



Financial Statements

for the year ended 31 December 2016

Baptist Union of Victoria

ABN: 67 934 884 236

Financial Statements 31 December 2016

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The Baptist Union of Victoria is an entity incorporated under the Baptist Union of Victoria Incorporation Act 1930.

This special purpose financial report covers the body corporate of the Baptist Union of Victoria [BUV] as an individual entity and is presented in Australian currency.

The financial report was authorised for issue by the Executive Council on DD MMM 2017.

Principal Office

Level 1, 1193 Toorak Road
Camberwell, Victoria, 3124
(03) 9880 6123
www.buv.com.au

Council Members as at date of this report

J Bradshaw (Chair), D Bullock, A Demond, M Browning, F Hall, J Lewis, P Inglis, D Kilker, M Turnbull, D Uy

Union Secretary

D Uy

Auditors

Saward Dawson
20 Albert Street
Blackburn, Victoria, 3130

Banker

Baptist Financial Services Ltd
Level 1, Cnr Rawson Street & Carlingford Road
Epping, New South Wales, 2121

Councillors' Report

The Councillors present their report with respect to the results of the Union for the financial year ended 31 December 2016 and the state of the Union's affairs at that date. The Council members in office at the date of this report are:

Mrs Jo-Anne Bradshaw (Chair) BA, GradDipVET, MEd, CAHRI

Independent Human Resources Consultant

Over twenty years' experience in Human Resources and Organisational Development across a number of industries including telecommunications, health and banking & finance. Provided HR consulting services to BUV, Whitley College, Global Interaction, Baptist Camping and a number of Baptist churches

Member of Now and Not Yet Baptist Church

Council member since October 2012

Special responsibilities: Council Chair, Chair of Nominations Committee and

Council Development Committee

Rev Daniel Bullock Dip Theol, Adv Dip Min, B.Min, MA Church Leadership

Director of Mission & Ministries of the Baptist Union of Victoria

Senior Pastor at Essendon Baptist Church, Senior Associate Pastor at NewHope Baptist Church, Interim Pastor at Berwick Baptist Church

Member of Albert Park/Port Melbourne Baptist Church

Council member since March 2012

Special responsibilities: Member of Advisory Board, member of Ordination Discernment Group, member of Nominations Committee

Rev Dr Allan Demond B.A. (Hons), M.Div. (Hons), MTh., Ph.D.

Senior Pastor at NewHope Baptist Church and the Executive Director of NewHope Community Care, former Pastor Highfield Baptist Church (eastern Canada), former Educator at Crandall University (eastern Canada)

Past President of the Baptist Union of Victoria

Member of NewHope Baptist Church (since 1995)

Council member from 2001 to 2004 and since October 2013

Non-Executive Director of Baptist World Aid

Special responsibilities: member of Nominations Committee, Adjunct Faculty Member of Whitley College, conference speaker and, freelance strategy/governance consultant

Ms Fiona Hall

Director of Strategic Relationships-Empart Australia

Chaplain Melbourne Rebels Rugby Club

National Training Coordinator Alpha Australia 2007-2012

Member Crossway Baptist Church (Board Member 2010-2016)

Board Member William Wilberforce Foundation

Council Member since October 2015

Mr Paul Inglis B.Ec (Hons), MAICD

Former Bank Executive

Thirty years' experience in the banking industry in payments and economics; five years in government service, including Federal Treasury

Member of Lilydale Baptist Church

Board member of Now and Not Yet Incorporated

Council member since October 2007

Special responsibilities: Chairman of Audit and Risk Committee, member of Council Development Committee

Councillors' Report continued

Rev Darryl Kilker BA

Senior Pastor, Pakenham Baptist Church since 2008

Prison Fellowship, 1980-1991

Attended Ouachita Baptist University, USA

Pastoring various Baptist Church's since 1982

Lead short mission trips to Mexico and Philippians

Partnered in three church plants

Member of various committees: local government, school and small college boards

Eternal Gold 2000 Olympic Outreach Committee

Special responsibilities: member of Audit and Risk Committee

Mr Jame Lewis B.Com, LLB

Lawyer for more than 33 years working in the areas of Mergers and Acquisition, Property, Organizational Governance, Commercial Law and Wills and Estates

Principal of Lewis Counsel Lawyers

Honorary Legal Advisor of the Baptist Union of Victoria

Member of Aberfeldie Baptist Church

Council member since October 2014

Special responsibilities: Ex Officio Member of Advisory Board, Chair of Constitutional Review Committee

Ms Debbie Uy

Ms Debbie Uy B.Sc.Com. (Marketing), B.A. (Psychology), MBA

Head of Finance & Administration and Secretary of the Baptist Union of Victoria

Six years' experience in Executive Leadership in Not-For-Profit sector with special focus in combining operational strategy, governance and administrative management expertise.

