



mylathina takila-ti Le:wun tunk-ungai tuldangk tunk-ungai
Ola ma tumau i le alofa' 사랑 안에서 살기 Tinggal di dalam Kasih
Nofoma'u i he Ofa 愛中合居



B4A ASSEMBLY FINANCES

1. INTRODUCTION

Assembly Finance Audit and Risk Committee (AFARC) is pleased to provide its report to the 16th Assembly. AFARC's role is set out in paragraph 3.7.5.2 of the Regulations of the Church and includes responsibilities to "make to the Assembly such reports and recommendations on financial matters and policies as the Assembly may require or the Audit, Finance and Risk Committee considers appropriate". AFARC is also governed by a Charter which was most recently reviewed and approved at the November 2019 meeting of the Assembly Standing Committee (ASC).

During the 15th Triennium, the Chair of AFARC was co-opted to ASC, and reported on AFARC activities to all regular meetings of the ASC.

AFARC has worked closely with the National Assembly and its Agencies over the Triennium as part of its scope of works as it worked to discharge its responsibilities and duties. AFARC also interacts significantly with the auditors, KPMG, and is pleased to note that clean audits have been achieved for all Agencies / entities throughout the Triennium period.

The period since the meeting of the 15th Assembly has been marked by managing the impacts of the COVID pandemic as well as a new "COVID inspired" way of working. COVID impacted many aspects of the Assembly's operations (noted further below) and we are grateful for governmental assistance throughout this period.

During the Triennium, a number of key organisational changes were implemented with AFARC's assistance, and in line with its remit. These included:

- **Closure of the Home Endowment Fund (HEF)** – orderly working through of the closure of the HEF, including the distribution of closing member benefits under the principle that members will be no worse off;
- **UCA Redress Limited** – establishment of a central entity to act as the national body to join the Federal Government National Redress Scheme on behalf of the wider church (of which the Assembly is a member along with the Synods);
- **National Safe Church Unit** – establishment of a national body (of which the Assembly is a member along with the Synods) to implement critical changes as identified in the report of the Royal Commission into Institutional Responses to Child Sexual Abuse;
- **Occupancy** – Relocation of the National Assembly's and UnitingWorld's operations from 222 Pitt St (Piccadilly Court) to 262 Pitt St (Pilgrim House). The National Assembly and UnitingWorld are grateful to the NSW.ACT Synod for the opportunity to work together to provide suitable office accommodation at Pilgrim House; and
- **Insurance** – Establishment of the National Insurance Program to allow Assembly, along with Synods, to collectively procure insurance and insurance related items as well as consider other matters of effective insurance coverage.

The enhanced resiliency of Frontier Services' operations (as reported separately to Assembly) is also especially pleasing and noteworthy.

2. FINANCIAL REPORTING

The following information provides a summary of the Assembly's financial position and performance over three completed financial years since the 15th Assembly meeting, being 12 months to June 2018, June 2019, and June 2020, as well as a forecast for the 12 months to June 2021 (at the date of writing this report).

Please note in the graphs included within the report below, we have chosen to also carry forward data from 2015, the purpose being to reflect a longer period to understand trends and material changes

(especially given the material change in 2015 when Frontier Services exited aged and community services).

2.1 **Key Financial comments**

A summary of the key financial outcomes (further discussed further in the paper below) for the Assembly since the 15th Assembly meeting include:

