To be the trusted financial services provider of the Diocese of Grafton, enabling ministry growth.

ANGLICAN FUNDS GRAFTON DIOCESE BOARD MEETING
Video Conference
Thursday 18th February 2021
AGENDA

1. **9.00am** - Opening Prayer

2. Acknowledgement of Country
We, the Board of Anglican Funds Grafton Diocese, acknowledge the Bundjalung, Arakwal, Yaegl, Githabul, Gumbayngirr, Dunghutti and Birpai peoples, traditional custodians of these lands on which this Diocese is based; and we pay tribute and respect to the elders of these nations and peoples, past, present and emerging and acknowledge their connection with and care for this country.

3. Confirm attendees and apologies

4. Conflict of Interest Declarations
Current standing register of interests:
   - Bishop Murray Harvey – various Diocesan boards and committees.
   - David Ford – Chair of Bishop Druitt College (BDC) Council and member of Bishop-in-Council.
   - Ted Clarke – agreement with Clarence Valley Anglican School (CVAS)
   - Chris Nelson – involved on various Diocesan boards and committees.
   - Blaine Fitzgerald – Head of Anglican Funds South Australia (AFSA).

5. Confirmation of Minutes
   - Meeting of 3 December 2020.
   - Flying Minute of 10 February 2021 – Term Investment Interest Rate Changes effective 12 February 2021.

6. Call for additional agenda items and close of agenda

7. Financial and performance reports
   a) Finance reports

8. Matters for discussion and/or decision
   a) AFSA/AFGD Service Agreement report from Blaine Fitzgerald includes;
   – Schools updates and report on major borrowers.
   b) AFGD Future Working Group Report
   c) AFGD Board Structure & strategies moving forward
   d) AFSA Service Agreement
   e) AFGD Budget 2021

9. Matters for noting and status updates
   a) Bank@Post update – verbal report to be provided by Annette Dent

10. Correspondence
In:
   - 9/01/2021 – letter of resignation as AFGD Board Member from John Adlington.

- 21/01/2021 – email correspondence ‘Banking arrangements for the new Parish of Nambucca Valley’.
- 10/02/2021 – letter via email ‘Interest Rate Review AFGD’ reduction to interest rate on AFGD account 00041173 Monthly Income Account held with AFSA

Out:

- 08/02/2021 – Letter of Acknowledgement & Thanks to John Adlington from B-i-C.
- 09/02/2021 – Letter to Anglican Parish of Nambucca Valley – response from B-i-C in regards to banking arrangements.

11. Next meeting scheduled for 18 March 2021.

12. Meeting close

BOARD MEETING DATE:

18/02/2021

No 5 Confirmation of Minutes

Title: Meeting of 3 December 2020

No of Pages. 5 incl Header

To be the trusted financial services provider of the Diocese of Grafton, enabling ministry growth.

Minutes
Thursday 3rd December 2020
By Zoom Video Conference

1. **Opening** Meeting opened at 9.14am.

2. **Attendees**: Mr David Ford (Chair), Mr John Adlington, Mr Gary Boyd, Mr Phil Crandon joined the meeting at 9.32am, Mr Ted Clarke joined the meeting at 9.45am

   Non-members: Mr Chris Nelson, Mrs Annette Dent, Mr Blaine Fitzgerald joined the meeting at 9.23am.

   All participants were joined by Zoom video conference.

   Apologies: Bishop Murray Harvey

3. **Prayers and Acknowledgement of Country**
   The Chair opened the meeting with prayer and Acknowledgement of Country as printed in the meeting agenda and Mr Gary Boyd said the opening prayer.

4. **Conflict of Interest Declarations**
   The current standing register of interests as follows was noted:
   Bishop Murray Harvey – involved on various Diocesan boards and committees
   David Ford – Chair of Bishop Druitt College (BDC) Council and member of Bishop-in-Council.
   Chris Nelson – involved on various Diocesan boards and committees.
   Blaine Fitzgerald – Head of Anglican Funds South Australia (AFSA)

   The following conflict of interest was removed from the register effective 03/12/2020.
   Ted Clarke – Agreement with Clarence Valley Anglican School

5. Confirmation of Minutes
   That the minutes of the meeting of 23 October 2020 be accepted as true and correct
   Moved: Mr Gary Boyd
   Seconded: Mr John Adlington
   Carried

   On 5th November 2020, the following resolution was agreed by Flying Minute:
   "That the AFGD Board approves the following Cheque Account, Cash Management Account & Term Investment rates effective 6/11/2020:
   Cheque Account 0.10%
   Cash Management 0.25%
   90 days 0.60% p.a.
   180 days 0.70% p.a.
   365 days 0.85% p.a."

   That the Flying Minute on Cheque Account, Cash Management Account & Term Investment Interest Rate Changes effective 6th November 2020 be ratified.
   Moved: Mr John Adlington
   Seconded: Mr Gary Boyd
   Carried

6. **Call for additional Agenda items and close of Agenda**
The Chair Mr David Ford introduced the additional agenda items as follows; Late Paper Agenda Item 8a AFSA/AFGD Service Agreement Report – additional paper, Late Paper Agenda Item 8e CVAS Deed of Subordination – additional papers, Late Paper Agenda Item 8d Banking Alternatives and Bank@Post – Bishop-in-Council resolution with regard a request from Parish of Port Macquarie & Late Paper new Agenda Item 9a Matters for noting and status updates - Bishop-in-Council Resolution re Lindisfarne Anglican Grammar School.

7. **Financial and Performance Reports**
   a. **Finance Reports**

The finance reports to 31st October 2020 were considered. Mrs Annette Dent spoke to the reports and advised that the performance to October was as expected based on a conservative budget, the income generated from the loan portfolio, low cost of funds and control of expenditure. It was noted that the refinance of the EAC component of the loan portfolio effective from 30/11/2020 will have an impact on income from borrowers moving forward. The AFGD 2021 budget was also discussed. Mr Blaine Fitzgerald & Mrs Annette Dent will work together on a first draft of the 2021 budget and the Chair Mr David Ford advised that presentation of the draft is to be deferred until mid-January 2021.

That the AFGD Board receives the financial reports for the period to 31 October 2020.
Moved: Mr David Ford
Seconded: Mr John Adlington
Carried

8. **Matters for Discussion and or Decision**
   a. **AFSA/AFGD Service Agreement Update**

Mr Blaine Fitzgerald provided commentary to his report on various administration and support provided to AFGD as part of the Service Agreement. A summary of the current status of each of the schools was provided and discussed further. The EAC refinance was processed on 30/11/2020. LAGS are currently in the process of further negotiation with Westpac with plan for refinance to take place either by the end of December 2020 or January 2021. SCAS 'SEC' funding from Westpac for $2.7M due for drawdown during December and SCAS has indicated that these funds will be transferred to AFGD to reduce their overdraft balance. BDC no changes currently planned. CVAS no changes currently planned.

   b. **AFGD Future Plans**

Mr Chris Nelson provided an update on the status of future plans for AFGD as a result of discussions held during the joint Corporate Trustee and Bishop-in-Council meeting on 26/11/2020. The Corporate Trustees have advised Bishop-in-Council that they have determined to hold off an any decisions until a report can be provided by the 'AFGD Working Group' which is expected towards the end of January or beginning of February 2021.

   c. **Cashflow including instructions for Ord Minnett December maturity.**

Mrs Annette Dent spoke to the current level of liquidity and anticipated cash requirements during the December/January period. It was noted that the EAC loan refinance of $4.1M was processed on 30/11/2020 and the 'Smedley' loan refinance of $460,000 is due for 04/12/2020. The Board also discussed the Ord Minnett portfolio in particular the Australian Unity AYUHB hybrid security (face value $ 1,143,700.00) which is due to mature on 15/12/2020. The following motion was resolved in regards to the Ord maturity and surplus available cash over this period.

That the AFGD Board authorises for the ORD Minnett hybrid security holding Australian Unity AYUHN be redeemed at maturity on 15/12/2020 and that the funds be placed in the AFGD monthly income account held with AFSA until the liquidity requirements are better understood.
Moved: Mr John Adlington
Seconded: Mr Phil Crandon
Carried

   d. **Banking Alternatives and Bank@Post**

Mrs Annette Dent provided an update on the status of the switch from Westpac to Bank@Post for over the counter deposits and member chequing services. Testing is still currently underway but it is expected that new deposit & cheque books will be able to be ordered within the next week. Further discussion on the limitations of the Bank@Post facility noted the main restriction being the processing of coin deposits at Australia Post. The AFGD Board noted that the only formal request for an alternate option currently received was from the Parish of Port Macquarie. Mr Blaine Fitzgerald provided commentary on another option currently being investigated by AFSA for over the counter deposits through NAB. This option involves a 'master account' with 'agency' deposit books assigned and issued to clients. Mrs Annette Dent advised that this process is effectively the same process that AFGD (then GDIF) used with a Westpac account prior to the service agreement with AFSA. At this point in time with Bank@Post being the only option available, AFGD staff will work with clients for a smooth transition to Bank@Post and alternate options are to be further investigated in conjunction with AFSA during early 2021.

That the AFGD Board, noting the Bishop-in-Council resolution of 26 November 2020, approve the Parish of Port Macquarie making alternate arrangements for handling of bulk Parish deposits at this time and defer approval for other parishes until those parishes have experience with Bank@Post.

Moved: Mr Gary Boyd
Seconded: Mr John Adlington

e. CVAS Deed of Subordination

Mr Chris Nelson provided a summary of the outcomes of the meeting held between CVAS and Diocese representatives on 27/11/2020 noting that it was identified that as an agreement would not be reached before 31 December 2020, the simple solution was to provide more time. The parties agreed to maintain discussions on the subordinated debt as a priority with the hope of an agreement being reached in the early months of 2021.

That the AFGD Board, in recognition of the continuing discussions with Clarence Valley Anglican School regarding the subordinated loan and the need for the school to have certainty for its 2020 financial audit, agree to the current Deed of Subordination being extended by 1 year to conclude at 30 June 2022.

Moved: Mr Phil Crandon
Seconded: Mr Ted Clarke
Carried

f. AFGD Board Meeting dates 2021

The proposed AFGD Board Meeting dates for 2021 were discussed with Mr Chris Nelson noting the only conflict was the meeting in February originally listed as 11 February 2021. The alternate option of 18 February was then discussed with Mr Chris Nelson advising he would check his schedule and confirm availability for this new date.
After the AFGD Board meeting the following dates were confirmed for 2021.
Thursday 18th February 2021
Thursday 18th March 2021
Thursday 20th May 2021 (Joint with CTS)
Thursday 19th August 2021
Thursday 14th October 2021
Thursday 9th December 2021

9. Matters for noting and status updates

a. Bishop-in-Council Resolution re Lindisfarne Anglican Grammar School.

The Chair Mr David Ford noted the Bishop-in-Council Resolution in regards to Lindisfarne Anglican Grammar Schools and their request to source alternate funding.

10. Correspondence

In:

19/11/2020 – letter to AFGD & BiC from Port Macquarie Anglican Parish requesting to open an account with Westpac.

Out:

26/10/2020 – letter via email to Jennifer Pike St Columba Anglican School from David Ford – AFGD approval for funding of Enviro Centre by Westpac.
20/11/2020 – letter via email to the Business Manager of each of the five Anglican schools

from The Corporate Trustees of the Diocese of Grafton (Chris Nelson) & Anglican Funds Grafton Diocese (David Ford) – update in regards to Westpac Diocese strategy progress and request for six month cashflow requirements.
25/11/2020 – letter to Westpac from The Corporate Trustees of the Diocese of Grafton – SCAS Consent.

That the inwards correspondence be received and that the outward correspondence be endorsed.
Moved: Mr Phil Crandon
Seconded: Mr Ted Clarke
Carried

11. **Next meeting** – 2021 Meeting Dates were confirmed after the close of the meeting upon confirmation of the availability of the Registrar Mr Chris Nelson for the February meeting. The next meeting is scheduled for 18 February 2021.

12. **Meeting close** – the meeting closed at 10.38am

CONFIRMED as true and correct record of proceedings of Anglican Funds Grafton Diocese Board meeting of 3 December 2020

Chair – David Ford

BOARD MEETING DATE:

18/02/2021

No 5 Confirmation of Minutes

Title: Flying Minute of 10 February 2021 – Term Investment Interest Rate Changes effective 12 February 2021

No of Pages. 4 incl Header

AFGD Board Flying Minute - new Term Investment Rates effective 12/02/2021

1 message

Annette Dent <office@afgd.com.au> 10 February 2021 at 16:30
To: David Ford <fordie@mac.com>, Philip Crandon <phil_crandon@bigpond.com>, Ted & Peggy Clarke <tedpeggy@bigpond.net.au>, Gary Boyd <garyandcilla@outlook.com>, Murray Harvey <bishop@graftondiocese.org.au>
Cc: Chris Nelson <chris.nelson@graftondiocese.org.au>, Linda Butler <linda.butler@afgd.com.au>

Dear AFGD Board Members,

As part of my regular fortnightly review of deposit rates, specifically Term Investment rates, please see below proposed rate changes.
Note: an effective date of 12/02/2021 is to provide sufficient time for Board Member response and subsequent system changes to be processed.

AFGD currently advertises the following Term Investment rates:
90 days 0.60% p.a.
180 days 0.70% p.a.
365 days 0.85% p.a.

Most recent assessment (10 Feb) of comparative retail rates (see attachment) which on average are:
90 days 0.33% p.a.
180 days 0.43% p.a.
365 days 0.51% p.a.

AFSA current rates 10/02/2021 are:
90 days 0.30% p.a.
180 days 0.55% p.a.
365 days 0.65% p.a.

Could you please respond by 'Reply All' email confirming whether you support the following resolution?

That the AFGD Board approves the following Term Investment rates effective 12/02/2021:
90 days 0.45% p.a.
180 days 0.55% p.a.
365 days 0.70% p.a.

Kind regards
Annette

Annette Dent
Office Admin / Customer Service
Anglican Funds Grafton Diocese
Level 1, 50 Victoria Street GRAFTON NSW 2460
PO Box 4 GRAFTON NSW 2460
FreeCall 1800 810 919 (NSW Only)
Ph: 02 6642 4480 Fax: 02 6643 2391

	10/02/2021					
Term (months)		**1**	**2**	**3**	**6**	**12**
CBA		0.05	0.05	0.10	0.25	0.40
WESTPAC		0.05	0.05	0.10	0.20	0.25
BANKWEST		0.05	0.20	0.30	0.50	0.55
NAB		0.05	0.10	0.20	0.30	0.40
SUNCORP BANK		0.09	0.12	0.50	0.55	0.50
MACQUARIE		0.05	0.05	0.45	0.55	0.60
CUA		0.10	0.15	0.50	0.50	0.65
BENDIGO&ADELAIDE BANK		0.10	0.10	0.20	0.45	0.50
BANK OF QLD		0.20	0.30	0.50	0.35	0.60
ME BANK		0.20	0.20	0.45	0.65	0.65
	Average	**0.09**	**0.13**	**0.33**	**0.43**	**0.51**
	Median	**0.07**	**0.11**	**0.38**	**0.48**	**0.53**
	Current	0.05	0.10	0.35	0.60	0.65
	Difference	0.04	0.03	- 0.02	- 0.17	- 0.14
	New	0.05	0.10	0.30	0.55	0.65
	Std Dev	0.06	0.08	0.17	0.15	0.13
	Movement	-	-	- 0.05	- 0.05	-
	From Max	0.15	0.20	0.20	0.10	-

Comparison Rate		**Security Float**	
0.00%	Monthly rate	0.97%	1,124,000
0.00%	Annualised compound rate	1.92%	281,000
		1.16%	1,405,000

For ALCO Report

Average	0.09	0.13	0.33	0.43	0.51
Median	0.07	0.11	0.38	0.48	0.53
Standard Deviation	0.06	0.08	0.17	0.15	0.13
AFSA Current Rates	**0.05**	**0.10**	**0.30**	**0.55**	**0.65**

AFSA as @ 10/02/2021	**AFGD as @ 10/02/2021**	**AFGD proposed effective 12/02/2021**
90 Days 0.30%	**90 Days 0.60%**	**90 Days 0.45%**
180 days 0.55%	**180 days 0.70%**	**180 days 0.55%**
365 days 0.65%	**365 days 0.85%**	**365 days 0.70%**

10/02/2021	30	60	90	180	365
	-	-	-	-	-
CBA	0.05	0.05	0.10	0.25	0.40
WESTPAC	0.05	0.05	0.10	0.20	0.25
BANKWEST	0.05	0.20	0.30	0.50	0.55
NAB	0.05	0.10	0.20	0.30	0.40
SUNCORP BANK	0.09	0.12	0.50	0.55	0.50
					-
MACQUARIE	0.05	0.05	0.45	0.55	0.60
CUA	0.10	0.15	0.50	0.50	0.65
	-	-	-	-	-
BENDIGO&ADELAIDE BANK	0.10	0.10	0.20	0.45	0.50
BANK OF QLD	0.20	0.30	0.50	0.35	0.60
ME BANK	0.20	0.20	0.45	0.65	0.65
	-	-	-	-	-
	-	-	-	-	-

	30	60	90	120	150	180	270	365
WESTPAC ✪								
ST GEORGE ✪								
BANK OF MELBOURNE ✪								
BANK SA ✪								
NAB ✪	0.25%	0.40%	0.90%	2.24%	2.26%	0.90%	1.80%	1.25%
ANZ								
SUNCORP BANK ✪								
AMP BANK ✪	1.10%	1.20%	1.30%	2.15%	2.65%	1.65%	2.05%	1.45%
MACQUARIE ✪								
ING Direct - Middle Market ✪								
ING Direct - Adviser ✪								
BENDIGO&ADELAIDE BANK ✪	0.25%	0.55%	0.70%	2.60%	2.65%	0.90%	1.75%	1.05%
BANK OF QLD ✪	0.30%	0.60%	1.00%	2.58%	2.58%	1.15%	2.05%	1.20%
ME BANK ✪	1.00%	1.10%	1.35%	2.68%	2.68%	1.60%	2.00%	1.40%

WESTPAC ✪	1.48%	1.75%	2.14%	2.18%	0.0223	0.0227	0.0229	0.022
ST GEORGE ✪	1.48%	1.75%	2.14%	2.18%	0.0223	0.0227	0.0229	0.022
BANK OF MELBOURNE ✪	1.48%	1.75%	2.14%	2.18%	0.0223	0.0227	0.0229	0.022
BANK SA ✪	1.48%	1.75%	2.14%	2.18%	0.0223	0.0227	0.0229	0.022
NAB ✪	1.80%	2.25%	2.39%	2.39%	0.0239	0.0239	0.0241	0.0241
SUNCORP BANK ✪	1.70%	1.80%	2.27%	2.45%	0.023	0.0255	0.024	0.0247
AMP BANK ✪	2.15%	2.15%	2.50%	2.35%	0.02	0.026	0.026	0.026
MACQUARIE ✪	1.55%	1.55%	2.35%	2.35%	0.023	0.023	0.0235	0.024
ING Direct - Middle Market ✪	1.70%	2.04%	2.17%		0.0232	0.0262	0.0259	0.0259
ING Direct - Adviser ✪	2.00%	2.40%				0.026		0.027
BENDIGO&ADELAIDE BANK ✪	1.60%	1.95%	2.20%	2.25%	0.023	0.024	0.0245	0.025
BANK OF QLD ✪	1.65%	2.00%	2.45%	2.50%	0.0255	0.026	0.026	0.0255
ME BANK ✪	1.85%	2.15%	2.52%	2.55%	0.0255	0.0265	0.026	0.026

BOARD MEETING DATE:

18/02/2021

No 7 Financial and performance reports

Item: a

Title: Finance reports

No of Pages. 14 incl Header

Anglican Funds Grafton Diocese
Level 1 - 50 Victoria Street
Grafton 2460
NSW

Profit & Loss Statement

January to December 2020

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Budget	Variance
4-0000	Income															
	Interest Recd - Investments	10,539	17,980	17,300	10,907	7,418	6,183	5,827	3,115	9,908	2,810	2,416	5,662	100,065	102,954	(2,890)
	Interest Recd - Borrowers	76,493	53,483	53,664	57,453	63,116	60,043	69,943	75,935	76,289	74,662	65,869	44,700	771,649	594,970	(38,690)
	Sundry Income - Other Asset classes and Serv	18,047	57,149	35,375	37,585	37,585	29,302	37,067	2,397	21,820	31,535	31,535	-7,094	332,303	433,430	(101,127)
	Total Income	105,079	128,613	106,339	105,945	108,118	95,528	112,837	81,447	108,017	109,007	99,820	43,267	1,204,017	1,131,354	(41,378)
5-0000	Cost Of Sales															
	Total Interest Paid to Investors	45,427	42,208	41,938	35,985	33,083	30,829	30,766	28,213	23,547	23,276	18,180	16,055	369,507	600,000	230,493
	Gross Profit	59,652	86,405	64,401	69,960	75,036	64,699	82,071	53,234	84,470	85,731	81,640	27,212	834,510	531,354	303,156
6-0000	Expenses															
	Total Employee Benefits	9,172	11,064	10,617	10,617	10,617	10,706	10,869	10,869	10,211	10,430	10,869	13,223	129,265	132,012	2,747
	Total Professional fees	1,886	3,146	1,886	1,886	1,886	2,359	2,456	3,405	2,649	2,850	2,149	1,886	28,443	26,320	(2,123)
	Total Banking and Indue Costs	16,676	16,720	16,739	17,841	16,942	16,351	17,345	16,755	19,122	20,113	20,451	17,286	212,341	221,672	9,331
	Total insurance costs	1,109	1,120	1,114	-2,025	601	585	604	604	119	118	395	406	4,750	12,342	7,592
	Total General Operations costs	793	878	1,050	1,134	683	702	1,420	695	1,023	915	730	1,465	11,490	23,287	11,797
	Total Expenses	29,636	32,928	31,406	29,453	30,730	30,702	32,695	32,329	33,124	34,426	34,594	34,266	386,288	415,633	29,345
	Total Net Profit	30,016	53,477	32,995	40,507	44,306	33,997	49,376	20,905	51,347	51,305	47,046	-7,053	448,222	115,721	332,501
9-0000	Distribution to Diocese															
	Total Other Expenses	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,600	125,000	125,000	-
	Net Profit/(Loss) after distribution	19,616	43,077	22,595	30,107	33,906	23,597	38,976	10,505	40,947	40,905	36,646	-17,653	323,222	-9,279	332,501

