



**Financial Statements for the
year ended 31 December 2012**

Baptist Union of Victoria

Financial Statements

31 December 2012

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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 23rd April 2013.

Principal Office

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Camberwell, Victoria, 3124
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Council Members

T Spicer (Chairman), J Bradshaw, D Bullock, P Inglis, S Morton, J Newham, S Parish, F Rees, I Southwood,
P Trebilcock

Union President

W Sun

Union Secretary

I Southwood

Auditors

Saward Dawson
20 Albert Street
Blackburn, Victoria, 3130

Banker

Baptist Financial Services Ltd
54 Parramatta Road
Glebe, New South Wales, 2037

Councillors' Report

The Councillors present their report with respect to the results of the Union for the financial year ended 31 December 2012 and the state of the Union's affairs at that date. The Council members in office at the date of this report are:

Mr Trevor Spicer (Chair) B.Bus, CPA, AFAIM, MAICD

Director of Corporate Services of Global Interaction

Former Secretary of the Baptist Union of Victoria

Member of Diamond Valley Baptist Church

Council member from 1996 to 2005 and since October 2011

Special responsibilities: Council Chair, Chair of Nominations Committee and Council Development Committee

Other boards (current): National Treasurer & National Council member of Australian Baptist Ministries, member of the Budget & Finance Committee & Commission on Religious Freedom – Baptist World Alliance, Treasurer and Director of Knox Community Health Service, Council Member of Diamond Valley Baptist Church

Jo-Anne Bradshaw BA GradDipVET; MEd CAHRI

Independent Human Resources Consultant

Over 18 years' experience in Human Resources and Organisational Development roles across a number of industries including telecommunications, health and banking & finance. Provided HR consulting services to BUW, Whitley College and Global Interaction

Member of Crossway Baptist Church

Council member since October 2012

Special responsibilities: Member of Council Development Committee

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

Director of 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 Essendon Baptist Church

Council member since March 2012

Special responsibilities: Member of Advisory Board, member of Pastoral Leadership Selection Committee, member of Nominations Committee.

Mr Paul Inglis B.Ec (Hons), MAICD

Bank Executive

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

Member of Lilydale Baptist Church

Council member since October 2007

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

Mr Stephen Morton B.A., LLB

Partner of McCracken & McCracken Solicitors, Honorary Legal Advisor of the Baptist Union of Victoria

Member of Croydon Hills Baptist Church

Council member since 1994 (former Chair)

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

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Ms Janice Newham BA, BTh, Dip Missiol

Online distance learning tutor, Melbourne School of Theology

Executive officer and publicity officer at Bible College of Victoria (Melbourne School of Theology), 2000-05
20 years' experience in Monash University administration, including managing the university's governing bodies and conducting quality reviews

Member of Crossway Baptist Church

Council member since May 2010

Special responsibilities: Member of Nominations Committee

Rev Stephen Parish BTh (ACD), DipMin

Senior Pastor at Wendouree Baptist Church

Senior Pastor Southern Peninsula Baptist Church 1998-2004, Chaplain Rosebud Hospital 2001-2004, Senior Pastor Alice Springs Baptist Church 1993-1997, Chaplain USAF Det421 1996-1997

Member of Wendouree Baptist Church

Council member since Oct 2007

Special responsibilities: Member of Audit & Risk Committee, member of Constitutional Review Committee

Rev Dr Frank Rees BA(Hons), MA, BD(Hons), M Theol, Dip Ed, Ph D

Principal and Professor of Systematic Theology, Whitley College

Member of Kew Baptist Church

Council member since January 2006

Special responsibilities: Member of the Pastoral Leadership Selection Committee, Ordination Pathways Group and member of Constitutional Review Committee

Other boards (current): Member of the Commission on Doctrine and Christian Unity – Baptist World Alliance, Council member of MCD University of Divinity

Mr Ian Southwood B.Com, B.Com (Hons), MBA, M.Com, CPA

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

More than 15 years financial management experience. Former Head of Finance at World Vision Australia

Member of NewHope Baptist Church

Council member since December 2010

Special responsibilities: Member of Constitutional Review Committee, ex officio member of Advisory Board

Other boards (current): Board member of Surrey Hills Baptist Children's Centre, Director of International Needs Ltd, Director of IN Network Australia Inc.