- **Overall Net Assets** - Strong improvement in the collective net asset strength of the Assembly and its Agencies (increasing from \$23.4M in 2017 to \$30.8M in 2020);
- **National Assembly Net Assets** - Reduction in the National Assembly's ("Head Office") representation of the net assets from \$5.6M to \$3.3M over the same period, being a reduction from 24% of the net asset base to just over 10% of the net asset base (an important consideration when we discuss reserves and the Assembly's ongoing financial sustainability);
- **Frontier Services** - Continuation of the good work in repairing the Frontier Services' Balance Sheet following the exit from aged and community services and the finalisation of all remaining legacy items in relation to this exit;
- **Uniting World** – continued strong operations whilst also attaining Public Benevolent Institution (PBI) status during this period;
- **UnitingCare Australia** – continued great work in the advocacy of the disadvantaged in the community including continued strong alliances with other national peak bodies;
- **UAICC** – continued strong balance sheet to enable Congress to progress its important work whilst appreciating that these works require significant patience, energy, and time to allow them to flourish;
- **Beneficiary Fund** – in this Triennium, AFARC initiated a significantly high level of engagement with the committees of the BeneFund, especially as the initial 5-year Mercer tenure agreement came up for renewal; and
- **COVID-19** – working through the impact of COVID-19, including from the initial outbreak in February 2020, the ongoing environment of the pandemic up to the date of this report, and closely considering all financial and risk implications. A total in excess of \$1.5M was received across all Assembly entities under JobKeeper (across two financial years) and a further \$200K. under the Cashboost initiative.

2.2 **Matters of Redress**

As noted above, during the Triennium the National Assembly (via UCA Redress Limited) became a participant in the Federal Government's National Redress Scheme. Since joining the Scheme in March 2019 (the scheme continues to 2027), the Assembly has received claims from former residents of the Mogumber mission which was based in remote Western Australia (noting that matters of Mogumber related redress had been previously accepted as an Assembly matter given the Mogumber history).

It is pleasing to see both the National Assembly and UnitingWorld work together to provide the funding for these matters of Redress and both entities are booking, in line with accounting standards, estimated levels of provisioning for matters of Redress within their financial statements. AFARC has also worked closely with the auditors in considering the adequacy of these provisions.

However, it is important to note that, given the Scheme runs for an extended time until 2027, along with the possibility of civil claims arising, there is the possibility of total liabilities exceeding the current level of provisioning and placing increasing pressure on the Assembly's liquidity. As a measure, and to provide some prospective as to scale, currently the total Gross Provisioning being carried of \$3.9M (National Assembly and UnitingWorld) represents approximately 13% of the total net Assets of the National Assembly and its Agencies. This is a risk that AFARC continues to model and monitor very closely.

2.3 **National Assembly – Financial Sustainability**

Whilst it has been pleasing to see the strong trend line of increasing net assets of the collective National Assembly and its Agencies, there remains cause for some concern as to the current level of reserves available within the National Assembly itself.

As has been previously noted, the National Assembly assisted significantly during the Frontier Services transition in 2015, and whilst Frontier Services has done an amazing job resolving this legacy matter and all related debts, the National Assembly has not yet been able to replenish its general reserves (having been impacted by the loan, subsequently forgiven, to Frontier Services, the need for redress related provisions, the exit of Telstra from a National Purchasing arrangement, and the reduction of some Synod grants over the Triennium). The need for long term sustainability has been top of mind for AFARC, and ASC, throughout the Triennium.

AFARC is working closely with management, including via the annual submission of surplus budgets, to work towards increasing the level of reserves to ensure the National Assembly's sustained financial viability. AFARC is also mindful of the challenges of the National Assembly in absorbing a significant unforeseen financial, or other external, shock, should one eventuate, and we appreciate that although the Agencies have significant assets, in most cases these assets are not immediately available to the National Assembly due to "charity" and legislative requirements (related to PBI / Deductible Gift Recipient conditions).

As part of this discussion, it is important to understand that the Synods, who annually provide grants to the Assembly as part of the long-established funding model of the Assembly, are also under financial pressure as they amongst other things also deal with matters of Redress. Appreciating this, we continue to look forward to strong working relationship with the Synods.

3. SUMMARY FINANCIAL REPORT - OVERVIEW

3.1 General Funds

General Funds reporting focuses on "unencumbered funds" or "free funds". The General Funds result for the last 3 years (actuals) plus a forecast for the 2021 year is noted in the table below.

