPA *(appointed 1 September 2020)*	Chief Financial Officer, Treasury Investment Services,
M. Kapota, BA, GIA (Affiliate) (*resigned 1 September 2020*)	Compliance Officer, Treasury and Investment Services

PRINCIPAL ACTIVITIES

The Association provides treasury and investment services to entities and organisations of the Uniting Church in Australia, Synod of NSW and the ACT ("**Synod"**) that primarily operate in New South Wales and the Australian Capital Territory. This includes the offer of products and services such as debentures and managed investment schemes, dealing in securities, providing non-cash payment facilities, as well as providing related general financial product advice, as permitted by its Australian Financial Services Licence Number 292186.

Financial services are provided by the Association and by The Uniting Church in Australia Property Trust (NSW) ABN 77 005 284 605 ("UCAPT"), together and separately "Uniting Financial Services".

The principal activities of the Association did not change throughout the financial year to 30 June 2020.

In carrying out these activities, the Association seeks to generate a financial surplus, from which a distribution to the Synod is provided, directly contributing to the Uniting Church in Australia's mission and service to communities in need, as well as supporting Church life and congregations.

The following strategic goals form the framework by which the Directors prioritised decisions:

Preserve and Protect the funds entrusted to the Association:

- Optimise returns by managing our investors' funds professionally, prudently, ethically and profitably, appropriately managing risk.
- Work towards distributing the maximum prudent surplus to the Church each year.
- Build our capital base to ensure a sustainable endowment for the Church's future.

Deliver Quality Service:

- Provide cost-effective and technologically up-to-date ethical financial products, services and distribution to meet the changing needs of our investors and borrowers.
- Financial advice to the Church will be based on sound risk management principles and a desire to help to sustain gospel mission activities.

Build strong relationships:

- Through open communication, clear accountability, a strong focus on ethical investments and living our values we will build strong relationships with staff, the Uniting Church, service providers and other stakeholders.

Innovation:

- Eager to innovate across all our activities, open to taking new roads and challenging accepted wisdom.

RESULTS AND PROVISIONS

The profit of the Association for the year ended 30 June 2020 was $8,381,818 (2019: $19,664,774).

A distribution of $8,000,000 was paid to the Synod during the year ended 30 June 2020 (2019: $10,000,000).

CORPORATE INFORMATION

The Association is incorporated as a company limited by guarantee and domiciled in Australia. The Association operates within The Synod, and neither owns nor is owned by any other entities.

The Association had no employees as at 30 June 2020 (2019: Nil). Staffing and management services are provided by the Synod Property Board as described in Note 18(b) of the financial statements. The Registered Office of The Uniting Church (NSW) Trust Association Limited is located at Level 10, 222 Pitt Street Sydney NSW 2000.

REVIEW OF OPERATIONS

The Association's financial results for the year are as follows:

	2020	**2019**
	$	**$**
Revenue*	41,989,939	59,984,376
Less finance costs	(19,118,580)	(27,980,443)
Less expenses**	(14,489,541)	(12,339,159)
Profit for the year	8,381,818	19,664,774

*Includes fair value change on investment properties of $894,999 gain (2019: $3,806,636 gain)
**Includes loan loss provision increase of ($470,385) (2019: loan loss provision increase of $97,366)

With interest rates falling to record low levels amid the economic consequences of the COVID-19 outbreak, extreme volatility in the share market and an uncertain situation for commercial property rents and valuations, the 2020 financial year was uniquely challenging for investment returns. Profitability was reduced from recent years but remained positive. Assisting with that result, our equity managers delivered strong outperformance in a difficult market and we faced a relatively low amount of income deferrals from our corporate borrowers by way of COVID relief. Expected Credit Loss increased only marginally. One on-going negative is the continued reduction in balance sheet size due to one major investor's business requirements to withdraw funds. However, the successful raising of Tier 2 capital through a public market issue of Sustainable Bonds was an encouraging development, supporting longer term balance sheet expansion.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

COVID-19 has impacted the Association's operations, many of the Association's clients, counterparties and third-party suppliers, as well as the broader economy.

In response to COVID-19, both federal and state governments have legislated a number of economic stimulus measures for individuals and businesses to support Australia through the unprecedented societal and economic impact of the pandemic.

The Association has received support from some of these programs which include Cash flow boost payment and Job keeper payment in the main (refer to note 24(j) for more details).

In order to mitigate the spread of the pandemic, the Australian, State and Territory Governments have implemented a range of material restrictions on businesses, venues, travel, movement and gatherings of people. These restrictions have not directly impacted the operations of the Association other than requiring team members to work remotely.

In response to the pandemic, the Association enacted its Crisis Management Plan, followed by its Business Continuity Plan. Some of the measures put in place to ensure a smooth transition, minimal disruption to our services, and a continued focus on the health and safety of our staff included:

- All staff provided with the appropriate hardware and systems to enable a safe and fully functional working from home environment
- Health and Safety checklists completed for all staff
- Increased cybersecurity training
- Continuous communication to keep staff updated, provide health and safety tips and videos, and reminder of various support services available
- Dedicated training for all staff and the effective use of new technologies
- Monthly staff briefings to keep staff up to date on business and Synod news and activities
- Regular touch points for staff and their managers
- Implementation of an approved office Covid-19 Plan for those staff needing or wishing to return to the office for an approved reason.

The government has declared Banking as an essential service and given the Association does not have any customer facing staff, the Association has continued to operate throughout the locked down period. All staff were retained during this difficult period.

There were no other significant changes in the state of affairs of the Association other than those mentioned above or set out elsewhere in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly or may significantly affect the operations of the Association, the result of those operations or the state of affairs of the Association in subsequent financial periods.

LIKELY DEVELOPMENTS

The Association expects the COVID-19 pandemic to have some impact on its financial performance through a reduced demand for credit or affordability challenges for clients wishing to borrow, among other potentially adverse effects. At this time, however, it is not possible to estimate how long it will take to control the spread of the virus or the longer-term effects could have on the economy and the Association's business. The extent to which the COVID-19 pandemic impacts the Association's clients, business, financial performance and financial condition will depend on future developments which are evolving and highly uncertain.

The significant decrease in economic activity resulting from the COVID-19 pandemic has affected, and will continue to affect, demand for the Association's products and services. The Association expects the COVID-19 pandemic may result in increased impairments, defaults and write-offs as some borrowers face challenges in meeting their repayments or have uncertainty in maintaining continuing employment. While current levels of impairment provision appear adequate at this point in time, the full impact of the pandemic is highly uncertain. However, the Association is well capitalised and holds liquidity in excess of prudential minimum.

The Association will continue to pursue its operations in accordance with its strategic goals as described in Principal Activities. Further information about likely developments in the operations of the Association and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Association.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Association paid a premium in respect of an insurance contract, insuring the directors and officers on behalf of the Association, including the company secretary, and all the executive officers of the Association and of any related body corporate against liabilities incurred in their capacities as director, secretary or executive officer.

The contract of insurance prohibits disclosure of the nature and extent of the liability covered or the amount of the premium paid.

The Association has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Association or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' BENEFITS

Directors' fees for the year paid or payable to the Association's eligible Directors were $421,126 (2019: $387,358). There were no other benefits paid or payable to Directors during the year.

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
(a company limited by guarantee)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DIRECTORS' MEETINGS

The number of Board and Committee meetings each Director was eligible to attend ("held") and actually attended ("attended") during the year were as follows:

MEETING	BOARD		AUDIT		RISK		STRATEGIC INVESTMENT		GOVERNANCE		CREDIT	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J. Collins	10	10	4	4	2	2	6	5	5	5	3	3
W.J. Bird	10	10	4	4	2	2	6	6	5	4	3	3
C.A. Feldmanis	10	9	4	4	2	2	6	6	–	–	–	–
J.C. Fry	10	9	–	–	–	–	–	–	–	–	–	–
K.V. Hawkins	10	10	4	4	2	2	–	–	5	5	–	–
C.E. Lee	10	9	–	–	–	–	–	–	–	–	3	3
J. P. Masters	10	9	4	4	2	2	–	–	5	4	–	–
P. Mazzola	10	8	–	–	–	–	6	5	–	–	3	2
S.M. Roes	10	8	–	–	–	–	6	4	–	–	3	2
S. B. Stanton	10	8	4	2	2	0	–	–	3	3	–	–

AUDITOR INDEPENDENCE

The Directors received an independence declaration from our auditors, KPMG. This declaration is included in the financial report following the auditor's report on the financial statements.

Signed in accordance with a resolution of the Directors.

J. Collins
Chairperson

W. Bird
Executive Director
Treasury and Investment Services

Sydney
Date: 16 October 2020

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
Interest revenue – effective interest method	2	34,838,862	45,702,830
Rental revenue	11	3,098,923	2,422,227
Distributions from managed fund investments	4(b)	2,136,292	2,216,526
Loss on sale of financial assets	4(a)	(12,676,776)	(3,094,659)
Fair value change on investment properties	4(a)	894,999	3,806,636
Fair value change on financial assets at fair value through profit or loss ("FVTPL")	4(a)	10,078,215	5,514,501
Trustee fees	18(e)	3,133,389	3,136,608
Sundry income		486,035	279,707
REVENUE		**41,989,939**	**59,984,376**
Finance costs	3(a)	(19,118,580)	(27,980,443)
Other expenses	3(b)	(14,019,156)	(12,241,793)
Loan impairment (expense)/reversal	6(c)	(470,385)	(97,366)
TOTAL EXPENSES		**(33,608,121)**	**(40,319,602)**
PROFIT BEFORE INCOME TAX EXPENSE		**8,381,818**	**19,664,774**
Income tax expense	5	-	-
PROFIT FOR THE YEAR		**8,381,818**	**19,664,774**
PROFIT ATTRIBUTABLE TO MEMBERS OF THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED		**8,381,818**	**19,664,774**

The Income Statement is to be read in conjunction with the notes to the financial statements.