Mr Philip Trebilcock M.Bus (Mgt), B.Sc., B.Min, Grad Dip Mgt Syts, Dip Ed, Dip Missiol

Lecturer, Faculty of Business Economics & Law, LaTrobe University, Bendigo

Past President of the Baptist Union of Victoria, previously GiA Indonesia (1996-2003)

Member of Bendigo Baptist Church

Council member since 2006 (former Chair)

Other boards (current): Board member of Baptcare, Council member of Bendigo Baptist Church

Baptist Union of Victoria

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Council meeting attendance: January 2012 – December 2012

Council Member	Eligible to attend	Attended
Mark Bailey*	9	6
Jo-Anne Bradshaw	2	1
Daniel Bullock	10	9
Paul Inglis	11	10
Stephen Morton	11	9
Janice Newham	11	9
Stephen Parish	11	9
Frank Rees	11	9
Ian Southwood	11	11
Trevor Spicer	11	10
Phil Trebilcock	11	8

*Ceased to be Council member 12 October 2012.

Principal activity

The principal activity of the BUV during the year was to empower Church leaders 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 2012 our total operating revenue was \$5,817,524 (2011: \$5,539,463) which was an increase of 5% over 2011 revenue. In 2012 we disbursed \$5,262,635 (2011: \$5,660,830) resulting in a surplus of revenue over expenditure for the year of \$554,889 (2011: deficit of \$121,367).

The movement in revenue was mainly due to the recovery of an investment, previously written off, offset by a reduction in realised investment income. The decrease in expenses was mainly due to an impairment loss on an investment, included in the 2011 figures.

The net asset position of the Union was affected positively by the recovery of an investment of \$500,000 (written off in 2011), and resulted in an increase in net assets (2012: \$40,822,433 compared to 2011: \$39,077,417).

Changes to the Financial Statements

In order to present the financial statement in a manner that is more understandable, the following changes to the presentation and disclosure have been made:

- a) Presenting expenses by nature, rather than by a mix of nature and departments.
- b) Categories for loans have been changed to reflect secured/ unsecured loans by interest/ non-interest earning for current and non-current liabilities.

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 2012.

Events subsequent to 31 December 2012

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 brought proceedings against an external third-party borrower, to recover overdue funds of \$864,000 secured by a first mortgage.

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 an Assembly of its members:

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

Additionally, Council member Frank Rees is paid staff of one of the agencies of the Union and is compensated according to guidelines established by that agency.

One Council member has provided the Union with professional services through their legal firm McCracken and McCracken during the year, as follows:

- Mr Stephen Morton – Legal services (\$6,403).

Signed in accordance with a resolution of the Council this 23rd day of April 2013.



Mr Paul Inglis
Chair of Audit & Risk Committee



Mr Trevor Spicer
Chair of Executive Council

Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
REVENUE			
Constituent membership contributions		792,505	773,603
Insurance		2,389,392	2,220,853
Grants		210,346	171,560
Investment income		1,622,746	1,937,049
Gain on revaluation of investment	2	500,000	0
Baptist Witness revenues		-56	134,774
Donations, bequests and legacies		136,491	39,165
Other		166,100	262,459
Total revenue		5,817,524	5,539,463
EXPENDITURE			
Remuneration		2,209,003	2,157,739
Insurance		1,323,028	1,203,060
Grants paid		713,921	633,171
Travel & hospitality		193,347	192,376
Depreciation		329,856	278,095
Occupancy		84,376	248,630
IT & office expenses		174,776	229,631
Doubtful debts		25,438	13,966
Professional services		189,974	197,162
Loss on sale/impairment of assets	2	18,916	507,000
Total expenditure		5,262,635	5,660,830
Excess / (shortfall) of revenue over expenditure		554,889	(121,367)
OTHER COMPREHENSIVE INCOME			
Net gain on revaluation of non-current assets		0	617,886
Net gain on revaluation of financial assets to fair value	1b	1,133,821	0
Total comprehensive income / (loss) for the year		1,688,710	496,519

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

Statement of Financial Position

As at 31 December 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash & cash equivalents	3	8,831,695	7,481,403
Trade and other receivables	4	2,181,464	2,038,326
Financial assets	5	6,223,985	8,652,208
Total current assets		17,237,144	18,171,937
Non-Current Assets			
Financial assets	5	16,399,825	12,491,343
Property plant & equipment	6	21,030,880	21,134,119
Total non-current assets		37,430,705	33,625,462
Total Assets		54,667,849	51,797,399
LIABILITIES			
Current Liabilities			
Trade and other payables	7	1,051,908	1,923,872
Short term provision	8	369,394	333,280
Total current liabilities		1,421,302	2,257,152
Non-Current Liabilities			
Other non-current liabilities	9	11,421,714	9,612,979
Other long term provisions	10	1,002,400	849,851
Total non-current liabilities		12,424,114	10,462,830
Total Liabilities		13,845,416	12,719,982
NET ASSETS		40,822,433	39,077,417
Equity			
Reserves	11	35,386,343	33,564,937
Unrestricted fund	12	5,436,090	5,512,480
TOTAL EQUITY		40,822,433	39,077,417

The above balance sheet should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

As at 31 December 2012

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 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 1031 Materiality

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.