| National Assembly and Agencies | | | National | Uniting | Uniting | Frontier | UAICC | NSCU | Total |
|--------------------------------|-----------|------------|-----------|---------|---------|----------|----------|---------|----------|
| General Funds | | | Assembly | World | Care | Service | Congress | | |
| | | | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Forecast | 30-Jun-21 | Income | 3,270.5 | 1,997.6 | 1,967.5 | 4,090.7 | 769.9 | 550.8 | 12,647.1 |
| | | Expenses | 2,638.3 | 2,968.0 | 1,820.2 | 3,702.5 | 331.0 | 489.3 | 11,949.4 |
| | | Net Profit | 632.2 | (970.4) | 147.4 | 388.2 | 438.9 | 61.4 | 697.7 |
| Year ended | 30-Jun-20 | Income | 2,977.2 | 1,584.2 | 2,174.5 | 6,306.2 | 382.0 | 494.0 | 13,918.0 |
| | | Expenses | 4,952.4 | 1,500.7 | 2,185.6 | 4,099.6 | 388.6 | 401.9 | 13,528.8 |
| | | Net Profit | (1,975.2) | 83.4 | (11.1) | 2,206.6 | (6.6) | 92.0 | 389.2 |
| Year ended | 30-Jun-19 | Income | 3,550.7 | 1,724.2 | 2,169.1 | 7,449.2 | 574.7 | 121.4 | 15,589.5 |
| | | Expenses | 3,114.5 | 1,538.4 | 1,912.4 | 3,078.5 | 385.3 | 89.6 | 10,118.7 |
| | | Net Profit | 436.2 | 185.8 | 256.8 | 4,370.8 | 189.4 | 31.9 | 5,470.8 |
| Year ended | 30-Jun-18 | Income | 2,908.9 | 1,403.6 | 2,067.5 | 3,227.0 | 560.0 | 0.0 | 10,167.1 |
| | | Expenses | 4,129.6 | 1,587.0 | 1,685.9 | 2,642.8 | 315.8 | 0.0 | 10,361.1 |
| | | Net Profit | (1,220.7) | (183.4) | 381.7 | 584.2 | 244.3 | 0.0 | (193.9) |

Key items of highlight include:

- National Assembly loss in 2020 is driven by additional Provisions for Redress Claims recognised in the Balance Sheet;
- National Assembly loss in 2018 reflects the decision to distribute the previously held Benevolent Fund at the Assembly level to the respective Synods Minister Support Fund;
- UnitingWorld 2021 Forecast is impacted by additional Provision for Redress Claims;
- As noted previously, Federal Government financial assistance throughout the COVID pandemic was vital throughout the latter part of financial year 2020 and the majority of financial year 2021, without which, the reported outcomes would look very different; and
- Frontier Services 2019 profit significantly impacted by the receipt of several large bequests and generally a stronger fundraising effort.

3.2 All Funds

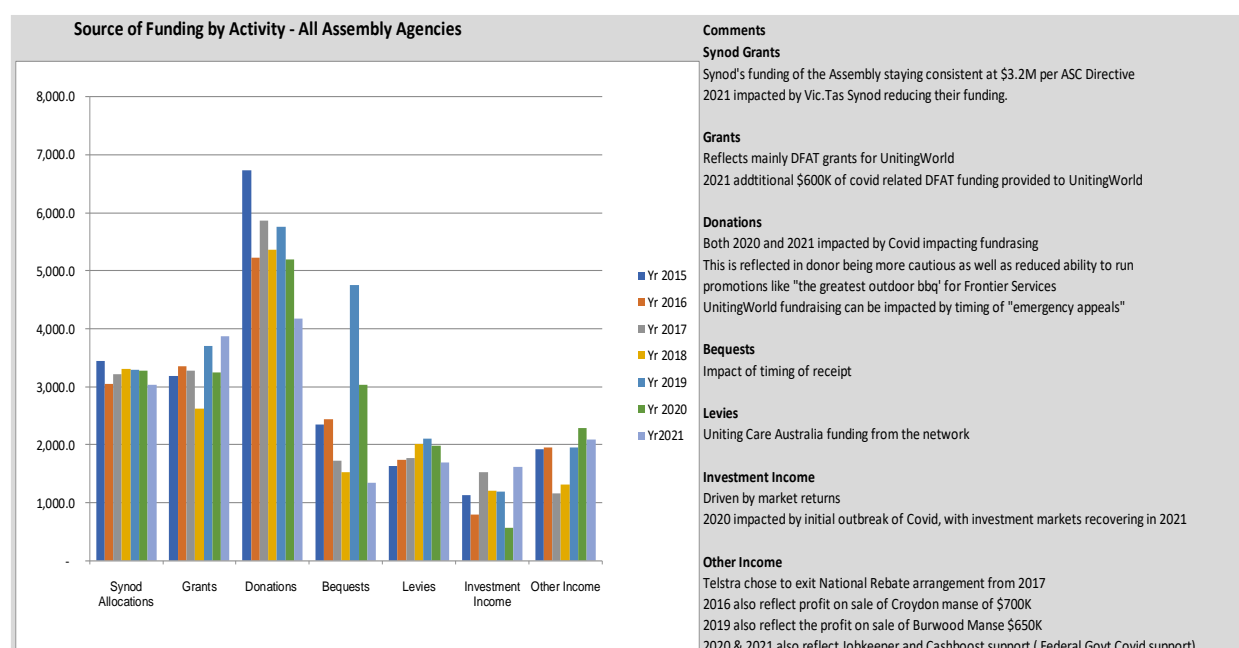
At an All Funds level, which include General Funds plus all other funds under the Assembly and its Agencies' books and records (including those with encumbrances like Endowment and