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
Profit for the year		**8,381,818**	**19,664,774**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Loss on financial assets held at fair value through other comprehensive income ("FVOCI")	15(a)	(2,608,001)	(342,241)
Gain on cash flow hedges	15(b)	218,039	111,868
Other comprehensive income/(loss)		**(2,389,962)**	**(230,373)**
Total comprehensive income for the year		**5,991,856**	**19,434,401**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
ASSETS			
Cash and cash equivalents	19	65,180,593	43,810,943
Trade and other receivables	6	609,336,256	640,084,816
Intangible assets	7	3,430,616	3,399,651
Financial assets held at FVTPL	8	183,140,290	191,178,188
Financial assets held at FVOCI	9	239,194,244	308,072,692
Finance lease	10	5,209,252	8,309,080
Investment property	11	50,850,000	48,000,000
Derivative assets	12	14,422,125	558,290
TOTAL ASSETS		**1,170,763,376**	**1,243,413,660**
LIABILITIES			
Derivative liability	12	3,488,885	2,619,648
Payables	13	69,839,095	66,553,609
Interest bearing liabilities	14	960,997,895	1,035,794,758
TOTAL LIABILITIES		**1,034,325,875**	**1,104,968,015**
NET ASSETS		**136,437,501**	**138,445,645**
EQUITY			
Contributed capital	16(a)	100,000,000	100,000,000
Reserves	15	(602,579)	1,787,383
Retained surplus	16	37,040,080	36,658,262
TOTAL EQUITY		**136,437,501**	**138,445,645**

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Retained Surplus	Fair Value Reserve	Cash Flow Hedge Reserve	Contributed Capital	Total Equity
		$	$	$	$	$
Balance at 30 June 2018		**26,763,771**	**2,615,223**	**(597,467)**	**100,000,000**	**128,781,527**
Distribution to Synod	16	(10,000,000)	-	-	-	(10,000,000)
Profit for the year	16	19,664,774	-	-	-	19,664,774
Change on adoption of AASB9 'Financial Instruments'	6(c)	229,717	-	-	-	229,717
Other comprehensive income / (expenses) for the year	15(a) and (b)	-	(342,241)	111,868	-	(230,373)
Balance at 30 June 2019		**36,658,262**	**2,272,982**	**(485,599)**	**100,000,000**	**138,445,645**
Distribution to Synod	16	(8,000,000)	-	-	-	(8,000,000)
Profit for the year	16	8,381,818	-	-	-	8,381,818
Other comprehensive income / (expenses) for the year	15(a) and (b)	-	(2,608,001)	218,039	-	(2,389,962)
Balance at 30 June 2020		**37,040,080**	**(335,019)**	**(267,560)**	**100,000,000**	**136,437,501**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

THE UNITING CHURCH (NSW) TRUST ASSOCIATION LIMITED
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		31,738,298	40,642,313
Rent received		2,677,859	2,422,476
Income from managed fund investments		1,989,119	2,169,366
Loss from global corporate bonds		(10,634,337)	(1,445,181)
Other income		3,932,452	3,561,663
Interest paid		(20,776,427)	(30,492,921)
Payments to suppliers and employees		(13,383,778)	(12,044,372)
NET OPERATING CASH FLOWS	19	**(4,456,814)**	**4,813,344**
CASH FLOWS ROM INVESTING ACTIVITIES			
Acquisition of intangible assets		(724,625)	(2,784,956)
Payments for purchase of investments		(120,620,022)	(87,323,288)
Proceeds from sale of investments		190,906,846	269,132,783
Net decrease/(increase) of customer loans		36,580,033	(84,621,347)
Net decrease in financial lease		2,745,325	2,336,613
NET INVESTING CASH FLOWS		**108,887,557**	**96,739,805**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(8,000,000)	(10,000,000)
Net increase/(decrease) in interest bearing liabilities		(63,709,096)	(97,297,769)
NET FINANCING CASH FLOWS		**(71,709,096)**	**(107,297,769)**
NET INCREASE / (DECREASE) IN CASH HELD		32,721,647	(5,744,620)
Opening cash brought forward		32,458,946	49,555,563
CLOSING CASH CARRIED FORWARD	19	**65,180,593**	**43,810,943**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Uniting Church (NSW) Trust Association Limited (the Association) is a company limited by guarantee. The Association is domiciled in Australia with its registered office at Level 10, 222 Pitt Street, Sydney NSW 2000. This financial report is a general purpose financial report which has been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012 (Cth) and related Australian Charities and Not-for-profits Commission Regulations 2013 and Australian Accounting Standards and Interpretations.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 16 October 2020.

(b) Basis of preparation

The financial statements have been prepared on a going concern basis which assumes the orderly realisation of assets and settlement of liabilities as they fall due in the ordinary course of business.

The financial statements have been prepared on the basis of the accounting policies set out below.

The Association is a not-for-profit entity.

All amounts are presented in Australian dollars, unless otherwise noted.

(c) Changes to accounting policies

AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard where lessors continue to classify leases as finance or operating leases. AASB 16 becomes mandatory for the 30 June 2020 financial statements.

The adoption of AASB 16 has no impact on the Association's financial statements.

(d) Guaranteed capital and corporate information

The Association was incorporated as a company limited by guarantee on 26 March 1930. The objects of the Association state that it is to act for any or all purposes of the Uniting Church in Australia, Synod of NSW and the ACT ("The Synod"). The assets and income of the Association must be applied exclusively to those activities and any funds or assets which the Directors declare to be available for distribution are entirely used for The Synod.

The members do not receive any distributions or any remaining property in the event of winding up. Pursuant to the Constitution, every member has agreed to contribute, in the event of deficiency on winding up, an amount not exceeding $2. At 30 June 2020 the total of their guarantees amounted to $36 (2019: $36).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Critical accounting judgements and key sources of estimation uncertainty

In the application of Australian Accounting Standards, the Association is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the Association in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(f) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash on hand, cash at bank, and short-term deposits with a maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as FVTPL, whose transaction costs are recognised in profit or loss.

Classification and measurement

On initial recognition, the Trust classifies financial assets as measured at amortised cost, FVTPL or FVOCI.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL or FVOCI:

- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Trust are measured at FVTPL or FVOCI.

Business model assessment

The business model reflects how the Association manages financial assets in order to generate returns. This is assessed at the level which best reflects the manner in which risk and returns are managed, and information is provided to management. The factors considered in determining the business model include:

- how the financial assets' performance is evaluated and reported to management;
- how the risks within the portfolio are assessed and managed; and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial assets (continued)

- the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

The Association has determined that it has two business models:

- Held-to-collect business model: This includes cash and cash equivalents, loans and receivables and trade receivables. These financial assets are held to collect contractual cash flow.
- Other business model: This includes bond and investment portfolios, floating rate notes, asset backed securities, corporate bonds and derivatives.

Assessment of whether contractual cash flows meet the 'Solely payments of principal and interest' (SPPI) test

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Association considers whether the cashflows represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically comprises compensation for the time value of money, credit risk and other basic lending costs, such as liquidity risk and administrative costs. Where the contractual terms include exposure to risk or volatility that is consistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss.

In making the assessment, the Association considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Association's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement - debt instruments

Based on the guidance outlined above financial asset debt instruments are classified as follows:

- Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cashflows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. Cash and cash equivalents, loans and receivables and trade receivables are included in this category.
- FVOCI - This classification applies to financial assets which meet the SPPI test and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, Estimated Credit Loss (ECL) and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement. These include floating rate notes, subordinated notes, asset backed securities and corporate bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial assets (continued)

- FVTPL - Financial assets that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. The Association may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. UCTAL has elected to designate its Global corporate bond portfolio at FVTPL to match the accounting treatment of the derivative financial instruments used to hedge this portfolio.

Financial assets - equity instruments

AASB 9 requires equity instruments to be measured at FVTPL but permits non-traded equity investments to be designated at FVOCI on an instrument by instrument basis. Gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, the gains or losses may be reclassified within equity. As of 30 June 2020, the Association does not hold any equity securities.

Impairment of financial assets

A description of the key components of the Association's impairment methodology is provided below. Note that instruments valued at FVTPL or FVOCI will inherently include adjustments for credit risk when estimating their fair value.

ECL model

The ECL model applies to all financial assets measured at amortised cost, debt securities measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts not measured at fair value through profit or loss (FVTPL). The model uses a three-stage approach to recognition of expected credit losses. Financial assets migrate through these stages based on changes in credit risk since origination:

Stage 1 - 12 months ECL - Performing loans

On origination, financial assets recognise an impairment provision equivalent to 12 months ECL. 12 months ECL is the credit losses expected to arise from defaults occurring over the next 12 months.

Stage 2- Lifetime ECL- Performing loans that have experienced a significant increase in credit risk (SICR)

Financial assets that have experienced a SICR since origination are transferred to Stage 2 and recognise an impairment provision equivalent to lifetime ECL. Lifetime ECL is the credit losses expected to arise from defaults occurring over the remaining life of financial assets. If credit quality improves in a subsequent period such that the increase in credit risk since origination is no longer considered significant the exposure is reclassified to Stage 1 and the impairment provision reverts to12 months ECL.