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 has been prepared on an accrual basis and is based on historical costs. 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. This represents a change in accounting policy from prior years when equity investments were valued at the lower of cost or market values. The change in accounting policy resulted in an increase in unrealised gains of \$1,133,821

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 income statement. 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

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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 agency buildings have been built on freehold land the costs of the buildings and any associated accumulated depreciation are recorded in the accounts of the agency.

In the prior period, an independent market valuation was conducted by Barry Plant and Countrywide Valuers. The freehold land was valued at \$13,120,000, while buildings on freehold land were valued at \$6,930,000 on 31 December 2011.

(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 5) where appropriate (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.

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 recognized when the right to receive the bequest is established.

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

(g) Insurance Provisions

i) Provision for self-funded claims losses

The Baptist Union of Victoria participates in the Australian Baptist Insurance 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.

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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 Victorian insurance board, they are no longer required.

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 un-insured claims

Provision is made for claims against the Baptist Union of Victoria where no insurance cover is provided under the policies of the scheme.

iv) Provision for exempt benefit gap cover

Provision is made for claims against the Exempt Benefit Gap Cover. From 1 October 2004, a level of cover has been provided for Churches in the event of a Pastor's WorkCover claim where the WorkCover insurer does not cover the exempt benefits portion of the Pastor's remuneration. This cover will cease on 30 September 2013.

(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.

(j) Comparative Figures

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

2. Impairment loss

In 2011 the Baptist Union of Victoria recognised an impaired loss of \$500,000 for an investment in a UBS Jersey collateralised debt obligation, as recovery of any funds was deemed unlikely. An amount of \$500,000 was received upon maturity of this investment, during 2012.

During 2011 assets were sold at a loss of \$7,000

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	Notes	2012 \$	2011 \$
3. Cash & cash equivalents			
Cash on hand		300	300
Operating cash at bank		4,661,869	2,076,245
Short term deposits		4,169,526	5,404,858
		<u>8,831,695</u>	<u>7,481,403</u>
4. Trade and other receivables			
Clearing account debtors		0	9,723
Due from members		992,378	949,310
Other debtors and prepayments		1,203,024	977,825
Interest and imputation credits receivable		56,051	148,460
Doubtful debts		(69,989)	(46,992)
		<u>2,181,464</u>	<u>2,038,326</u>
5. Financial assets			
Loans			
Current			
Secured			
• Interest bearing		9,134	350,276
Unsecured			
• Interest bearing		63,940	17,692
• Non-interest bearing		5,631	0
Total current loans		<u>78,705</u>	<u>367,968</u>
Non-Current			
Secured			
• Interest bearing		173,540	1,206,505
Unsecured			
• Interest bearing		895,164	60,938
• Non-interest bearing		106,984	0
Total non-current loans		<u>1,175,688</u>	<u>1,267,443</u>
Total loans		<u>1,254,393</u>	<u>1,635,411</u>

Secured loans are secured by first mortgages over properties.

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	Notes	2012 \$	2011 \$
5 (cont'd). Financial Assets			
Current			
• Bank bills and term deposits		3,803,373	4,155,871
• Bank and government bonds		0	479,880
• First mortgages		2,341,907	3,648,489
		<u>6,145,280</u>	<u>8,284,240</u>
Non-Current			
• Equity investments in public companies		6,131,138	4,840,900
• Capital contribution – Baptist Financial Services		3,250,000	0
• Real property		5,843,000	6,383,000
		<u>15,224,138</u>	<u>11,223,900</u>
 Total investments		<u>21,369,418</u>	<u>19,508,140</u>
 Total financial assets			
Current		6,223,985	8,652,208
Non-current		16,399,825	12,491,343
		<u>22,623,810</u>	<u>21,143,551</u>
 6. Property, Plant & Equipment			
Freehold land			
• At Executive Council valuation		13,120,000	13,120,000
Buildings on freehold land			
• At Executive Council valuation		6,934,764	6,930,000
• Less depreciation		(173,330)	0
Total buildings		<u>6,761,434</u>	<u>6,930,000</u>
Motor vehicles			
• At cost		301,137	189,959
• Less depreciation		(85,183)	(69,024)
Total motor vehicles		<u>215,954</u>	<u>120,935</u>
Plant and equipment			
• At cost		1,623,583	1,517,233
• Less depreciation		(690,091)	(554,049)
Total plant and equipment		<u>933,492</u>	<u>963,184</u>
 Total		<u>21,030,880</u>	<u>21,134,119</u>
 7. Trade and other payables			
Trade creditors and accruals		459,361	415,402
Unearned income		592,547	1,508,470
		<u>1,051,908</u>	<u>1,923,872</u>