Specific funds, as well as funding received by UnitingWorld from the Federal Government Department of Foreign Affairs and Trade), the following table sets out the results:

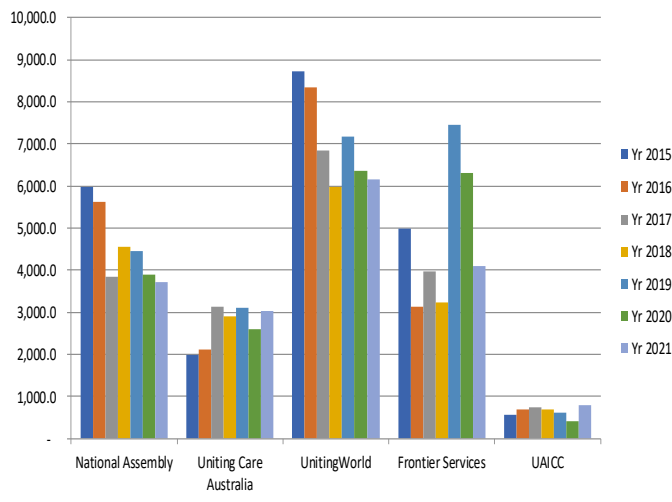
| National Assembly and Agencies | | | National | Uniting | Uniting | Frontier | UAICC | NSCU | Total |
|--------------------------------|-----------|------------|-----------|-----------|---------|----------|----------|---------|----------|
| All Funds | | | Assembly | World | Care | Service | Congress | | |
| | | | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Forecast | 30-Jun-21 | Income | 3,717.7 | 6,165.5 | 3,032.6 | 4,090.7 | 789.5 | 550.8 | 18,346.8 |
| | | Expenses | 3,117.9 | 7,821.7 | 3,294.1 | 3,702.5 | 347.0 | 489.3 | 18,772.6 |
| | | Net Profit | 599.9 | (1,656.2) | (261.5) | 388.2 | 442.5 | 61.4 | (425.8) |
| Year ended | 30-Jun-20 | Income | 3,892.0 | 6,370.4 | 2,585.6 | 6,306.2 | 419.1 | 494.0 | 20,067.3 |
| | | Expenses | 6,169.4 | 6,154.7 | 2,450.0 | 4,099.6 | 356.3 | 401.9 | 19,632.0 |
| | | Net Profit | (2,277.4) | 215.6 | 135.6 | 2,206.6 | 62.8 | 92.0 | 435.3 |
| Year ended | 30-Jun-19 | Income | 4,447.9 | 7,173.4 | 3,097.5 | 7,449.2 | 607.7 | 121.4 | 22,897.1 |
| | | Expenses | 4,164.9 | 6,764.4 | 2,762.8 | 3,078.5 | 387.6 | 89.6 | 17,247.8 |
| | | Net Profit | 282.9 | 408.9 | 334.6 | 4,370.8 | 220.1 | 31.9 | 5,649.3 |
| Year ended | 30-Jun-18 | Income | 4,560.4 | 5,986.3 | 2,912.9 | 3,227.0 | 678.1 | 0.0 | 17,364.8 |
| | | Expenses | 4,902.6 | 6,200.7 | 2,464.3 | 2,642.8 | 481.7 | 0.0 | 16,692.1 |
| | | Net Profit | (342.2) | (214.4) | 448.6 | 584.2 | 196.4 | 0.0 | 672.7 |