Stage 3 - Lifetime ECL - Non-performing Loans

Financial assets in default recognise a provision equivalent to lifetime ECL. This includes assets that are considered credit impaired as well as assets that are in default but are not credit impaired.

Credit losses for financial assets in Stage 1 are assessed for impairment collectively, whilst those in Stage 2 and 3 are subjected to either collective or individual assessment of expected credit losses.

Interest revenue is recognised on gross carrying amounts for financial assets in Stage 1 and Stage 2, and gross carrying value net of impairment provisions for financial assets in Stage 3.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial assets (continued)

Significant increase in credit risk (SICR)

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition. A framework was established which incorporates quantitative and qualitative information to identify this on an asset level applying a relative assessment. Each financial asset is assessed at the reporting date on the triggers for significant deterioration. The Association assesses significant increase in credit risk using:

- forbearance status
- watch list status. Loans on the watch list are individually assessed for Stage 2 classification
- intensive care management
- internal rating
- arrears; and
- more than 30 days past due backstop for Stage 1 to Stage 2 transfers.

Definition of default

The Association uses the definition for defaulted financial assets which is used for internal risk management purposes and has aligned the definition of credit impaired under AASB 9 (Stage 3) with the definition of default for prudential purposes.

The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due. Default occurs when the borrower is more than 90 days past due on any material obligation to the Association, and/or the Association considers the borrower unlikely to make its payments in full without recourse action on the Association's part, such as taking formal possession of any collateral held.

Assets can move in both directions between Stage 1 and Stage 2, meaning that they will move back to Stage 1 or Stage 2 when the Stage 2 or Stage 3 triggers are not applicable anymore. The stage allocation is implemented in the central credit risk systems.

Macroeconomic scenarios

The Association has established a periodic process whereby forward-looking macroeconomics scenarios and probability weightings are developed for ECL calculation purposes. The Association applies data predominantly from a leading service provider. A baseline, up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. As a baseline scenario, the Association applies the market-neutral view combining consensus forecasts for economic variables such as unemployment rates, GDP growth, house prices, commodity prices, and short-term interest rates. Applying market consensus in the baseline scenario ensures unbiased estimates of the expected credit losses.

The alternative scenarios are based on observed forecast errors in the past, adjusted for the risks affecting the economy today and the forecast horizon. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The scenarios are adjusted on a quarterly basis.

Refer to Note 6 (c) for macroeconomic scenarios and probability weightings applied as at 30 June 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial assets (continued)

Measurement of ECL

The Association's expected loss models; probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), used for regulatory capital, economic capital and collective provisions provide forward-looking point in time estimates based on macroeconomic predictions and a 12 month or life time view of credit risk where needed. Lifetime features are default behaviour over a longer horizon, full behaviour after the default moment, repayment schedules and early settlements. For most financial instruments, the expected life is limited to the remaining maturity.

The Association applies a PD x EAD x LGD approach incorporating the time value of money to measure ECL. A forward-looking approach on a 12-month horizon is applied for Stage 1 assets. For Stage 2 assets a lifetime view on the credit is applied. The Lifetime Expected Loss ("LEL") is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months until maturity. For Stage 3 assets the PD equals 100% and the LGD and EAD represent a lifetime view of the losses based on characteristics of defaulted facilities.

Collectively assessed loans (Stage 1 and 2)

Loans that are collectively assessed are grouped on the basis of similar risk characteristics, taking into account loan type, industry, geographic location, collateral type, past due status and other relevant factors. The collectively assessed loan loss provision reflects:

(i) the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and

(ii) the impact of time delays in collecting principal and/or interest (time value of money).

Individually assessed loans (Stage 2 and 3)

The Association estimates individual impairment provisions for credit impaired financial assets within Stages 2 and 3. Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, one or more scenarios are used. Each scenario is analysed based on the probability of occurrence and including forward looking information.

The best estimate of loan loss is calculated as the weighted average of the shortfall (gross carrying amount minus discounted expected future cash flow using the original effective interest rate) per scenario. The expected future cash flows are based on the lending officers' best estimate when recoveries are likely to occur. Recoveries can be from different sources including repayment of the loan, additional drawing, collateral recovery, asset sale etc.

Cash flows from collateral and other credit enhancements are included in the measurement of the expected credit losses of the related financial asset when it is part of or integral to the contractual terms of the financial asset and the credit enhancement is not recognised separately. The estimation of future cash flows are subject to significant estimation uncertainty and assumptions.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, a breach of contract, probability of bankruptcy or other financial reorganisation, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial assets (continued)

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss provision. The loan loss provision for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individual loans.

For further information in respect to the current financial year refer to Note 6.

(h) Derivative financial instruments and hedging

The Association uses derivative financial instruments such as interest rate swaps and futures to manage its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains and losses arising from changes in the fair value of derivatives, except for those that qualify as hedging instruments in cash flow hedges, are taken directly to the profit or loss for the year. For cash flow hedges, the portion of gains and losses on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

The fair value of interest rate swap and futures contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

(i) fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability

(ii) cash flow hedges when they hedge the exposure to variability in cash flow that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction

At the inception of a hedge relationship, the Association formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flow attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) Derivative financial instruments and hedging (continued)

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

i. Fair value hedges

Fair value hedges are hedges of the Association's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect surplus. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit or loss. The changes in the fair value of the hedging instrument are also recognised in the profit or loss.

The Association discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Association revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. Receipts and payments are recognised as interest received and interest paid respectively.

ii. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Association revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(i) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its sale. Any gains

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Investment properties (continued)

or losses on the retirement or sale of an investment property are recognised in the profit or loss in the year of retirement or sale.

Investment properties that meet the criteria to be classified as an asset held for sale are transferred from investment property and stated at fair value.

(j) Interest-bearing financial liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Fixed and floating rate loans and borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the liability using the effective interest method.

Investments are measured at the amortised cost amount due to Uniting Church Organisations. Bills of exchange are carried at the principal amount plus deferred interest.

(k) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Association prior to the end of the financial year that are unpaid and arise when the Association becomes obliged to make future payments in respect of the purchase of these goods and services. Standard payment terms range between seven and thirty days, with interest usually not charged on late payments.

(l) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Association has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) Interest income
Interest 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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(n) Income tax

The Association is exempt from income tax.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss at amortised cost.

(p) Distribution of profits

In accordance with the Constitution, the Directors are empowered to determine the available profits for the benefit of The Synod.

(q) Intangible assets

The intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software – 16.67%
Mobile Application Design and Development – 33%
Website Development – 33%

	Note	2020	2019
		$	$
2. Interest revenue using the effective interest rate method			
Financial assets at FVOCI		6,184,423	12,639,525
Cash and cash equivalents		671,462	1,019,019
Finance lease		537,213	746,820
Financial assets at FVTPL		2,637,846	2,930,204
Other loans and receivables		24,807,918	28,367,262
Total interest from effective interest rate method		**34,838,862**	**45,702,830**

3.(a) Finance costs

		2020	2019
Interest expense on investments from related parties		(17,036,398)	(27,669,554)
Realised interest expense on swaps		(284,871)	(279,347)
Futures execution fees		(18,140)	(20,196)
Interest on bank loans		(1,779,171)	(11,346)
Total finance costs		**(19,118,580)**	**(27,980,443)**

3.(b) Other expenses

		2020	2019
Administrative fees		(5,876,133)	(4,882,601)
Outsourced administrative fees to related party		(5,395,549)	(4,703,189)
Investment property expenses		(1,715,637)	(1,670,956)
Commission on commercial loans		(1,031,837)	(985,047)
Total other expenses		**(14,019,156)**	**(12,241,793)**

4. Profit/(loss) for the year

4.(a) Gains and (losses)

Profit for the year has been arrived at after crediting/(charging) the following gains and (losses):

		2020	2019
Loss on sale of financial assets at FVTPL		(12,676,776)	(3,094,659)
Fair value change of investment properties		894,999	3,806,636
Fair value change on financial assets at FVTPL		10,078,215	5,514,501
		(1,703,562)	**6,226,478**

4. Profit / (loss) for the year (continued)

4.(b) Income and expenses relating to financial instruments

Profit for the year includes the following income and expenses arising from the carrying amounts of the financial instruments (other than derivative instruments in an effective hedge relationship). The following line items combine income and expenses attributable to continuing operations:

	Note	2020	2019
		$	$
Financial assets at FVOCI:			
- Interest revenue	2	6,184,423	12,639,525
		6,184,423	**12,639,525**
Cash and cash equivalents			
- Interest revenue	2	671,462	1,019,019
		671,462	**1,019,019**
Other loans and receivables			
- Interest revenue	2	24,807,918	28,367,262
- Reversal/(expense) for loan losses	6(c)	(470,385)	(97,366)
		24,337,533	**28,269,896**
Financial assets carried at FVTPL:			
- Distributions from managed funds investments		2,136,292	2,216,526
- Gain on sale of financial assets carried at FVTPL	4(a)	(12,676,776)	(3,094,659)
- Fair value change of financial assets carried at FVTPL	4(a)	10,078,215	5,514,501
		(462,269)	**4,636,368**
Finance lease:			
- Interest revenue	2	537,213	746,820
		537,213	**746,820**
Financial liabilities at amortised cost:			
- Interest expense	3(a)	18,815,569	27,980,443
		18,815,569	**27,980,443**

5. Income tax

The Association is exempt from income tax.