Over 19 years in corporate business management with focus across strategic, operations, administration and finance functions.

Former Head of Operations – Crossway LifeCare Ltd. (until Jan.2017)

Former Ex-officio member – Crossway LifeCare Finance Committee (until Jan. 2017)

Former Assistant General Manager / Corporate Secretary – TSI Contracts Inc. (until 2008)

Member and BUUV delegate - Crossway Baptist Church

Member- Australian Human Resources Institute (AHRI)

Council member since February 2017

Mr. Mark Browning EMBA

Over twenty five years' experience in the banking industry.

Current Member of Syndal Baptist Church since 2004, including a 6 year appointment on Council as Treasurer.

Previous member of Frankston Forest Baptist Church and Sale Baptist Church. Previous Treasurer at Frankston Forest Baptist Church.

Special responsibilities: Member Audit and Risk Committee 2011 to June 2016, Member of Council Development Committee.

Mr Mick Turnbull Cert. Bus (RMIT), Grad Dip of Management (USQ), MAICD, FAIM

Mick joined the BUUV council in 2016. He has over 35 years of business and management experience. For 18 years, until the end of 2015, Mick was regional CEO (Australasia and North Asia) of Agility Logistics, a global top 10 logistics company. Mick now spends his time as an Advisory Board Member and Director of a number of private companies involved in industries including Transport and Logistics, Business Investment and Technology. He also serves as Vice Chair (Chair Elect) of CBM Australia, and Non-Executive Director of Baptist World Aid (previous Chair from 2011 to 2016). Mick was previously a Director and Vice Chair of Business for Millennium Development from 2010 to 2015, and Chair of Eastern College Australia (Formerly Tabor Victoria) from 2009 to 2014. Mick is a member of Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. Mick and his wife Annette worship at Syndal Baptist Melbourne.

Special responsibilities: Member Audit and Risk Committee.

Councillors' Report continued

Council meeting attendance: January 2016– December 2016

| Council Member | Eligible to attend | Attended |
|-------------------------|---------------------------|-----------------|
| Jo-Anne Bradshaw | 10 | 10 |
| Daniel Bullock | 10 | 10 |
| Allan Demond | 10 | 5 |
| Fiona Hall | 10 | 8 |
| Paul Inglis | 10 | 9 |
| Darryl Kilker | 10 | 10 |
| Jame Lewis | 10 | 8 |
| Ian Southwood | 10 | 10 |
| Mick Turnbull# | 2 | 2 |
| Mark Browning* | 6 | 5 |

*** Elected as Council member 27 May 2016**

Elected as Council member 21 October 2016

Principal activity

The principal activity of the BUV during the year was to empower leaders of Victorian Baptist churches for mission. Accordingly, the Union does not aim to generate a surplus from its operations, other than that which may be required to enable it to carry out its mission among the churches. No significant change in those activities has occurred during the year.

The Union is trustee under various beneficiary trusts, and holds funds generated from the sale of church properties on behalf of those churches. It invests and disburses funds in accordance with the provisions of the appropriate deed, or trust instruments.

Results and review of operations

In 2016 our total operating revenue was \$5,771,827 (2015: \$4,619,170) which was an increase of \$1,152,657 over 2015 revenue. In 2016 we disbursed \$5,598,659 (2015: \$4,846,425) resulting in a surplus of revenue over expenditure for the year of \$173,169 (2015: deficit \$227,255).

A revaluation of land and buildings occurred as at 31st December 2015 which resulted in a net gain of \$5,869,157 in that year. This gain is reflected in Other Comprehensive Income along with a net gain on the revaluation of Financial Assets totalling \$63,987 in 2015. In 2016 the revaluation of Financial Assets resulted in a decrease of \$108,477. This has resulted in a total Comprehensive Surplus for the year of \$64,691 (2015 Surplus: \$5,705,889).

A change in accounting policy in 2016 brought interest paid on the Ministerial Long Service Leave fund and the Trust Funds held on behalf of congregations to account as an expense. In prior years this had been netted against interest income. The net effect was an increase in revenue of \$430,851 in 2016 (\$423,768 in 2015 comparative).

Insurance reserves totalling \$539,321 were written back and taken up as revenue in 2016 recognising that the reserves were no longer deemed necessary in the current insurance environment.