4. FINANCIAL REPORT – GRAPHS

The following graphs show a snapshot of financial performance (focused on an All-Funds Level; (noting actuals for 2015 to 2020 and forecasts for 2021):



Revenue by Entity



Comments

National Assembly

2015 and 2016 Revenue included recharges to Frontier Services for bush chaplains

Uniting Care Australia

Christmas appeal from 2017 and slight increase in levies

UWRD

General decreased DFAT funding and decreased donations

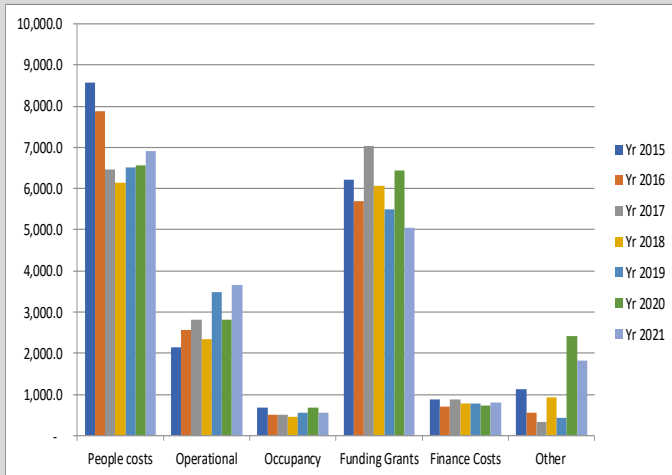
Frontier Services

2015 - Frontier Services was still exiting some remaining service programs
Timing of large bequests being received

UAICC

Impacted by investment returns

Expenses by Category



Comments

Staffing Costs

2015 and 1/2 yr 2016 included Bush Chaplains who are now in placement with the Synods

Operational Costs

Can vary depending on activities being undertaken

Occupancy

Assembly and UnitingWorld relocated to 262 Pitt St in early calendar year 2020

Funding Grants

Timing of grants payments

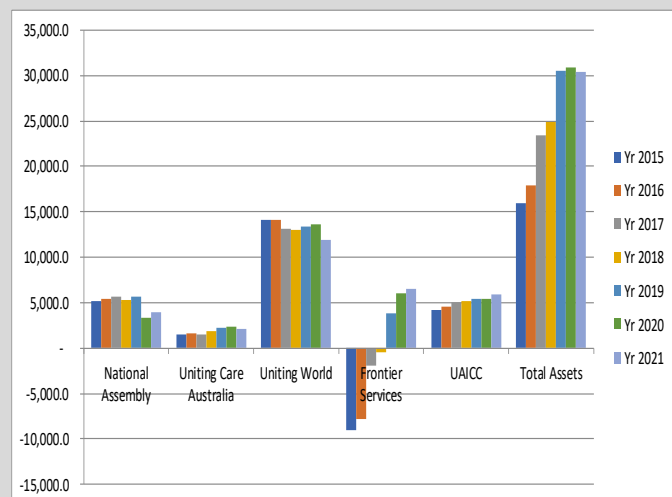
Finance Costs

Includes Depreciation and Insurance costs

Other

2018 includes provisioning in relation to Redress

Net Assets by Entity



Comments

National Assembly

2020 impacted by provisioning for matters of Redress (Mogumber)