Anglican Funds Grafton Diocese
Level 1 - 50 Victoria Street
Grafton 2460
NSW

Profit & Loss Statement

January to December 2020

		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	YTD Actual	Budget	Variance
4-0000	**Income**															
4-1010	Interest Received - Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	102,954	(102,954)
4-1011	Interest Received -NAB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
4-1012	Interest Recd - AFSA	9,242	14,499	14,562	8,893	7,066	7,986	5,722	3,019	9,811	2,719	2,329	5,567	91,415	0	91,415
4-1013	Interest Recd - Melb CF7963	1,151	3,337	2,586	1,884	245	-1,909	0	0	0	0	0	0	7,293	0	7,293
4-1014	Interest recd - WBC	147	144	153	130	107	106	105	96	97	90	87	95	1,357	0	1,357
4-1015	Interest Recd - AMP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
	Interest Recd - Investments	**10,539**	**17,980**	**17,300**	**10,907**	**7,418**	**6,183**	**5,827**	**3,115**	**9,908**	**2,810**	**2,416**	**5,662**	**100,065**	**102,954**	**(2,890)**
4-1020	Overdraft/LOC INT INC	36,595	16,530	14,345	19,660	25,251	22,299	23,687	29,904	32,167	29,357	22,886	23,678	296,358	594,970	(298,611)
4-1021	Interest Only Loans INT INC	16,444	15,298	16,353	15,799	15,673	16,485	24,514	24,514	23,516	24,246	23,245	15,307	231,396	0	231,396
4-1022	Princ & Int Loans INT INC	23,453	21,655	22,966	21,993	22,192	21,259	21,742	21,517	20,606	21,059	19,738	5,715	243,895	0	243,895
	Interest Recd - Borrowers	**76,493**	**53,483**	**53,664**	**57,453**	**63,116**	**60,043**	**69,943**	**75,935**	**76,289**	**74,662**	**65,869**	**44,700**	**771,649**	**594,970**	**176,679**
4-1055	Ord Min List Interest Income	3,631	3,631	3,275	3,631	3,631	3,260	3,526	3,526	1,432	4,655	4,655	4,657	43,510	40,144	3,366
4-1056	Ord Min U/List Interest Income	14,412	14,412	12,559	14,413	14,413	11,499	14,000	14,000	5,846	7,340	7,340	7,302	137,536	158,786	(21,251)
4-1057	Proceeds on Sale of Bonds	0	0	0	0	0	0	0	-34,670	0	0	0	-16,374	-51,044	0	(51,044)
4-1058	Profit/Loss Sale Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
4-2000	Service Fees Received	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
4-2100	Line Fee Income	0	39,084	19,541	19,541	19,541	14,543	19,541	19,541	14,543	19,540	19,540	-2,768	202,188	234,500	(32,313)
4-3000	Sundry Income	4	22	0	0	0	0	0	0	0	0	0	88	114	0	114
	Sundry Income - Other Asset classes and Service Fee	**18,047**	**57,149**	**35,375**	**37,585**	**37,585**	**29,302**	**37,067**	**2,397**	**21,820**	**31,535**	**31,535**	**-7,094**	**332,303**	**433,430**	**(101,127)**
	Total Income	**105,079**	**128,613**	**106,339**	**105,945**	**108,118**	**95,528**	**112,837**	**81,447**	**108,017**	**109,007**	**99,820**	**43,267**	**1,204,017**	**1,131,354**	**72,663**
5-2100	Interest Paid to Investors	45,427	42,208	41,938	35,985	33,083	30,829	30,766	28,213	23,547	23,276	18,180	16,055	369,507	600,000	230,493
	Total Cost Of Sales	**45,427**	**42,208**	**41,938**	**35,985**	**33,083**	**30,829**	**30,766**	**28,213**	**23,547**	**23,276**	**18,180**	**16,055**	**369,507**	**600,000**	**230,493**
	Gross Profit	**59,652**	**86,405**	**64,401**	**69,960**	**75,036**	**64,699**	**82,071**	**53,234**	**84,470**	**85,731**	**81,640**	**27,212**	**834,510**	**531,354**	**303,156**
6-0000	**Expenses**															
6-1100	Provision for Annual Leave	-658	443	443	443	443	531	453	453	-362	-91	453	1,197	3,747	0	(3,747)
6-1200	Provision Long Service Leave	0	0	0	0	0	0	0	0	0	0	0	1,482	1,482	1,200	(282)
6-1300	Salaries and Wages	7,279	8,002	7,594	7,594	7,594	7,594	7,815	7,815	7,958	7,910	7,815	7,934	92,905	97,632	4,727
6-1400	Registry Support	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,859	1,856	22,305	22,305	-
6-1500	Superannuation	691	760	721	721	721	721	742	742	756	751	742	754	8,826	9,275	449
6-1600	Staff Traing	0	0	0	0	0	0	0	0	0	0	0	0	0	1,600	1,600
6-1700	Fund Manager Vehicle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
	Total Employee Benefits	**9,172**	**11,064**	**10,617**	**10,617**	**10,617**	**10,706**	**10,869**	**10,869**	**10,211**	**10,430**	**10,869**	**13,223**	**129,265**	**132,012**	**2,747**
6-4200	Advertising	0	0	0	0	0	473	570	0	263	964	263	0	2,532	2,400	(132)
6-4300	Audit Fees	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	22,632	21,920	(712)
6-4360	Legal Fees	0	1,260	0	0	0	0	0	1,519	500	0	0	0	3,279	2,000	(1,279)
	Total Professional fees	**1,886**	**3,146**	**1,886**	**1,886**	**1,886**	**2,359**	**2,456**	**3,405**	**2,649**	**2,850**	**2,149**	**1,886**	**28,443**	**26,320**	**(2,123)**
6-4400	WBC Bank Charges	499	449	524	400	224	190	323	450	539	583	558	529	5,268	6,720	1,452
6-4402	Indue Fees	73	20	36	83	95	31	33	15	20	31	43	14	493	586	93
6-4410	Consultancy Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	7,500	7,500
6-4412	Donations	0	0	0	0	0	0	0	0	0	0	2,500	0	2,500	5,000	2,500
6-4440	WBC Line of Credit Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
6-4442	Ord Minnett Brokerage/Advice	1,200	1,200	1,200	1,099	1,200	1,200	1,112	1,200	1,200	-46	950	-1,914	9,601	15,840	6,239
6-4445	ASFA Line of Credit Charges	417	417	417	448	423	417	417	1,143	2,362	4,951	2,150	1,877	15,440	5,000	(10,440)
6-4450	AFSA Service Agreement Fees	14,487	14,635	14,562	15,811	15,000	14,513	15,460	13,947	15,000	14,594	14,249	16,782	179,039	181,026	1,987
	Total Banking Costs	**16,676**	**16,720**	**16,739**	**17,841**	**16,942**	**16,351**	**17,345**	**16,755**	**19,122**	**20,113**	**20,451**	**17,286**	**212,341**	**221,672**	**9,331**
6-4510	Insurance - Workers Comp	109	120	114	114	114	114	117	117	119	118	117	119	1,390	1,626	236

6-4530	Insurance - General	1,000	1,000	1,000	-2,139	487	472	487	487	0	0	278	287	3,360	10,716	7,356
	Total insurance costs	**1,109**	**1,120**	**1,114**	**-2,025**	**601**	**585**	**604**	**604**	**119**	**118**	**395**	**406**	**4,750**	**12,342**	**7,592**
6-4425	Depreciation Expense	123	69	69	69	69	69	69	69	69	69	69	69	882	1,476	**594**
6-4600	Meeting Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	500	**500**
6-4610	Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**-**
6-4700	Postage	0	84	80	118	79	68	89	67	82	221	101	171	1,159	1,184	**25**
6-4800	Printing & Stationery	139	0	374	112	0	0	671	0	314	0	0	641	2,251	2,571	**320**
6-4900	Rent/Victoria Street	433	433	433	433	433	433	433	433	433	433	433	433	5,200	5,200	**0**
6-5000	PC Repairs and Maintenance	0	0	0	36	0	0	0	0	0	0	0	0	36	3,000	**2,964**
6-5100	Telephone	98	110	95	365	102	132	158	126	125	126	127	151	1,714	1,320	**(394)**
6-5200	Travel & Accommodation - Board	0	182	0	0	0	0	0	0	0	66	0	0	249	5,000	**4,751**
6-5300	Travel & Accommodation - AFGD	0	0	0	0	0	0	0	0	0	0	0	0	0	2,400	**2,400**
6-5310	AFGD Staff Expenses Other	0	0	0	0	0	0	0	0	0	0	0	0	0	636	**636**
	Total General Operations costs	**793**	**878**	**1,050**	**1,134**	**683**	**702**	**1,420**	**695**	**1,023**	**915**	**730**	**1,465**	**11,490**	**23,287**	11,797
	Total Expenses	**29,636**	**32,928**	**31,406**	**29,453**	**30,730**	**30,702**	**32,695**	**32,329**	**33,124**	**34,426**	**34,594**	**34,266**	**386,288**	**415,633**	29,345
	Total Net Profit	**30,016**	**53,477**	**32,995**	**40,507**	**44,306**	**33,997**	**49,376**	**20,905**	**51,347**	**51,305**	**47,046**	**-7,053**	**448,222**	**115,721**	332,501
9-2200	Contribution to Diocese	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,600	125,000	125,000	-
	Total Other Expenses	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,400**	**10,600**	**125,000**	**125,000**	**0**
	Net Profit/(Loss) after distribution	**19,616**	**43,077**	**22,595**	**30,107**	**33,906**	**23,597**	**38,976**	**10,505**	**40,947**	**40,905**	**36,646**	**-17,653**	**323,222**	**-9,279**	332,501

Anglican Funds Grafton Diocese
Level 1 - 50 Victoria Street
Grafton 2460
NSW

Balance Sheet

As of December 2020

Account No.				
1-0000	Assets			
1-1000	Current Assets			
1-1105	WBC 032537 247819 Operating Ac		$26,859.51	
1-1110	WBC 032537 120455 Client Chq		$162,388.49	
1-1130	AFSA Float SAV00000202		$732,017.58	
1-1131	AFSA MIA SAV00041173		$10,141,229.64	
1-1137	Daily Txns Unproc'd in Phoenix		($11,322.21)	
1-1160	WBC 032537 163017 Cash Managem		$600,656.16	
1-1170	Accrued Int Receivable Investm		$4,840.82	
1-1400	Prepaid Insurance		$2,814.29	
1-2700	Furniture & Fixtures			
1-2710	Furniture & Fixtures Orig Cost		$4,852.56	
1-2720	Furniture & Fixtures Accum Dep		($2,221.82)	
1-2800	Plant & Equipment			
1-2810	Computer Hardware		$26,730.39	
1-2820	Acc Depn Computer Hardware		($26,787.65)	
1-2900	Intangible Assets			
1-2910	Computer Software		$60,500.00	
1-2920	Acc Depn - Comptr Software		($60,500.00)	
1-3000	Financial Assets - Current			
1-3114	AFSA Term Investment		$1,000,000.00	
1-3120	AFSA Security Dep SAV00000203		$253,024.50	
1-3130	WBC Term Invested Funds		$100,000.00	
1-3147	Ord Minnett-Global Cash Trust		$35,935.00	
1-3148	Ord Minn-Global Investments		$3,016,910.00	
1-3150	Loan Assets			
1-3155	Line of Credit - O/D		$7,037,421.89	
1-3160	Loan Advances		$1,767,400.06	
1-3170	Loan Advances - P & I		$2,067,060.95	
1-3190	Accrued Interest Loans			
1-3199	Financial Assets Current - Adj		($15,104,496.17)	
1-4000	Financial Assets - Non Current			
1-4110	Financial Assets Non Current		$15,104,496.17	
	Total Assets			$26,939,810.16
2-0000	Liabilities			
2-1000	Current Liabilities			
2-1004	Audit Costs		$23,132.00	
2-1200	Accounts payable			$16,449.79
2-1221	2243310 Term 90 Days INT PAY			$1,867.72
2-1222	2243320 Term 180 days INT PAY			$16,174.72
2-1223	2243330 Term 365 days INT PAY			$29,974.27
2-1700	Investor Funds Fin Liab Curren			
2-1710	2103300 Access Accounts		$99,717.17	
2-1715	2103310 Institution Access		$193,823.92	
2-1725	2103330 Parish Provider Access		$6,399.69	
2-1730	2103350 Interest Free Deposits		$10,668.17	
2-1735	2103370 Chq Acc Parishes		$1,114,457.88	
2-1740	2103380 Chq Acc Ministry		$1,775,321.14	
2-1745	2103400 Anglican Affiliates		$2,558,102.53	

2-1750	139 Parishes CMA		$949,406.83	
2-1755	2183310 Term Inv 90 days		$2,423,092.03	
2-1756	2103420 Clergy Access Account		$367,848.44	
2-1760	2183320 Term Inv 180 days		$9,319,440.81	
2-1765	2183330 Term Inv 365 days		$6,000,550.24	
2-1900	Other Current Liabilities			
2-1910	Accrued Annual Leave		$6,124.17	
2-1911	Accrued Long Service Leave		$13,109.98	
2-1915	Accrued Expenses		$18,434.50	
2-3030	GST from purchases			($118.14)
2-9999	Westpac Unknown transactions			$223.68
	Total Liabilities			$24,944,201.54
	Net Assets			$1,995,608.62
3-0000	Equity			
3-7000	Revaluation Financial Assets			($71,794.81)
3-8000	Retained Earnings			$1,744,181.29
3-9000	Current Earnings			$323,222.14
	Total Equity			$1,995,608.62

Anglican Funds Grafton Diocese
Level 1 - 50 Victoria Street
Grafton 2460
NSW

Balance Sheet [Multi-Period]

January 2020 To December 2020

Account No.	Account Name	January	February	March	April	May	June	July	August	September	October	November	December
	Assets												
	Current Assets												
1-1105	WBC 032537 247819 Operating Ac	9,220	8,490	11,225	3,676	18,428	2,920	1,493	3,076	-301	4,756	6,299	26,860
1-1110	WBC 032537 120455 Client Chq	124,185	128,975	119,949	92,953	102,076	144,973	126,014	153,574	159,446	159,230	3,755,832	162,388
1-3130	WBC Term Invested Funds	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
		233,404	**237,465**	**231,173**	**196,629**	**220,504**	**247,893**	**227,507**	**256,651**	**259,144**	**263,986**	**3,862,131**	**289,248**
1-1130	AFSA Float SAV00000202	81	68	28	345	59	377	420	-576,315	-1,712,822	712	8,251	732,018
1-1131	AFSA MIA SAV00041173	11,623,828	9,645,463	10,586,746	7,804,067	7,282,054	5,339,119	3,134,445	2,099	420	4,306,320	771,439	10,141,230
1-1137	Daily Txns Unproc'd in Phoenix	-26,017	1,320,661	-225,000	-727,433	34,584	-95,247	38,456	945,391	-290,026	-101,970	22,402	-11,322
1-1160	WBC 032537 163017 Cash Managem	359,818	444,849	544,880	395,251	395,267	395,284	525,565	300,586	345,602	375,617	450,633	600,656
1-1165	Melb DIF 30 day term	2,000,000	2,000,000	2,000,000	500,000	0	0	0	0	0	0	0	0
1-3120	AFSA Security Dep SAV00000203	251,777	251,971	252,179	252,380	252,588	252,789	252,887	252,915	252,942	252,970	252,997	253,025
1-3147	Ord Minnett-Global Cash Trust	0	3,720	21,467	41,985	3,709	19,807	0	1,531,931	13,953	13,953	13,953	35,935
		14,209,486	**13,666,732**	**13,180,300**	**8,266,595**	**7,968,260**	**5,912,129**	**3,951,773**	**2,456,606**	**-1,389,931**	**4,847,601**	**1,519,675**	**11,751,541**
1-1170	Accrued Int Receivable Investm	3,567	8,485	6,982	10,143	12,048	7,959	83	1,047	1,980	2,944	3,877	4,841
1-1171	Ord Min List Accrued Int Rec	-6,906	-3,275	0	-6,891	-3,260	0	-4,958	-1,432	0	-3,717	938	0
1-1172	Ord Min U/List Accrued Int Rec	-5,504	5,188	0	-6,105	4,600	0	-3,152	8,108	0	7,340	14,680	0
1-1173	Accrued Income	0	39,084	0	19,541	39,082	0	19,541	39,082	0	19,540	39,080	0
1-1400	Prepaid Insurance	0	0	0	1,934	1,446	975	487	0	0	0	3,101	2,814
1-2000	Trade Debtors	0	0	0	0	0	0	0	1,638	0	0	0	0
		-8,843	**49,482**	**6,982**	**18,622**	**53,916**	**8,934**	**12,002**	**48,443**	**1,980**	**26,107**	**61,676**	**7,655**
1-3145	Ord Minnett-Listed Investments	1,166,574	1,166,574	1,120,826	1,120,826	1,120,826	1,155,137	1,155,137	1,155,137	1,155,594	1,155,594	1,155,594	0
1-3148	Ord Minn-Global Investments	4,614,670	4,614,670	4,605,375	4,605,375	4,605,375	4,441,300	4,441,300	2,962,550	3,011,210	3,011,210	3,011,210	3,016,910
		5,781,244	**5,781,244**	**5,726,201**	**5,726,201**	**5,726,201**	**5,596,437**	**5,596,437**	**4,117,687**	**4,166,804**	**4,166,804**	**4,166,804**	**3,016,910**
	Fixed Assets												
1-2710	Furniture & Fixtures Orig Cost	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853
1-2720	Furniture & Fixtures Accum Dep	-1,848	-1,882	-1,916	-1,950	-1,984	-2,018	-2,052	-2,086	-2,120	-2,154	-2,188	-2,222
1-2810	Computer Hardware	26,730	26,730	26,730	26,730	26,730	26,730	26,730	26,730	26,730	26,730	26,730	26,730
1-2820	Acc Depn Computer Hardware	-26,403	-26,438	-26,473	-26,508	-26,543	-26,578	-26,613	-26,648	-26,683	-26,718	-26,753	-26,788
1-2910	Computer Software	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500	60,500
1-2920	Acc Depn - Comptr Software	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500	-60,500
	Fixed Assets	**3,332**	**3,263**	**3,194**	**3,125**	**3,056**	**2,987**	**2,918**	**2,849**	**2,780**	**2,711**	**2,642**	**2,573**
	Loan Assets												
1-3114	AFSA Term Investment	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
1-3155	Line of Credit - O/D	6,112,057	7,286,189	6,672,864	9,706,905	9,049,642	8,822,299	9,430,291	10,758,789	13,954,361	7,673,590	9,609,589	7,037,422
1-3160	Loan Advances	3,660,068	3,659,008	3,660,063	3,579,509	3,569,383	6,670,195	6,678,225	6,678,225	6,601,964	6,602,695	5,337,686	1,767,400

1-3170	Loan Advances - P & I	5,414,709	5,374,460	5,321,223	5,267,227	5,215,751	5,162,485	5,110,123	5,057,536	5,004,039	4,939,695	2,111,291	2,067,061
	Loan Assets	**16,186,834**	**17,319,658**	**16,654,150**	**19,553,641**	**18,834,776**	**21,654,979**	**22,218,639**	**23,494,550**	**26,560,364**	**20,215,980**	**18,058,566**	**11,871,883**
1-3199	Financial Assets Current - Adj	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496	-15,104,496
1-4110	Financial Assets Non Current	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496	15,104,496
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Total Assets	**36,405,458**	**37,057,844**	**35,802,000**	**33,764,814**	**32,806,714**	**33,423,359**	**32,009,276**	**30,376,785**	**29,601,143**	**29,523,190**	**27,671,495**	**26,939,810**
	Liabilities												
	Current Liabilities												
2-1004	Audit Costs	19,996	21,882	23,768	8,044	9,930	11,816	13,702	15,588	17,474	19,360	21,246	23,132
2-1200	Accounts payable	164	2,075	378	6,929	26	25	759	1,690	2,427	19	3,662	16,450
2-1915	Accrued Expenses	18,687	21,035	23,162	17,011	17,400	18,600	16,200	17,017	18,600	15,950	16,900	18,435
		38,847	**44,992**	**47,308**	**31,984**	**27,356**	**30,441**	**30,661**	**34,294**	**38,501**	**35,329**	**41,808**	**58,016**
2-1101	2243130 Access Acc INT PAY	42	75	99	124	149	0	27	63	101	139	169	0
2-1102	2243131 Inst Acc INT PAY	56	111	173	233	296	0	84	166	248	334	416	0
2-1104	2243133 Parish Prov INT PAY	20	36	52	75	95	0	14	27	40	51	60	0
		117	**222**	**324**	**432**	**539**	**0**	**125**	**257**	**389**	**524**	**645**	**0**
2-1221	2243310 Term 90 Days INT PAY	16,549	12,718	7,862	13,003	6,207	4,344	5,783	2,161	2,283	2,970	1,719	1,868
2-1222	2243320 Term 180 days INT PAY	50,632	61,406	38,257	36,323	28,006	26,617	32,874	34,723	43,346	38,242	28,344	16,175
2-1223	2243330 Term 365 days INT PAY	86,956	78,593	84,735	78,326	78,121	68,278	63,858	57,253	58,797	34,939	29,755	29,974
		154,137	**152,716**	**130,854**	**127,653**	**112,333**	**99,239**	**102,515**	**94,137**	**104,426**	**76,150**	**59,818**	**48,017**
	Investor Funds Fin Liab Current												
2-1710	2103300 Access Accounts	175,199	134,895	144,806	145,581	129,102	127,720	140,022	167,055	130,696	152,434	147,873	99,717
2-1715	2103310 Institution Access	151,131	160,072	166,346	164,328	168,937	197,804	203,527	198,302	214,063	215,102	191,506	193,824
2-1725	2103330 Parish Provider Access	5,713	4,676	5,168	6,346	6,340	7,326	9,574	8,205	6,309	7,271	4,750	6,400
2-1730	2103350 Interest Free Deposits	9,770	8,717	8,635	8,819	9,262	8,719	8,937	10,594	8,401	8,712	9,784	10,668
2-1735	2103370 Chq Acc Parishes	947,250	705,047	767,380	908,970	898,418	1,049,636	1,085,203	1,130,573	1,229,577	1,291,256	1,324,236	1,114,458
2-1740	2103380 Chq Acc Ministry	4,381,571	3,816,458	3,528,980	2,337,787	2,740,216	3,804,200	2,620,584	3,397,959	2,716,506	2,287,643	2,002,127	1,775,321
2-1745	2103400 Anglican Affiliates	3,673,102	5,150,547	8,271,285	8,187,149	7,478,705	7,184,629	6,962,621	4,963,634	4,063,611	4,272,958	2,890,262	2,558,103
2-1750	139 Parishes CMA	658,581	679,238	624,419	573,933	598,723	575,550	684,816	743,378	800,877	877,152	851,563	949,407
2-1756	2103420 Clergy Access Account	247,375	254,249	251,534	264,753	277,126	298,346	307,344	300,711	322,837	341,170	353,273	367,848
	Investor Funds Fin Liab Current	**10,249,692**	**10,913,901**	**13,768,553**	**12,597,666**	**12,306,829**	**13,253,929**	**12,022,627**	**10,920,411**	**9,492,878**	**9,453,696**	**7,775,374**	**7,075,746**
2-1755	2183310 Term Inv 90 days	7,608,290	7,620,616	5,468,356	5,569,728	3,736,937	3,176,993	3,078,413	2,468,413	2,491,418	2,492,404	2,478,789	2,423,092
2-1760	2183320 Term Inv 180 days	9,071,122	9,347,496	7,461,301	7,080,361	8,363,110	8,845,633	8,997,666	9,088,410	9,320,080	9,321,409	9,236,709	9,319,441
2-1765	2183330 Term Inv 365 days	7,538,440	7,189,086	7,168,057	6,571,143	6,439,440	6,300,402	6,021,606	5,918,987	6,211,645	6,161,357	6,058,554	6,000,550
		24,217,852	**24,157,198**	**20,097,714**	**19,221,233**	**18,539,487**	**18,323,028**	**18,097,685**	**17,475,810**	**18,023,142**	**17,975,171**	**17,774,052**	**17,743,083**
	Other Current Liabilities												
2-1910	Accrued Annual Leave	1,720	2,163	2,605	3,048	3,491	4,022	4,475	4,927	4,565	4,475	4,927	6,124
2-1911	Accrued Long Service Leave	11,628	11,628	11,628	11,628	11,628	11,628	11,628	11,628	11,628	11,628	11,628	13,109
2-3030	GST from purchases	-1,160	-678	-241	-2,191	-2,215	-27	-515	-370	-140	-443	-62	-118
	Other Current Liabilities	**12,188**	**13,113**	**13,992**	**12,485**	**12,903**	**15,623**	**15,587**	**16,185**	**16,053**	**15,660**	**16,493**	**19,115**
2-9999	Westpac Unknown transactions	224	224	224	224	224	224	224	224	224	224	224	224

		224	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**
	Total Liabilities	**34,673,055**	**35,282,365**	**34,058,969**	**31,991,676**	**30,999,671**	**31,722,483**	**30,269,424**	**28,541,317**	**27,675,611**	**27,556,754**	**25,668,413**	**24,944,202**
	Net Assets	**1,732,402**	**1,775,479**	**1,743,031**	**1,773,138**	**1,807,043**	**1,700,876**	**1,739,853**	**1,835,468**	**1,925,532**	**1,966,436**	**2,003,082**	**1,995,609**
	Equity												
3-7000	Revaluation Financial Assets	-31,395	-31,395	-86,438	-86,438	-86,438	-216,202	-216,202	-131,092	-81,974	-81,974	-81,974	-71,795
3-8000	Retained Earnings	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181	1,744,181
3-9000	Current Earnings	19,616	62,693	85,288	115,394	149,300	172,897	211,873	222,379	263,325	304,230	340,875	322,552
	Total Equity	**1,732,402**	**1,775,479**	**1,743,031**	**1,773,138**	**1,807,043**	**1,700,876**	**1,739,853**	**1,835,468**	**1,925,532**	**1,966,436**	**2,003,082**	**1,995,609**