Councillors' Report continued

Significant changes in ministry operations or financial position

There have been no significant changes in the scope or nature of ministry operations or in the vision and purpose of the Baptist Union of Victoria during the year ended 31 December 2016.

Events subsequent to 31 December 2016

We have considered impairment of investments subsequent to year end and noted no significant variances in market values compared to amounts recorded in the financial statements at year end. There have been no other events or circumstances which have arisen since the close of the financial year which would have, or might have, a significant impact on the ministries or operations of the Union as stated in the accompanying financial statements.

Indemnification of officer or auditor

The Union has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Union or any related agency or body:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings, with the exception of premiums paid under its normal Management Liability cover

Proceedings on behalf of the Union

The Union has registered a claim against an external third-party borrower that has gone into liquidation. The claim is to recover overdue funds of \$571,416 secured by residual guarantees, after calling in mortgages.

No other person has applied for leave of Court to bring proceedings on behalf of the Union or intervene in any proceedings to which the Union is a party for the purpose of taking responsibility on behalf of the Union for all or any part of those proceedings.

Executive Council members' benefits

The following Council members are also paid staff of the Union and are compensated according to the guidelines established by the Council:

- Rev Daniel Bullock – Director of Ministries.
- Mr Ian Southwood – Director of Finance & Administration.

Signed in accordance with a resolution of the Council this.



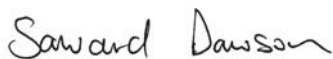
Rev Daniel Bullock
Director of Ministries




Mr Mick Turnbull
Chair of Audit & Risk Committee

Auditors Independence Declaration under section 60.40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Councillors of Baptist Union of Victoria

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, there have been no contraventions of any applicable code of professional conduct in relation to the audit



Saward Dawson



Jeffrey Tulk
Partner

Dated: 26 April 2017

Baptist Union of Victoria

ABN: 67 934 884 236

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|-------|------------------|------------------|
| REVENUE | | | |
| Constituent membership contributions | | 1,003,671 | 960,126 |
| Insurance administration fee | | 902,324 | 819,120 |
| Grants | | 270,616 | 247,662 |
| Investment income | | 2,685,838 | 2,240,462 |
| Donations, bequests and legacies | | 8,651 | 267,700 |
| Other | | 900,728 | 507,868 |
| Total revenue | | 5,771,827 | 5,042,938 |
| EXPENDITURE | | | |
| Remuneration | | 2,754,967 | 2,842,204 |
| Grants paid | | 526,067 | 531,943 |
| Travel & hospitality | | 256,521 | 274,966 |
| Depreciation | | 394,511 | 381,068 |
| Occupancy | | 314,687 | 304,110 |
| IT & office expenses | | 186,999 | 179,475 |
| Doubtful debts | | 5,857 | 60,932 |
| Impairment on Assets | | 442,901 | - |
| Interest paid | | 430,851 | 423,768 |
| Professional services | | 285,297 | 271,727 |
| Total expenditure | | 5,598,659 | 5,270,193 |
| Excess / (shortfall) of revenue over expenditure | | 173,169 | (227,255) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Net gain on revaluation of non-current assets | 1c | - | 5,869,157 |
| Items that will be reclassified subsequently to profit or loss when specific conditions are met | | | |
| Net gain on revaluation of financial assets to fair value | 1b | (108,477) | 63,987 |
| Total comprehensive income / (loss) for the year | | 64,691 | 5,705,889 |

The above income statement should be read in conjunction with the accompanying notes.

Baptist Union of Victoria

ABN: 67 934 884 236

Statement of Financial Position

As at 31 December 2016

| | Notes | 2016 \$ | 2015 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & cash equivalents | 2 | 2,030,585 | 1,245,831 |
| Trade and other receivables | 3 | 1,275,271 | 1,122,293 |
| Financial assets | 4 | 14,258,413 | 12,944,947 |
| Total current assets | | 17,564,269 | 15,313,071 |
| Non-Current Assets | | | |
| Financial assets | 4 | 24,689,290 | 25,360,253 |
| Property plant & equipment | 5 | 24,718,725 | 24,979,753 |
| Total non-current assets | | 49,408,015 | 50,340,006 |
| Total Assets | | 66,972,284 | 65,653,077 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 996,927 | 913,118 |
| Short term provision | 7 | 14,147,086 | 12,592,343 |
| Total current liabilities | | 15,144,013 | 13,505,461 |
| Non-Current Liabilities | | | |
| Other non-current liabilities | 8 | 72,080 | 66,779 |
| Other long term provisions | 9 | 300,526 | 1,047,609 |
| Total non-current liabilities | | 372,606 | 1,114,388 |
| Total Liabilities | | 15,516,619 | 14,619,848 |
| NET ASSETS | | 51,455,665 | 51,033,229 |
| Equity | | | |
| Reserves | 10 | 48,026,884 | 48,004,941 |
| Unrestricted fund | 11 | 3,428,781 | 3,028,288 |
| TOTAL EQUITY | | 51,455,665 | 51,033,229 |

The above statement of financial position should be read in conjunction with the accompanying notes.