Uniting Care Australia

Consistent across the 4 years

UW

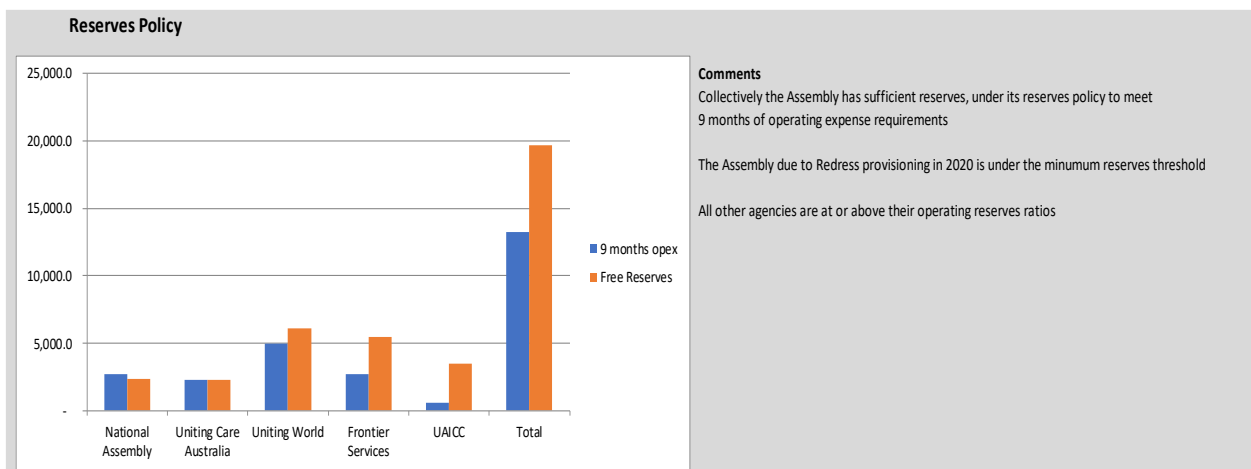
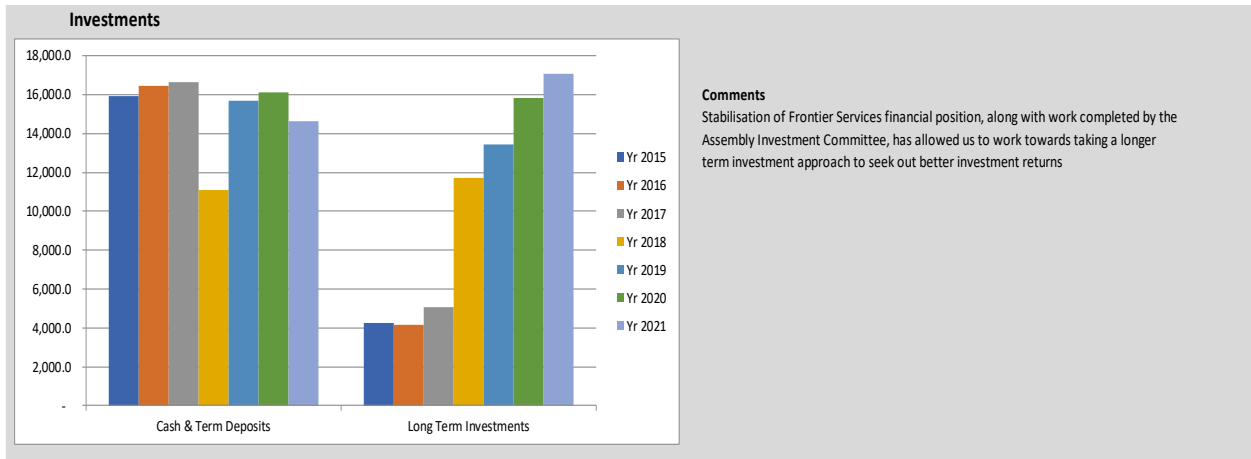
2021 impacted by provisioning for matters of Redress (Mogumber)

Frontier Services

Continued good work to repair the Frontier Services Balance sheet
Have resolved legacy obligations from the 2014 transition out of aged/community care

UAICC

Slight increase over the 4 year period



5. OTHER MATTERS – IN REVIEW

While AFARC’s focus over the past years has been on financial stabilization, along with remediation and restoring sustainability, there are other matters and highlights, to bring to the attention of the Assembly. These include:

5.1 Home Endowment Fund (HEF)

As mentioned above, during the Triennium, UEthical (Vic.Tas Synod), in conjunction with the Assembly Office, moved to wind up the historic HEF – after consideration as to “fit for purpose” requirements, the significant increase in costs required to meet the increased legislated governance requirements to run such a fund, as well as the consideration for more appropriate vehicles to provision for the retirement of ministers.