Loan Book Data	31-Dec-20		Loan Balance	Unsecured	Limits	Unutilised/Not Drawn	Rate	Open Date	Amount Borrowed	Loan Expiry Date
COM 730 436032770 Secondary Campus Stage 2	Clarence Valley Anglican School		$ 1,767,400.06			5.90% 10/05/2005		1,758,979.66	$	31/12/2037
COM 731 436040139 Refinance 10 Cotswold Close	Coffs Harbour Anglican Parish 3.85% 19/04/2017	174,000.00	$ 14,088.27						$	19/04/2037
COM 731 436040069 6 McLean St, Coffs Harbour NSW	Coffs Harbour Anglican Parish 3.85% 01/12/2015	194,000.00	$ 30,794.80						$	01/12/2031
COM 731 436040059 Principal and interest loan	Anglicare North Coast 5.60% 18/12/2014	1,200,000.00	$ 14,885.76						$	18/12/2026
COM 731 436040211 Rectory Loan	South Grafton Anglican Parish		$ 135,777.30		**Largest exposure**		3.85%	27/02/2020	$ 137,578.94	27/02/2031
COM 731 436040011 Middle School Stage 4	St Columba Anglican School Council Incor		$ 284,531.84		**St Columba Anglican School**		3.09%	02/04/2013	$ 1,003,682.80	02/05/2023
COM 731 436040012 Stage 5	St Columba Anglican School Council Incor		$ 141,667.37		**includes full OD limit**		3.09%	02/04/2013	$ 432,389.82	02/11/2023
COM 731 436040013 Stage 6	St Columba Anglican School Council Incor		$ 421,336.55		**$ 9,812,307.37**		3.09%	02/04/2013	$ 1,209,360.63	02/03/2024
COM 731 436040014 Admin Building Stage 6b.1	St Columba Anglican School Council Incor		$ 414,281.84			3.09% 02/04/2013		786,598.41	$	02/01/2027
COM 731 436040015 Building Loan Stage 7	St Columba Anglican School Council Incor		$ 550,430.71		**Balance of OD only**		3.09%	02/04/2013	$ 959,563.76	10/12/2027
COM 731 436040166 CCELC Purchase	St Columba Anglican School Council Incor		$ 59.06		**$ 4,436,394.29**		4.98%	05/06/2018	$ 1,777,000.00	05/03/2026
COM 731 436040146 Clergy Car Loan	M Smedley 5.85% 22/08/2017	43,532.00	$ 15,966.98						$	22/08/2022
COM 731 436040170 Ridge Clergy Car Loan	M A Ridge 5.85% 04/10/2018	21,660.00	$ 12,652.78						$	04/10/2023
COM 731 436040149 Clergy Car Loan	M B Jones		$ 3,366.46			5.85% 28/11/2017		13,450.00	$	28/11/2021
COM 731 436040143 Clergy Car Loan - Jenks	G C Jenks 5.85% 13/06/2017	40,000.00	$ 13,287.55						$	13/06/2022
COM 731 436040145 Clergy Car Loan	D Snyman 5.85% 11/08/2017	36,000.00	$ 13,228.18						$	11/08/2022
COM 731 436040161 Clergy Car Loan Toyota Corolla	D Snyman		$ 705.50			5.85% 06/02/2018		11,662.00	$	06/02/2021
OD 535 438040007 Annual Insurance Premium Fundi	Anglican Diocese of Grafton		$ -	$ -	$ 450,000.00	$ 450,000.00				
OD 535 438040004 Line of Credit	Clarence Valley Anglican School		$ 1,062.50	$ -	$ 850,000.00	$ 848,937.50				
OD 535 438040010 Working Capital	Anglicare North Coast		$ -	$ -	$ 200,000.00	$ 200,000.00				
OD 535 438040008 Line of Credit	St Columba Anglican School Council Incor		$ 2,624,086.92	$ -	$ 8,000,000.00	$ 5,375,913.08				
OD 535 438040017 Line of Credit	Camfar Properties Pty Ltd		$ -	$ -	$ 190,000.00	$ 190,000.00				
OD 535 438040025 Working Capital Requirements	Bishop Druitt College Council		$ 4,049,347.27	$ -	$ 5,450,000.00	$ 1,400,652.73				
OD 535 438040026 Information Computer Technolog	Bishop Druitt College Council		$ 362,925.20	$ -	$ 550,000.00	$ 187,074.80				
			$ 10,871,882.90	**$ -**	**$ 15,690,000.00**	**$ 8,652,578.11**				
Total Loan Book assets	**Excludes redraw**		**$ 19,524,461.01**							
	Loans only		**$ 3,834,461.01**							
	Overdrafts only		**$ 7,037,421.89**							

		Facility Limit	Annual Line Fee $	Rate	Line Fee %
Anglican Diocese of Grafton	450,000.00	$	$ -	3.85%	0.00%
St Columba Anglican School Council Incor		$8,000,000.00	$ 80,000.00	3.09%	1.00%
Camfar Properties Pty Ltd	190,000.00	$	$ -	5.33%	0.00%
Clarence Valley Anglican School	850,000.00	$	$ 4,250.00	5.90%	0.50%
Anglicare North Coast	200,000.00	$	$ 1,000.00	5.00%	0.50%
Bishop Druitt College Council	5,450,000.00	$	$ 54,500.00	4.16%	1.00%
Bishop Druitt College Council	550,000.00	$	$ 5,500.00	4.16%	1.00%
		$ 15,690,000.00	**$ 145,250.00**	**3.72%**	**0.98%**
		Average return		**3.761%**	**4.74%**
		refer balance by rate end of month for benchmark			

AFGD Capital Adequacy & Liquidity: 31/12/2020

Capital Adequacy (4.4.2): (Target > 10% of Risk Weighted Assets)

Assets	Weighting	Asset Value	RWA
Cash (Govt. Securities, A Rated Aust. Banks)	10%	$ 13,052,111	$ 1,305,211
Cash (Other Aust. Banks, ADI's)		$	
Rating AAA to AA-	20%	$ -	$ -
Rating A+ to BBB-	50%	$ -	$ -
Rating BB+ to B-	100%	$ -	$ -
Rating CCC to D	200%	$-	
Unrated			
Internal Loans - Unsecured	100%	$-	
Internal Loans $-			
Secured Commercial	75%	$ 10,871,883	$ 8,153,912
Secured Residential	50%	$ -	$ -
External Loans - Secured Residential Property	75%		$ -
External Loans - Secured Commercial property	125%		$ -
Other Investments (excluding Equities) with claims on Australian and International counter parties:			$ -
Rating AAA to AA-	20%		$ -
Rating A+ to BBB-	50%	$ 3,091,270	$ 1,545,635
Rating BB+ to B-	100%		$ -
Rating CCC to D	200%		$ -
Unrated			$
Other Investments/assets and Equities	400%		$ -
Total Assets		**27,015,264**	**$ 11,004,758**

Note: excludes available for re-draw & undrawn facility limits

Note Adelaide utilse drawn facilities only.

Risk Concentration:							
To the extent an External loans exceeds 5% of Total Assets							
		Total Assets:	Limit Amount:	Number			
Limit	5%	$ 27,015,264	$ 1,350,763				
Loans > 5% of TA			$ -		400%	$ -	$ -
							$ -
To the extent an Internal loans exceeds 30% of Total Assets							
		Total Assets:	Limit Amount:				
Limit	30%	$ 27,015,264	$ 8,104,579				
Loans > 30% of TA					200%	$ -	$ -
						Total Risk Weighted Assets	**$ 11,004,758**
						8% of risk weighted assets	$ 880,381
						+ 2.5% Buffer	$ 275,119
						Required Capital 10.5%	**$ 1,155,500**
Equity:							
				Accumulated Funds			$ 2,067,403
				Asset Reserves			-$ 71,795
				Total Equity			**$ 1,995,609**
				"Surplus" Capital			**$ 840,109**
				Actual Capital Adequacy ratio			**18.13%**

Comments should actual Capital Adequacy ratio be < 10.5%

Liquidity (4.1): (> 10% of Total Assets):

Total Assets:		27,015,264	$	
Minimum Liquidity requirement	**10%**			**$ 2,701,526**
Actual position:				
Cash	13,052,111		$	
Undrawn Bank OD Facility		4,500,000	$	
Total Actual Liquidity		17,552,111		$
"Surplus" Liquidity		**14,850,585**		**$**
Actual Liquidity Ratio				**65.0%**

Comments should actual Liquidity ratio be < 10%

4.3 Depositors in excess of 5% of Liabilities

Total depositors in excess of 5% of Liabilities	$ 11,301,812	$ 11,301,812	45.5%
Total liabilities		$ 24,818,829	

Comments on large depositors

The number of accounts/clients with balances in excess of 5% is: 1 **Corporate Trustees**

AFGD Capital Adequacy & Liquidity: 31/12/2020

Capital Adequacy (4.4.2): (Target > 10% of Risk Weighted Assets)

Assets	Weighting	Asset Value	RWA	
Cash (Govt. Securities, A Rated Aust. Banks)	10%	$ 13,052,111	$ 1,305,211	
Cash (Other Aust. Banks, ADI's)		$		
Rating AAA to AA-	20%	$ -	$ -	
Rating A+ to BBB-	50%	$ -	$ -	
Rating BB+ to B-	100%	$ -	$ -	
Rating CCC to D	200%	$-		
Unrated				
Internal Loans - Unsecured	100%	$-		
Internal Loans $-				
Secured Commercial	75%	$ 19,524,461	$ 14,643,346	**Note: includes undrawn facility limits**
Secured Residential	50%	$ -	$ -	Note Adelaide utilse drawn facilities only.
External Loans - Secured Residential Property	75%		$ -	
External Loans - Secured Commercial property	125%		$ -	
Other Investments (excluding Equities) with claims on Australian and International counter parties:			$ -	
Rating AAA to AA-	20%		$ -	
Rating A+ to BBB-	50%	$ 3,091,270	$ 1,545,635	
Rating BB+ to B-	100%		$ -	
Rating CCC to D	200%		$ -	
Unrated			$	
Other Investments/assets and Equities	400%		$ -	
Total Assets		**35,667,842**	**$ 17,494,192**	

Risk Concentration:

To the extent an External loans exceeds 5% of Total Assets								
			Total Assets:	Limit Amount:	Number			
	Limit	5%	$ 35,667,842	$ 1,783,392				
	Loans > 5% of TA			$ -		400%	$ -	$ -
								$ -
To the extent an Internal loans exceeds 30% of Total Assets								
			Total Assets:	Limit Amount:				
	Limit	30%	$ 35,667,842	$ 10,700,353				
	Loans > 30% of TA					200%	$ -	$ -
							Total Risk Weighted Assets	**$ 17,494,192**
							8% of risk weighted assets	$ 1,399,535
							+ 2.5% Buffer	$ 437,355
							Required Capital 10.5%	**$ 1,836,890**
Equity:								
					Accumulated Funds			$ 2,067,403
					Asset Reserves			-$ 71,795
					Total Equity			**$ 1,995,609**
					"Surplus" Capital			**$ 158,718**
					Actual Capital Adequacy ratio			**11.41%**

Comments should actual Capital Adequacy ratio be < 10.5%

Liquidity (4.1): (> 10% of Total Assets):

Total Assets:		35,667,842	$	
Minimum Liquidity requirement	**10%**			**$ 3,566,784**
Actual position:				
Cash	13,052,111		$	
Undrawn Bank OD Facility		4,500,000	$	
Total Actual Liquidity		17,552,111		$
"Surplus" Liquidity		**13,985,327**		**$**
Actual Liquidity Ratio				**49.2%**

Comments should actual Liquidity ratio be < 10%

4.3 Depositors in excess of 5% of Liabilities

Total depositors in excess of 5% of Liabilities	$ 11,301,812	$ 11,301,812	45.5%
Total liabilities		$ 24,818,829	

Comments on large depositors

The number of accounts/clients with balances in excess of 5% is: 1 **Corporate Trustees**

PORTFOLIO VALUATION

Portfolio Details as at: 31 December 2020

Corp Trustees of Diocese of Grafton GDIF

Code	Security Name	Quantity	Cost Price	Cost Base	Market Price	Market Value	Assets %	Est. Yield %	Est. Annual Income	Est. Franking %	Est. Franking Credits	Est. Gross Yield %
INTEREST RATE SECURITIES												
AU3FN0032710	AAI LTD FRN 06/10/2022 - 2042 BBSW+3.20%	1,000,000	1.0571	1,057,080.00	1.024	1,024,000.00	33.54	1.72	32,188.00			1.72
AU3FN0033668	BENDIGO FRN 09/12/2021-2026 BBSW+2.80%	1,000,000	1.0319	1,031,930.00	1.015	1,015,040.00	33.25	1.07	28,200.00			1.07
AU3FN0037917	AMPAUS FRN 01/12/2022 - 2027 BBSW+1.80%	500,000	1.0045	502,260.00	0.958	477,540.00	15.64	4.23	9,096.50			4.23
AU3FN0048716	AUSWIDE BANK LTD FRN 12/06/2024 - 2029 BBSW+3.2%	500,000	1.0000	500,000.00	1.001	500,330.00	16.39	3.19	16,102.00			3.19
Sub Total				**3,091,270.00**		**3,016,910.00**	**98.82**		**85,586.50**			
CASH												
PERSHING_AUD	PERSHING AUSTRALIAN DOLLARS	35,935	1.0000	35,935.00	1.000	35,935.00	1.18					
Sub Total				**35,935.00**		**35,935.00**	**1.18**					
TOTAL PORTFOLIO				**3,127,205.00**		**3,052,845.00**	**100.00**	**2.80**	**85,586.50**			**2.80**

Adviser Name: *Alison Perrott*
Location: *ADELAIDE*
Phone No: *(08) 8203 2500*
Account No: *1146256*

Note: Estimate information based on rolling 12 months actual data.

INVESTMENT INCOME RECEIVED

From 1 December 2020 Through 31 December 2020

Corp Trustees of Diocese of Grafton GDIF

Security Name	Units	Payable Date	Unfranked Dividend	Franked Dividends	Interest	All Other Income [1]	Total Incom	Tax Withheld [2]	Income Received	Imputation Credit
AU3FN0037917 - AMPAUS FRN 180 01-DEC-27	500,000	01-Dec-20			2,358.00		2,358.00		2,358.00	
AU3FN0033668 - BENABS FRN 280 09-DEC-26	1,000,000	09-Dec-20			7,205.00		7,205.00		7,205.00	
AU3FN0048716 - AUSWIDE BANK LTD FRN 12/06/2024 - 2029 BBSW+3.2%	500,000	14-Dec-20			4,101.00		4,101.00		4,101.00	
AYUHB - AUSTRALIAN UNITY LTD - SIMPLE BOND 3-BBSW+2.80% 15-12-20	11,437	15-Dec-20			5,594.98		5,594.98		5,594.98	
TOTAL				**0.00**	**19,258.98**		**19,258.98**	**0.00**	**19,258.98**	

1. All Other Income ("Other income is used for trust distributions which components are not known until the trust distributes annual tax statements. Please note that the income components will be updated at the end of the financial year and provided with your Tax Report.")
2. Tax Withheld ("Tax withheld includes both TFN withholding as well as Non-resident/Foreign withholding tax.")

International sourced income is displayed in Australian dollars based on the exchange rate on the payable date.

* As at the ex-dividend date, this security has been held for less than 45 days. Please review this transaction as the investor may not be entitled to any imputation credit.

Adviser Name: *Alison Perrott*
Location: *ADELAIDE*
Phone No: *(08) 8203 2500*
Account No: *1146256*

BOARD MEETING DATE:

18/02/2021

No 8 Matters for discussion and/or decision

Item: a

Title: AFSA/AFGD Service Agreement report from Blaine Fitzgerald

No of Pages. 3 incl Header

Executive Summary		Confidential ☐ Urgent ☐	
Date:	12/02/21	**File number:**	
To:	Anglican Funds Grafton Diocese (AFGD) Board	**From:**	AFSA Head
CC:			
Subject:	**Expanded Service Agreement – update**		

Background:

Expanded Service agreement signed – 27/11/19.

- A moratorium or halt to discussions has been agreed until 31/7/20 or until further notice by either party
- No further action to date.

Overarching strategy Paper – Corporate Trustees of the Diocese of Grafton and Anglican Funds Grafton Diocese in response to COVID-19.

Working Committee formed
A working Committee from my understanding has completed its review of the AFGD Business. Recommendations from the review are scheduled to be discussed by the AFGD Board at its meeting 18/2/21.

1) The liquidity tracking worksheet continues to be updated and monitored at AFGD level monthly.

2) Other requests for reports by the working committee have been collated at Grafton office by Annette Dent.

3) Joint correspondence from the Corporate Trustees/AFGD updating the schools on current progress was issued 23/11/20.

4) Cashflow information from the 3 remaining schools with facilities with AFGD have not been received to add any further assumptions to the AFGD 2021 draft Budget.

Westpac update:

No further dialogue outside of settlement discussions with Lindisfarne Anglican Grammar School have occurred with Westpac.

Key client updates

St Columba Anglican School

- Business Manager Jennifer Pike has requested a variation to SCAS's existing facilities reducing the existing AFGD Line of Credit from $8m to $6m.
- Annette and I took the opportunity to issue a new Loan offer incorporating all facilities to bring all loans in line with their December 2020 fixed rate maturity to variable.
- Jennifer has acknowledged the request for cash-flow information and has it scheduled to provide.

Bishop Druitt College

- No change to current facilities and position of the College.
- Business Manager – Shane Oxley will reach out to AFGD if he wants to discuss any potential opportunity or scenario testing.

Emmanuel Anglican College

- Refinanced in full to the Commonwealth Bank 30/11/2020.
- No further action at this stage.

Lindisfarne Anglican Grammar School

- Westpac refinanced AFGD existing facilities plus the additional funding LAGS required for its master plan.
- Settlement occurred in January 23/12/20.

Clarence Valley Anglican School

- At time of writing I am not aware of the position of CVAS or the subordinated debt committee of stakeholders regarding the outcome of their negotiations.
- 2021 Operating budget has been received. Cash flow drain on AFGD liquidity is nominal as CVAS's facility mix is small.

Other Anglican Affiliates

Anglicare North Coast (ANC)

- An informal request for funding was received. Annette provided feedback as what would be required to assess a request for future funding.
- To date a formal request has not been made.

Risk Management Framework

Operating Risk

- The move from Westpac to Australia Post Bank@Post is tracking with all key milestone dates satisfied including the signing of the Facility Agreement with Indue for 3 years.
- Cheque and deposit books have been ordered and issued.
- Go live date is 1/3/21 although some Parishes may already be testing with Australia Post.
- Annette to provide the AFGD update on business impact at Grafton.

Blaine Fitzgerald – Head of Anglican Funds South Australia

BOARD MEETING DATE:

18/02/2021

No 8 Matters for discussion and/or decision

Item: b

Title: AFGD Future Working Group Report

No of Pages. 102 incl Header

Corporate Trustees Working Group

Future of Anglican Funds Grafton Diocese

Corporate Trustees Working Group

Future of Anglican Funds Grafton Diocese

Introduction

The Working Group for considering the future of Anglican Funds Grafton Diocese (AFGD) was established on 10 September 2020 following a resolution of the Corporate Trustees on 21 August 2020.

The Corporate Trustees (CTs) believed that a group representative of the CTs, Bishop in Council (BIC) and the Anglican Funds Grafton Diocese (AFGD) Board was needed to progress the formulation of a strategy and plan for AFGD's future and ensure that there was better communication between the responsible entities around decision making and management. It was clear that the financial position of AFGD needed close management by all Diocesan stakeholders as a matter of priority and that there needed to be better communication around the need to address its future.

Terms of reference

The terms of reference established by the Corporate Trustees for the working group outlined the issues facing the Diocese and AFGD.

The AFGD is the primary way in which the Diocese supports school financing and lending. Now that other depositors are limited, investment by the Corporate Trustee of Diocesan endowment funds in AFGD underpin school loans and the AFGD financial contribution to the Diocese with an associated cost to the Diocese as a whole that is not well understood or appropriately recognised. This is not a transparent or properly accountable arrangement for meeting trustee obligations or satisfying investment expectations for the beneficiaries of endowment funds.

In August 2020, with the AFGD status quo under increasing strain, CTs realised that there needed to be improved communication across the responsible Diocesan entities around development of an action plan for restructuring or orderly wind up of the investment fund to avert an impending liquidity crisis and shore up the Diocese's financial position.

The working group would be a short-term mechanism to ensure adequate communication between the responsible entities, as the Diocese worked to provide the strategic analysis and direction required to support AFGD and discern options for its future.

The terms of reference from the CTs asked the working group to:

- gain a detailed understanding of the cash flow requirements of AFGD, other Diocesan entities (particularly the schools) and the Diocese
- develop a strategy for communication with AFGD stakeholders, Bishop in Council and Corporate Trustees that will work to reassure all parties that appropriate actions are being taken with respect to the AFGD and the Diocese' financial position
- develop a plan for AFGD reporting to the working group, including appropriately calculated capital adequacy and liquidity ratios, sensitivity analysis based on a range of assumptions (including assumptions about withdrawal of deposits, school calls on Lines of Credit, Bishop in Council cash needs and parish/ministry cash needs) and other key financial indicators that will need close monitoring over the rest of 2020 and into 2021
- ensure AFGD and the Grafton Anglican Schools Commission (GASC) monitor the progress of schools seeking alternative arrangements with commercial lenders for existing loan facilities

- encourage Bishop in Council to identify the scope of banking services required to support the Diocese, ministry units and other Diocesan entities, excluding schools, and to provide a report to the working group
- seek professional advice on the process for a staged wind up of AFGD or, if identified, a transition to an alternative structure - including how to meet liquidity and regulatory requirements
- provide a report outlining an appropriate solution to the current issues identified in these Terms of Reference, including timelines
- recommend any required Diocesan governance changes that arise from the considerations of the working group.

The full terms of reference are at **Attachment A**.

Membership of the working group

Each Diocesan entity chose its two representatives to be members of the working group.

Corporate Trustees	Bishop in Council	AFGD Board
Lee Archinal (chair)	Terry Shorten	David Ford
Kelley Malaba	Stuart Webb	Phil Crandon

Working group process

Process

The working group was the mechanism for representatives of the CTs and BIC to seek information from, and report on progress to, their respective entities. AFGD Board representatives were to liaise with the AFGD Board and ensure the working group was provided with all requested data and information on AFGD operations.

In the terms of reference the CTs asked the working group to provide the CTs with reporting on cash flow and scenario testing as well as a recommended plan of action for restructuring or winding up AFGD in an orderly fashion.

The working group commenced considerations in September 2020 with an initial meeting on 18 September 2020 (meeting outcomes are at **Attachment B**).

Diocesan Synod was held on 26-27 September 2020 and a new BIC elected.

During October 2020, CT representatives worked with AFGD's banking officer on cash flow forecasting and the AFGD requested information from schools on their cash flow requirements for October 2020 to March 2021. AFGD's banking officer also worked on deriving and assembling what data and information on parish banking was available (within confidentiality constraints for individual parish information as banking clients).

A report was provided to the 5 November 2020 meeting of CTs on progress.

The chair of the working group outlined the issues and reported progress to the joint meeting of CTs/BIC on 25 November 2020.

The Registrar had provided members of BIC, as part of the business paper for its meeting on 26 November 2020, with a report for consideration on the future of AFGD. This was complemented by attachments of substantial earlier work done by him for the CTs on the subject, as well as the report on work of the working group.

When considering this report, BIC had the benefit of having had the previous day been part of rigorous discussion with CTs on the future of AFGD. That discussion had revealed that some imperatives for immediate action to provide liquidity had been removed but that the medium to longer term still demanded decisive action. The working group was still gathering information and final recommendations were not yet to hand. Therefore, whilst having various recommendations before it from the Registrar, BIC chose to wait until its February meeting for the report from the working group to come to it before making its decision.

During November and into December 2020 the CT representatives considered the progress towards cash flow reporting and forecasting, liquidity and cash flow measures, and the available AFGD profile and parish banking activity information. With initial cash flow forecasting and other data now available the working group met to consider a number of papers addressing aspects of the terms of reference on 9 December 2020 (meeting outcomes are at **Attachment B**).

A report was provided to the 17 December 2020 meeting of CTs. Acting on a recommendation from the working group, the CTs resolved to seek professional advice as soon as possible on the process for a staged wind up of AFGD and anticipated timeframes, in order to continue to ensure we meet all legal requirements and APRA regulation relating to the operation of AFGD.

All members of the working group were able to attend the meetings held. There was no discussion of issues via email outside meetings.

The final report summarises the working group's discussion of, and work on, the issues identified in the terms of reference by the CTs. It presents the information and data available and considered by the working group in the timeframe available. The report makes recommendations for the short term management of AFGD, identifies issues arising for Diocesan governance and management, and makes some limited recommendations about the next steps and responsibility for decision making.

Communication strategy

The terms of reference required the working group to develop a strategy for communication with AFGD stakeholders, BIC and CTs to reassure all parties that appropriate actions were being taken with respect to the AFGD and the Diocese' financial position.