Baptist Union of Victoria

ABN: 67 934 884 236

Statement of Changes in Equity

As at 31 December 2016

| 2016 | Unrestricted Fund | Asset Revaluation Reserve | Financial Asset Revaluation Reserve | Specific Ministry Reserves | Restricted Funds | Total |
|--|------------------------------|--|--|---|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1st Jan 2016 | 3,028,288 | 18,604,291 | 2,132,990 | 1,812,081 | 25,455,579 | 51,033,229 |
| Surplus for the year | 173,169 | | | | | 173,169 |
| Revaluation of Land and Buildings | | | | | | 0 |
| Revaluation of Financial Assets | | | 249,267 | | | 249,267 |
| Transfer to (from) Reserves | 227,324 | (750,000) | | 1,260,366 | (737,691) | 0 |
| Balance at 31st December 2016 | <u>3,428,781</u> | <u>17,854,291</u> | <u>2,382,257</u> | <u>3,072,447</u> | <u>24,717,888</u> | <u>51,455,665</u> |
| | | | | | | |
| 2015 | | | | | | |
| Balance at 1st Jan 2015 | 3,793,229 | 12,735,134 | 2,064,003 | 1,807,162 | 24,922,811 | 45,322,339 |
| Deficit for the year | (227,255) | | | | | (227,255) |
| Revaluation of Land and Buildings | | 5,869,158 | | | | 5,869,158 |
| Revaluation of Financial Assets | | | 68,987 | | | 68,987 |
| Transfer to (from) Reserves | (537,686) | | | 4,918 | 532,768 | 0 |
| Balance at 31st December 2015 | <u>3,028,288</u> | <u>18,604,291</u> | <u>2,132,990</u> | <u>1,812,081</u> | <u>25,455,579</u> | <u>51,033,229</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 December 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating surplus/ (shortfall) | | 173,169 | (227,255) |
| <i>Adjusted for Non-cash items in profit:</i> | | | |
| Depreciation | | 394,511 | 381,068 |
| Increase (Decrease) in provisions | | (454,165) | 40,932 |
| Loss (Profit) on disposal of non-current assets | | 4,826 | 2,087 |
| Loss (Profit) on disposal of investments | | (255,965) | 22,510 |
| Movement in asset revaluation | | 357,745 | 4,999 |
| (Increase) / Decrease in trade receivables | | (112,377) | 450,894 |
| Increase / (Decrease) in trade payables | | (133,822) | 96,337 |
| Net cash from operating activities | | (26,078) | 771,572 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (144,709) | (143,618) |
| Purchase of investments | | (1,770,424) | (275,694) |
| Proceeds from disposal of investments | | 1,156,050 | 1,185,970 |
| Net cash used in investing activities | | (759,083) | 766,658 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase / (Decrease) in trust funds | | 1,569,914 | (821,972) |
| Net cash from financing activities | | 1,569,914 | (821,972) |
| Net increase / (decrease) in cash & cash equivalents | | 784,753 | 716,258 |
| Cash and cash equivalents at start of the year | | 1,245,831 | 529,573 |
| Cash and cash equivalents at end of the year | 2 | 2,030,585 | 1,245,831 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

As at 31 December 2016

1. Statement of significant accounting policies

This financial report is a special purpose financial report prepared for use by the Council and for distribution to the member churches of the Baptist Union of Victoria in order to satisfy the financial reporting requirements of The Baptist Union of Victoria Incorporation Act 1930, the Australian Charities and Not-for-profits Commission Act 2012 and the Australian Charities and Not-for-profits Commission Regulations 2013. The Council has determined that the Union is not a reporting entity.

The report has been prepared in accordance with the following applicable Accounting Standards and Accounting Interpretations:

- AASB 101, Presentation of Financial Statements
- AASB 107, Statement of Cash Flows
- AASB 108, Accounting Policies, Changes in accounting Estimates and Errors
- AASB 1031, Materiality
- AASB 1048, Interpretation of Standards
- AASB 1054, Australian Additional Disclosures

No other Accounting Standards, Accounting Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report excludes the financial data relating to the financial information of the BUV Agencies (refer note 12).