6. Trade and other receivables

	Note	2020 $	2019 $
Loans to other persons (secured) *		494,706,271	522,772,460
Loans to related parties **		103,423,016	106,550,424
Loans to clergy & laity (secured)		3,709,256	3,613,100
Loans to clergy & laity (unsecured)		424,059	906,651
		602,262,602	633,842,635
Deduct loan loss provision	6(a)	(1,387,957)	(917,572)
Sundry debtors and income receivable		8,461,611	7,159,753
Total trade and other receivables		**609,336,256**	**640,084,816**

* Loans to other persons include $44,000,000 (2019: $39,000,000) exposure allocated to Uniting Financial Services Ethical Diversified Fund for which the Association is the Trustee. As the allocated exposure does not meet the assets derecognition criteria, the Association continues to recognise the assets with a corresponding liability recorded in payables.
** Loans to related parties of the Uniting Church are guaranteed by The Synod in the name of The Uniting Church in Australia Property Trust (NSW).

All secured loans are secured by first mortgage over properties.

6.(a) Impaired loans

	2020	2019
Loans	-	-
Less specific impairment provisions	-	-
Net impaired loans	**-**	**-**

Total loan loss provision is comprised only of a collective provision $1,387,957 (2019: The total loan loss provision was comprised only of collective provision of $917,572).

6.(b) Loans past due

Loans past due	Number of loans	Total arrears amount $*	Total loan amount $	Total collateral amount $	Average Loan to Value ratio
Between 30 - 90 days	3	22,125	4,392,500	6,818,500	64.42
Greater than 90 days	3	444,334	11,055,000	19,050,000	58.03
Deferral due to COVID-19	10	87,970	18,151,000	32,305,000	56.19

*amounts in arrears have been capitalised

Loans which are 90 or more days past due are not classified as impaired loans as the estimated net realisable value of the security is sufficient to cover the repayment of all principal and interest amounts due. No losses are anticipated from these loans as they are adequately secured.

6.(c) Movement in loan loss provision

	2020	2019
Balance at beginning of year	917,572	1,049,923
Adjustment on application of AASB9 on 1 July 2018	-	(229,717)
Increase in provision	470,385	97,366
Balance at end of year	**1,387,957**	**917,572**
Increase in provision	470,385	97,366
Loan loss provision/(reversal)	**470,385**	**97,366**

6.(c) Movement in loan loss provision (continued)

The collective loan loss provisions increased by $470,385 (2019: $97,366) during the year mainly due to updates made to the forward-looking inputs, economic overlays and scenario weightings applied to the ECL model. The significant deterioration in economic outlook as a result of the COVID-19 pandemic has resulted in an increased weighting to the downside macroeconomic scenarios within the collective loan loss provisions (refer Note 1(g) for further details on policies and methodology applied).

As at 30 June 2020, the modelled provision for ECL is a probability weighted estimate based on three scenarios which together are representative of the Association’s forward looking assessment of potential loss outcomes.

Refer to Note 1(g) for details in respect to the baseline scenario.

The down-scenario estimates the ECL provision using default and loss rates observed during recessionary periods. The periods utilised include 1990-91 and 2008-2009. Management has determined these most recent recessionary periods are most applicable when estimating the current downside outlook for the next 12 months. The assumptions will be monitored and compared to emerging economic conditions and updated on go forward basis, as necessary.

The upside scenario represents a modest improvement to the base case, however considering the current economic outlook no probability weightings have been made to this scenario set for the loan loss provisioning assessment as at 30 June 2020.

Further to the modelled provision applied for the year ended 30 June 2020, the Association has undertaken a review of multiple sensitivity scenarios to assist in the assessment of the most appropriate parameters applicable for the Association’s loan loss provisioning.

The following sensitivity table shows the reported loan loss provision based on the probability weighted scenarios and what the loan loss provisions would be assuming a 100% weighting is applied to the baseline case scenario and to the down scenario (with all other assumptions, including customer risk grades, held constant).

Macroeconomic scenario Weightings	Expected Credit Loss ($)
100% baseline	881,000
Reported probability weighted provision*	1,387,957
100% down	1,894,914

*Modelled loan loss provision reported for the year ended 30 June 2020

The reported provision takes a 50% base case, 25% down scenario utilizing loss rates from 1990-91 and 25% down scenario utilizing loss rates from 2008-2009.

Total loan balance for Stage1 assets are $479,528,771 and for Stage 2 assets are $15,447,500.

The Association had 3 loans with arrears greater than 90 days at 30 June 2020 aggregating to arrears of $444,334 (refer note 6(b)). These loans have been assessed as Stage 2 assets and have been subjected to lifetime probability weighted discounted cashflow analysis comparing the ‘contracted’ position (i.e. had the loans progressed with no arrears) to the ‘expected’ position.

Based on the assessment of expected cash flows from these loans, including sale of the underlying security, there was no expected shortfall when compared to the loan carrying value. Accordingly, no specific provisioning has been recognised for the stage 2 loans as at 30 June 2020 and the loans are not considered impaired.

6.(c) Movement in loan loss provision (continued)

The following table shows the movement of provision balances between various stages of expected credit losses as prescribed in AASB 9.

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loan Loss provision at 01 July 2018*	**820,206**	**-**	**-**	**820,206**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Business activity during the year	-	-	-	-
Net Measurement of provision for ECL	97,366	-	-	97,366
Write-offs	-	-	-	-
Loan Loss provision at 30 June 2019	**917,572**	**-**	**-**	**917,572**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(43,340)	43,340	-	-
Transfers to Stage 3	-	-	-	-
Business activity during the year	-	-	-	-
Net Measurement of provision for ECL	470,385	-	-	470,385
Write-offs	-	-	-	-
Loan Loss provision at 30 June 2020	**1,344,617**	**43,340**	**-**	**1,387,957**

*Includes a $229,717 remeasurement adjustment on adoption of the AASB9 accounting standard

As at 30 June 2020 3.67% of the loan portfolio by value has requested interest deferrals compared to circa 17% for top 20 ADIs (Source: APRA - Temporary loan repayment deferrals due to COVID-19, June 2020, Published 4 August 2020). Interest deferrals have been capitalized into the loan balances and are not considered as arrears by the Association.

The following table shows the commercial lending portfolio's exposure to different industry sectors.

Sector	Weight 2020 %	Weight 2019 %	Loan Balance 2020 $	Loan Balance 2019 $	Loan Loss Provision 2020 $	Loan Loss Provision 2019 $
Retail Premises	14.60	17.07	72,215,730	89,245,049	202,642	156,630
Commercial	40.18	37.40	198,763,670	195,512,623	557,680	343,172
Residential	24.32	23.61	120,378,867	123,426,314	337,551	216,639
Office	1.83	2.45	9,043,634	12,814,078	25,400	22,481
Vacant Land	2.60	2.48	12,838,293	12,942,420	36,087	22,756
Industrial	16.47	16.99	81,466,077	88,831,976	228,597	155,894
Total	**100.00**	**100.00**	**494,706,271**	**522,772,460**	**1,387,957**	**917,572**

7. Intangible assets

	Note	2020 $	2019 $
Computer software			
At cost		4,161,945	7,507,863
Accumulated amortisation		(731,329)	(4,108,212)
Net carrying amount		3,430,616	3,399,651
Total intangible assets		**3,430,616**	**3,399,651**

8. Financial assets carried at FVTPL

	Note	2020 $	2019 $
Global corporate bond portfolio	8(a)	99,028,048	105,560,796
Altius Sustainable Bond Fund	8(b)	30,861,000	30,927,000
Uniting Financial Services Ethical Australian Equity Fund	8(c)	14,704,444	15,226,361
GDI Office Trust	8(d)	2,028,000	2,522,000
High Income Sustainable Office Trust	8(e)	22,767,845	22,748,169
AMP Capital Diversified Infrastructure Trusts	8(f)	13,750,953	14,193,862
Total financial assets carried at FVTPL		**183,140,290**	**191,178,188**

8.(a) Global Corporate Bond Portfolio

The Association invests in a global corporate bond portfolio that is currently managed by Omega Global Investors Pty Limited. The strategy is designed to deliver a currency hedged exposure to investment grade global corporate bonds aligned to the Association's Ethical Investment Principles. Investments continued to be held throughout the year.

8.(b) Altius Sustainable Bond Fund

The Altius Sustainable Bond Fund (the "Fund") is an Australian fixed interest fund that invests in securities issued by institutions and companies which conduct their business and apply capital in a manner that is consistent with the Association's Ethical Investment Principles. The Fund's distributions are payable quarterly in arrears. The investment continued to be held throughout the year.

8.(c) Uniting Financial Services Ethical Australian Equity Fund

The Uniting Financial Services Ethical Australian Equity Fund (the "Equity Fund") invests in a portfolio of Australian shares of companies that conduct their business and generate profits in a manner that is consistent with the Association's Ethical Investment Principles, with attractive dividends and associated franking credits. The investment continued to be held throughout the year.

8.(d) GDI Office Trust

The GDI No 33 Brisbane Office Trust (the "GDI Office Trust") aims to provide investors with a high yielding property investment, all of which will be provided from net income generated by the assets. The GDI Office Trust's distributions are payable quarterly in arrears and it is anticipated by the Trust's manager that there will also be some capital value appreciation over the life of the GDI Office Trust. The investment continued to be held throughout the year.

8. Financial assets carried at FVTPL (continued)

8.(e) High Income Sustainable Office Trust ("HISOT")

HISOT is a managed investment scheme that targets high returns by acquiring Australian office assets with opportunity for repositioning in their markets. HISOT focuses on improving the energy efficiency of the office assets to at least 4.5 star NABERS. The Association was invested in the High Income Sustainable Office Trust ("HISOT") throughout the year.