5.2 Risk Management

We continue, as part of our normal work plan to consider matters of Risk to the Assembly and its Agencies. Updates to the Assembly’s Risk Register by management are reviewed by AFARC at each meeting. This broad responsibility absorbed a large component of AFARC’s attention.

5.3 Annual Budgets and Forecasts

Annual budgets are prepared by all parties for AFARC’s recommendation and subsequent ASC approval. Deficit budgets are generally not accepted unless an Agency provides good reasons as to the deficit and clear plans of how the Agency intends to return to surplus. AFARC also works with management as they prepare annual reforecasts midway through the financial year to provide additional focus on financial management.

5.4 BeneFund

As mentioned above, AFARC has engaged significantly with the BeneFund over the Triennium. This included regular meetings with BeneFund Committee members, Mercers (Trustee and Administrator) and the Actuary (Towers Watson). As part of this process, AFARC sought and gained considerable comfort over both the governance arrangements and financial standing of the BeneFund. A couple of matters that AFARC would like to note for the Assembly's attention include:

- The central importance of the Fund's Pension Increase Policy – whereby ongoing financial viability is effectively achieved through limiting (less than full) indexation of member pensions. This has been adopted over recent years and is likely to continue for many years; and
- Noting the above point, the nature of Fund (as an almost unique “Defined Benefits” Fund) means that the Fund's investment risk falls to the “employer” (ie, the Church). AFARC is working with the BeneFund Committees to seek to reduce the level of investment risk to the Church, whilst preserving member entitlements. Again, this absorbed a considerable attention from AFARC during the Triennium, most noticeably as COVID impacts were first realised, bringing the investment risk and overall Fund prudential stability to stark attention. Market performance since the original pandemic impact has benefitted the Fund.

5.5 COVID-19

As mentioned earlier in the report, the outbreak of COVID-19 and the subsequent pandemic, has had an impact on the operations of the Assembly and its Agencies. The initial outbreak caused significant confusion and uncertainty and this impacted revenue lines including fundraising receipts, network levies and investment returns.

The Federal Government introduced several initiatives, including Cashboost and JobKeeper to assist manage the impacts of the pandemic. The Assembly and its Agencies qualified for both initiatives and this helped to provide some much-needed certainty to the situation, enabling the Assembly and its Agencies to retain staffing levels, especially upon the initial onset of the pandemic when investment markets dropped significantly and forecasts around income lines like fundraising anticipated significant falls.

COVID-19 also introduced, much by way of necessity, new ways of working. For a significant part of the 2020 calendar year and for the 2021 calendar year to date, staff have spent significant time working from home and utilising online tools like Zoom and Microsoft teams. This has had the impact of some reduction in certain costs including travel, accommodation, and meeting costs.

We appreciate that the Assembly has maintained a direct COVID-19 Risk Register, and focussed significantly on staff and volunteers' wellbeing during the period.

5.6 Other Activities

- In conjunction with the Assembly Investment Advisory Committee (AIAC), there has been a significant movement of funds away from cash and short-term cash-based investments to longer-term investment for higher returns with over \$10M invested in the UFS Ethical Diversified Fund “EDF” – without increasing the financial risk profile for the Assembly or its Agencies. The EDF has returned approximately 20% cumulatively since the first investment in August 2017/18. AIAC continues to work closely with individual Agencies and reports regularly to AFARC.
- Stipends Review – AFARC was instrumental in work now underway at a national level to review Stipends and related items. This topic is much broader than just those areas of AFARC's initial interest, the latter being focussed on superannuation, matters of consistency around stipend level, residence, vehicle and other allowances, tax benefits, and consistency nationally around long leave entitlements.
- During the Triennium, AFARC has worked closely with several Assembly Agencies as governing documents were reviewed and updated – including UnitingWorld in its journey to