This was discussed in the working group's September 2020 meeting, prior to Synod at the end of that month. The working group was acutely aware of the need for a high level of confidentiality and the need to be careful with respect to any communications out to stakeholders such as the schools. The matter has been kept confidential and no concerns were raised in Synod about the Diocese' financial position or AFGD. That AFGD's future was under consideration was briefly alluded to in presentation of the CTs' financial statements.

The working group has been an effective strategy for maintaining respectful, timely and accurate communication between CTs, BIC and the AFGD Board. When a decision is made a detailed staged communication strategy will need to be developed for communication to the broader group of stakeholders.

Anglican Funds Grafton Diocese

Establishment & purpose

Anglican Funds Grafton Diocese (AFGD) is established under Chapter 18 of the *Diocesan Governance Ordinance 2008* (the Governance Ordinance).

AFGD's mission is to be "a fiscally responsible commercial entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of

Grafton". Its role is to "seek deposits of funds which it invests, or lends for profit to assist and grow the mission of the Anglican Church in the Diocese. AFGD provides funds from any surplus achieved in any given year to the Anglican Diocese of Grafton." It is to "act in the interests of depositors, provide returns where possible to the Anglican Diocese of Grafton and optimise returns on investment funds within prudent limits and diversity."

AFGD may make loans to parishes, Diocesan Bodies Corporate (this includes the Diocesan schools), clergy and full time Stipendiary Lay Ministers using sums of money from the investment fund at such interest rates as determined by the Board. The AFGD Board approves these loans.

AFGD can also invest any funds surplus to this as is authorised by the CTs (more detail on AFGD investments is provided below).

AFGD may also "make available to Bishop-in-Council funds from any surplus achieved in any given year, after creation of all necessary provisions and reserves as determined by the AFGD Board." AFGD provided financial contributions to the Diocese of $175 000 in 2016, $150,000 in 2017, $175 000 in 2018, $175 000 in 2019 and $125 000 in 2020.

AFGD, as an investment fund, relies on the licensing exemption under subsection 5(2) of the Australian Securities and Investment Commission (ASIC) Corporations (Charitable Investment Fundraising) Instrument 2016/813 whereby it is not required to hold an Australian Financial Services Licence and does not hold an Australian Financial Services Licence.

AFGD's identification statement (see **Attachment C**) includes a statement of AFGD's charitable purpose, which is 'to be a fiscally responsible entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of Grafton'. Operating surpluses may be used by the Diocese for 'mission, ministry and administration'. No short term investment products may be offered to clients who are retail, non-associated clients.

Current governance

Section 220.1 of the Governance Ordinance places the investment fund under the control of the CTs who are empowered to delegate responsibility for the administration and management of the fund to the AFGD Board of Management. The Board reports to the CTs and may develop and recommend changes to AFGD Policy, for review and approval by the CTs.

The Bishop is an ex officio member of the AFGD Board of Management and, in consultation with BIC, appoints the Board of Management of AFGD. The Bishop appoints the Chair of the AFGD Board. In addition to the Bishop, at least four board members must be appointed (there may be more, up to a maximum of eight). All board members must meet the requirements to be a 'Fit and Proper Person' as defined by ASIC and the Australian Prudential Regulation Authority's (APRA) Prudential Standard CPS 520 (see **Attachment D**).

The financial statements of AFGD form part of the consolidated statements of The Corporate Trustees of the Diocese of Grafton. The CTs are also large investors in the AFGD on behalf of trust beneficiaries via cash deposits. At 31 July 2020 these cash deposits held with AFGD were around $14.9 million, or 49.4 per cent of AFGD's total deposits. At 31 December 2020, with $11.3 million in cash deposits, this is 45.5 per cent of AFGD's total deposits. The CTs investment in AFGD is in turn a dominant proportion of the funds held by the CTs for investment. At 30 June 2020 CT deposits in AFGD were 53.4 per cent of the combined value of bequests and trusts held by the Trustees.

In the past, the AFGD was the primary avenue by which the Diocese supported the establishment and development of its schools via AFGD loans. The Diocese also requires its ministry units, schools and other Diocesan entities (Anglicare) to bank with AFGD.

Under the Governance Ordinance, the Bishop, BIC and the AFGD Board are to ensure that the AFGD Board has the appropriate level of skills and experience required to properly fulfil its responsibilities, with special emphasis on legal, financial, business and strategic skills and review the mix of skills and experience of its members on a regular basis.

This means that a clear line of 'ownership' on behalf of the Diocese in terms of determining the future of AFGD is unclear. On the AFGD identification statement (see **Attachment C**), the fund is identified as being under the control of the CTs. The CTs are the major investor using endowment funds held in trust for the use of individual parishes and the Diocese. It is BIC however, who are responsible for the Board of Management of AFGD.

Current management

The Board of AFGD manages the operations of the AFGD. The duties of the Registrar include providing managerial oversight for AFGD. The day to day operation of AFGD is supported by one banking and administrative officer, Annette Dent, and a consultant manager of large clients, Blaine Fitzgerald. The Fund Manager position has not been filled since 31 January 2018.

AFGD has a services agreement with Anglican Funds South Australia (AFSA) that provides for back office and reporting services. This includes operation of EFT and BPay clearing, branch financial reporting, and operational liaison with Data Action, the banking platform provider. AFSA also provides a line of credit (temporary overdraft facility) when required.

In November 2019 the CTs entered an extended service agreement with AFSA (**Attachment E)**. While this extended service agreement provides for the provision of certain additional services such as AFGD Board reporting requirements and interest rate risk management, it does not fulfil the full range of Fund Manager duties.

AFGD investment

The CTs' investment policy excludes the investment activities of AFGD, with the AFGD having its own Investment Policy and the AFGD Credit policy. In line with the Governance Ordinance, the AFGD Board has made investments of surplus funds into bonds at various times in the past to gain a higher rate of return than available in short deposits. It holds these investments through Ord Minnett.

Table 1: AFGD investment portfolio as at 31 October 2020.

Investment	Optional Call / Reset Date	Face Value(Unitsx100)
AYUHB	15/12/2020	1,143,700.00
AAI	6/10/2022	1,000,000.00
AMP	1/12/2022	500,000.00
Auswide	6/12/2024	500,000.00
Bendigo	9/12/2021	1,000,000.00
Pershing Cash	At call	$ 22,271.00

As interest rates fell significantly, these investments became relatively more valuable and therefore the cost of redeeming ahead of maturity higher.

The Corporate Trustees advised AFGD in March 2020 that it wished to redeem term deposits on expiry to facilitate investments in line with its revised investment strategy.

In November 2020, given the work on cash flow requirements and liquidity, AFGD Board allowed the AYUHB investment to mature and be held until January 2021 before looking for reinvestment. The funds are sitting with AFSA at 0.85% interest.

Government regulatory changes

Increased ASIC regulations placed on charitable investment fundraising in 2016 meant that AFGD had to be closed to retail depositors in May 2017 and $6.1 million in deposits were returned by October 2018. Low interest rates have meant small operating margins and the required improvements to capital adequacy have not been able to be achieved.

Other changes in the banking environment over the last few years have worked to make bank management much more complex than in the past. It is much harder in these circumstances to generate operating surpluses from the investment fund operations. There is little prospect of these circumstances changing, even in the long term.

Previous consideration of options for AFGD

After the closure of the retail component, the CTs and AFGD explored various options for AFGD in its new operating environment.

The AFGD Board considered a strategic options paper developed by the Registrar in July 2018 (**Attachment F**). It presented an assessment of the strengths and weaknesses of various options, including the possibility of an arrangement with another Anglican bank or investment fund, a Treasury type model and orderly windup. Investigations into alternative vehicles for retail investors had not borne fruit. The AFGD Board Chair and the Registrar were making enquiries about the possibilities for a partnership with other funds. Advice had been received from Clive Mason, following his visit in May 2018[1], that AFGD needed to improve its regulatory compliance through changed staffing structures, investment in IT and review and update of processes and procedures.

In August 2018 the AFGD Board Chair and the CTs discussed the options in order for the Board to gain an understanding of the CTs views and priorities for reconsidering AFGD's strategic direction and the CTs to be fully informed. After consideration of the options and prospects, the CTs commissioned financial assessment of the three options seen as viable - the Treasury model, partnership with another investment fund, and orderly wind up – plus the option of current AFGD with action taken to improve its capital adequacy.

The accounting firm Thomas Noble Russell (TNR) provided a report on its financial assessment and analysis of the options for AFGD in April 2019 (**Attachment G)**. That report focussed on estimating the returns expected to CT endowment funds under each option. The assessment showed limited returns given the effort required and level of risk.

Discussions with Anglican Funds South Australia (AFSA) regarding an enhanced partnership (e.g. integration) continued during 2019 and into 2020. AFSA and AFGD ideas about the relationship being sought differed, with AFSA interested in providing management services but AFGD in a merger. Significant investment in AFSA by the CTs would be required for the partnership envisaged by AFGD. The main benefit for AFSA of merger rather than service provision would be access to provide school loan financing. The extension of the service agreement with AFSA took longer than expected to negotiate and was only put in place in November 2019.

In April 2020 the challenges of low liquidity, low capital adequacy and the pandemic, with the move of school loans to alternative financers, made prospective partnership less viable, and the CTs withdrew from negotiations with AFSA around a partnership.

[1] Clive Mason was brought in to work on AFGD's transactions to eliminate historical anomalies in the ledger that dated back to when GDIF became AFGD.

From the point of view of the CTs, the options for an alternative strategic direction for AFGD as an investment fund were exhausted. With the operation and management of the current model for AFGD unsustainable without a significant investment in capability, and continued operation of the status quo running a high financial risk to the Diocese, the CTs therefore began to consider if an orderly wind up of AFGD was the only remaining option and, if so, how it would need to be managed.

Progress against the terms of reference

Diocesan cash flow monitoring and reporting

A copy of the initial cash flow forecast for the Diocese as at 9 December 2020 as provided to the working group is at **Attachment H**. Work is continuing on making it a rolling three month cash flow forecast and to incorporate actual cash flow figures as they are confirmed to inform improved forecasting. The AFGD has asked schools to provide their forward 3 month cash flow forecasts each month. A six month rolling cash flow forecast for the Diocese was difficult to achieve.

Initial drafts of the cash flow outlook in October 2020 had indicated that a very large negative net cash movement was possible in December 2020 that would impact on AFGD's 31 December 2020 closing position. This was improved due to the movement of one school's loan financing ($4.01m) at the end of November 2020. The CTs not withdrawing a proposed $1.5 million for investment also assisted liquidity.

Refinancing by two schools will substantially boost the cash available in early 2021.

Although the 31 December 2020 liquidity issue may have been averted, the underlying, longer term liquidity and cash adequacy concerns regarding AFGD remain.

AFGD key financial indicators

The terms of reference asked that a plan for AFGD reporting to the working group be developed, including appropriately calculated capital adequacy and liquidity ratios, sensitivity analysis based on a range of assumptions (including assumptions about withdrawal of deposits, school calls on Lines of Credit, Bishop in Council cash needs and parish/ministry cash needs) and other key financial indicators that will need close monitoring over the rest of 2020 and into 2021. Given the difficulty in drawing together the information required for cash flow monitoring and reporting, the working group was not able to progress this as far as might have been hoped.

The working group was provided with analysis of AFGD's capital adequacy, liquidity and the level of reliance on large depositors in December 2020. Consideration of the appropriate ratios against these aspects of bank operations indicates that AFGD poses a very high risk to the Diocese that is not commensurate with the low return on endowment fund investment in AFGD. In each aspect, there is little scope for improvement or change.

Capital adequacy ratio

The Capital Adequacy ratio of AFGD has been an ongoing issue raised on many occasions including by the Fund's Auditor. The target Capital Adequacy Ratio is greater than 10% of Risk Weighted Assets. Historically the ratio has been reported as follows (including undrawn facility limits available to lenders).

Table 2: AFGD capital adequacy ratio over 2019 & 2020

Period End	Ratio
30/06/2019	5.43%
31/12/2019	6.27%
31/03/2020	6.18%
30/09/2020	6.89%

Liquidity ratio

The Liquidity Ratio benchmark is a ratio of greater than 10% of Total Assets. Historically this has been maintained with the following bench marks reported.

Table 3: AFGD liquidity ratio over 2019 & 2020

Period End	Ratio
30/06/2019	12.6%
31/12/2019	10.7%
31/03/2020	29.9%

The impacts of increased demand from schools, the pandemic and payment of professional standards claims resulted in the liquidity ratio of AFGD being reduced to 7.6 per cent as at 30 September 2020. This calculation included an undrawn bank overdraft facility of $2,787,178 from AFSA. Without this facility the actual cash balance available was $159,239.

Reliance on few, large investors

Exacerbating the management of AFGD capital adequacy and liquidity is the high level of reliance on one investor, being the Corporate Trustees. A benchmark monitored by AFGD is the reliance on depositors that represent in excess of 5% of Liabilities. As at 30 April 2019 two clients, the Corporate Trustees and St Cuthbert's Retirement Living Complexes, had $15.66 million on deposit with AFGD. This represented 51.5 per cent of total liabilities. As at 31 March 2020 this was reduced to only one depositor, the Corporate Trustees, and the investments represented 47.5 per cent of total liabilities.

Alternative arrangements for school loan facilities

Following CT meetings on 24 & 30 March 2020, it had been agreed that immediate action needed to be taken to secure the borrowing arrangements of the schools by approaching Westpac to take over some of the Line of Credit and approved loan facilities. This was to provide security for school borrowings and additional liquidity to ensure the short term stability of AFGD, while facilitating the CTs in withdrawing $6.5 million to invest. There was also concern that cash may need to be available to support parishes and other ministry units through the financial impacts of the pandemic. A letter was sent to Westpac on 1 April 2020 explaining the Diocese' concerns and seeking its involvement in moving school financing from AFGD to Westpac.

Westpac was much slower than expected in responding to these overtures. The CT terms of reference therefore asked the working group to ensure that AFGD and the Grafton Anglican Schools Commission (GASC) were monitoring the progress of schools seeking alternative arrangements with commercial lenders for existing loan facilities.

By September 2020 Emmanuel Anglican College (EAC) was well progressed into a process to tender for an alternative commercial lender. On 20 October 2020 EAC was able to advise AFGD that it had selected the Commonwealth Bank as its preferred supplier of banking services. EAC's loan refinancing ($4.01m) settled at the end of November 2020.

St Columba Anglican School (SCAS) was able to extend the pari passu arrangement with Westpac for its Enviro Centre loan in November 2020 and $3.5 million returned to its line of credit with AFGD before the end of December 2020. SCAS had used its line of credit with AFGD to make payments for the Enviro Centre construction while it waited for Westpac to agree to extend the pari passu.

Lindisfarne Anglican Grammar School (LAGS) agreed finance arrangements for its current AFGD loan of $6.1 million with Westpac in November 2020. The approvals to refinance progressed through School Commission and BIC in December 2020 and the loan refinancing settled on 23 December 2020. Separately Lindisfarne's middle school project financing is being provided by Westpac.

Bishop Druitt College (BDC) is waiting developments before considering any move to refinance.

The opportunities for Clarence Valley Anglican School (CVAS) to refinance are constrained by the deed of subordinated debt held by the Diocese. The arrangements for dealing with the subordinated debt are currently under negotiation between all (surviving) signatories of the deed of subordination i.e. CVAS, Diocese of Grafton (BIC), AFGD and the CTs.

Two schools will be transitioned out of AFGD by early 2021 but the working group noted that this still leaves three schools with their banking services and finance facilities with AFGD.

Diocesan and parish banking needs

The terms of reference provided by the CTs asked the working group to encourage BIC to identify the scope of banking services required to support the Diocese, ministry units and other Diocesan entities, excluding schools, and to provide a report to the working group.

Table 4 over leaf provides information on the current profile and banking activity of the AFGD as provided by AFGD to the working group in early December 2020. Further disaggregation of this information is constrained by AFGD's client confidentiality for parishes.

It was noted in working group consideration that for any consideration in better detail, BIC will need to seek more disaggregated parish banking information from other sources of information and/or parishes directly. Additional information on parish banking will be required to underpin a comprehensive understanding of the AFGD's role in the Diocese. Information on which parishes have term investments, credit cards, EFTPOS machines and other banking products facilitated by AFGD is needed to be able to consider what the future for parish banking might need to look like if AFGD changes substantially in structure.

A better understanding of parish deposits (particularly term investments) could also assist in forecasting cash flow requirements more accurately into 2021.

The working group was advised in December 2020 that BIC had decided to wait for the outcome of the working group process before undertaking its considerations, given there is no longer urgency regarding the AFGD liquidity position.

Table 4: AFGD profile and banking activity October 2020

ANGLICAN FUNDS GRAFTON DIOCESE BANKING PROFILE

Business	**$**			
As at 30 September 2020	**Deposits**	**Current loans**	**Loan commitments not yet drawn down**	**Notes**
Schools	$1,945,682.62	$24,813,897.92	o/d & redraw	Balance of avail o/d for all schools & redraw for SCAS/CCELC
Parishes	$4,461,331.60	$201,335.86	redraw	Loans are South Grafton & Coffs Harbour
Registry/central	$13,209,219.89	$0.00	o/d	ADoG insurance o/d
Other diocesan entities	$3,204,531.11	$14,680.60	redraw & o/d	Anglicare North Coast (loan with redraw) Camfar (O/D)
Individuals	$4,695,254.35	$530,449.92	$0.00	Note: 'Current Loans' includes a clergy property loan ($462,014.80) in process of refinance - settlement due Oct/Nov
TOTAL	$27,516,019.57	$25,560,364.30		

Equity	**$**
How held?	
Ord Minnett	$4,180,757.48
Cash	$758,409.42
AFSA Term Investment (Security for AFSA LOC)	$1,000,000.00
WBC Term Investment (Security for WBC Corp Card Facility)	$100,000.00
TOTAL	$6,039,166.90

Banking transaction activity	**Volume by number and amount**		
October 2019 - October 2020	**Number of transactions**	**Amount in $**	
Schools	5260	$128,750,664.57	
Parishes	31834	$25,680,634.89	
Registry/central	1092	$60,283,120.61	
Other diocesan entities	2992	$10,122,362.02	Other = Anglican Affiliates/Organisations, Super Funds
Individuals	3078	$4,053,776.63	
TOTAL	44256	$228,890,558.72	

Re assessment of options

In late 2020 the working group revisited the options explored in by the CTs and AFGD Board in the light of the impact of the pandemic, increased redress settlement payments and the movement of two schools to alternative financing arrangements.

Treasury Model

Under this model AFGD would become a consolidator of investment funds for the Diocese, parishes, schools and agencies placing those funds on investment (including some loans to parishes, schools, agencies) to achieve the best return and use of funds for bodies. This model would rely heavily on all Diocesan organisations being able to share and plan the use of cashflow to manage cashflow demands. This option is now less viable due the growth in schools, current low interest rates and the complexity of a global pandemic that no one could have seen coming.

The schools borrowing needs have outstripped the loan capacity of AFGD and pari passu arrangements with Westpac Bank going forward are now very limited. This makes it less attractive for schools to remain in any Treasury model and makes it higher risk for other Diocese organisations to invest.

Originally the financial contribution that this model could make to the Diocese was seen as a strength of adopting this model, but over time, in the current very low interest rate market, having funds tied up in AFGD has been identified as coming with a cost to investment return. AFGD does provide an annual financial contribution to the Diocese of Grafton but this is happening at the expense of the CTs being able to establish a reasonable rate of return on funds it manages.

Operating under another Anglican Development Investment Fund

Following the reports that were prepared in July 2018, the AFGD Board entered into dialogue with AFSA, through Blaine Fitzgerald, to determine if it would be interested in entering into an arrangement with AFGD. Initially there was strong appetite for such an arrangement from both parties. AFSA has a large amount of cash and limited projects wanting to borrowing money. AFGD had high demand for borrowings and limited funds available. Negotiations were relatively slow and in early 2020 a focus by the CTs on putting its investment strategy on a sounder basis indicated that an investment in AFSA was unlikely to contribute to a balanced investment strategy. Liquidity concerns in the context of the pandemic also meant that the Diocese' schools needed to be encouraged to move quickly to other lending arrangements, reducing the benefits for AFSA. Given this and the continuing uncertainty, the CTs withdrew from further negotiations.

Advice for transition or staged wind up

Given the CT view that options for AFGD were very limited, the terms of reference given to the working group asked it to seek professional advice on the process for a staged wind up of AFGD or, if identified, a transition to an alternative structure. This included getting advice on how to meet liquidity and regulatory requirements.

The working group discussed orderly wind up of the AFGD at its December 2020 meeting. The CT representatives were concerned about ensuring that APRA and ASIC regulations could be adhered to throughout the process of transitioning or winding up AFGD. It was difficult to talk about how to plan for, or assess the option of, orderly windup without further information. The working group noted the need to ensure that sanctions such as a fine are not incurred because 'we did not know what we don't know' and advice was not sought. AFGD also needs to be carefully managed through any transition process and support provided to the AFGD Board. The AFGD Board representatives strongly supported seeking proper legal advice as this would be very important in managing AFGD any further into a wind up, or even a transition, process.

In light of the re assessment of the possible options identified for AFGD, the working group recommended to the CTs to seek professional advice from an appropriately qualified professional on the required steps and process for an orderly wind up of AFGD (in particular the legal and banking fiduciary requirements that must be met until the AFGD is no longer an investment fund under government regulation).

Implications of endowment investment in AFGD for the Diocese

Current management and responsibilities

The Corporate Trustees of the Diocese of Grafton is legally required to act in the positive interests of the beneficiaries of all trust funds and property, and maximise returns on investment funds within prudent limits. Diocesan ownership of AFGD has required the CTs to maintain a high level of investment in cash to provide adequate liquidity.

This means that cash held with AFGD dominates the Corporate Trustee endowment investments. Given the very low interest environment of the last few years, overall returns for the CTs and its beneficiaries have been modest. The Corporate Trustees no longer consider it appropriate to hold this level of investment in cash as it means that the CTs are not able to make adequate and responsible returns on investment of endowment funds. There are no expectations that interest rates will increase in the short to medium term and improve returns.

Ownership of AFGD also prevents the Corporate Trustees from substantially acting upon its new investment policy.

At the same time, operation of AFGD is a responsibility of the Corporate Trustees. It is the CTs that are responsible to ASIC for the investment fund. The AFGD Board also have individual responsibilities to ASIC as board members managing an investment fund. The requirements of Chapter 18 of the Governance Ordinance give the AFGD Board the general responsibility to run the fund and to be Fit and Proper Persons. If there were consequences of poor governance, the AFGD Board members would bear responsibility. The Corporate Trustees are responsible because of their oversight role and because it is a corporate entity (AFGD is not incorporated).

AFGD loan commitments

The CTs were unable to withdraw the planned cash investment of $6.5 million in March 2020 (essentially the proceeds from the sale of St Cuthbert's deposited in 2019) due to a lack of AFGD liquidity and capital adequacy. While this was in part due to the impact of the Covid-19 pandemic on the Diocese and schools, it was also because AFGD had committed to additional loans to schools.

Table 5 shows AFGD's customer investments, current loans and overdrafts and undrawn loans and overdrafts as at 29 February 2020 and then at 31 December 2020.

Table 5: Anglican Funds Grafton Diocese net position and approved facilities

AFGD net position and total approved facilities		
		as at
	29/02/2020	**31/12/2020**
	$	**$**
Customer Investments	35,071,099	24,818,829
Current Loans and Utilised Overdrafts	-16,319,658	-10,871,883
Undrawn Current Loans and Overdrafts	-17,510,328	-10,585,066
Net Position	**1,241,113**	**3,361,880**
Total maximum AFGD exposure		
Current Loans and Utilised Overdrafts	16,319,658	10,871,883
Undrawn Current Loans and Overdafts	17,510,328	10,585,066
EAC Multi Purpose Centre	6,000,000	0
LAGS Berger Land	3,100,000	0
Total Approved Facilities	**42,929,986**	**21,456,949**

In March 2020 AFGD had approved borrowing facilities of $42.9 million against $35 million of customer investments. AFGD remained solvent because $17.5 million of the approved facilities were not actually being utilised at that time. The expectation may have been that the funds required to meet these commitments would be provided by AFSA but no formal agreement with AFSA about the future had been reached.

The level of school loan commitments made by AFGD by March 2020 had not been completely clear to the CTs via regular AFGD Board reporting. The CTs receive no reporting on school financial positions or plans from BIC or GASC. When the above information was shared in March 2020, at the same time that the schools and broader Diocese were grappling to understand the potential financial impact of the pandemic, the CTs became concerned about what the liquidity of AFGD would look like as we moved through 2020, particularly as more of the undrawn approved facilities began to be drawn. In order to ensure liquidity for AFGD, the CTs put their investment strategy for 2020 largely on hold.