80% of the Association's exposure, $18,214,276 (2019:18,158,059), has been allocated to the Uniting Financial Services Ethical Diversified Fund for which the Association is the Trustee. As the allocated exposure does not meet the assets derecognition criteria, the Association continues to recognise the assets with a corresponding liability recorded in payables.

8.(f) AMP Capital Diversified Infrastructure Trusts

The AMP Capital Diversified Infrastructure Trusts (the "Trusts") invest in a diversified portfolio of infrastructure assets that aim to generate stable long-term returns. The Trusts primarily target mature unlisted infrastructure assets in Australia and New Zealand with diversified exposure to transport links (e.g. roads and railways), transport nodes (e.g. airports and ports), energy and utilities (e.g. electricity, gas and water) and social infrastructure (e.g. health and education). Environmental, social and governance policies are used to guide investment decisions and ongoing management of the portfolio. The Association invested into the Trusts on 1 August 2017.

	2020	**2019**
	$	**$**
9. Financial assets at FVOCI		
Floating rate notes and subordinated notes	203,925,591	256,716,067
Asset backed securities	35,268,653	35,905,825
Corporate bonds	-	15,450,800
Total FVOCI Assets	**239,194,244**	**308,072,692**

10. Finance Lease

Finance lease	5,209,252	8,309,080
Total Finance lease	**5,209,252**	**8,309,080**

Finance lease represents the value of a rental contract expiring in 2022. The rent will be increased annually by the higher of 3% or CPI. Rental payments received are allocated between interest revenue and reduction of the asset with the interest revenue calculated using an implicit interest rate of 8%, and recognised directly in profit or loss.

Minimum lease payments receivable at reporting date were due:		
- not later than one year	2,462,915	1,740,671
- later than one year and not later than five years	2,746,337	6,568,409
Total Finance leases	**5,209,252**	**8,309,080**

11. Investment property	**2020** **$**	**2019** **$**
Rental Revenue	3,098,923	2,422,227
Total Rental Revenue	**3,098,923**	**2,422,227**
Carrying amount at beginning	48,000,000	38,500,000
Capital expenditure	1,955,001	5,693,364
Fair value adjustment	894,999	3,806,636
Total investment property	**50,850,000**	**48,000,000**

The commercial property investments held by the Association comprises two freehold properties with a combined value of $50,850,000.

The Association’s policy for the valuation of its commercial properties is for external valuations to be performed at least once every three years for each property. The following is a summary of how each of the valuations were derived:

1) 119 Charlotte St, Brisbane: valuation of $50,000,000 based on external valuation obtained as at 30 June 2020 by Craig Clayworth of Colliers International Valuation & Advisory Services (QLD) Pty Limited. Operating costs during 2020 was $1,657,174 (2019: $1,623,733).

2) Lots 1 & 2, Hunter Economic Zone (HEZ): Valuation of $850,000 based on external valuation obtained from Tew Property Consultants as of 13 July 2020. Operating costs during 2020 was $58,463 (2019: $47,223).

The current economic climate and the impacts of the COVID-19 pandemic in the medium to long term are uncertain. In response to this the Association independently valued all Investment Property assets at 30 June 2020. These valuations were undertaken having regard to the following factors:

- a best estimate of the impacts of COVID-19 using the information available at reporting date and including forward looking assumptions.
- in the event that the COVID-19 impacts are more severe or prolonged, then there may be a more adverse impact on the Association's investment properties.
- market evidence for the key valuation assumption changes (as included below) has been difficult to obtain for the independent valuers on the basis that there has been limited transactional activity in light of COVlD-19.
- the valuations have been prepared in accordance will, the fair value principles outlined in AASB 13 Fair value measurement, which assumes a price that would be paid in an orderly transaction between market participants.

The independent valuations contained material uncertainty clauses given COVID-19 and the limited transactional activity. The valuations can be relied upon at the valuation date, however there is a higher degree of uncertainty than normally assumed.

	Note	2020 $	2019 $

12. Derivatives

Foreign currency contract asset		14,442,125	558,290
Total derivative assets		**14,442,125**	**558,290**
Futures liabilities		(139,208)	(398,468)
Foreign currency contract liabilities		(3,082,117)	(1,735,581)
Liability on interest rate swap		(267,560)	(485,599)
Total derivative liabilities		**(3,488,885)**	**(2,619,648)**

The majority of the increment in the cash flow hedge reserve per Note 15(b) of $218,039 relates to interest rate swap against the finance lease referred to in Note 10 where a commensurate unrecognised benefit is expected over the life of the asset.

13. Payables

Creditors and accruals		7,624,819	9,395,550
Allocation of financial assets to the Uniting Financial Services Ethical Diversified Fund		62,214,276	57,158,059
Total payables		**69,839,095**	**66,553,609**

14. Interest bearing liabilities

Investments from related parties:			
Investments from church organisations		761,583,014	857,782,606
Investments from The Uniting Church in Australia Property Trust NSW		109,914,881	118,512,152
Subordinated debt instrument	14(a)	30,000,000	-
Bank loan and credit facilities	14(b)	59,500,000	59,500,000
Total Interest-bearing liabilities		**960,997,895**	**1,035,794,758**

14.(a) Subordinated debt instrument

On 12 December 2019, the Association issued Subordinated Floating Rate Notes (the “Notes”) worth $30,000,000 maturing on 12 December 2029. The Notes are categorised as SDG Bonds and are aligned with The United Nations’ Sustainable Development Goals.

14.(b) Interest bearing liabilities

Bank loan facility was arranged with ANZ Banking Group Limited (“ANZ”) commencing 23 December 2019, reviewed and renewed annually. The facility is guaranteed by UCTAL and The Property Trust.

Facility A – Line of credit facility limit*		59,500,000	59,500,000
Less Limit Used		59,500,000	59,500,000
Limit Available		-	-

*Facility A means the A$59,500,000 revolving cash advance facility provided to UCTAL
[#]Subsequent to year end, on 3 July 2020 a commitment for an additional ANZ Facility line of $100m was secured by the Association (maturing on 03 July 2021).

	Note	2020 $	2019 $
15. Reserves			
FVOCI revaluation reserve	15(a)	(335,019)	2,272,982
Hedging contracts revaluation reserve	15(b)	(267,560)	(485,599)
Total Reserves		**(602,579)**	**1,787,383**
15.(a) FVOCI revaluation reserve			
- Balance at the beginning of the year		2,272,982	2,615,223
- Net increment/(decrement) for the year		(2,608,001)	(342,241)
- Balance at the end of the year		**(335,019)**	**2,272,982**
15.(b) Cash flow hedge reserve			
- Balance at the beginning of the year		(485,599)	(597,467)
- Net increment for the year		218,039	111,868
- Balance at the end of the year		**(267,560)**	**(485,599)**

16. Retained surplus

	2020 $	2019 $
Balance at the beginning of the year	36,658,262	26,763,771
Adjustment to loan loss provision on application of AASB9 Financial Instruments on 1 July 2018	-	229,717
Net increment for the year	8,381,818	19,664,774
Total available for appropriation	45,040,080	46,658,262
Distribution paid to the Synod during the year	(8,000,000)	(10,000,000)
Balance at the end of the year	**37,040,080**	**36,658,262**

16.(a) Contributed Equity

	2020 $	2019 $
Balance at the beginning of the year	100,000,000	100,000,000
Net increment/(decrement) for the year	-	-
Balance at the end of the year	**100,000,000**	**100,000,000**

There were no dividend payments for the 12 months ended 30 June 2020 (2019: Nil).

17.(a) Contingent assets and liabilities

Contingent liabilities in respect of bank guarantees provided amounted to $1,795,208 at 30 June 2020 (2019: $1,882,235). The Association has entered into a Corporate Card facility with ANZ for the purpose of expense management for entities within the Uniting Church in Australia. Contingent liabilities in respect of amounts payable by Uniting Church entities using the Corporate Card Facility totaled $1,050,754.29 at 30 June 2020 (2019: $1,225,225).

Contingent liabilities in respect to credit commitments arising from Transaction Negotiated Authority ("TNA") limits on Westpac banking facilities operated by the Association for its customers amounted to Nil at 30 June 2020 (2019: $200,000). Collateral held in customer accounts as at 30 June 2020 is $1,033,050 (2019: $1,786,397). This relates to the operation of the TNA facilities exceeding these credit commitments.

There were no contingent assets held by the Association as at 30 June 2020.

17.(b) Capital commitments

There are no material capital commitments at 30 June 2020.

18. Related party disclosures

(a) The Directors of the Association during the year are listed in Note 23(a).

(b) Transactions with other Uniting Church Bodies

The Association loans funds to and receives funds from other bodies within the Uniting Church. These transactions are conducted on an arm's length basis under normal commercial terms and conditions and are disclosed in Notes 6 and 14.

All loans to related parties are issued at prevailing market interest rates.

The Association is charged by Synod Property Board of The Uniting Church in Australia, Synod of New South Wales and the ACT a fee for management services, the provision of staff and services for its operations. These transactions are conducted under normal commercial terms and conditions. The amount charged for the year ended 30 June 2020 was $5,085,420 (2019: $4,393,628).

(c) No Directors of the Association have become entitled to receive a benefit by reason of a contract made by the Association with a company in which these Directors have interests, directly or indirectly.

(d) Director related entity transactions - investment services.
Personal investment accounts are held by Directors with the Association and are conducted on an arm's length basis in the ordinary course of business and on commercial terms and conditions. These transactions were domestic in nature.