- attaining PBI status and the updating of UnitingCare’s mandate documents. The AIAC Charter was also reviewed and endorsed by ASC.
- AFARC continues to work with the National Assembly in supporting the works progressing in relation to the ACT 2 initiative - including a focus on collaboration, sustainability, and structure and especially in seeking out opportunities for economies of scale and efficiency through potential collaborative or shared services across the work of the Church. AFARC encourages management’s continual review of work practices, including around “back of house” processing activities and has actively been encouraging shared services dialogue in this regard.
 - National Insurance Program – the Assembly continues to work with the Synods towards further levels of effectiveness as to insurance and insurance related procurement. In recent years, the insurance market has hardened, and rates have been increasing markedly, and the national insurance programme has worked collectively with the Synods, to mitigate these impacts.
 - AFARC, as part of effective Risk Management, is pleased to see significant work around succession planning being undertaken by the Assembly and its Agencies, in reducing the potential impact of future key personnel changes.
 - AFARC has continued to work closely, and directly, with all Assembly Agencies in relation to matters of finance, risk, governance and key initiatives being undertaken by the Agencies. AFARC greatly appreciates the close working relationship we enjoy with all Agencies.
 - In relation to its own governance, AFARC has focussed over recent years on a few key aspects, being:
 - We are well advanced in the process of identifying new Committee members as current members “roll off” the Committee;
 - The AFARC Charter was extensively reviewed, and updated, at ASC in late 2019; and
 - We continue to work on a review of our operations by way of self-evaluation and 360 degree feedback for subsequent review at ASC – seeking continual improvement to the quality and effectiveness of our work.

6. LOOKING AHEAD

As we look ahead over the next three years, at the time of writing this report, it is quite likely that AFARC’s attention will again be directed to a broad range of issues. The following few points identify some such matters:

- Ongoing focus on financial performance, budgets etc – including audit and related “non-negotiable” aspects;
- Financial sustainability – intertwined with ongoing attention to redress and related matters;
- Onboarding of “new” Committee members;
- The ongoing evolution of, and improvements to, Assembly’s management of Risk;
- Beneficiary Fund; and
- Support for the broader Act 2 programme of work.

The ongoing impacts arising from COVID-19 will no doubt also require ongoing attention; other matters are also likely to arise that are as yet unpredictable.

7. CONCLUSION AND RECOMMENDATION

AFARC is pleased to report a considerable improvement in financial position since the 15th Assembly – notwithstanding ongoing pressures in relation to long term financial sustainability. We look forward to the 16th Assembly with enthusiasm as we continue to provide support and advice to the Assembly, its Standing Committee and Agencies. We will continue to discharge our responsibilities with diligence; we will continue to seek answers to tough questions and we remain willing to get our hands dirty in the ongoing support of the Assembly, its Agencies and its Standing Committee.

AFARC greatly appreciates the support of the Assembly office and its dedicated leadership team - the stability of which has also been instrumental in the progress of the Assembly through the Triennium. Special recognition of the staff supporting the Committee's work - Esther Baidar, Liyan Zhang, and Leo Iosifidis, as well as the NSW.ACT Synod Finance team – is warranted.

Finally, AFARC pays tribute, and gives thanks, to two members who are now leaving the Committee. Ben Cohen and Peter McDonald are leaving, having served the Committee for more than eleven years and eight years respectively. Both Ben and Peter brought their own unique, lived, perspectives of the Church to the benefit of the Committee and its work. We thank them for, amongst other things, their enthusiasm, insights, commitment, wisdom, and patience over the years. Both Ben and Peter leave the Committee having imparted significant amounts of skill, wisdom and knowledge (and good humour) on the Committee's workings; they will be missed as the Committee continues its work; and we wish them both well for the future.

Stuart Woodward
Chair
Assembly Finance Audit and Risk
Committee

and **Leo Iosifidis**
National Director
Strategic Finance and
Administration
Assembly Support Unit