With refinancing by two schools, at the beginning of 2021 AFGD has approved borrowing facilities of $21.5 million against $24.8 million.

While the AFGD may once have been an important way for the Diocese to support school financing and lending, this is no longer the case now that other depositors are limited due to government regulation. The 2020 movement of school financing to alternative commercial lenders further reduces AFGD's role and capacity to generate returns. Investment funds under CT management now underpin school loans and the annual AFGD financial contribution to the Diocese. The continuing investment of endowment funds in this way by the Diocese comes with an associated cost that is not appropriately recognised and that is not transparent or properly accountable to trust beneficiaries.

Financial considerations

While an opportunity cost calculation for the cost to the Diocese of endowment investment in AFGD by the Corporate Trustees can only ever be an estimate, the difference between the expected average returns of an endowment fund (e.g. CPI + 3.5%) and the term deposit rate multiplied by the amount held in AFGD by the Corporate Trustees can give an indication of the financial cost of underpinning AFGD. At the moment CPI and the term deposit interest rate is similar at 0.7% so the investment return gap is likely to be 3.5%. Calculating the opportunity cost to return given investment of endowment funds in AFGD on the basis of a conservative 3% and the 30 November 2020 holding in AFGD of $9.1 million of endowment indicates a cost of $273,000 per annum at that point in time.

The calculation shows how difficult it would be to try and improve returns from investment in AFGD in such a low (or no) interest environment, expected to continue into the medium-long term.

This is not a new cost to Diocesan endowment funds. Endowment fund deposits in AFGD were $10.9 million at 31 October 2018, $13.3 million at 31 December 2019 and $16 million in early 2020. In addition to this, as funds needed to be left in AFGD for liquidity and to cover loan commitments, the CTs were unable to put its agreed investment strategy in place at would have been a very advantageous time. The impact on investment returns to Diocesan endowment funds have quite probably been much more substantial than indicated by the estimate of cost provided above.

Expert advice from the CTs asset manager has indicated very clearly that if returns to investment are to improve, the CTs should diversify its investments away from cash and direct property holdings. The CTs have committed to leaving $8 million invested in AFGD, already a large component of its investment portfolio to hold in cash.

While AFGD has provided annual financial contributions to the Diocese this has been at a cost to endowment investment returns and the expense of improving capital adequacy.

Non-financial considerations and risk

While an estimate of the financial cost of lower investment returns can be made, there are also non-financial costs and risk implications for the Diocese under the current model. AFGD is under-resourced and under-developed. It has been in a holding pattern for at least two years as the CTs and AFGD Board attempted to work through possible options and discern a way forward for AFGD. The current management of the bank is not adequate, as has been made clear through the particular difficulties and pressures of 2020 and the need to establish the working group.

The issue of addressing capital adequacy has already been canvassed. In addition to the risks to the financial stability of the Diocese created there, there are many procedural improvements and enhancements that are required in the administration of AFGD plus existing and emerging issues:

- The ongoing challenge of maintaining an appropriately skilled board and board renewal
- Maintaining technological currency (security; customer service)
- Vulnerability of being lightly staffed at 1.25 persons (key person risk; fraud/error risk)
- Lack of appropriate management expertise;
- The likelihood of a further tightening of the regulatory environment

These non-financial considerations and related serious regulatory risks now seem to outweigh any benefits the Diocese might gain from running an investment fund. Investigation of options over a number of years has not been able to establish a strong enough case for AFGD to continue to operate in the current model with the cost of investment in technology and management that would be required.

Other issues raised by working group consideration

Need for soundly based strategic direction for AFGD

Early in considerations, AFGD representatives commented on the need for a soundly based strategic direction for AFGD to underpin any future business planning. AFGD, however, can no longer fulfil its stated purpose in the Governance Ordinance to 'seek deposits' given government regulatory changes that were out of the Diocese' control. As noted previously, there is a high level of risk in running a bank with a lack of capital adequacy and therefore not fully stable. Avenues for growth for AFGD are very constrained, even more so now that schools have been encouraged to seek alternative financing. The ability of the CTs to preserve its deposits is going to be put under significant pressure by the need to make professional standards redress settlement payments. Little of the analysis and information considered by the working group suggested a suitable way forward in terms of a new or re-evaluated direction for AFGD.

It was clear that options are limited for the future of AFGD as an investment fund providing banking services. Despite this, in discussing the possibilities for AFGD going forward, CT representatives strongly encouraged BIC to gather and carefully consider the banking needs of parishes such that a summary business model of what the AFGD might look like with the remaining three schools and parish banking could be properly assessed for viability. BIC and the CTs would then be able to genuinely advise the Diocese that all options had been considered fully in decision making about the future of AFGD.

Governance and management

The terms of reference also asked the working group to recommend any required Diocesan governance changes that arise from the considerations of the working group. While the working group did not arrive at any specific recommendations, the working group process did highlight the following:

- The need to establish a working group exposed problems with the working relationship, in particular communication, between the CTs and BIC, particularly with regard to complex issues with ramifications crossing Diocesan operations and governance entities, such as consideration of AFGD's future.
- The working group process highlighted the problem of getting the information needed to monitor and evaluate a Diocesan wide understanding of cash flow needs and the Diocese' actual financial position that incorporated AFGD. It revealed the risk of isolation of decision making around critical financial issues for the Diocese.
- There is a disconnect in the Diocese between expectations by beneficiaries of investment return and the understanding of the cost to the Diocese (and investment return) of maintaining and operating an investment fund at appropriate levels of risk. The arrangement is not transparent or properly accountable to beneficiaries of endowment funds and can no longer go unaddressed.
- Management of AFGD has been complex as the investment fund negotiated the impact of changes in government regulatory requirements and a tighter banking profits environment. Factors outside the Diocese' or AFGD's control have now forced a reconsideration of AFGD's strategic direction. An investment in management of the AFGD will be required regardless of its future.

Recommendations

The working group recommends that:

- The CTs should proceed with seeking professional advice and assistance with planning for an orderly wind up of AFGD in close consultation with BIC, noting that the working group has not been able to discern a viable option for AFGD outside those already considered by the CTs and that the positive contribution of AFGD to the Diocese is now being outweighed by the risks and ongoing work of governing and managing the fund.
- Both the CTs and BIC carefully consider and monitor cash flow for the Diocese as a whole through 2021, including AFGD operations, requesting the Registrar and Diocesan Accountant to continue work on a Diocesan rolling cash flow forecast that can be updated monthly and included in financial reporting to both boards.
- The CTs consider how best to work with and support the AFGD Board to:
    - manage the operations of AFGD in the short term in 2021
    - develop a plan for the wind up of AFGD operations
    - appropriately manage AFGD through an orderly wind up
    - ensure that AFGD stakeholder value is protected, and
    - ensure staff are supported throughout.
- The CTs ask the AFGD Board to work with BIC on a communication strategy about the wind up of operations of AFGD that includes tailored communication with stakeholders to ensure that the decision to wind up the investment fund in a managed process is properly understood, the co operation of stakeholders in the process is obtained, and that any concerns about the financial position of the Diocese are allayed.
- That the CTs and the AFGD Board assist and support BIC in work to ensure that the comprehensive banking facilities currently provided by AFGD to parishes and other entities of the Diocese are replaced with, with as minimal an impact as possible, an appropriate banking arrangement.

List of attachments

Attachment A: AFGD Future Working Group Terms of Reference

Attachment B: AFGD Future Working Group Meeting Outcomes

Attachment C: AFGD ASIC Identification Statement

Attachment D: APRA Prudential Standard CPS 520

Attachment E: AFGD extended service agreement with AFSA 11 November 2019

Attachment F: Strategic options paper July 2018

Attachment G: Thomas Noble Russell report on AFGD options

Attachment H: Initial Diocesan cash flow forecast report

Corporate Trustees Working Group – Future of Anglican Funds Grafton Diocese (AFGD)

On 21 August 2020 the Corporate Trustees resolved to establish a working group to formulate a strategy and plan for considering the future of Anglican Funds Grafton Diocese (AFGD).

Terms of Reference

Issue

The Corporate Trustees of the Diocese of Grafton is legally required to act in the positive interests of the beneficiaries of all trust funds and property, and maximise returns on investment funds within prudent limits.

As cash held with AFGD dominates the Corporate Trustee endowment investments, overall returns for the Corporate Trustees and its beneficiaries have been modest given the very low interest environment of the last few years. AFGD has required the Corporate Trustees to maintain a high level of investment in cash to provide adequate liquidity. This is well past what the Corporate Trustees consider appropriate to also be able to make adequate and responsible returns on investment of endowment funds.

Increased ASIC regulations placed on charitable investment fundraising in 2016 meant that AFGD had to be closed to retail depositors in May 2017 and $6.1 million in deposits were returned by October 2018. Low interest rates have meant small operating margins and the required improvements to capital adequacy have not been able to be achieved. After the closure of the retail component, the Corporate Trustees and AFGD explored various options for AFGD in its new operating environment. It seems these options have been exhausted and the current situation is:

- There is very limited scope now for new depositors.
- Capital adequacy has never been sufficient for the Diocese to consider moving to incorporate AFGD as may have once been envisaged.
- The auditors have notified the Corporate Trustees and AFGD Board on an insufficiency of capital adequacy for a number of years.
- The challenges presented by low liquidity, low capital adequacy and now Covid-19 mean that an enhanced partnership (e.g. integration) with Anglican Funds South Australia (AFSA) is no longer a viable option with further negotiations put on hold in April 2020.

The inability of the Corporate Trustees to withdraw cash investment (essentially the proceeds from the sale of St Cuthbert's deposited in 2019) was in part due to the impact of the Covid-19 pandemic on the Diocese and schools. It was also, however, due in greater part to an existing lack of AFGD liquidity and capital adequacy. The seriousness of this only became properly clear as the Corporate Trustees met to manage its investments through the pandemic crisis. At the same time, it also became evident that AFGD had committed to loans to schools in excess of its deposit holdings.

The AFGD is the primary way in which the Diocese supports school financing and lending. Now that other depositors are limited, Corporate Trustee investment funds underpin school loans and the AFGD contribution to the Diocese with an associated opportunity cost that is not appropriately recognised. This is not a transparent or properly accountable arrangement for meeting trustee obligations or satisfying investment expectations for the beneficiaries of Corporate Trustee trust funds.

The financial position of AFGD needs close management by all Diocesan stakeholders as a matter of priority, with the development of an action plan for restructuring or orderly wind up of the Fund to avert an impending liquidity crisis and shore up the Diocese's financial position.

Purpose

The working group will:

- gain a detailed understanding of the cash flow requirements of AFGD, other Diocesan entities (particularly the schools) and the Diocese
- develop a strategy for communication with AFGD stakeholders, Bishop in Council and Corporate Trustees that will work to reassure all parties that appropriate actions are being taken with respect to the AFGD and the Diocese' financial position
- develop a plan for AFGD reporting to the working group, including appropriately calculated capital adequacy and liquidity ratios, sensitivity analysis based on a range of assumptions (including assumptions about withdrawal of deposits, school calls on Lines of Credit, Bishop in Council cash needs and parish/ministry cash needs) and other key financial indicators that will need close monitoring over the rest of 2020 and into 2021
- ensure AFGD and the Grafton Anglican Schools Commission (GASC) monitor the progress of schools seeking alternative arrangements with commercial lenders for existing loan facilities
- encourage Bishop in Council to identify the scope of banking services required to support the Diocese, ministry units and other Diocesan entities, excluding schools, and to provide a report to the working group
- seek professional advice on the process for a staged wind up of AFGD or, if identified, a transition to an alternative structure - including how to meet liquidity and regulatory requirements
- provide a report outlining an appropriate solution to the current issues identified in these Terms of Reference, including timelines
- recommend any required Diocesan governance changes that arise from the considerations of the working group.

Working group

Role

The working group is established by the Corporate Trustees and will provide the Corporate Trustees with reporting on cash flow and scenario testing as well as a recommended plan of action for restructuring or winding up AFGD in an orderly fashion.

The working group will be the mechanism for representatives of the Corporate Trustees, Bishop in Council and AFGD to seek information from, and report on progress to, their respective entities. Bishop in Council may also wish to consult with ministry units, schools and other Diocesan organisations about banking needs if necessary.

AFGD Board representatives will liaise with the AFGD Board and ensure the working group is provided with all requested data and information on AFGD operations.

Membership

The working group will comprise two Corporate Trustees, two AFGD Board members and two Bishop in Council members. The initial members of the working group are:

Corporate Trustees	Bishop in Council	AFGD Board
Lee Archinal (chair)	Terry Shorten	David Ford
Kelley Malaba	Stuart Webb	Phil Crandon

Support

The working group will be supported by the Registrar with the assistance of Annette Dent, the new Finance and Information Systems Manager, and other Registry staff as required.

Resources

The working group may, with the assistance of the Registrar, engage the assistance of consultants with expertise in banking or accounting and audit services up to an amount of $20,000 to be paid by AFGD.

Where the committee identifies the need for advice and assistance requiring greater resources, this will be recommended to the Corporate Trustees for decision.

Timeframe and reporting

The working group will commence considerations in September 2020 and will report back to Corporate Trustees each month from October to January 2021. A final plan of action and any other recommendations are to be presented by no later than 22 January 2021.

Background

Corporate Trustee investment policy and framework

In March 2019 the Corporate Trustees commenced a review of its investment responsibilities. Investment performance is below expectations because of the dominance of cash investment and a heavy weighting in direct property investment. The review of investments during 2019 confirmed that Corporate Trustee investments needed to be diversified. Advice also indicated that the fragmentation of investment and what has been a 'DIY' approach needed to be addressed due to hidden costs and its contribution to lower investment performance. This approach was seen to be contradictory to the endowment investment approach expected of a trustee.

The Corporate Trustees established a new investment policy and framework in October 2019. By January 2020, in line with that framework, an asset manager had been appointed and commenced work with the Corporate Trustees. Advice indicated very clearly that if returns to investment were to improve, the Corporate Trustees should diversify its investments away from cash and direct property holdings. In February 2020, the Corporate Trustees adopted a new investment strategy that would require a proportion of the cash invested with the AFGD to be moved into a diversified investment portfolio.

Despite its strategy and investment decisions, the Corporate Trustees were greatly restricted in withdrawing cash invested with the AFGD. The Corporate Trustees were therefore unable to move to take advantage of the opportunity provided by the pandemic, which in terms of investment, would have been a positive time for adjusting its investments and targeting increased investment return. The Corporate Trustees are also prevented from substantially acting upon its new investment policy.

Anglican Funds Grafton Diocese

Anglican Funds Grafton Diocese (AFGD) is established under Chapter 18 of the *Diocesan Governance Ordinance 2008* (the Governance Ordinance).

AFGD's mission is to be "a fiscally responsible commercial entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of Grafton". Its role is to "seek deposits of funds which it invests, or lends for profit to assist and grow the mission of the Anglican Church in the Diocese. AFGD provides funds from any surplus achieved in any given year to the Anglican Diocese of Grafton." It is to "act in the interests of depositors, provide returns where possible to the Anglican Diocese of Grafton and optimise returns on investment funds within prudent limits and diversity."

AFGD may make loans to parishes, Diocesan Bodies Corporate (this includes the Diocesan schools), clergy and full time Stipendiary Lay Ministers using sums of money from the Fund at such interest rates as determined by the Board. The AFGD Board approves these loans.

AFGD can also invest any funds surplus to this as is authorised by the Corporate Trustees. It may also "make available to Bishop-in-Council funds from any surplus achieved in any given year, after creation of all necessary provisions and reserves as determined by the AFGD Board."

The AFGD Board have put interim measures in place to support the liquidity and capital adequacy requirements of AFGD, to allow the working group time to carry out the strategic analysis and planning that is required to provide financial security to the Diocese during this challenging time.

Current governance of AFGD

Section 220.1 of the Governance Ordinance places the fund under the control of the Corporate Trustees who delegates responsibility for the administration and management of the Fund to the AFGD Board. The board reports to the Corporate Trustees and may develop and recommend changes to AFGD Policy, for review and approval by the Corporate Trustees.

The financial statements of AFGD form part of the consolidated statements of The Corporate Trustees of the Diocese of Grafton. The Corporate Trustees are also large investors in the AFGD on behalf of trust beneficiaries with cash deposits of around $14.9 million held with AFGD (31 July 2020), which is 49.4 per cent of its total deposits. The Corporate Trustees investment in AFGD is a dominant proportion of the funds held by the Corporate Trustees for investment and the previously quoted deposits in AFGD represent 53.4 per cent of the combined value of bequests and trusts held by the Trustees (30 June 2020).

The Bishop is an ex officio member of the AFGD Board and, in consultation with Bishop in Council, appoints the Board of AFGD. The Bishop appoints the Chair of the AFGD Board. In the past, the AFGD was the primary avenue by which the Diocese supports the schools via AFGD loans. The AFGD makes a contribution to the Diocese each year – $175 000 in 2016, $150,000 in 2017, $175 000 in 2018 and $175 000 in 2019. The Diocese also requires its ministry units, schools and other Diocesan entities (Anglicare) to bank with AFGD.

The Board of AFGD manages the operations of the AFGD with the support of the Registrar, banking and administrative officer, Annette Dent, and a consultant manager of large clients, Blaine Fitzgerald. The Fund Manager position has not been filled since 31 January 2018. The Corporate Trustees investment policy excludes the investment activities of AFGD, with the AFGD having its own Investment Policy and the AFGD Credit policy. AFGD holds its investments with Ord Minnett.

AFGD has a services agreement with Anglican Funds South Australia (AFSA) that provides for back office and reporting services. This includes operation of EFT and BPay clearing, branch financial reporting, and operational liaison with Data Action, the banking platform provider. AFSA also provides a line of credit (temporary overdraft facility) when required.

Under the Governance Ordinance, the Bishop, Bishop-in-Council and the AFGD Board are to ensure that the AFGD Board has the appropriate level of skills and experience required to properly fulfil its responsibilities, with special emphasis on legal, financial, business and strategic skills and review the mix of skills and experience of its members on a regular basis.

Conclusion

The Corporate Trustees have established this working group to provide the strategic analysis and planning that is required to support AFGD in the short term and to recommend a long term plan to ensure that AFGD does not impact on the financial security of the Diocese.

Corporate Trustees of the Diocese of Grafton
10 September 2020

AFGD Future Working Group

18 September 2020 meeting outcomes

Attendance: Lee Archinal, Kelley Malaba, Terry Shorten, Stuart Webb, David Ford, Phil Crandon
Support: Chris Nelson, Annette Dent

The working group commenced its work in reflection and prayer.

As not all members of the working group had met each other, members introduced themselves and spent some time getting to know one another and our relevant backgrounds.

There was acknowledgement of the important contribution AFGD had made to the Diocese and its history. The working group also discussed the changes in the banking environment of the last few years that work to make bank management much more complex than in the past.

Terms of reference

Lee introduced the terms of reference and provided some background on how the Corporate Trustees' concerns about the future of the AFGD had developed over the year, culminating in the formation of the working group.

- In March 2020, consideration of AFGD's balance sheet due to concerns about the financial fall out of the pandemic, alongside information on future loan commitments, showed that AFGD's approved borrowing facilities were significantly greater than its customer investments.
- While immediate action was taken in April 2020 to see if Westpac would take over some of the line of credit and approved loan facilities this has not been as straightforward as hoped. Since then we have also had to deal with outflow of $2m for redress settlements and are anticipating more.
- The longer AFGD remained stretched in terms of liquidity, the longer we were running a significant risk to the Diocese' financial position. In the financial situation of the pandemic we would need to closely manage AFGD and the Diocese' cash flow, through the end of the year into 2021.
- The future of AFGD has been under consideration for some time.
- It became clear that CTs, AFGD board and BIC would need to work together to be fully across the challenge being faced by AFGD and the Diocese. An agreed strategy needs to be developed.

Members of the working group had the opportunity to clarify the challenges faced by the AFGD and discuss the terms of reference, in particular the group's purpose.

Lee and Kelley made it clear that no decisions about the future of the AFGD had yet been made by the CTs. The priority is for the working group to ensure the short term financial viability of AFGD so that a longer term strategy for its future can be identified in consultation with BIC and AFGD.

Particular concerns raised in discussing the terms of reference were:

- lack of communication around the issue between CTs and BIC
- CTs are responsible for return on investment to beneficiaries as a whole. There is a disconnect between expectations by beneficiaries of investment return and the understanding of the cost to the Diocese (and investment return) of operating a bank
- isolation of decision making around critical financial issues across Diocesan boards
- the need for greater support of the AFGD Board in its work and in addressing the challenges it faces

- the lost opportunity (cost) for the Diocese as a whole in supporting the continuing liquidity requirements of AFGD.

The working group discussed how the formation of the working group should address most of these issues, in particular with better and timelier communication and decision making across various Diocesan governance entities. The aim of the working group is to ensure that we have a more flexible and nimble way of working across the three groups with less delay than within our usual processes. It was noted that the working group may develop recommendations for governance changes as a result of the work being completed.

Members were comfortable they understood the purpose of the working group, its terms of reference, and the work the group will need to do over the coming months.

Information needs and priority actions

The working group turned to discussion of the particular issues and the work listed under 'Purpose' in the terms of reference.

In considering the information the working group will need it was agreed that the immediate priority was the cash flow analysis, drawing together a complete cash flow picture for the Diocese as a whole, across a rolling six months. There needs to be specific conversations with schools about what their cash requirements will be as part of this. It will be an important part of being able to support the AFGD through this period and gaining a better understanding of the time line we have to make further decisions.

- David and Phil will organise for the AFGD Board with Blaine Fitzgerald to seek a six month rolling cash flow forecast from the schools and any other AFGD cash flow figures required.
- Chris will supply to AFGD for inclusion the anticipated cash flow requirements for the Diocese, in particular those relating to redress settlement payments and insurance.
- AFGD board will circulate the complete six month cash flow forecast to working group members by **2 October 2020** for working group consideration.

As the portfolio of school loans is AFGD's major commitment, it is important that actions to shift the loans to alternative lenders where possible proceed with some urgency. The process of schools moving to Westpac has not gone to plan. One school has gone out to tender for alternative lenders. Others are limited by existing pari passu arrangements. Westpac's tardiness in this has been unprecedented and finding alternatives may take some time. There is also the need to balance any move of loans against the need for AFGD to have income into 2021. A priority action is therefore to establish where each school is up to in the process.

- David and Phil will, with Chris and Blaine's assistance, draft a follow up to the April 2020 letter to the schools regarding the transfer of financing to alternative lenders and seek detailed advice about each school's progress.
- It was noted for future consideration that, as information comes to hand on whether and when the school loan commitments can move to a commercial lender, the working group will need to consider the issue of timing and balance of school loan movements to ensure adequate income for AFGD.

Discussion also indicated that the working group will need a clearer picture of AFGD depositors and loans and parish banking activity.

- Lee and Chris will work with Annette on putting together a set of appropriate information.

An outcome will also need to be a soundly based strategic direction for future business planning. It was noted here that there is a high level of risk in running a bank with a lack of capital adequacy and therefore not fully stable. Avenues for growth for AFGD are very constrained since the changes in APRA regulations. The opportunity costs of running AFGD versus other investment will need consideration as a part of assessing future directions. Chris noted that a conservative estimate of that cost is probably $0.5m a year to beneficiaries. The CTs have committed to leaving $8m invested in AFGD but that is a large component of its investment portfolio to hold in cash. The ability of the CTs to preserve its deposits is going to be put under significant pressure by the need to make professional standards redress settlement payments.

- A future agenda item will be 'Dreaming' to begin to discern a direction for AFGD.

The working group discussed the banking needs of parishes and ministry units. It was agreed that this would be a matter BIC would need to explore but that it can be treated as a secondary issue for when we see where we are after the immediate issues of securing cash flow. Expert advice may need to be sought for the development and assessment of options.

- Stuart and Terry will keep BIC informed and take those discussions to BIC when necessary.

The working group did not discuss in detail the development of a plan for AFGD reporting that includes appropriate measures of capital adequacy and liquidity and other key financial measures.

- Lee will liaise with David and Phil on what is already available from AFGD reporting and look at what might need to be expanded for monitoring over this period.

Communication

The working group also discussed the need to be careful with respect to any communications out to stakeholders such as the schools, and considered how to frame the description of the work being done by the group.