(e) Trustee of Trusts
The Uniting Church (NSW) Trust Association Limited is the trustee of the Uniting Financial Services Ethical Australian Equity Fund ("Equity Fund") and Uniting Financial Services Ethical Diversified Fund ("UFS Ethical Diversified Fund").

Both the Uniting Church (NSW) Trust Association Limited (refer Note 8) and UFS Ethical Diversified Fund hold units of the Equity Fund. These investments are authorised by the Directors of the Association and in accordance with the Trust Deed of the UFS Ethical Diversified Fund.

		2020			2019		
Entity	Relationship	No. of units	% of units on issue	Distributions paid / payable	No. of units	% of units on issue	Distributions paid / payable
		('000)		$	('000)		$
UFS Australian Ethical Equity Fund	Trustee	14,183	9.74	344,306	14,183	8.47	489,721
UFS Ethical Diversified Fund	Fund with the same Trustee	123,381	84.76	3,129,703	145,463	86.85	4,956,101
Total		137,564	94.50	3,474,010	159,646	95.31	5,445,822

During the year, the Association charged trustee fee of $3,133,389 (2019: $3,136,608) to the funds.

During the year, the Association allocated $5,000,000 (2019: $Nil) exposure to its loans to other persons and Nil (2019: $9,263,739) of its investment in HISOT to the UFS Ethical Diversified Fund. As at 30 June 2020, the closing balance allocated is $44,000,000 (2019: $39,000,000) for loans to other persons and $18,214,276 (2019: $18,158,059) for investment in High Income Sustainable Office Trust.

18. Related party disclosures (continued)

These allocations do not satisfy the derecognition criteria for financial assets. As a result, the Association continues to recognise these exposure as financial assets and record a corresponding liability as payables. Refer to Note 6, 8 and 13 for details. Interest income in relation to the allocated exposure is $1,546,034 (2019: $1,783,554) and is included in the interest income for the Association. A corresponding interest expense is also included as the interest expense of the Association.

Balances with related parties are disclosed in the relevant notes to the financial statements.

19. Cash flow from operating activities

	2020 $	2019 $
(i) Reconciliation of cash and cash equivalent		
Cash balance made up of:		
Cash and cash equivalents	65,180,593	43,810,943
Cash balance per Statement of Cash Flows	**65,180,593**	**43,810,943**
(ii) Reconciliation of cash flows from operating activities		
Profit/(loss)	8,381,818	19,664,774
Adjustment for:		
Amortisation of intangible assets	693,660	278,156
(Decrease) in loan loss provision	470,384	97,366
(Profit)/loss on sale of other financial assets	(497,954)	(1,394,585)
Decrement/(Increment) of fair value on financial assets	(10,078,215)	(5,514,501)
Decrement/(Increment) of fair value on investment properties	(894,999)	(3,806,636)
Changes in:		
Trade and other receivables	937,907	(426,183)
Trade and other payables	(3,967,369)	(4,085,047)
Net cash from operating activities	**(4,456,814)**	**4,813,344**

20. Reconciliation of liabilities arising from financing activities

	Opening $	Cash flows $	Closing $
2020			
Investments from church organisations	857,782,606	(96,199,592)	761,583,014
Investments from The Uniting Church in Australia Property Trust (NSW)	118,512,152	(8,597,271)	109,914,881
Bank loan and credit facilities	59,500,000	-	59,500,000
Subordinated notes	-	30,000,000	30,000,000
Total liabilities from financing activities	**1,035,794,758**	**(74,796,863)**	**960,997,895**
2019			
Investments from church organisations	1,020,715,317	(162,932,711)	857,782,606
Investments from The Uniting Church in Australia Property Trust (NSW)	112,377,213	6,134,939	118,512,152
Bank loan and credit facilities	-	59,500,000	59,500,000
Total liabilities from financing activities	**1,133,092,530**	**(97,297,772)**	**1,035,794,758**

21. Auditors' remuneration	**2020**	**2019**
	$	**$**
Audit of the financial statements and AFSL	197,020	210,000
Internal audit	211,150	192,936
	408,170	**402,936**

22. Subsequent Events

The COVID-19 outbreak has continued to impact the Australian community. Since the reporting date, the number of infections has increased significantly in Victoria with small spikes in cases also seen in NSW. Measures taken by the Australian government and local State governments to contain the virus and reduce economic hardship continue to impact the wider economy and the Association's business. Since the reporting date, there has been no material impact on the carrying value of the Association's assets based on the information available as of the date of this report. The level of hardship loan repayment deferral requests and subsequent approvals have also declined substantially since reporting date.

Other than disclosed above, there has not arisen in the interval between the end of this financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to significantly affect the operations of the Association, the results of operations, or the state of the affairs of the Association in future financial year.

23. Director and Executive Disclosures

(a) Details of Key Management Personnel

(i) Directors

J. Collins	Chairperson (non-executive)
C. A. Feldmanis	Director (non-executive) (resigned 31 July 2020)
J. C. Fry	Director (non-executive)
K.V. Hawkins	Director (non-executive)
P. Mazzola	Director (non-executive)
J. P. Masters	Director (non-executive)
S. B. Stanton	Director (non-executive)
S. Roes	Director (non-executive)
C. Lee	Director (non-executive)
W. J. Bird	Director (Executive)

(ii) Executives

W.J. Bird	Executive Director, Treasury and Investments
J. McComb	Head of Strategy, Projects and Operations
M. Moore	Head of Ethical Investments
L. Johnson	Head of Partner Solutions and Support
I. Perry	Chief Financial Officer (appointed as Company Secretary 1 September 2020)
M. Noakes	Head of Risk and Compliance
M. Kapota	Company Secretary (resigned 1 September 2020)

23. Director and Executive Disclosures (continued)

(b). Compensation of Key Management Personnel

Year	Number	Salary & Fees $	Non-monetary Benefits $	Superannuation $	Termination Benefits $	Total $
30 June 2020	15	1,702,632	171,999	176,435	-	2,051,066
30 June 2019	16	1,706,183	147,569	161,148	-	2,014,900

24. Financial Risk Management

The Association's investing activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

A risk management framework has been established by Management of the Association to monitor progress towards strategic goals and to minimise risks in its investment activities. This framework incorporates a regular assessment process to ensure procedures and controls adequately manage the investment activities.

The Association uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of currency risk, interest rate risk and price risk, and credit ratings analysis for credit risk.

While the COVID-19 pandemic has caused uncertainty and market volatility during the period, the Association has continued to follow its established policies and process (as set out in this note) in managing risk and determining the value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation. Adjustments to the ECL model used for Loans in response to COVID-19 has been disclosed in note 6.

24.(a) Capital risk management

Capital risk refers to the risk of loss of capital value. The Association manages its capital to ensure that it will be able to continue as a going concern, while optimising returns relative to risk to stakeholders. The capital structure of the Association consists of debt, including the interest-bearing liabilities disclosed in Note 14, and equity as disclosed in Note 16. The Association reviews the capital structure and capital adequacy regularly.

24.(b) Financial risk management objectives and policies

The main risks arising from the Association's financial instruments are market risk (including interest rate risk, currency risk and other price risk), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Association uses interest rate swaps and futures as derivative transactions to assist in managing the interest rate risks arising from the Association's operations and its sources of finances. Throughout the period under review, the Association continued its policy that no speculative trading in derivative transactions shall be undertaken.

24. Financial Risk Management (continued)

24.(c) Market Risk

General market movements create the risk that the value of an investment may decrease. The Association's interest rate sensitivity is measured using value-at-risk (VaR). In addition to this the Association uses an asset

liability optimisation model to stress test the balance sheet under a number of different economic scenarios. There has been no change to the manner in which the Association monitors and measures its exposure to market risk. The Association manages its market risk exposures in accordance with strategic asset allocation target ranges which are reviewed regularly, taking into account estimates of extreme loss probabilities.

24.(d) Interest rate VaR analysis

The VaR risk measure estimates the potential loss in profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account interest rate market volatilities as well as risk diversification by recognising offsetting positions and correlations between products. Risks can be measured consistently across all products, and risk measures can be aggregated to arrive at a single risk number. The 20-day 99% VaR number used by the Association reflects the 99% probability that the 20-day loss will not exceed the reported VaR.

VaR methodologies employed to calculate the risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

VaR captures the Association's exposure under normal market conditions. Sensitivity and scenario analysis, in conjunction with stress testing, are used to add insight to the possible outcomes under abnormal market conditions. The Association assesses various stress scenarios to measure the impact on portfolio values of extreme moves in interest rate markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that interest rates move adversely at the same time and that no actions are taken during the stress events to mitigate risk.

Historical VaR	Average		Minimum VaR Limit		Maximum VaR Limit		Year-end VaR	
(99%, 20-day holding period)	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Total VaR exposure	370	228	-	-	2,731	2,769	376	195

24.(e) Cash flow interest rate risk

Cash flow interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Association's exposure to the risk of changes in market interest rates relates primarily to the Association's short-term debt and investment obligations with a floating interest rate. Where there is a mismatch in the offsetting positions of its short-term interest-bearing asset and liabilities, the Association primarily uses futures to convert the variable interest rate of this short-term debt and investment obligations to short term fixed interest rates. The futures are entered into with the objective of reducing the risk of rising interest rates so as to maintain the net interest margin.

The Association is also exposed to the risk of changes in market interest rates in respect of a finance lease. The Association has used an interest rate swap to hedge the interest rate risk with a view to maintaining the net interest margin over the life of the finance lease.