Although the Baptist Union of Victoria has the right to appoint the majority of directors on the boards of these Agencies, the Executive Council is of the opinion that to consolidate the accounts of the entities with those of the Baptist Union of Victoria would not be of practical value to users of these special purpose financial statements.

The financial report, except for cash flow information, has been prepared on an accrual basis and is based on historical costs otherwise stated in the notes. It does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Following is a summary of the material accounting policies adopted in the preparation of the financial report. Unless otherwise stated, accounting policies have been consistently applied.

(a) Income tax

The Baptist Union of Victoria is a non-profit entity registered as a religious charitable organisation and, as such, is exempt from income tax under Section 50-5 of the Income Tax Assessment Act, 1997.

(b) Investments

Investments (including loans) are valued at cost except for the following:

- Real estate properties, held for investment purposes, at the Executive Council's valuation.
- Equity investments in public companies and managed equity funds are valued at current market values.
- Any revaluation surplus arising upon the appraisal of investment property or increase in market value of equity investments is recognized in other comprehensive income and credited to the revaluation reserve in equity.

Notes to the Financial Statements

As at 31 December 2016

(b) Investments (cont'd)

The carrying value of investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the estimated current market value of investments.

Impairment

Where there is objective evidence that an investment has been impaired, impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income. Where investments have current market values below cost as at year end and it is probable that the market values will recover above cost in the future, the carrying value of the investments is reduced to the market value and the decrease in market values below cost is recorded as a negative reserve in the financial statements. If at a subsequent year end the market value for an investment previously written down is more than the carrying value, the carrying value is reinstated to that market value and the reserve is adjusted.

Properties held for investment purposes are not subject to depreciation.

(c) Property, plant, and equipment

Property, plant, and equipment are included at cost or at Executive Council's valuation less, where applicable, accumulated depreciation or amortisation. Depreciation is calculated based on the estimated useful life of the asset to the Union. The carrying value of property, plant and equipment is reviewed annually by Council to ensure it is not in excess of the probable recoverable amounts.

Where BUV Agencies erected buildings on freehold land, the costs of the buildings and any associated accumulated depreciation are recorded in the accounts of the Agency.

Independent market valuations are obtained every two years. The latest independent valuations were obtained at the end of 2015.

Real Property (note 4) is not subject to depreciation and was revalued at the end of 2015.

(d) Employee entitlements

Provision is made for the Union's liability for employee entitlements arising from services rendered by employees to balance date. Annual leave is measured at its nominal amount and disclosed as a current provision. Long service leave is provided for employees from inception of employment using a probability factor based on past experience. Long Service Leave payable later than one year has been measured at the present value of the estimated future cash outflows to be made for those benefits and is disclosed as a non-current provision.

(e) Cash

Cash includes cash on hand and that on deposit in the current operating accounts of the Union. Cash balances in Term deposits with banks or financial institutions, and investments in money market instruments are classified as investments (Note 4) where maturity is longer than 3 months.

(f) Revenue

Interest and other investment revenues are recognised on a proportional basis taking into account the investment rates applicable to the financial assets.

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

Notes to the Financial Statements

As at 31 December 2016

(f) Revenue (cont'd)

Revenues from the rendering of a service are recognised upon the delivery of the service provided. All revenue is stated net of the amount of goods and services tax (GST).

Revenue is recognised and recorded in the accounts on an accrual basis except for donations, which are accounted for on a cash basis. Bequests are recognised when the right to receive the bequest is established. This is generally during the time of receipt.

Revenue includes the net profit (loss) on sale of assets.

(g) Other Provisions

i) Provision for self-funded claims losses

The Baptist Union of Victoria participates in the Australian Baptist Insurance (National scheme), purchasing insurance cover for Baptist churches and agencies in Victoria. The cost of this cover is passed on to those churches and agencies. A feature of the National scheme is that each state Baptist Union bears a portion of the potential loss claims; that portion is limited and set annually by the Scheme's national board.