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	Notes	2012 \$	2011 \$
8. Short term provision			
Insurance claims		61,013	80,560
Annual leave		131,983	133,528
Long Service Leave		176,398	119,192
		<u>369,394</u>	<u>333,280</u>
9. Other non-current liabilities			
Ministerial long service leave fund		1,829,475	1,881,630
Funds held in trust for churches		9,469,825	7,634,047
Other		122,414	97,302
		<u>11,421,714</u>	<u>9,612,979</u>
10. Other long term provisions			
Provision for insurance claims			
For claims which are self-funded, relating to the years:			
2011 and prior years		0	71,106
2012		61,013	288,476
2013		275,816	0
Total provision for self-funded claim losses		<u>336,829</u>	<u>359,582</u>
Provision for unreported liability claims		60,000	52,271
Provision for exempt benefit gap cover		141,544	161,120
Provision for uninsured claims		500,000	337,500
		<u>701,544</u>	<u>550,891</u>
Total provision		<u>1,038,373</u>	<u>910,473</u>
Represented by:			
Current		61,013	80,560
Non-current		977,360	829,913
Total		<u>1,038,373</u>	<u>910,473</u>
Provision for employee entitlements			
Long service leave liability		201,438	139,130
Represented by:			
Current		176,398	119,192
Non-current		25,040	19,398
		<u>201,438</u>	<u>139,130</u>
Total other long term provisions			
Current		237,411	199,752
Non-current		1,002,400	849,851
		<u>1,239,811</u>	<u>1,049,603</u>

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	Notes	2012 \$	2011 \$
11. Reserves			
Asset valuation reserve		11,585,134	11,585,134
Financial assets revaluation reserve		631,872	(501,949)
Funds earmarked for specific ministry purposes		1,704,640	1,646,862
Funds restricted by internal rules and charters:			
• Advancement fund		17,137,707	16,513,173
• Church development fund		3,106,041	3,181,298
• Mark Pollard fund		1,109,353	1,034,012
• Victorian Baptist Gospel Communications fund		111,596	106,407
		35,386,343	33,564,937
12. Unrestricted Fund			
Balance of fund at beginning of year		5,512,480	5,598,641
Prior years Ministerial LSL Fund administration charge		0	34,636
Restatement of other liabilities to unrestricted fund		0	99,302
Total comprehensive income/(loss) for the year		554,889	(121,367)
Less Transfers to reserves:			
• Earmarked reserves		50,048	(51,609)
• Advancement fund		(729,921)	(179,799)
• Church development fund		129,125	154,652
• Mark Pollard fund		(75,342)	(15,940)
• Victorian Baptist Gospel Communications fund		(5,189)	(6,036)
		5,436,090	5,512,480

13. 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

Community Care:

- Baptcare Ltd - a company limited by guarantee

Education:

- 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

Camping:

- Baptist Camping - an unincorporated entity
(Baptist Camping manages Camp Wilkin, Burnside Camp and Halls Gap Baptist Centre)

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

14. 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.

15. Events subsequent to 31 December 2012

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.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
BAPTIST UNION OF VICTORIA
ABN: 67 934 884 236**

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of the Baptist Union of Victoria, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, a summary of significant accounting policies, other explanatory notes and the statement by members of the Executive Council.

Executive Council Members' responsibility for the Financial Report

The Executive Council is responsible for the preparation of the financial report, and has determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the Baptist Union Incorporation Act 1930 and is appropriate to meet the needs of the members. The Executive Council's responsibility also includes such internal control as the committee determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation of the financial report that gives a true and fair view, 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 association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the committee, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the Executive Council's financial reporting requirements under the Baptist Union Incorporation Act 1930. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
BAPTIST UNION OF VICTORIA
ABN: 67 934 884 236**

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects the financial position of Baptist Union of Victoria as at 31 December 2012 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements, and the Baptist Union Incorporation Act 1930.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared to assist Baptist Union of Victoria to meet the requirements of Baptist Union Incorporation Act 1930. As a result, the financial report may not be suitable for another purpose.

Saward Dawson
Chartered Accountant



Tim Flowers
Partner

Date: 23.4.13
Blackburn