24. Financial Risk Management (continued)

24.(f) Interest rate risk management

Interest rate risk is the risk that a financial instrument's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The Association is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

The Association manages this risk by maintaining an appropriate mix between fixed and floating rate assets and by the use of interest rate futures and swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied. The Association's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

24.(f)(i) Futures contracts

The Association holds long 90-day AUD bank bill futures contracts with a Nil notional value (2019: $50M) and with a fair value gain of Nil (2019: gain of $98,393). The Association also has net short exposure of $49.3M (2019: net short exposure of $48.4M) in foreign currency denominated futures contracts under the global corporate bonds mandate with a fair value loss of $146,451 (2019: fair value loss of $496,862).

24.(f)(ii) Interest rate swap contracts

Under the interest rate swap contracts, the Association has agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Association to mitigate the risk of changing interest rates on the cash flow exposures on the finance lease.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contracts and are disclosed below. The average interest rate is based on the outstanding balances at the start and end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2020 %	2019 %	2020 $	2019 $	2020 $	2019 $
Less than 1 year	-	-	-	-	-	-
1 to 2 years	5.00	5.00	5,850,403	8,252,167	(267,560)	(485,599)
2 to 5 years						
5 years +	-	-	-	-	-	-
	5.00	5.00	5,850,403	8,252,167	(267,560)	(485,599)

24. Financial Risk Management (continued)

24.(g) Currency risks

Currency risk arises when the fair value or future cash flows from securities denominated in foreign currency fluctuate due to changes in exchange rates. The Association's exposure to currency risk is via its investment in the Global Corporate Bond Portfolio ("the Portfolio"). The Association, via its investment manager, hedges this exposure by taking out foreign exchange forward contracts to hedge the Portfolio back to AUD. These forward contracts preserve the valuation of financial assets and liabilities held within the Portfolio against variations in the exchange rates. The Association does not designate any derivatives as hedges, and hence these derivative financial instruments are classified at fair value through profit or loss. Future currency movements, all other variables remaining constant, will have no material impact on the value of the securities denominated in foreign currency.

24.(h) Other price risks

Price risk refers to the risk of a decline in the value of a security or a portfolio. The Association is exposed to listed equities through its investment in the Equity Fund and is therefore exposed to price risks. The Association's risk appetite and hence allocation to managed investment funds recognises the inherent risk of price volatility.

24.(i) Sensitivity analysis

The sensitivity analysis estimates the sensitivity of the listed equity investments and listed options to market risk. The sensitivity rate is based on management's best estimates of a reasonably possible movement in the market price, having regard to historical correlation of the investments with the relevant benchmark and volatility.

At the reporting date, an increase of the market prices by 10% would have increased the value of the investments by approximately $1.5M (2019: $1.5M). A decrease of the market prices by 10% would have decreased the value of the investments by approximately $1.5M (2019: $1.5M). This analysis assumes that all other variables remain constant.

24.(j) Liquidity risk

Liquidity risk is the risk that a given asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit). The Association is exposed to liquidity risk primarily associated with meeting obligations in respect of interest-bearing liabilities and managing daily investment and operational needs. The Association maintains an appropriate level of high-quality liquid assets to meet its liquidity requirements including those stated in its AFSL.

In response to economic uncertainties and volatility in the financial markets caused by COVID-19, the Association has taken a number of measures to manage the increased liquidity risk.

Management has been actively engaging with the holders of the Association's interest-bearing liabilities to understand funding requirements. In addition, the Association as part of its asset allocation process has been maintaining cash holdings at higher than historical levels to meet any unanticipated funding and investor needs. The Association has also undertaken certain pricing initiatives in respect to the holders on its interest-bearing liabilities

In addition, alternative funding options have been reviewed and assessed to strengthen the Association's liquidity and increase resilience of the balance sheet, some of which are in the early stages of exploration and execution and include the following amongst other items:

- Additional Bank Facility lines

24. Financial Risk Management (continued)

24.(j) Liquidity risk (continued)

- Capital Markets Debt Issuances and obtaining a related external credit rating from a reputable rating agency
- Securitisation of the certain loan assets
- Ethical and ESG Fixed Term Investment

Specifically, in relation additional bank facilities, on 3 July 2020 the Association entered into a commitment for an additional bank facility line of $100m with the ANZ Banking Group Limited. To date, all financial covenants in respect to the loan facility with ANZ have been met.

Participation in government programs

In response to COVID-19, both federal and state governments have legislated a number of economic stimulus measures. The Association has participated in some of these programs as outlined below:

JobKeeper Payment

The JobKeeper payment scheme was announced on 30 March 2020 as a temporary subsidy for businesses impacted by COVID-19. Charities registered with the ACNC were eligible if they had experienced a 15 percent decline in turnover (excluding government revenue). The Association qualified for the JobKeeper payments. The payment of $1,500 per fortnight for each eligible employee is currently being received.

Total JobKeeper support during the period were $252,000. The scheme has since been extended to 28 March 2021 at a lower rate of $1,200 per fortnight for each eligible employee from 28 September 2020.

Cash flow Boost

Eligible businesses and not-for-profit organisations received temporary cash flow boost as support for small and medium enterprises. The Association qualified for $100,000 in cash flow boost payment, $50,000 was received in this financial year and $50,000 will be received by 31 October 2020.

Land tax relief

The Association also qualified for the land tax rebate provided by the Queensland government in respect to its investment property in Charlotte Street, Brisbane. The benefit to this amounted to $101,875.

All government subsidies received have been recorded in accordance with AASB 1058 Income of Not-for-Profit Entities as sundry income at their fair value.

24. Financial Risk Management (continued)

24.(j) Liquidity and interest rate risk tables

Financial Instruments	Maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(i) Financial assets	$	$	$	$	$	$	$	$
Variable interest rate instruments:								
Cash and cash equivalents	64,180,593	42,810,943	-	-	-	-	64,180,593	42,810,943
Floating rate notes	6,015,460	15,999,130	161,390,129	200,655,145	8,015,280	14,681,702	175,420,869	231,335,977
Subordinated notes	9,561,105	7,026,140	18,943,617	18,353,950	-	-	28,504,722	25,380,090
Asset backed securities	9,166,187	9,990,625	26,102,466	25,915,200	-	-	35,268,653	35,905,825
Corporate bonds	-	5,080,350	-	10,370,450	-	-	-	15,450,800
Global corporate bonds	99,028,048	105,560,796	-	-	-	-	99,028,048	105,560,796
Loans to other persons (secured)	199,262,848	211,778,548	295,443,423	306,136,150	-	4,857,762	494,706,271	522,772,460
Loans to related parties (unsecured) [1]	5,607,740	10,890	4,667,056	9,992,887	92,244,187	95,091,180	102,518,983	105,094,957
Loans to clergy & laity (secured)	810,875	74,757	814,036	1,533,605	2,084,345	2,004,738	3,709,256	3,613,100
Loans to clergy & laity (unsecured)	27,927	6,090	95,725	68,038	300,407	832,523	424,059	906,651
Fixed interest rate instruments:								
Cash and cash equivalents	1,000,000	1,000,000	-	-	-	-	1,000,000	1,000,000
Loans to other persons (secured)	-	-	-	-	-	-	-	-
Loans to related parties (unsecured)	-	-	-	-	-	-	-	-
Loans to related parties (secured)	904,033	1,455,467	-	-	-	-	904,033	1,455,467
Finance lease	2,462,915	1,740,671	2,746,337	6,568,409	-	-	5,209,252	8,309,080
Non-interest-bearing instruments:								
Managed fund investments	69,407,798	70,391,031	-	-	-	-	69,407,798	70,391,031
Equity Fund	14,704,444	15,226,361	-	-	-	-	14,704,444	15,226,361
Derivative assets	14,422,125	558,290	-	-	-	-	14,422,125	558,290
Sundry debtors and income receivable	8,461,611	7,159,753	-	-	-	-	8,461,611	7,159,753
Total financial assets	**505,023,709**	**495,869,842**	**510,202,789**	**579,593,834**	**102,644,219**	**117,467,905**	**1,117,870,717**	**1,192,931,581**

24. Financial Instruments (continued)

24.(j) Liquidity and interest rate risk tables (continued)

Financial Instruments	Maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
(ii) Financial liabilities	$	$	$	$	$	$	$	$
Variable interest rate instruments:								
Investments from related parties[2]	268,403,702	244,423,845	-	-	-	-	268,403,702	244,423,845
Bank Facility	59,500,000	59,500,000	-	-	-	-	59,500,000	59,500,000
Subordinated Debt Instruments	-	-	-	-	30,000,000	-	30,000,000	-
Fixed interest rate instruments:								
Investments from related parties	545,750,990	703,193,168	57,343,203	28,677,745	-	-	603,094,193	731,870,913
Non-interest-bearing instruments:								
Creditors and accruals	69,839,095	66,553,609	-	-	-	-	69,839,095	66,553,609
Derivative liabilities [3]	3,221,325	2,134,049	267,560	485,599	-	-	3,488,885	2,619,648
Total financial liabilities	**946,715,112**	**1,075,804,671**	**57,610,763**	**29,163,344**	**30,000,000**	**-**	**1,034,325,875**	**1,104,968,015**

Note:
Future interest settlements on interest bearing financial assets are excluded from balances disclosed in Note 24(j).
Interest on financial instruments classified as variable rate is repriced at intervals of less than one year.
Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.
Other financial instruments that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.
Accounting standards require disclosure of future interest settlements relating to interest bearing financial liabilities

[1] Loans to related parties of the Uniting Church are guaranteed by The Synod in the name of The Uniting Church in Australia Property Trust (NSW).
[2] Investments from related parties at variable interest rates are all at call, therefore no interest obligations on these financial instruments are disclosed.
[3] Derivatives are disclosed at fair value. Notional value of derivatives is disclosed on note 24(f).