The self-insurance claim limit is recorded annually as an insurance claims provision, with eventual claims being charged against the provision of the applicable year. Claims in excess of the provision are recoverable from either the National Scheme or its insurance underwriters, while residual credits in the provision are carried forward until, in the opinion of the Executive Council, they are recognized in the Statement of Comprehensive Income.

ii) Provision for unreported liability claims

Provision is made for unreported claims against the Baptist Union of Victoria, where the self-funded claims loss provision has been closed off by the Scheme's national board.

iii) Provision for unknown litigation costs

Provision is made for unknown future claims against the Baptist Union of Victoria.

iv) Provision for exempt benefit gap cover

During the year, the Councillors have assessed that the Union no longer has to provide for ministers' exempt benefit gap on the basis that any differences would be covered by WorkCover insurance. Therefore, the provision for exempt benefit gap was written back and \$139,321 was recognised in other revenue.

v) Ministerial Long Service Leave

The ministerial long service leave fund has been classified as current as ministers or churches have the right to claim funds based on meeting certain conditions. It is likely that only a portion of these funds will be claimed within the next 12 months, however such claims are at the discretion of the relevant ministers and churches.

vi) Trust Funds

The Funds held in trust for churches have been classified as current since the churches have the right to claim funds based on meeting certain conditions. It is likely that only a portion of these funds will be claimed within the next 12 months, however such claims are at the discretion of the churches.

Notes to the Financial Statements

As at 31 December 2016

(h) Investment pool

All investments are formally held in the name of the Baptist Union of Victoria. The carrying value of these assets is allocated in the accompanying accounts to the various trust and other funds administered by the Union based on the capital of the particular fund.

Income earned by the fund is credited to individual trust funds on the basis of their identified investments or the overall pool rate, whichever is applicable.

(i) Capacity as trustee

The Baptist Union of Victoria acts in the capacity as trustee, holding assets, in the following situations:

1. Wills and trusts where the Baptist Union of Victoria is the recipient
2. Proceeds where a member church sells property (land and buildings)

The Union, acting as trustee, also holds properties, where these are land and buildings, on behalf of its member churches and various other associated entities.

(i) Comparative Figures

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

In previous financial years, the amounts reimbursed for utilities and repair and maintenance expense from tenants were treated as deductions from the corresponding expenses on the basis of the costs being expenses of the tenants. In the current year, the recovery of these expenses are included in rental income and in this regard represents a change in accounting policy consistent with a gross revenue basis of accounting for income.

Similarly interest paid on funds held for Ministerial Long Service leave and Trust accounts was treated as a deduction from revenue on the basis of the interest being income of the beneficiaries. In the current year, the payment of interest is first recognised as revenue before being paid to the Ministerial Long Service Leave and Trust funds as an expense to the BUV and in this regard represents a change in accounting policy consistent with a gross revenue basis of accounting for income.

The change in accounting policy has had no effect on the operating result for the year as the amount of additional revenue brought to account for rental and interest income is entirely offset by their corresponding expense amounts.

In accordance with Australian Accounting Standard AASB101, comparative figures have been adjusted for consistency in reporting with no change in the reported operating result for the previous financial year.

Notes to the Financial Statements

As at 31 December 2016

| | 2016 \$ | 2015 \$ |
|--|------------------|------------------|
| 2. Cash & cash equivalents | | |
| Cash on hand | 300 | 300 |
| Operating cash at bank | 748,112 | 1,089,138 |
| Short term deposits | 1,282,173 | 156,393 |
| | <u>2,030,585</u> | <u>1,245,831</u> |
| 3. Trade and other receivables | | |
| Due from members | 901,550 | 818,456 |
| Other debtors and prepayments | 176,027 | 243,088 |
| Interest and imputation credits receivable | 217,694 | 80,750 |
| Doubtful debts | (20,000) | (20,000) |
| | <u>1,275,271</u> | <u>1,122,293</u> |
| 4. Financial assets | | |
| Loans | | |
| Current | | |
| Secured | | |
| • Interest bearing | 5,340 | 3,578 |
| Unsecured | | |
| • Interest bearing | 21,190 | 23,149 |
| • Non-interest bearing | 32,584 | 3,962 |
| Total current loans | <u>53,774</u> | <u>27,111</u> |
| Non-current | | |
| Secured | | |
| • Interest bearing | - | 67,988 |
| Unsecured | | |
| • Interest bearing | 296,662 | 324,089 |
| • Non-interest bearing | 76,029 | 75,272 |
| Total non-current loans | <u>372,691</u> | <u>467,348</u> |
| Total loans | <u>431,805</u> | <u>498,037</u> |

Secured loans are secured by first mortgages over properties.