At this point schools are only aware that AFGD can't support additional borrowing because of the impact of Covid 19. A request for a six month cash projection will be unusual but the schools are used to Blaine asking for information. Covid 19 is considered to be a more than adequate reason to be asking for additional information. The school business managers will have that information available and schools are currently doing their budgets. The request for detailed information should not cause alarm.

- Lee and Chris will work on elements of a communications strategy, realistically probably as matters arise.
- The AFGD board will run the draft follow up letter to the schools about refinancing progress and cash flow past Lee and Chris.
- Lee and Kelley will ensure there are broad talking points about the working group developed ahead of Synod for use in any communication required with schools or the Schools Commission, in the CTs presentation to Synod, and to address any questions received at Synod.
- Annette advised that, although not something specifically for the working group, a communication will be going to parishes shortly regarding banking services changing from Westpac to Bank at Post at 31 December 2020. Parishes will already be experiencing changes in banking services.

The working group will continue its work by email with a meeting to be scheduled for the first week in November 2020.

Lee Archinal (Chair)
20 September 2020

AFGD Future Working Group

9 December 2020 meeting outcomes

Attendance: Lee Archinal, Kelley Malaba, Terry Shorten, Stuart Webb, David Ford, Phil Crandon
Support: Chris Nelson, Annette Dent, Adam Giordano

The meeting commenced with reflection and prayer.

Feedback from Bishop in Council, AFGD Board and Corporate Trustees

Members had the opportunity to report feedback from Bishop in Council (BIC), AFGD Board and Corporate Trustees (CTs). It was noted that the issues had also been discussed at the joint BIC/CTs meeting on 25 November 2020, just prior to a BIC meeting.

Terry advised that BIC will wait for outcome of the working group process, given there is no longer urgency regarding the AFGD liquidity position.

An Ord MInnett investment of $1.4 million was coming to maturity at 15 December and the AFGD Board advised the working group that, in the circumstances, it had decided to allow it to mature and hold it until January 2021 before looking for reinvestment. The funds are sitting with AFSA at 0.85% (which is currently quite a good rate for 'at call').

Six month rolling cash flow forecast

An agenda paper and cash flow forecast for the months from October 2020 to March 2021 had been circulated ahead of the meeting. The information included an update on school refinancing.

School refinancing

EAC's loan refinancing ($4.01m) settled at the end of November 2020. SCAS has been able to extend the pari passu arrangement with Westpac for its Enviro Centre, and it is highly likely (although not yet completely certain) that $2.7m will return to its line of credit with AFGD by the end of December. Lindisfarne has its finance arrangements agreed with Westpac but settlement won't happen before end of year; although it is expected to be within the first three months of 2021. BDC is waiting developments before considering any move to refinance. The opportunities for CVAS are constrained by the subordinated debt.

Consideration of cash flow reporting

Terry asked about relationship between the information in the cash flow forecast and the total figures noted in the terms of reference of loans committed of $24 million. This total has been reduced by the inflow of $4m from EAC. The SCAS $2.7m is to pay down its line of credit (LOC). SCAS had used this to make payments for the Enviro Centre construction while it waited for Westpac to agree to extend the pari passu. It is not a new loan.

Annette clarified that the Lindisfarne financing ($6.1m) was a loan and not just a loan commitment. Lindisfarne has agreement with Westpac to refinance the current loan. Separately Lindisfarne's middle school project financing is being provided by Westpac. The approvals for this are progressing through School Commission and BIC. Westpac will want to deal with both at the one time – so settlement will not be December. It might occur in January or February but might be as late as March 2021.

Terry noted that this would provide significant cash in flow. He also asked when we might expect to see the schools completely out of AFGD. This will not be for some time – two schools should be transitioned by end March 2021 but there will still be three schools with AFGD.

Turning to consider the cash flow forecast more broadly, Lee noted that, as advised at the joint CTs/BIC meeting, initial drafts of the cash flow outlook in October had indicated that a very large negative net cash movement was possible in December 2020 that would impact on AFGD's 31 December 2020 closing position. This is now improved due to EAC's refinancing settlement at the end of November 2020. The CTs not withdrawing a proposed $1.5 million for investment also assisted liquidity.

Lee drew to the working group's attention that this is not yet a rolling cash flow forecast. The AFGD will ask schools to provide their forward 3 month cash flow forecasts each month. The forecast figures also need comparison against actuals to inform improved forecasting. Annette noted that the format of the cash flow forecast reporting needs more work as well. Kelley noted the need for an arrangement such that the cash flow reporting would be incorporated in AFGD Board reporting once the working group finishes at end January 2021.

Outcomes

- The working group agreed the cash flow forecast needs to be developed further in order to incorporate actual cash flow figures as they are confirmed, and ongoing 3 month forward forecasts. Adam will work with Lee on this with assistance from Chris.
- AFGD will request ongoing cash flow forecasts from schools to feed into the rolling cash flow, commencing mid January 2021.
- The expanded cash flow forecasting will form part of the AFGD Board and CT regular reporting in 2021.

AFGD profile data

An agenda paper providing what information on the current profile and banking activity of the AFGD had been circulated prior to the meeting.

Lee noted that further disaggregation of this information is constrained by AFGD's client confidentiality for parishes.

The transaction data available does provide the beginning of interesting background on parish banking activity (given the number of transactions) and indicates that further information across individual parishes would be useful for BIC in considering options for the future. There is a lot of banking activity that we don't know a lot about.

Parish banking activity information

The high level information points to a gap in understanding of how parishes bank and what their specific needs might be. This was illustrated in the following discussion about parishes having to move to use Bank at Post with Westpac's withdrawal from providing those services. For some it will cause inconvenience, for others there will effectively be no change.

Information on which parishes have term investments, credit cards, EFTPOS machines and other banking products facilitated by AFGD is needed to be able to consider what the future for parish banking might need to look like if AFGD changes substantially in structure. It will be required to underpin a comprehensive understanding of the AFGD's role in the Diocese. BIC will need to seek that information from other sources of information and/or parishes themselves.

The BIC representatives were encouraged to think about gaining a more comprehensive understanding of parish banking and what draw downs might be expected as parishes organise to pay required bills such as insurance, payroll. Chris noted that the pledge and other Diocesan financial commitments have been relaxed for parishes in 2020 but will now need reconsideration. Chris also explained that it seems likely (given Job keeper arrangements etc) that the financial cliff for parishes will be at the end of March start of April 2021. We will need to see then what a 'new normal' will look like.

Parish information and exploration of AFGD options

There was further discussion about why it would be important to have better information on parish banking and financial circumstances. It will be needed both to tease out what options there are, and assess the viability of those options. Principles for what BIC wants to achieve for parishes with regard to banking and its role in financial management and oversight may need to be considered so that it can assess options against those.

A better understanding of parish deposits (particularly term investments) and parish financial positions could also assist in forecasting cash flow requirements more accurately into 2021.

The working group discussed possible sources of further information for parish banking needs; in particular what might be available from parish audited financial statements. BIC had felt in a 'chicken and egg' situation regarding the issue of the future of parish banking and making the effort to obtain and analyse information about parish needs. It thought that consideration of parish banking depended on whether, or in what form, AFGD continues to exist. BIC wants to wait for more information on AFGD's future before doing that work.

Terry recognised that the current situation does provide an opportunity to see how parish accounts and banking might be centralised through the Diocese. It could provide uniformity and efficiency. It would be a worthwhile move to centralise more parish operations wherever possible.

Lee advised that assessment of options and any decisions on a way forward do need to be based on data, information and advice. Kelley questioned whether we could make any sort of decision on the future of AFGD without that parish information first? At the moment three of the five schools are still operating within the AFGD. We need to be able to say that we have looked at all the options and considered all the factors. Understanding the needs of the parishes is a part of that. Kelley was concerned that we seem to be missing one, important step here.

AFGD capital adequacy and liquidity

An analysis of AFGD's capital adequacy and liquidity ratios had been circulated prior to the meeting. The agenda paper also included Kelley's analysis of the options for AFGD against those outlined in the CTs' review of AFGD operations of July 2018. Kelley noted that consideration of AFGD capital adequacy and liquidity ratios is key to understanding why an orderly wind up looks to be the most likely way forward.

Legal advice

The agenda paper had recommended that the CTs be asked to seek legal advice from a suitably qualified accounting firm about the required steps for an orderly wind up. There was discussion in the group about why this might be necessary.

Kelley and Lee reminded the working group that APRA and ASIC regulations need to be adhered to throughout the process of transitioning or winding up AFGD. We need to ensure we do not incur sanctions such as a fine because we 'did not know what we don't know' and we did not seek advice. AFGD also needs to be carefully managed through any transition process and support provided to the AFGD Board. David and Phil agreed that seeking proper legal advice was very important in managing AFGD any further into this process.

Assessment of options

In discussing the possible options for AFGD going forward, CT representatives also strongly encouraged BIC to gather and carefully consider the banking needs of parishes such that a summary business model of what the AFGD might look like with the remaining three schools and parish banking could be properly assessed for viability. BIC and Corporate Trustees would then be able to genuinely advise the Diocese that all options had been considered fully.

David noted that with the liquidity urgency reduced, there was time to seek legal advice and, at the same time, BIC could use the parish returns to do some fact finding about the parishes. We have a lot of known unknowns. The legal advice, with the putting together of a picture of parish banking from what sources are available, should support the making of any decisions. There was discussion around being able to base our assessment of possible options (beyond the working group's life) on adequate information and data.

Outcome

- The working group agreed that the CTs should be asked to seek professional advice on what the steps of an orderly wind up of AFGD would be in order to continue to ensure we meet all legal requirements and APRA regulation.

Decision making and reporting

The paper provided to the working group on capital adequacy and liquidity had also provided possible next steps towards a process for the working group to recommend to CTs for action in line with the terms of reference. Lee asked what the BIC representatives saw as an appropriate process for decision making about the future of the AFGD.

Stuart and Terry were clear that BIC sees the future of the AFGD as their decision to make. It is looking for a recommendation from the working group on the future of the AFGD. Lee pointed out that the working group has specific terms of reference and it is to report with a recommended plan of action to CTs by 22 January 2021.

Phil noted the need for proper process in the dismantling of AFGD. There would need to be consideration of what a new mission for AFGD would be if it is to remain in some form. Phil also noted the need to be careful in using the term 'bank'.

Kelley reminded members that the agenda paper assessment of options was simply her opinion and that the Diocese really needed to explore the possibility (although perhaps slim) that there is an option other than complete wind up. The Thomas Noble Russell report of May 2019 analysing options for AFGD was discussed. CTs and AFGD Board had commissioned the analysis following the return of retail customer funds in 2018. While TNR may be an option for advice again now, TNR are our auditors and CTs may consider it preferable to seek an alternative accounting firm.

Discussion indicated that the working group doubts there is an alternative way forward in the current structure, but will recommend that BIC collects the information on parish banking so that the option of a structure of three schools and parish banking can be modelled before deciding whether it is really unviable. Our recommendation to CTs will be that BIC puts that business model together so that it can be assessed for viability. The accounting firm the CTs engage for advice about wind up might be able to assist with assessment of that option.

David and Lee recognised and thanked Annette for the additional workload she has been carrying in providing information for the working group as well as dealing with requirements for refinancing school settlements and organising the move to Bank at Post. The working group were reminded that a lot is being asked of Annette in the circumstances.

The working group will continue its work by email with a meeting to be scheduled for mid January 2021, if required for discussion, ahead of providing the working group report to CTs on 22 January 2021.

Lee Archinal (Chair)
14 December 2020

Attachments:
Agenda paper item 2: Cash flow forecast 9 December 2020
Agenda paper item 3: AFGD banking profile 9 December 2020
Agenda paper item 4&5: Future options, including capital adequacy and liquidity information

Identification Statement – The Corporate Trustees of the Diocese of Grafton Investment Fund
ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813

IDENTIFICATION INFORMATION

The Corporate Trustees of the Diocese of Grafton Investment Fund (ABN 42 489 753 905) is a fund created under the *Diocese of Grafton Investment Fund Ordinance 1981*, now continued under Chapter 18 of the *Diocese Governance Ordinance 2008.*

The Corporate Trustees of the Diocese of Grafton Investment Fund is located at Level 1, 50 Victoria Street, Grafton NSW 2450.

The Corporate Trustees of the Diocese of Grafton Investment Fund trades as Anglican Funds Grafton Diocese.

The Corporate Trustees of the Diocese of Grafton Investment Fund is under the control of The Corporate Trustees of the Diocese of Grafton (ABN 88 144 942 068), a body corporate incorporated by section 5 of the *Anglican Church of Australia Trust Property Act 1917* (NSW).

COMPLIANCE

The Corporate Trustees of the Diocese of Grafton Investment Fund raises funds to support the charitable purposes of The Anglican Diocese of Grafton by issuing debentures. It relies on exemptions contained in paragraphs 5(1)(b) and 5(2) of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*. It also relies on exemptions to Sections 7 and 8 of the *Banking Act 1959* provided by APRA – Banking Exemption No.1 of 2017.

The Corporate Trustees of the Diocese of Grafton Investment Fund (ABN 42 489 753 905) ensures compliance with the conditions of the above exemptions in the following ways:

- The Corporate Trustees of the Diocese of Grafton Investment Fund has lodged this Identification Statement with ASIC and it is made available to the public via its website, located at "http://www.anglicanfundsgraftondiocese.com.au/www/content/default.aspx?cid=685". The Corporate Trustees of the Diocese of Grafton Investment Fund is required to make this Identification Statement readily publicly accessible for as long as it relies on the Identification Statement and for a period of five years after that.
- The Corporate Trustees of the Diocese of Grafton Investment Fund regularly reviews its Identification Statement and all relevant offer documents to ensure that they are up to date, complete and not misleading.
- The Corporate Trustees of the Diocese of Grafton Investment Fund no longer offers short term investment products to clients who are retail, non-associated clients. No retail, non-associated person is to hold a short-term investment product issued by it.
- None of The Corporate Trustees of the Diocese of Grafton Investment Fund itself, its products, its promotional material or offer documents has been examined or approved by ASIC, nor do any of the above documents state or imply that The Corporate Trustees of the Diocese of Grafton Investment Fund, its promotional material, or offer documents have been examined or approved by ASIC.
- The Corporate Trustees of the Diocese of Grafton Investment Fund ensures that all relevant offer documents detail that:
  - the investment funds will be used to support its charitable purposes;
  - this Identification Statement may be viewed on its website;
  - it is required by law to notify investors that its products are not subject to the normal *Corporations Act* protections for investors under the *Corporations Act* or regulation by ASIC;
  - it does not hold an Australian Financial Services Licence;
  - the investment is only intended to attract investors whose primary purpose for making the investment is to support its charitable purposes;
  - investors may be unable to get some or all of their money back when the investor expects or at all; and
  - the investment is not comparable to investments with banks, finance companies or fund managers.
- Any false or misleading material statements relating to this Identification Statement are rectified as soon as practicable via the issue of a supplementary or replacement Identification Statement.
- The Corporate Trustees of the Diocese of Grafton Investment Fund lodges with ASIC audited financial statements, which comply with relevant accounting standards, within 6 months after the end of each financial year. Such statements are made available to the public via its website for a minimum period of 3 years from the date of issue.

The Corporate Trustees of the Diocese of Grafton Investment Fund is required to notify ASIC in writing within 15 business days of becoming aware of a matter that gives it reason to believe that it has failed or is likely to fail to comply with a condition in section 7 of *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*.

METHOD OF FUNDRAISING

The Corporate Trustees of the Diocese of Grafton Investment Fund issues debentures to investors and lends the funds raised for profit to assist and grow the mission of the Anglican Church in the Diocese of Grafton. The Corporate Trustees of the Diocese of Grafton Investment Fund generates a margin between the rates of return paid to debenture investors and those charged to borrowers. These surplus funds are used for the operating costs of The Corporate Trustees of the Diocese of Grafton Investment Fund. The Corporate Trustees of the Diocese of Grafton Investment Fund retains minimum surpluses to strengthen its capital adequacy aspiring to reach a benchmark of 8-10% of Risk Weighted Assets.

FINANCIAL YEAR

The Corporate Trustees of the Diocese of Grafton Investment Fund has a financial year of 1 January to 31 December.

AFS LICENCE

As The Corporate Trustees of the Diocese of Grafton Investment Fund is relying on the licensing exemption under subsection 5(2) of the *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813* it is not required to hold an Australian Financial Services Licence and does not hold an Australian Financial Services Licence.

CHARITABLE PURPOSE

The charitable purpose of The Corporate Trustees of the Diocese of Grafton Investment Fund as set out in paragraph 218.2 of *Diocese Governance Ordinance 2008* is to be a fiscally responsible entity which generates financial resources to support and serve the community of faith that is the Anglican Diocese of Grafton. The issue of debentures by The Corporate Trustees of the Diocese of Grafton Investment Fund promotes this charitable purpose by providing operating surpluses to the Anglican Diocese of Grafton for mission, ministry and administration.

KEY TERMS

The Corporate Trustees of the Diocese of Grafton Investment Fund offers several classes of debentures on the terms set out below. The Board meets at least every 2 months to review and adjust interest rates according to movements in the Bank Bill Swap Rate BBSY and apply an appropriate margin. As a general rule, no fees or costs are payable by the holder of a debenture. However, if the holder of a debenture causes The Corporate Trustees of the Diocese of Grafton Investment Fund to incur a third-party cost, such as a dishonour fee, then this cost will be charged back to the holder on a pass-through basis by adjustments to the interest rate received by the client. This could occur where a client has provided an invalid BSB or account number or where there are insufficient cleared funds in a client's account.

The Corporate Trustees of the Diocese of Grafton Investment Fund has a Hardship Policy, which allows for early release of funds on certain grounds.

The following classes of debentures are offered to retail, associated clients and other clients that are not retail, non-associated clients:

Fixed term Investments	• Minimum investment $500 • Interest is paid at maturity. • View only Online Access • The terms offered on investments are ➢ 31 Days ➢ 90 Days ➢ 180 Days ➢ 365 Days ➢ 18 Month • Except for 18 month investments, interest is calculated daily and paid at maturity to a nominated account or can be capitalised with the initial investment. • For the 18 month fixed investment, interest is either calculated daily and paid half yearly to a nominated account or capitalised with the initial investment. • The interest rate applied on the initial investment is advised at the time of application.

	• Interest rate changes are provided via correspondence to all existing investors at pre-maturity and via the website.
Short Term Investments < 31 days	**Savings Account** • Minimum investment amount Nil • Online Access • EFT & BPay facilities. • Interest is calculated daily and paid half yearly capitalised to the account. • The interest rate applied is tiered, based on the dollar amount of funds under management in the account. ➢ 0- $4,999 ➢ $5,000 - $49,999 ➢ $50,000 & over • At least 21 days' notice is given prior to any proposed interest rate change taking effect. • The interest rate applied on the initial investment is advised at the time of application. • Existing clients will be advised of any interest rate change via the website.
Short Term Investments < 31 days	**Cheque Account** • Minimum investment amount Nil • Online Access. • EFT & BPay facilities. • Cheque Books and customised A4 cheque stationery available. • Interest is calculated daily and paid monthly capitalised to the account. • The interest rate is linked to a benchmark, plus or minus an applicable margin. • At least 21 days' notice is given prior to any proposed change taking effect. • The interest rate applied on the initial investment is advised at the time of application. • Existing clients will be advised of any interest rate change via the website.
Short Term Investments < 31 days	**Cash Management Account** • Minimum investment amount Nil • Online Access • EFT & BPay facilities. • Interest is calculated daily and paid monthly capitalised to the account. • The Interest rate applicable to this product is reviewed monthly by the Board. • The Interest rates applicable to this product is linked to the current RBA cash rate, plus or minus an applicable margin. • Any change in the interest rate is effective the following day after any RBA rate change is released.

INVESTORS

The Corporate Trustees of the Diocese of Grafton Investment Fund offers debentures to the following classes of investors as defined by ***ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813:***

1. **Retail, associated clients**

   Products are promoted to this class of investor in the following ways:
   - advertising in the Anglican Diocese of Grafton internal publication, the "North Coast Anglican" Newspaper;
   - promotional material and brochures;
   - direct written correspondence;
   - advertising on the website; and
   - word of mouth.

   A product is offered to this class of investor after a formal signed application and a declaration confirming associate status is received by The Corporate Trustees of the Diocese of Grafton Investment Fund. The Corporate Trustees of the Diocese of Grafton Investment Fund reserves the right to make enquiries, as it considers necessary, with the relevant parish, organisation or school to confirm the potential investor's associate status before opening an account.

Associates are defined by *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813* as:

a) A body constituted by or under the authority of a decision of the charity or is controlled by the charity.
b) A person or body that constituted the charity or under whose authority the charity was constituted or controls the charity.
c) A charity with a charitable purpose (***related charitable purpose***) which is the same or similar to the charity.
d) A person acting as a trustee of a trust for the charity or a charity with a related charitable purpose.
e) A member of clergy, employee or voluntary staff member who works for a person in paragraphs (a) to (d).
f) A person undertaking training or education to enable them to be a person mentioned in paragraph (e) who receives money from a person mentioned in paragraph's (a) to (e).

The Corporate Trustees of the Diocese of Grafton Investment Fund considers the following individuals to be volunteer staff members:

- Any unpaid member of any Board or Council of the Anglican Diocese of Grafton or one of its committees or sub committees. This refers to, but is not limited to, any governance group described in the *Diocesan Governance Ordinance 2008* or described in any constitution established under the *Anglican Church of Australia (Bodies Corporate) Act 1938 (NSW)*.
- Any unpaid member of a Parish Council.
- Parish volunteers who undertake ongoing volunteering for their Parish of at least 8 hours per week.
- A person who works on a regular and ongoing basis for at least 8 hours per week for an organisation of the Anglican Community without being paid, or an honorary office bearer recognised by the Ordinances of the Synod, for example, members of Diocesan Council, and its associated Boards and Committee.

2. Other clients that are not retail, non-associated clients

Products are promoted to this class of investor in the following ways:

- advertising in the Anglican Diocese of Grafton internal publication, the "North Coast Anglican" Newspaper;
- promotional material and brochures;
- direct written correspondence;
- advertising on the website; and
- word of mouth.

A product is offered to this class of investor after a formal signed application is received. Products offered to this class of investor may be customised to meet the requirements of each client. The Corporate Trustees of the Diocese of Grafton Investment Fund reserves the right to make enquiries, as it considers necessary, to confirm that a potential investor is not a retail client before opening an account.

AUDITED FINANCIAL STATEMENTS

The Corporate Trustees of the Diocese of Grafton Investment Fund is a basic religious charity and is currently not required to lodge audited financial statements with the Australian Charities and Not-for-profits Commission (ACNC).

The Corporate Trustees of the Diocese of Grafton Investment Fund is required to lodge audited financial statements with ASIC within 6 months of each financial year end.

GUARANTEES OR OBLIGATIONS

No guarantees or obligations of interests by any person apply.

ASSET TYPES

The Corporate Trustees of the Diocese of Grafton Investment Fund currently holds the following asset classes in Australia:

- **Cash deposits at ADIs.**
- **Interest bearing securities,** Australian Banks and large corporations, rated at investment grade or better. No hybrid securities, except for Australian bank securities containing an APRA mandated capital trigger.
- **Loans** advanced to Anglican parishes and Anglican entities when they borrow from the Fund to undertake charitable activities within their communities

No assets are held outside of Australia.

SPONSOR
There is no sponsor involvement in regard to acceptance of this Identification Statement.
CONSENT
The Corporate Trustees of the Diocese of Grafton Investment Fund consents to any person, on request to ASIC, examining this Identification Statement and the application to ASIC to accept this Identification Statement for lodgement.

DATED: 4th OCTOBER 2018

Signature

David Ford
Print Name

Chair of Board of The Corporate Trustees of the Diocese of Grafton Investment Fund
Capacity

Attachment D

Prudential Standard CPS 520

Fit and Proper

Objectives and key requirements of this Prudential Standard

This Prudential Standard sets out minimum requirements for APRA-regulated institutions in determining the fitness and propriety of individuals to hold positions of responsibility. Its objective is to ensure that an institution prudently manages the risks that persons acting in responsible person positions who are not fit and proper pose to the institution's business and financial standing.

The ultimate responsibility for ensuring the fitness and propriety of the responsible persons of an APRA-regulated institution rests with its Board of directors (or equivalent).

Persons who are responsible for the management and oversight of an APRA-regulated institution, and persons employed by a member of the group whose activities may materially affect the business or financial standing of the group, need to have appropriate skills, experience and knowledge, and act with honesty and integrity. These skills and qualities strengthen the protection afforded to depositors, policyholders and other stakeholders. To this end, institutions need to prudently manage the risk that persons in positions of responsibility might not be fit and proper.