24. Financial Risk Management (continued)

24.(k) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Association. The Association has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Association's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits according to the Association's credit and investment policies.

The early period of the pandemic resulted in a severe widening in global credit spreads, though, the Australian market experienced more restrained moves. Credit spreads have rallied sharply since early to mid-April with the major Australian banks' spreads in Australia contracting to inside pre-pandemic levels. The credit spread contraction has come despite the economic headwinds expected in short to medium term.

To cater for this uncertainty, the Association has sought to hold higher than usual cash balance; only traded repo eligible securities and not participated in secondary market deals.

The Association has reviewed and enhanced its operational and portfolio management capability relating to its commercial lending book during the year, establishing new functions to encompass enhanced credit portfolio management and operational compliance for the loan book.

This approach has enhanced the quality control of the loan portfolio by actively monitoring and managing developments in the macroeconomic environment, while also ensuring internal segregation of duties and appropriate loan management practices.

Additional governance processes and committees have also been implemented to address loan related issues and review borrowers impacted by COVID-19 as they arise.

Credit Risk Exposures

The credit risk on cash and cash equivalents, fixed interest securities and interest rate swaps and futures contracts, is considered to be limited because the counterparties are banks, other financial institutions and corporations with high credit-ratings as assigned by international credit-rating agencies.

The finance lease represents a 20-year rental contract. The credit risk is limited because the counterparty is the Federal Government.

Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Association does not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Association's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Refer to note 6 for loan loss provision estimation approach and results as of 30 June 2020.

Credit Risk Concentrations

Credit risk is minimised in loans by undertaking transactions with a large number of customers, however all customers are concentrated in Australia.

24. Financial Risk Management (continued)

24.(k) Credit risk management (continued)

Concentration of credit risk on loans arises in the following areas:

Area	% of Total Loans		Total*	
	2020	2019	2020	2019
	%	%	$	$
Church Organisations	19.26	18.67	107,556,331	111,070,175
Retail Premises	11.78	13.88	65,792,743	82,587,168
Commercial	32.44	30.42	181,085,298	180,926,942
Residential	19.65	19.20	109,672,170	114,218,433
Office	1.48	1.99	8,239,278	11,858,119
Vacant Land	2.10	2.01	11,696,434	11,976,887
Industrial	13.29	13.83	74,220,348	82,204,911
Total	100.00	**100**	558,262,602	**594,842,635**

* The concentration of credit risk above is net of the $44,000,000 exposure allocated to Uniting Financial Services Ethical Diversified Fund 2019: $39,000,000).

Concentration of credit risk on cash and cash equivalents, floating rate notes and subordinated notes, corporate bonds (Australian and global) and asset backed securities arises in the following:

Credit Band	% of Total Portfolio		Total	
	2020	2019	2020	2019
	%	%	$	$
Short term:				
A-1	0.71	0.64	3,167,977	3,021,827
A-1+	14.92	8.37	66,323,370	39,821,843
A-2	0.90	4.22	4,020,034	20,089,482
Total short term	16.53	**13.23**	**73,511,381**	**62,933,152**
Long term:				
AAA	17.04	17.63	75,755,031	83,852,875
AA+	0.00	-	-	-
AA	5.72	5.19	25,436,949	24,672,336
AA-	1.13	20.58	5,005,114	97,858,641
A+	18.05	4.99	80,223,966	23,752,609
A	14.24	12.88	63,283,068	61,233,579
A-	5.65	4.57	25,096,674	21,732,937
BBB+	8.23	6.37	36,581,465	30,307,153
BBB	10.04	11.07	44,639,516	52,657,504
BBB-	3.37	3.49	14,958,060	16,579,198
Total long term	**83.47**	**86.77**	**370,979,843**	**412,646,831**
Total	**100.00**	**100**	**444,491,224**	**475,579,983**

24. Financial Risk Management (continued)

24.(l) Fair value measurement recognised in the Statement of Financial Position

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets / (liabilities) at FVTPL				
Loans*	-	602,262,602	-	602,262,602
Interest bearing liabilities	-	(960,997,895)	-	(960,997,895)
Global corporate bonds portfolio	99,028,048	-	-	99,028,048
Altius Sustainable Bond Fund	-	30,861,000	-	30,861,000
Equities and equity derivatives	-	14,704,444	-	14,704,444
GDI Office Trusts	-	2,028,000	-	2,028,000
High Income Sustainable Office Trust	-	22,767,845	-	22,767,845
AMP Capital Diversified Infrastructure Trusts	-	13,750,953	-	13,750,953
Derivative assets	-	14,422,125	-	14,422,125
Financial assets / (liabilities) at FVOCI				
Floating rate notes	203,925,591	-	-	203,925,591
Asset backed securities	-	35,268,653	-	35,268,653
Corporate bonds	-	-	-	-
Investment property	-	-	50,850,000	50,850,000
Derivative liabilities	(139,208)	(3,349,677)	-	(3,488,885)
Total 30 June 2020	**302,814,431**	**(228,281,950)**	**50,850,000**	**125,382,481**

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets / (liabilities) at FVTPL				
Loans*	-	633,842,635	-	633,842,635
Interest bearing liabilities	-	(1,035,794,758)	-	(1,035,794,758)
Global corporate bonds portfolio	105,560,796	-	-	105,560,796
Altius Sustainable Bond Fund	-	30,927,000	-	30,927,000
Equities and equity derivatives	-	15,226,361	-	15,226,361
GDI Office Trusts	-	2,522,000	-	2,522,000
High Income Sustainable Office Trust	-	22,748,169	-	22,748,169
AMP Capital Diversified Infrastructure Trusts	-	14,193,862	-	14,193,862
Derivative assets	-	558,290	-	558,290
Financial assets / (liabilities) at FVOCI				
Floating rate notes	256,716,067	-	-	256,716,067
Asset backed securities	-	35,905,825	-	35,905,825
Corporate bonds	15,450,800	-	-	15,450,800
Investment property	-	-	48,000,000	48,000,000
Derivative liabilities	(398,468)	(2,221,180)	-	(2,619,648)
Total 30 June 2019	**377,329,195**	**(282,091,796)**	**48,000,000**	**143,237,399**

*Loans are measured under amortised cost

24. Financial Risk Management (continued)

24.(m) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the Statement of Financial Position where the Association currently has a legally enforceable right to offset the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table presents the Association's gross and net positions of derivative assets and liabilities that have been offset:

2020	Gross	Offset Amount	Net
	$	$	$
Total derivative assets	14,429,369	(7,244)	14,422,125
Total derivative liabilities	(3,496,128)	7,244	(3,488,884)
2019	**Gross**	**Offset Amount**	**Net**
	$	**$**	**$**
Total derivative assets	658,679	(100,388)	558,290
Total derivative liabilities	(2,720,036)	100,388	(2,619,648)

24.(n) Fair value measurement recognised in the Statement of Financial Position

The following table provides details of the unobservable inputs utilised in the discounted cash flow model used to determine the fair value of 119 Charlotte Street, Brisbane and grouped into Level 3 of fair value hierarchy:

	Range of unobservable inputs	
	2020	2019
Inputs used to measure fair value	**%**	**%**
Adopted capitalisation rate	6.25	6.50
Adopted discount rate	6.75	7.00
Adopted terminal yield	6.38	6.75

Key estimates are the inputs used to measure fair value of investment properties. Judgement is required in determining the following key assumptions:

- Adopted capitalisation rate: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and utilised in the most recent external valuation.

- Adopted discount rate: The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence utilised in the most recent external valuation.

- Adopted terminal yield: The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and utilised in the most recent external valuation. A reconciliation of the movement of the investment property classified as Level 3 fair value hierarchy assets can be found at Note 11.

The valuation of HEZ was undertaken in accordance with the provisions of the Valuation of Land Act 1916 – Section 6A1: Highest and Best Permitted Use, utilising the Direct Comparison method of determining value.

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 (Cth), including compliance with Australian accounting standards (including the Australian Accounting interpretations) and the Australian Charities and Not-for-profits Commission Regulations 2013, and giving a true and fair view of the financial position and performance of the Association for the financial year ended on 30 June 2020.

Signed in accordance with a resolution of the Directors of The Uniting Church (NSW) Trust Association Limited.

On behalf of the Directors

J. Collins
Chairperson

W.J. Bird
Executive Director
Treasury and Investment Services

Sydney, 16 October 2020

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of The Uniting Church (NSW) Trust Association Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of the Uniting Church (NSW) Trust Association Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

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Brendan Twining

Partner

Sydney

16 October 2020

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Independent Auditor's Report

To the members of The Uniting Church (NSW) Trust Association Limited

Opinion

We have audited the ***Financial Report***, of The Uniting Church (NSW) Trust Association Limited (the Association).

In our opinion, the accompanying ***Financial Report*** of the Association is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Association's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

i. *Statement of financial position* as at 30 June 2020.

ii. *Income Statement*, *Statement of Profit or Loss and other Comprehensive income*, *Statement of changes in equity*, and *Statement of cash flows* for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Directors' declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Association in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

Other Information is financial and non-financial information in The Uniting Church (NSW) Trust Association Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors' are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Association's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

i. 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.

ii. Obtain an understanding of internal 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 registered Association's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. 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 registered Association'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 registered Association to cease to continue as a going concern.

v. 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 of the registered Association 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.

KPMG.

KPMG

Brendan Twining

Partner

Sydney

16 October 2020