Notes to the Financial Statements

As at 31 December 2016

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Investments | | |
| Current | | |
| • Bank bills and term deposits | 13,961,686 | 12,702,276 |
| • First mortgages | 809,027 | 783,397 |
| • Provision for impairment of first mortgages | (571,415) | (571,415) |
| | <u>14,199,298</u> | <u>12,914,258</u> |
| Non-Current | | |
| • Equity investments in public companies | 11,067,406 | 10,408,905 |
| • Capital contribution – Baptist Financial Services | 3,250,000 | 3,250,000 |
| • Real property | 9,999,193 | 11,234,000 |
| | <u>24,316,599</u> | <u>24,892,905</u> |
| Total investments | <u>38,515,898</u> | <u>37,807,163</u> |
| Total financial assets | | |
| Current | 14,258,413 | 12,944,947 |
| Non-current | 24,689,290 | 25,360,253 |
| | <u>38,947,703</u> | <u>38,305,200</u> |
| 5. Property, Plant & Equipment | | |
| Freehold land | | |
| • At Executive Council valuation | 16,816,546 | 16,816,546 |
| Building on freehold land | | |
| • At Executive Council valuation | 8,067,461 | 8,006,307 |
| • Less depreciation | (927,230) | (726,121) |
| Total buildings | <u>7,140,231</u> | <u>7,280,186</u> |
| Motor vehicles | | |
| • At cost | 344,162 | 347,794 |
| • Less depreciation | (178,472) | (142,726) |
| Total motor vehicles | <u>165,690</u> | <u>205,068</u> |
| Plant and equipment | | |
| • At cost | 1,719,054 | 1,655,760 |
| • Less depreciation | (1,122,796) | (977,807) |
| Plant and equipment | <u>596,258</u> | <u>677,953</u> |
| Total | <u>24,718,725</u> | <u>24,979,753</u> |
| 6. Trade and other payables | | |
| Trade creditors and accruals | 254,236 | 207,834 |
| Unearned income | 742,691 | 705,284 |
| | <u>996,927</u> | <u>913,118</u> |

Notes to the Financial Statements

As at 31 December 2016

| | 2016 \$ | 2015 \$ |
|--|-------------------|-------------------|
| 7. Short term provisions | | |
| Annual leave | 221,077 | 214,954 |
| Long Service Leave | 49,316 | 65,308 |
| Ministerial long service leave fund | 2,204,855 | 2,173,505 |
| Funds held in trust for churches | <u>11,671,838</u> | <u>10,138,576</u> |
| | <u>14,147,086</u> | <u>12,592,343</u> |
| 8. Other non-current liabilities | | |
| Other | <u>72,080</u> | <u>66,779</u> |
| | <u>72,080</u> | <u>66,779</u> |
| 9. Other long term provisions | | |
| Provision for insurance claims | | |
| For claims which are self-funded, relating to the years: | | |
| 2015 | - | 329,305 |
| 2016 | <u>114,037</u> | - |
| Total provision for self-funded claim losses | <u>114,037</u> | <u>329,305</u> |
| Provision for unreported liability claims | 60,000 | 60,000 |
| Provision for exempt benefit gap cover | <u>0</u> | <u>139,321</u> |
| | 60,000 | 199,321 |
| Total provisions for insurance claims | <u>174,037</u> | <u>528,626</u> |
| Represented by: | | |
| Current | - | - |
| Non-current | <u>174,037</u> | <u>528,626</u> |
| Total | <u>174,037</u> | <u>528,626</u> |
| Provision for unknown litigation costs | 100,000 | 500,000 |
| Represented by: | | |
| Current | - | - |
| Non-current | <u>100,000</u> | <u>500,000</u> |
| Total | <u>100,000</u> | <u>500,000</u> |
| Provision for employee entitlements | | |
| Long service leave liability | 75,805 | 84,291 |
| Represented by: | | |
| Current | 49,316 | 65,308 |
| Non-current | <u>26,489</u> | <u>18,982</u> |
| | <u>75,805</u> | <u>84,291</u> |
| Total provisions | | |
| Current | 49,316 | 65,308 |
| Non-current | <u>300,526</u> | <u>1,047,609</u> |
| | <u>349,842</u> | <u>1,112,917</u> |

Notes to the Financial Statements

As at 31 December 2016

| | 2016 \$ | 2015 \$ |
|--|-------------|------------|
| 10. Reserves | | |
| Asset valuation reserve | 17,854,291 | 18,604,291 |
| Financial assets revaluation reserve | 2,382,257 | 2,132,990 |
| Funds earmarked for specific ministry purposes | 3,072,447 | 1,812,081 |
| Funds restricted by internal rules and charters: | | |
| • Advancement fund | 20,551,873 | 21,211,129 |
| • Church development fund | 2,633,283 | 2,784,188 |
| • Mark Pollard fund | 1,395,126 | 1,328,890 |
| • Victorian Baptist Gospel Communications fund | 137,607 | 131,372 |
| | 48,026,884 | 48,004,941 |
| 11. Unrestricted Fund | | |
| Balance of fund at beginning of year | 3,028,288 | 3,793,229 |
| Total comprehensive income/(loss) for the year | 173,169 | (227,255) |
| Less Transfers to reserves: | | |
| • Asset Revaluation reserve | 750,000 | - |
| • Earmarked reserves | (1,260,366) | (4,918) |
| • Advancement fund | 659,256 | (567,826) |
| • Church development fund | 150,905 | 109,066 |
| • Mark Pollard fund | (66,236) | (67,847) |
| • Victorian Baptist Gospel Communications fund | (6,235) | (6,162) |
| | 3,428,781 | 3,028,288 |