The key requirements of this Prudential Standard are that an APRA-regulated institution and a Head of a group must:

- maintain a Fit and Proper Policy that meets the requirements of this Prudential Standard;
- ensure that the fitness and propriety of a responsible person generally be assessed prior to initial appointment and then re-assessed annually;
- take all prudent steps to ensure that a person is not appointed to, or does not continue to hold, a responsible person position for which they are not fit and proper;
- ensure that additional requirements be met for certain auditors and Appointed and Reviewing Actuaries; and

- ensure that certain information be provided to APRA regarding responsible persons and the APRA-regulated institution’s and Head of a group’s assessment of their fitness and propriety.

Table of Contents

Authority

1. This Prudential Standard is made under:

   (a) section 11AF of the *Banking Act 1959* (**Banking Act**);

   (b) section 32 of the *Insurance Act 1973* (Insurance Act); and

   (c) section 230A of the *Life Insurance Act 1995* (Life Insurance Act).

Application

2. This Prudential Standard applies to all 'APRA-regulated institutions',[1] defined as:

   (a) all **authorised deposit-taking institutions** (**ADIs**), including **foreign ADIs**, and **non-operating holding companies** authorised under the Banking Act (authorised banking NOHCs);

   (b) all **general insurers**, including **Category C insurers**, non-operating holding companies authorised under the Insurance Act (authorised insurance NOHCs) and **parent entities** of **Level 2 insurance groups**; and

   (c) all **life companies**, including **friendly societies** and **eligible foreign life insurance companies** (EFLICs), and non-operating holding companies registered under the Life Insurance Act (registered life NOHCs).

3. All APRA-regulated institutions have to comply with this Prudential Standard in its entirety, unless otherwise expressly indicated. The obligations imposed by this Prudential Standard on, or in relation to, a foreign ADI, a Category C insurer or an EFLIC apply only in relation to the Australian branch operations of that institution.

4. Where an APRA-regulated institution is the 'Head of a group',[2] it must comply with a requirement of this Prudential Standard:

   (a) in its capacity as an APRA-regulated institution;

   (b) by ensuring that a requirement is applied appropriately throughout the group, including in relation to institutions that are not APRA-regulated; and

   (c) where specified, on a group basis.

   In applying the requirements of this Prudential Standard on a group basis, references in paragraphs 12 to 16 and 25 to 63 to an 'APRA-regulated institution'

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[1] Note, for the purposes of this Prudential Standard, an **RSE licensee** is not treated as an 'APRA-regulated institution'. Refer to *Prudential Standard SPS 520 Fit and Proper* (SPS 520) for fitness and propriety requirements for an RSE licensee.

[2] Where a Level 2 group operates within a Level 3 group, a requirement expressed as applying to a Head of a group is to be read as applying to the Level 3 Head.

should be read as ‘Head of a group’ and references to ‘institution’ should be read as ‘group’.

5. This Prudential Standard commences on 1 July 2017.

Interpretation

6. Terms that are defined in *Prudential Standard 3PS 001 Definitions*, *Prudential Standard APS 001 Definitions* (APS 001), *Prudential Standard GPS 001 Definitions* (GPS 001) or *Prudential Standard LPS 001 Definitions* appear in bold the first time they are used in this Prudential Standard.

7. Where this Prudential Standard provides for APRA to exercise a power or discretion, this power or discretion is to be exercised in writing.

8. For the purposes of this Prudential Standard:

   ‘group’ means a Level 2 group or a **Level 3 group**, as relevant;

   ‘Head of a group’ means a Level 2 Head or **Level 3 Head**, as relevant;

   ‘Level 2 group’ means the entities that comprise:

   (a) **Level 2** as defined in APS 001; or

   (b) a Level 2 insurance group as defined in GPS 001;

   Level 2 Head’ means:

   (a) where an ADI that is a member of a Level 2 group is not a **subsidiary** of an authorised banking NOHC or another ADI, that ADI

   (b) where an ADI that is a member of a Level 2 group is a subsidiary of an authorised banking NOHC, that authorised banking NOHC; or

   (c) the parent entity of a Level 2 insurance group as defined in GPS 001.

9. For the purposes of this Prudential Standard, a reference to an ‘auditor’ is taken to be a reference to a person holding any of the following positions unless otherwise specified:

   (a) ‘**Appointed auditor**’ has the meaning given in APS 001, in relation to an ADI or authorised banking NOHC;

   (b) ‘**Appointed Auditor**’ has the meaning given in GPS 001, in relation to a general insurer (including a Category C insurer);

   (c) ‘Auditor’ has the meaning given in *Prudential Standard LPS 310 Audit and Related Matters* (LPS 310), in relation to a life company (including an EFLIC);

   (d) ‘**responsible auditor**’ has the meaning given in GPS 001, in relation to an authorised insurance NOHC, and, in relation to a registered life NOHC, is an auditor who is required to prepare a report under the Life Insurance Act, prudential standards made under the Life Insurance Act or reporting standards made under the *Financial Sector (Collection of Data) Act 2001* (FSCODA); and

(e) 'Appointed Auditor' has the meaning given in *Prudential Standard 3PS 310 Audit and Related Matters*, in relation to a Level 3 Head.

10. In this Prudential Standard, the term 'Prudential Acts' is used to refer to the Banking Act, the Insurance Act and the Life Insurance Act.

11. This Prudential Standard specifies:

(a) the senior management responsibilities for the purposes of the definition of **senior manager** in the Prudential Acts[3];

(b) the fitness and propriety criteria for auditors and **Appointed Actuaries** for the purposes of the Prudential Acts[4];

(c) the fitness and propriety criteria for certain responsible persons for the purposes of the Prudential Acts[5]; and

(d) the fitness and propriety criteria for the purposes of paragraph 21(3)(b) of the Banking Act.

Fit and Proper Policy

12. An APRA-regulated institution must prudently manage the risks that persons acting in **responsible person positions**[6] who are not fit and proper pose to the institution's business and financial standing. To this end, an APRA-regulated institution must maintain a documented policy relating to the fitness and propriety of the institution's responsible persons that meets the requirements of this Prudential Standard (Fit and Proper Policy).

13. The Fit and Proper Policy must be approved by the **Board**.[7]

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[3] Refer to subsection 5(1) of the Banking Act in relation to ADIs and authorised banking NOHCs, subsection 3(1) of the Insurance Act in relation to general insurers and authorised insurance NOHCs, and section 8 of the Life Insurance Act in relation to life companies and registered life NOHCs.

[4] Refer to paragraph 17(2)(b) of the Banking Act in relation to ADIs and authorised banking NOHCs, paragraphs 39(3)(a) and 43(2)(c), and subparagraph 44(1)(a)(iii), of the Insurance Act in relation to general insurers and authorised insurance NOHCs, and section 84 and subsection 93(3) of the Life Insurance Act in relation to life companies and registered life NOHCs.

[5] Refer to paragraph 23(2)(b) of the Banking Act in relation to ADIs and authorised banking NOHCs, paragraphs 25A(3)(b), 27(2)(b), 43(2)(b), 44(3)(b) and 49R(3)(b), and subparagraph 44(1)(a)(ii), of the Insurance Act in relation to general insurers and authorised insurance NOHCs, and section 245A(3)(b) of the Life Insurance Act in relation to life companies and registered life NOHCs.

[6] Refer to paragraph 24 for the definition of responsible person position.

[7] A reference to the Board in the case of a foreign ADI is a reference to the **senior officer outside Australia**.

14. An APRA-regulated institution must take all reasonable steps to ensure that each responsible person is aware of, and understands, the provisions of its Fit and Proper Policy.

15. The Fit and Proper Policy must form part of an institution's **risk management framework**.[8]

16. Nothing in this Prudential Standard prevents an APRA-regulated institution from adopting and applying a group Fit and Proper Policy used by a **related body corporate**[9], provided that the policy has been approved by the Board in accordance with paragraph 13 and meets the requirements of this Prudential Standard.

Additional requirements of the Head of a group

17. The Head of a group must maintain a group Fit and Proper Policy (refer to paragraphs 12 to 16).

18. Where an entity within the group that is not an APRA-regulated institution engages in business activities that may materially affect, either directly or indirectly, the whole, or a substantial part, of the group, the Head of the group must ensure that the responsible persons for those business activities are assessed for fitness and propriety in a way that complies with the group Fit and Proper Policy.[10]

19. The Head of a group must notify APRA in accordance with paragraphs 57 to 62 in respect of each responsible person across the group, except where an APRA-regulated institution within the group has otherwise notified APRA of that information.

Responsible persons

20. A 'responsible person' is:

    (a) for an ADI (other than a foreign ADI) or an authorised banking NOHC, a person defined in Attachment A;

    (b) for a foreign ADI, a person defined in Attachment B;

    (c) for a general insurer (other than a Category C insurer) or an authorised insurance NOHC, a person defined in Attachment C;

    (d) for a Category C insurer, a person defined in Attachment D;

    (e) for a life company (other than an EFLIC) or a registered life NOHC, a person defined in Attachment E;

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8 Refer to *Prudential Standard CPS 220 Risk Management*.

9 Related body corporate has the meaning given in section 50 of the *Corporations Act 2001* (Corporations Act).

10 This paragraph does not override any requirements in SPS 520 applying to an RSE licensee.

(f) for an EFLIC, a person defined in Attachment F; and

(g) for the purposes of a group, a person whose activities may materially affect, either directly or indirectly, the whole, or a substantial part, of the business or financial status of the group.

21. A person need not be an employee of an APRA-regulated institution to be a responsible person. In some circumstances a consultant, contractor or employee of another entity may be a responsible person.

22. In addition to persons who meet the definition of a responsible person, APRA may determine that a person is a responsible person if APRA is satisfied that the person plays a significant role in the management or control of the APRA-regulated institution or group, or that the person's activities may materially impact on **prudential matters**.

23. APRA may determine that a person is not a responsible person in relation to a particular position, responsibility or activity if APRA is satisfied that the person does not play a significant role in the management or control of the APRA-regulated institution or group or that the person's activities may not materially impact on prudential matters.

24. 'Responsible person position' means the responsibilities or activities of a responsible person that would lead to the person being a responsible person under the definition in paragraph 20.

Senior managers

25. 'Senior manager' means a person (other than a **director**) who:

(a) makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the institution;

(b) has the capacity to affect significantly the institution's financial standing[11];

(c) may materially affect the whole, or a substantial part, of the business of the institution or its financial standing through their responsibility for:

(i) enforcing policies and implementing strategies approved by the Board of the APRA-regulated institution;

(ii) the development and implementation of systems used to identify, assess, manage or monitor risks in relation to the business of the institution; or

(iii) monitoring the appropriateness, adequacy and effectiveness of risk management systems; or

(d) for a foreign ADI or Category C insurer, is nominated as the senior officer

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11 Paragraphs 25(a) and (b) are intended to be interpreted consistently with the definition of 'senior manager' (in relation to a corporation) in section 9 of the Corporations Act.

outside Australia to the extent that the person meets the definition in subparagraphs (a), (b) or (c).

26. For the purposes of the definition of senior manager in the Prudential Acts[12], the responsibilities set out in paragraph 25, when exercised for an APRA-regulated institution, are senior management responsibilities (except where carried out by a director).

27. 'Senior manager', in relation to a **corporate agent** of a Category C insurer, means a person (other than a director of the corporate agent) who, when acting for the corporate agent:

    (a) makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the Category C insurer represented by the corporate agent;

    (b) has the capacity to affect significantly the Category C insurer's financial standing;[13] or

    (c) may materially affect the whole, or a substantial part, of the business of the Category C insurer or its financial standing through:

        (i) enforcing policies and implementing strategies approved by the Board of the Category C insurer;

        (ii) the development and implementation of systems that identify, assess, manage or monitor risks in relation to the business of the Category C insurer; or

        (iii) monitoring the appropriateness, adequacy and effectiveness of risk management systems.

28. For the purposes of the definition of senior manager in subsection 3(1) of the Insurance Act, the responsibilities set out in paragraph 27, when exercised for a corporate agent in respect of an APRA-regulated institution, are senior management responsibilities (except when carried out by a director of the corporate agent).

Criteria to determine if a responsible person is fit and proper

29. An APRA-regulated institution must clearly define and document the competencies required for each responsible person position.

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12 Refer to subsection 5(1) of the Banking Act, subsection 3(1) of the Insurance Act and section 8 of the Life Insurance Act.

13 Paragraphs 27(a) and (b) are intended to be interpreted consistently with the definition of 'senior manager' (in relation to a corporation) in section 9 of the Corporations Act.

30. For the purposes of the Prudential Acts and for the purposes of determining whether a person is fit and proper to hold a responsible person position, the criteria are whether: [14]

    (a) it would be prudent for an APRA-regulated institution to conclude that the person possesses the competence, character, diligence, honesty, integrity and judgement to perform properly the duties of the responsible person position;

    (b) the person is not disqualified under an applicable Prudential Act from holding the position;

    (c) the person either:

        (i) has no conflict of interest in performing the duties of the responsible person position; or

        (ii) if the person has a conflict of interest, it would be prudent for an APRA-regulated institution to conclude that the conflict will not create a material risk that the person will fail to perform properly the duties of the position; and

    (d) for a senior manager of a corporate agent of a general insurer, the person is ordinarily resident in Australia.

Additional criteria applying to auditors[15]

31. The criteria for fitness and propriety of an auditor for the purposes of the Prudential Acts are those contained in paragraphs 30 and 32.[16]

32. The additional criteria which must be met for an auditor to be fit and proper are that the person:

    (a) is a registered company auditor under the Corporations Act;

    (b) has a minimum of five years' relevant experience in the audit of APRA-regulated institutions in the industry within which they are working;

    (c) is neither the Chief Executive Officer (CEO) nor a director of the APRA-regulated institution nor of a related body corporate;

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14 Refer to paragraphs 21(3)(b) and 23(2)(b) of the Banking Act, paragraphs 25A(3)(b), 27(2)(b), 43(2)(b) and 44(3)(b) and subparagraph 44(1)(a)(ii) of the Insurance Act and paragraph 245A(3)(b) of the Life Insurance Act. Paragraphs 32 and 35 to 38 provide additional criteria for fitness and propriety of an auditor, Appointed Actuary or a Reviewing Actuary of a general insurer (as applicable) and the eligibility criteria that must be met before an auditor or Appointed Actuary may be appointed (other than a criterion that APRA has determined under paragraphs 33 or 39 does not apply in relation to a particular case).

15 Refer to *Prudential Standard CPS 510 Governance* (CPS 510) for the requirement for auditors to be independent.

16 Refer to paragraphs 17(2)(b) and 21(3)(b) of the Banking Act; paragraphs 39(3)(a), 43(2)(b) and 44(3)(b), and subparagraph 44(1)(a)(ii) of the Insurance Act and paragraph 245A(3)(b) of the Life Insurance Act.

(d) has experience relating to ADIs, general insurers or life companies (as applicable) that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the audit of that type of APRA-regulated institution;

(e) for an Appointed Auditor of a general insurer[17] or responsible auditor of an authorised insurance NOHC, is not:

(i) for the Appointed Auditor of a general insurer, the **Appointed Actuary** of the general insurer or, for the responsible auditor of an authorised insurance NOHC, the Appointed Actuary of a general insurer that is a **subsidiary** of the authorised insurance NOHC;

(ii) an employee or director of a body corporate, statutory body, partnership, trust, or commercial or professional enterprise of any kind of which that Appointed Actuary is an employee or director[18]; or

(iii) a partner of that Appointed Actuary;

(f) for an Auditor of a life company or responsible auditor of a registered life NOHC, is not:

(i) the **Appointed Actuary** of the life company or of a life company that is a subsidiary of the registered life NOHC;

(ii) an employee or director of a body corporate, statutory body, partnership, trust, or commercial or professional enterprise of any kind of which that Appointed Actuary is an employee or director; or

(iii) a partner of that Appointed Actuary;

(g) is a member of a recognised professional body; and

(h) is ordinarily resident in Australia.

33. The criteria in paragraph 32 do not apply if the following conditions are met:

(a) the APRA-regulated institution reasonably considers that there are exceptional circumstances;

(b) the APRA-regulated institution has promptly notified APRA of the eligibility criteria that are not satisfied and of the exceptional circumstances as to why they do not apply; and

(c) APRA has notified the APRA-regulated institution that APRA has no objections to the person holding the position in question.

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17 For paragraphs 32 to 39 refer also to *Prudential Standard GPS 310 Audit and Related Matters* and *Prudential Standard GPS 320 Actuarial and Related Matters*.

18 Refer to CPS 510 for a similar restriction on the Appointed Auditor and Appointed Actuary of a general insurer being from the same entity.

Additional criteria applying to Appointed Actuaries[19] and Reviewing Actuaries

34. The criteria for fitness and propriety of an Appointed Actuary of a general insurer or life company, or of a **Reviewing Actuary** of a general insurer, for the purposes of the Prudential Acts are those contained in paragraphs 30 and 35 to 39.[20]

35. The additional criteria that must be met for a person to be fit and proper to act as an Appointed Actuary of a general insurer or life company, or as a Reviewing Actuary of a general insurer, are that the person:

(a) has appropriate formal qualifications;

(b) is not the CEO or a director of the general insurer or life company, as applicable, or of a related body corporate (except when that related body corporate is a subsidiary of the general insurer or life company, as applicable);

(c) is not:

(i) the Appointed Auditor or Auditor, as applicable;

(ii) for an Appointed Actuary, an employee or director of an entity of which the Appointed Auditor or Auditor is an employee or director; or

(iii) for an Appointed Actuary, a partner of the Appointed Auditor or Auditor, as applicable;

(d) has a minimum of five years' relevant experience in the provision of actuarial services to entities carrying on **insurance business (**for a general insurer) or **life business** (for a life company) and has experience relating to general insurers or life companies, as applicable, that is sufficiently relevant and recent to provide reasonable assurance that the person is familiar with current issues in the provision of actuarial services to such institutions;

(e) is a Fellow or Accredited Member[21] of the Institute of Actuaries of Australia; and

(f) is ordinarily resident in Australia.

36. In addition to the criteria specified in paragraph 35, a Reviewing Actuary of a general insurer must not be an employee of the insurer.

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19 Refer to *Prudential Standard LPS 320 Actuarial and Related Matters* for eligibility criteria for appointed actuaries as required by section 93 of the Life Insurance Act.

20 Refer to paragraphs 39(3)(a), 43(2)(b) and 44(3)(b), and subparagraph 44(1)(a)(ii) of the Insurance Act.

21 'Fellow' and 'Accredited Member' as defined by the Institute of Actuaries of Australia.

37. In addition to the criteria specified in paragraph 34, where a general insurer's Appointed Actuary is not an employee of the insurer, the Reviewing Actuary must not be:

    (a) an employee or director of the same firm or company as the Appointed Actuary, or from a related firm or related company; or

    (b) a partner of the same firm or related firm as the Appointed Actuary.

    A Reviewing Actuary may, however, be from the same firm or company as the general insurer's Appointed Auditor or from a related firm or related company.

38. The criterion in paragraph 35(f) does not apply to the Appointed Actuary of a **Category B insurer** and a Category C insurer if:

    (a) the Appointed Actuary is responsible for providing actuarial services to the corporate group, as a whole, to which the insurer belongs; and

    (b) the Appointed Actuary meets the criteria in paragraphs 35(a) to (e).[22]

39. The criteria in paragraphs 34 to 38 do not apply while:

    (a) the APRA-regulated institution reasonably considers that there are exceptional circumstances;

    (b) the APRA-regulated institution has promptly notified APRA of the eligibility criteria that are not satisfied and of the exceptional circumstances as to why they do not apply; and

    (c) APRA has notified the APRA-regulated institution in writing that APRA has no objections to the person holding the position.

Process for assessment of fitness and propriety

40. The Fit and Proper Policy must include the processes to be undertaken in assessing whether a person is fit and proper for a responsible person position (fit and proper assessment). The processes must include details of:

    (a) a statement of who will conduct fit and proper assessments on behalf of the APRA-regulated institution;

    (b) the information to be obtained and how it will be obtained;

    (c) the matters that will be considered before determining if a person is fit and proper for a responsible person position; and

    (d) the decision-making processes that will be followed.

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22 Note that, by application of paragraphs 35 to 37, the Reviewing Actuary of the general insurer must meet the criteria specified in those paragraphs, including that the Reviewing Actuary is a Fellow or Accredited Member of the Institute of Actuaries of Australia and ordinarily resident in Australia.

41. The Fit and Proper Policy must specify the actions to be taken where a person is assessed as being not fit and proper.

42. The Fit and Proper Policy must provide that a copy of the Policy is to be given to:

    (a) any candidate for election as a director as soon as possible after the candidate is nominated; and

    (b) any other person before an assessment of their fitness and propriety is conducted.

43. The Fit and Proper Policy must require a fit and proper assessment to be completed before a person becomes the holder of a responsible person position unless they hold the position:

    (a) because of a resolution of members of the APRA-regulated institution; or

    (b) because APRA has determined that the person is a responsible person under paragraph 22.

    In such cases, the Fit and Proper Policy must require an assessment to be completed within 28 days of the person becoming the holder of the responsible person position or 28 days after APRA makes the determination under paragraph 22.

44. Interim appointment to a responsible person position may be made without a full fit and proper assessment for a period of up to 90 days (or longer with APRA's written agreement) including any prior period of interim appointment. Prior to making such an appointment, reasonable steps must be taken, as specified in the Fit and Proper Policy, to assess the fitness and propriety of the person. The APRA-regulated institution must complete a full fit and proper assessment prior to appointing the person to the responsible person position on a permanent basis.

45. The Fit and Proper Policy must require annual fit and proper assessments (or as close to annual as is practicable) for each responsible person position.

46. When a fit and proper assessment is conducted, an APRA-regulated institution must make all reasonable enquiries[23] to obtain information, including collecting sensitive information as defined in the *Privacy Act 1988* (Privacy Act), that it believes may be relevant to an assessment of whether the person is fit and proper to hold a responsible person position.

47. Where a responsible person has been assessed as fit and proper, but the APRA-regulated institution subsequently becomes aware of information that may result in the person being assessed as not fit and proper, the APRA-regulated institution must take all reasonable steps, including collecting sensitive information as defined in the Privacy Act if relevant, to ensure that it can prudently conclude that

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23 Including following the processes described in the Fit and Proper Policy under subparagraph 40(b).

no material fitness and propriety concern exists. Where a concern exists, a full fit and proper assessment must be conducted.

48. The Fit and Proper Policy must contain adequate provisions:

(a) to encourage any person to disclose information that may be relevant to a fit and proper assessment to the APRA-regulated institution or to APRA;

(b) to enable the disclosure to APRA of any information the APRA-regulated institution is required to provide under this Prudential Standard; and

(c) for giving or obtaining any consents required for the collection and use of any information:

(i) by the APRA-regulated institution to comply with the Fit and Proper Policy or this Prudential Standard; and

(ii) by APRA for its powers and functions under the Prudential Acts.

49. The Fit and Proper Policy must require that sufficient documentation for each fit and proper assessment is retained to demonstrate the fitness and propriety of the institution's current, and recently past, responsible persons.

Whistleblowing[24]

50. The Fit and Proper Policy must include adequate provisions to allow whistleblowing if a person has information that a responsible person does not meet the APRA-regulated institution's fit and proper criteria. The Fit and Proper Policy must ensure that the APRA-regulated institution and its subsidiaries consent to the person providing that information to either the person responsible for conducting fit and proper assessments or APRA.

51. The Fit and Proper Policy must include adequate provisions to allow persons who have information that the APRA-regulated institution has not complied with this Prudential Standard to provide that information to APRA.

52. The Fit and Proper Policy must provide that the APRA-regulated institution and its subsidiaries consent to any person who held a responsible person position disclosing information or providing documents to APRA relating to their reasons for resignation, retirement or removal.

53. An APRA-regulated institution must not, and must ensure that its subsidiaries do not, constrain, impede, restrict or discourage, whether by confidentiality clauses, policies or other means, any person from disclosing information or providing documents to APRA about matters referred to in paragraphs 50 to 52.[25]

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[24] Also refer to the provisions for the protection of whistleblowers in Part VIA, Division 1 of the Banking Act, Part IIIA, Division 4 of the Insurance Act, and Part 7, Division 5 of the Life Insurance Act, and the provisions in CPS 510 for not constraining persons from providing information.

[25] Refer also to section 52C of the Banking Act, section 38C of the Insurance Act and section 156C of the Life Insurance Act.