12. Related Parties

Related parties of the Baptist Union of Victoria, whose accounts are not included in these financial statements, include:

Baptist Churches:

- The Union provides resources and advice to its member churches, pastors and lay leaders. The Union also holds property and funds on trust for its member churches.

Agencies:

- Baptcare Ltd - a company limited by guarantee
- Whitley College - The Baptist College of Victoria - an unincorporated entity
- Carey Baptist Grammar School Ltd - a company limited by guarantee
- Strathcona Baptist Girls' Grammar School Ltd - a company limited by guarantee
- Kilvington Grammar School Ltd - a company limited by guarantee
- Baptist Camping Victoria - an unincorporated entity

The Baptist Union of Victoria is affiliated with Australian Baptist Ministries.

Notes to the Financial Statements

As at 31 December 2016

During the year, the union received a total of \$1,003,671 in ministry contribution fees from the Baptist churches of Victoria.

The Baptist Union of Victoria owns a number of properties including Camp Wilkin that are provided on a reduced or rent free basis to various related organisations and churches. These properties are held for strategic and ministerial benefit of Victorian Baptist church members.

13. Contingent liabilities

The Union has signed a letter of acknowledgement in relation to the borrowing facilities provided by the Commonwealth Bank of Australia to Kilvington Grammar School Ltd. The Union's maximum exposure is capped at \$4,020,000.

The Union has also provided a guarantee in relation to borrowing facilities provided by the National Australia Bank [NAB] to Strathcona Baptist Girls Grammar School Ltd. The Union's maximum exposure is capped at \$11,000,000 and is further limited to the amount recovered by NAB on enforcement of any security granted to NAB in respect of the property. A number of Strathcona properties have been provided as security for the facility.

The Union has also provided a guarantee in relation to a loan of \$100,000 provided by Baptist Financial Services Australia Ltd to Now And Not Yet Inc.

14. Events subsequent to 31 December 2016

There have been no other events or circumstances which have arisen since the close of the financial year which would have, or might have, a significant impact on the ministries or operations of the Union as stated in the accompanying financial statements.

Responsible Entity Declaration

The councillors of the Union declare that:

1. The financial report and notes as set out on pages 7 to 19, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012; and
2. As the date of this statement, there are reasonable grounds to believe that the Baptist Union of Victoria will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the councillors and is signed for and on behalf of the councillors by:



Rev Daniel Bullock
Director of Ministries



Mr Mick Turnbull
Chair of Audit & Risk Committee

Dated: 26 April 2017

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
BAPTIST UNION OF VICTORIA**

ABN: 67 934 884 236

Report on the Audit of the Financial Report**Opinion**

We have audited the accompanying financial report, being a special purpose financial report of Baptist Union of Victoria (the Union), which comprises the statement of financial position as at 31 December 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the responsible entity declaration.

In our opinion, the accompanying financial report of Baptist Union of Victoria has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Union's financial position as at 31 December 2016 and of its financial performance and cash flows for the year then ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 to the financial report and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Union in accordance with the auditor independence requirements of Division 60 of the *Australian Charities and Not-for-profits Commission 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Baptist Union of Victoria for the purpose of fulfilling the councillors' financial reporting responsibilities under the *Australian Charities and Not-for-profits Commission Act 2012* and the needs of members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Councillors for the Financial Report

The councillors of the Union are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Baptist Union Incorporation Act 1930*, the *Australian Charities and Not-for-profits Commission Act 2012* and is appropriate to meet the needs of the members. The councillors' responsibility also includes such internal control as the councillors determine necessary 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

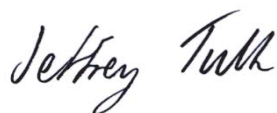
As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of 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 Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Union.
- Conclude on the appropriateness of the Union's 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 Union'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 Union to cease to continue as a going concern.
- 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 those charged with governance 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.



Saward Dawson



Jeffrey Tulk
Partner

Blackburn

Dated: 26 April 2017