54. The Fit and Proper Policy must require that all provisions of the Policy encouraging whistleblowing, and the procedures related to whistleblowing, are adequately explained to directors and employees of the APRA-regulated institution and its subsidiaries who are likely to have information relevant to fit and proper assessments.

55. APRA does not require that an APRA-regulated institution impose an obligation on any person to make the disclosures under paragraphs 50 to 52. However, the Fit and Proper Policy must require that all reasonable steps be taken to ensure that no person making such disclosures in good faith is subject to, or threatened with, a detriment because of any notification in purported compliance with the requirements of the Fit and Proper Policy.

When a responsible person is not fit and proper

56. Where an APRA-regulated institution has assessed that a person is not fit and proper, or a reasonable person in the APRA-regulated institution's position would make that assessment, the APRA-regulated institution must take all steps it reasonably can to ensure that the person:[26]

    (a) is not appointed to; or

    (b) for an existing responsible person, does not continue to hold,

    the responsible person position.

Informing APRA

57. An APRA-regulated institution must notify APRA of the following information for each responsible person:

    (a) the title of the responsible person's position;

    (b) the person's full name;

    (c) the person's date of birth (for identification purposes only);

    (d) the person's position and main responsibilities; and

    (e) a statement of whether the person has been assessed under the Fit and Proper Policy.

58. An APRA-regulated institution must ensure that the information provided under paragraph 57 remains correct for all of its responsible persons. Subject to the Prudential Acts, it must provide revised information to APRA within 28 days of any change or new appointment.

59. An APRA-regulated institution must notify APRA within 10 **business days** if it assesses that a responsible person is not fit and proper. If the person remains in

[26] Including the actions outlined in the Fit and Proper Policy in accordance with paragraph 41.

the responsible person position, the notification must state the reason for this and the action that is being taken.

60. The information or notifications required by this Prudential Standard must be given in such form, if any, and by such procedures, if any, as APRA publishes on its website from time to time.

61. An APRA-regulated institution must take reasonable steps to:

(a) obtain any information and documentation that APRA asks of it; and

(b) provide that information to APRA,

to assist APRA in assessing the fitness and propriety of a person. This could include providing the Fit and Proper Policy to APRA on request.

62. APRA does not and will not require disclosure of spent convictions where precluded under Part VIIC of the *Crimes Act 1914*.

Adjustments and exclusions

63. APRA may adjust or exclude a specific prudential requirement in this Prudential Standard in relation to an APRA-regulated institution.[27]

Determinations made under previous prudential standards

64. An exercise of APRA's discretion (such as an approval, waiver or direction) under a previous version of this Prudential Standard continues to have effect as though exercised pursuant to a corresponding power (if any) exercisable by APRA under this Prudential Standard. For the purposes of this paragraph, 'a previous version of this Prudential Standard' includes any versions of:

(a) *Prudential Standard APS 520 Fit and Proper;*

(b) *Prudential Standard GPS 520 Fit and Proper*; and

(c) *Prudential Standard LPS 520 Fit and Proper.*

[27] Refer to subsection 11AF(2) of the Banking Act, subsection 32(3D) of the Insurance Act and subsection 230A(4) of the Life Insurance Act.

Attachment A - Responsible persons of authorised deposit-taking institutions and authorised banking NOHCs

1. A responsible person of an ADI (other than a foreign ADI) or authorised banking NOHC is any person who is:

   (a) a director of the APRA-regulated institution;

   (b) a senior manager of the institution;

   (c) an appointed auditor who provides any report in relation to the ADI that is required to be prepared by an auditor under the Banking Act, prudential standards made under the Banking Act or reporting standards under FSCODA;

   (d) an appointed auditor who provides any report in relation to the authorised banking NOHC that is required to be prepared by an auditor under the Banking Act, prudential standards made under the Banking Act or reporting standards; or

   (e) a person who performs activities for a subsidiary of the APRA-regulated institution where those activities could materially affect the whole, or a substantial part, of the business of the APRA-regulated institution or its financial standing, either directly or indirectly.

2. References to a subsidiary in subparagraph 1(e) of this Attachment do not apply to a subsidiary that is an RSE licensee.

Attachment B - Responsible persons of foreign authorised deposit-taking institutions

1. A responsible person of a foreign ADI is any person who is:

   (a) a senior manager of the Australian operations of the foreign ADI who is, except in the case of the senior officer outside Australia referred to in paragraph 25(d) of this Prudential Standard, ordinarily resident in Australia;

   (b) an appointed auditor of the foreign ADI; or

   (c) a person who performs activities for a subsidiary of the foreign ADI that the foreign ADI controls as part of its Australian operations, where:

      (i) those activities could materially affect the whole, or a substantial part, of the business of the Australian operations of the foreign ADI or its financial standing, either directly or indirectly; and

      (ii) the person is ordinarily resident in Australia.

2. References to a subsidiary in subparagraph 1(c) of this Attachment do not apply to a subsidiary that is an RSE licensee.

Attachment C - Responsible persons of general insurers and authorised insurance NOHCs

1. A responsible person of a general insurer (other than a Category C insurer) or authorised insurance NOHC is any person who is:

    (a) a director of the APRA-regulated institution;

    (b) a senior manager of the institution;

    (c) for a general insurer, the Appointed Auditor;

    (d) for a general insurer, the Appointed Actuary and the Reviewing Actuary;

    (e) a responsible auditor who provides any report in relation to the authorised insurance NOHC that is required to be prepared by an auditor under the Insurance Act, prudential standards made under the Insurance Act or reporting standards under FSCODA; or

    (f) a person who performs activities for a subsidiary of the APRA-regulated institution where those activities may materially affect the whole, or a substantial part, of the business of the APRA-regulated institution or its financial standing, either directly or indirectly.

2. References to a subsidiary in subparagraph 1(f) of this Attachment do not apply to a subsidiary that is an RSE licensee.

Attachment D - Responsible persons of Category C insurers

1. A responsible person of a Category C insurer is any person who is:

   (a) a senior manager of the Category C insurer who is, except in the case of the senior officer outside Australia referred to in paragraph 25(d) of this Prudential Standard, ordinarily resident in Australia;

   (b) the Category C insurer's **agent in Australia** where the agent in Australia is an individual[28];

   (c) a director of the Category C insurer's agent in Australia where the agent in Australia is a corporate agent;

   (d) a senior manager of the Category C insurer's agent in Australia where the agent in Australia is a corporate agent;

   (e) the Appointed Auditor of the Category C insurer;

   (f) the Appointed Actuary and the Reviewing Actuary of the Category C insurer; or

   (g) a person who performs activities for a subsidiary of the Category C insurer that the Category C insurer controls as part of its Australian operations, where:

      (i) those activities may materially affect the whole, or a substantial part, of the business of the Category C insurer or its financial standing, either directly or indirectly; and

      (ii) the person is ordinarily resident in Australia.

2. References to a subsidiary in subparagraph 1(g) of this Attachment do not apply to a subsidiary that is an RSE licensee.

[28] Note that 'agent in Australia' in this Prudential Standard includes a person appointed under subsection 118(2), (3) or (3A) of the Insurance Act to act as agent on a temporary basis.

Attachment E - Responsible persons of life companies and registered life NOHCs

1. A responsible person of a life company (other than an EFLIC) or registered life NOHC is any person who is:

   (a) a director of the APRA-regulated institution;

   (b) a senior manager of the institution;

   (c) for a life company, the Auditor;

   (d) for a life company, the Appointed Actuary;

   (e) a responsible auditor who is required, in relation to a registered life NOHC, to prepare a report under the Life Insurance Act, prudential standards made under the Life Insurance Act or reporting standards under FSCODA; or

   (f) a person who performs activities for a subsidiary of the life company or registered life NOHC where those activities may materially affect the whole, or a substantial part, of the business of the life company or registered life NOHC or its financial standing, either directly or indirectly.

2. References to a subsidiary in subparagraph 1(f) of this Attachment do not apply to a subsidiary that is an RSE licensee.

Attachment F - Responsible persons of eligible foreign life insurance companies

1. A responsible person of an EFLIC is any person who is:

   (a) a member of the Compliance Committee of the EFLIC;

   (b) a senior manager of the Australian operations of the EFLIC who is ordinarily resident in Australia;

   (c) the Auditor of the EFLIC;

   (d) the Appointed Actuary of the EFLIC; or

   (e) a person who performs activities for a subsidiary of the EFLIC that the EFLIC controls as part of its Australian operations, where:

      (i) those activities may materially affect the whole, or a substantial part, of the business of the Australian operations of the EFLIC or its financial standing, either directly or indirectly; and

      (ii) where the person is ordinarily resident in Australia.

2. References to a subsidiary in subparagraph 1(e) of this Attachment do not apply to a subsidiary that is an RSE licensee.

SERVICE AGREEMENT

THIS AGREEMENT IS DATED: ________

BETWEEN THE SYNOD OF THE DIOCESE OF ADELAIDE OF THE ANGLICAN CHURCH OF AUSTRALIA INC trading as Anglican Funds South Australia ABN 63 198 215 958 of 18 King William Road, North Adelaide, South Australia 5006 (**AFSA**).

AND

THE CORPORATE TRUSTEES OF THE DIOCESE OF GRAFTON INVESTMENT FUND trading as Anglican Funds Grafton Diocese ABN 42 489 753 905 of Level 1, 50 Victoria Street, Grafton, New South Wales 2460 (**AFGD**).

BACKGROUND

A. AFSA provides various services to AFGD pursuant to an existing Service Agreement dated 1 February 2012 ("the 2012 Agreement").

B. AFGD has requested AFSA to provide additional services, as described in this Agreement ("the Services"). For the avoidance of doubt, AFSA will continue to supply services in accordance with the 2012 Agreement.

C. AFSA has the necessary skills, qualifications, experience, capacity and resources to provide the Services to AFGD.

D. AFSA agrees to provide the Services to AFGD on the terms and conditions set out in this Agreement.

OPERATIVE PROVISIONS

In consideration of the matters described above, and of the mutual benefits and obligations described in this Agreement, the receipt of which and the sufficiency of which are hereby acknowledged, AFSA and AFGD hereby agree as follows:

1. DEFINITIONS

"Agreement" means this Service Agreement

"Agreement Date" means ________

"Claims" means any claims, losses, proceedings, damages, punitive damages, penalties, demands, fines and liabilities whether criminal, civil, in tort, in contract or otherwise

"Client" means The Corporate Trustees of the Diocese of Grafton Investment Fund trading as Anglican Funds Grafton Diocese ABN 42 489 753 905 of Level 1, 50 Victoria Street, Grafton, New South Wales 2460 (**AFGD**)

"Commencement Date" means 1st July 2019

"Confidential Information" has the meaning described in the "Confidential Information" clause of this Agreement

"Eligible AFGD Customers" means eligible customers that meet the requirements specified in the Identification Statement lodged by AFGD and accepted by ASIC in accordance with the *ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813*. As at the Commencement Date, *Eligible AFGD Customers* comprise the entities listed in Addendum A to this Agreement.

"End Date" means 30^{th} June 2022.

"Fees" means fees payable by the Client to the Service Provider in accordance with this Agreement

"GST" means Goods and Services Tax imposed on a supply of goods or services in Australia, pursuant to the GST Law

"GST Law" means the same as in the *A New Tax System (Goods and Services Tax) Act 1999 (Commonwealth)*

"Intellectual Property" includes but is not limited to processes, business systems, business know-how, trade secrets, moral rights, goodwill, registered designs, copyrights, patents, trademarks, trade dress, industrial design, trade names or other similar rights, or rights to apply for any of these rights

"Losses" means any losses including but not limited to financial losses, expenses, damages, costs including legal fees, legal costs and other expenses of any nature whatsoever

"Party" means either the Client or the Service Provider

"Parties" means the Client and the Service Provider collectively

"Receiving Party" in relation to a piece of Confidential Information means the Party which receives the Confidential Information from the other Party (whether directly or indirectly)

"Services" means the portfolio management services to be provided by the Service Provider to the Client, as described in clause 3 of this Agreement

"Service Provider" means the Synod of the Diocese of Adelaide of the Anglican Church of Australia Limited trading as Anglican Funds South Australia ABN 63 198 215 958

"Supplying Party" in relation to a piece of Confidential Information means the Party which supplies the Confidential Information to the other Party (whether directly or indirectly)

"Termination Date" means the earlier of the date that this Agreement is terminated by the Client or the Service Provider, or the date of expiry of this Agreement

2. INTERPRETATION

In this Agreement, unless the context otherwise requires, the following rules of interpretation shall apply:

a. Words referring to one gender include every other gender.
b. Words referring to a singular number include the plural, and words referring to a plural include the singular.
c. Words referring to a person or persons include firms, corporations, associations, partnerships, joint ventures, authorities, government bodies, organisations and other legal entities, and vice versa.
d. Headings and titles are included in this Agreement for convenience only and shall not affect the interpretation of this Agreement.
e. Each Party must, at its own expense, take all reasonable steps and do all that is reasonably necessary to give full effect to this Agreement and the events contemplated by it.
f. Any obligation on a Party not to do something includes an obligation not to allow that thing to be done.

3. SERVICES

In consideration for AFGD paying the Fees, and subject to the provisions of this Agreement, AFSA herby agrees to provide AFGD with the following Services:

a. Additional services:

	Task/Function to be performed	Frequency
1	Handling of enquiries from Eligible AFGD Customers referred by the AFGD Client Services Officer that requires specific advice.	On demand as required advice will be provided within an agreed timeframe depending on the complexity of the request.
2	Periodic reviews in accordance with loan covenants of each Eligible AFGD Customer's performance and ability to service debt including but not limited to; • Financial data extraction & analysis • Key ratio analysis • Adherence to credit policy • Credit report with any issues or recommendation to the AFGD Board for their approval.	School portfolio 2 per year per entity Other bodies corporate 1 per year per entity Parishes In the event of a review trigger (such as a request to vary or amend existing payment or a request for an increase in funding) or as otherwise required
3	Liaison with other lender(s) in the case of Eligible AFGD Customers having loan commitments to parties other than the Client.	On demand as required advice will be provided within an agreed timeframe depending on the complexity of the request.
4	Evaluation of requests for new or increased borrowing or the amendment of terms by Eligible AFGD Customers; • Providing an analysis with recommendations to the Client following each formalised request for new or increased borrowing or amended of terms; and • Assist the Client with the review of any draft contractual terms relating to facilities provided to Eligible AFGD Customers	School portfolio As required based on demand. (assumption is most requests will be discovered and included during half yearly review process) Other bodies corporate As required based on demand. Parishes As required based on demand.

5	Active customer contact.	School portfolio Every 3 months, comprising 2 face to face meetings per year 2 contacts per year via other method Other bodies corporate Every 6 months, comprising 1 face to face meeting per year 1 contact per year via other method Parishes As required when opportunity arises.

b. Other Services

	Task/Function to be performed	Frequency
1	**AFGD Board Reporting Requirements** Provision of a written structured Board report summarising • Key customer activities • Adherence to Risk Management Framework ➢ Interest Rate risk ➢ Liquidity Risk ➢ Credit Risk ➢ Capital Adequacy and DFATF prudential benchmarks • Financial Performance analysis against agreed benchmarks	Every 3 months, comprising 2 meetings per year face to face 2 reports per year via other method
2	**Interest Rate Risk Management** • Investor Interest Rates ➢ Provision of investor interest rate data and recommendation • Lending/borrowing Interest Rates ➢ Provision of lending interest rate reference data and recommendation	Weekly Monthly
3	**Policy Development Assistance and Review** Provide assistance to the Client on policy review process ➢ Risk Management Policy ➢ Interest Rate Risk ➢ Liquidity Risk ➢ Credit Risk ➢ Capital Adequacy and DFATF prudential benchmarks	As required on a rolling basis based on review date applicable to each policy.
4	**Annual Audit Assistance -** AFGD's Financial year ends 31/12 Provide assistance to collate existing Data Action reports for the Client to satisfy annual audit requirements including but not limited to: Investor Book information ➢ maturity forecast information ➢ interest rate information ➢ open closed accounts reports ➢ sample data as requested. Loan book information ➢ maturity forecast information ➢ interest rate information ➢ open closed loans reports ➢ credit policy compliance	Once per year aligned with Client's annual audit plan

	➢ sample data as requested Other information as required	 Any customised reporting requirements to be at the Client's own cost.
5	Provide limited Client Services for Eligible AFGD Customers for front office functions currently performed in the Grafton office to cover periods of extended leave including annual leave and other forms of leave. Functions to be agreed between the two parties prior to undertaking the relief.	Four (4) weeks per year as a maximum.

c. The Client may request the Service Provider to perform additional work and the Service Provider agrees that it will provide a quotation for the Fees for the additional work. Upon the Client's written acceptance of the quotation for the additional work, the Service Provider will perform the work.

4. LOCATION OF SERVICES

a. The Services may be performed at AFSA's premises at 18 King William Road, North Adelaide, at AFGD's premises at 50 Victoria Street, Grafton and at other locations as agreed between the Parties.

5. TIMING OF SERVICES

a. The Service Provider will commence providing the Services on the Commencement Date and will continue providing the Services until the End Date.

6. TERM

a. The initial term of this Agreement ("the Term") is three (3) years, with Service Agreement renewal discussions commencing on or around 1st January 2022.

b. The Term may be extended by written agreement of the Parties and the End Date will be varied accordingly.

7. PERFORMANCE OF SERVICES

a. The Services will be performed by employees of the Service Provider (AFSA).

b. The Service Provider may not use any persons to perform the Services except for those persons expressly permitted by clause 7a, together with any other persons expressly permitted in writing by the Client.

7A. JOINT STRATEGIC DEVELOPMENT

a. The Parties commit to the development of a joint development plan with the desired outcome being the combination of AFGD's Fund with AFSA's Community Fund for mutual benefit including, but not limited to, financial outcomes;
b. A consultation and work programme on the strategic plan will be developed by the Parties by 31 December 2019; and
c. The Parties will provide a report on the joint strategic plan to their respective governing bodies by 30 June 2020, or such later date as may be agreed by the Parties.

8. INSURANCE

a. The Service Provider must obtain all relevant insurance policies ("the Insurance Policies"), including but not limited to:

I. professional indemnity insurance cover of $20,000,000 per occurrence;

II. cyber liability insurance cover; and

III. all those insurance policies required by law;

b. Upon the request of the Client, the Service Provider must provide to the Client a copy of the certificate of currency of the Insurance Policies.

9. NATURE OF RELATIONSHIP

a. Nothing in this Agreement constitutes an employment relationship between the Client and the Service Provider or between the Client and the Service Provider's workers (such as the employees, agents or subcontractors of the Service Provider). No relationship of employer and employee is created by this Agreement.

b. Nothing in this Agreement creates a partnership, joint venture, fiduciary relationship, agency or other relationship between the Client and the Service Provider except for the contractual relationship which is provided in this Agreement.

c. The Parties hereby acknowledge and confirm that it is the express intention of all Parties that the Service Provider is acting in relation to the Client as a contractor and not as an employee, partner, joint venture partner, agent or otherwise.

10. CURRENCY

Unless otherwise specifically provided, all monetary amounts contained in this Agreement are in Australian Dollars (AUD).

11. FEES

a. In consideration for the Service Provider providing the Services in accordance with this Agreement, the Client agrees to pay Fees to the Service Provider as follows:

The Fees payable each month have been calculated on a fee for service basis, at a rate of $70,000 per annum ($5,833.33 per month).

b. The Parties acknowledge that the Fees quoted are exclusive of any Good and Services Tax ("GST") and that, where applicable, the Service Provider is entitled to add GST to the Fees.

c. The Parties agree that the Fees will be reviewed on an annual basis and will be increased by a percentage figure equal to the amount (expressed as a percentage) by which the Consumer Price Index (Adelaide – All Groups) ('the CPI') has increased during the one year period immediately preceding the review date. If the CPI ceases to be published or substantially changes during the Term, the Service Provider will select another similar index or indicator of increases in consumer costs in lieu of the CPI.

12. MATERIALS, COSTS AND DISBURSEMENTS

The Service Provider is not entitled to charge, and the Client will not be liable for, any additional costs such as costs for materials or disbursements, on top of the Fees which have been set out in this Agreement, unless agreed prior by both parties.

13. INVOICING

a. The Service Provider will provide a tax invoice to the Client for Fees ("the Invoice") monthly in arrears.

b. The Client must pay each Invoice within fourteen (14) days after the date of that Invoice.

14. CLIENT OBLIGATIONS

The Client:

a. must, at the Client's own cost, take all reasonable steps to cooperate in good faith with the Service Provider during the period while the Service Provider is providing the Services to the Client, including by providing to the Service Provider any information or documentation that the Service Provider reasonably requires in order to provide the Services, and making available to the Service Provider any facilities, resources or personnel that the Service Provider reasonably requires in order to provide the Services.

b. must ensure that the Client's employees, agents and other contractors take all reasonable steps to cooperate in good faith with the Service Provider during the period while the Service Provider is providing the Services to the Client, including by making available any information, documentation, facilities, resources or personnel as reasonably required by the Service Provider, in accordance with this clause.

c. will, in the event that the Client does not provide the information, documentation, facilities, resources or personnel or does not take any other steps to cooperate with the Service Provider as the Service Provider reasonably requires, within the time period that the Service Provider reasonably requires, be liable for any additional costs and expenses which are reasonably incurred by the Service Provider.

15. RETURN OF PROPERTY

a. Upon the termination or expiration of this Agreement, each Party will promptly return to the other Party ("the Second Party") respectively any property, documentation, records or confidential information which is the property of the Second Party.

b. In the event that the Client terminates this Agreement prior to completion of the Services:

I. the Service Provider will be entitled to attend the location or locations where the Services were undertaken strictly in order to recover any materials and/or equipment which are the property of the Service Provider; or

II. if agreed between the Parties, the Client may retain the Service Provider's materials and/or equipment but must compensate the Service Provider for the said materials and/or equipment in an amount as agreed between the Parties.

16. CONFIDENTIAL INFORMATION

a. Each Party ("the Receiving Party") shall keep the confidential information of the other Party ("the Supplying Party") confidential and secret, whether disclosed to or received by the Receiving Party. The Receiving Party shall only use the confidential information of the Supplying Party for the purpose of performing the Receiving Party's obligations under this Agreement. The Receiving Party shall inform its employees, officers, agents or subcontractors of the Receiving Party's obligations under the provisions of this clause, and must ensure that the Receiving Party's officers, employees and agents meet those obligations.

b. For the purpose of this Agreement, "Confidential Information" means all information relating to the Supplying Party which might fairly be considered to be of a confidential nature and includes, but is not limited to:

I. information of whatever nature, without limitation, which is obtained in any form by the Receiving Party from the Supplying Party or its advisers, or by observations during visits, or by demonstrations;

II. information of whatever nature relating to the business activities, practices and finances of the Supplying Party;

III. any evaluation material, design work, technologies, technological ideas or strategies, strategic plans and ideas, innovations, creative plans, concepts and any other plans or ideas developed by the Supplying Party or on its behalf or used by the Supplying Party, whether relating specifically to the Services or otherwise;

IV. any information derived from any other information which falls within this definition of Confidential Information;

V. any copy of any Confidential Information; and

VI. the fact that discussions are taking place between the Parties

but does not include information which:

I. was known or in the possession of the Receiving Party before it was provided to the Receiving Party by the Supplying Party;

II. is, or becomes, publicly available, through no fault of the Receiving Party;

III. is provided to the Receiving Party without restriction or disclosure by a third party, who did not breach any confidentiality obligations by making such a disclosure;

IV. is provided to the Receiving Party by the Supplying Party and is marked "Non Confidential"; or

V. is required by law or regulation to be disclosed, but in the event that this exception applies, it applies only to the absolute minimum necessary and provided that the Supplying Party is first consulted to establish whether and if so how far it is possible to prevent or restrict such enforced disclosure.

c. If there is any doubt as to whether any particular information constitutes Confidential Information, written confirmation is to be obtained from the Supplying Party.

d. This clause will survive termination or expiration of this Agreement.

17. INTELLECTUAL PROPERTY

a. In connection with the provision of the Services, the Service Provider may generate, create, write or produce intellectual property ("Created IP"), including but not limited to plans, reports, drawings, specifications, advice, analyses, designs, methodologies, code, artwork, or any other intellectual property as required in order to provide the Services to the Client.

b. Unless otherwise agreed between the Parties, any intellectual property rights in any Created IP generated by the Service Provider in connection with the provision of the Services to the Client shall belong to the Service Provider.

c. Unless otherwise agreed between the Parties, any intellectual property rights in any intellectual property provided by the Client to the Service Provider in order to assist in the provision of the Services, shall belong to the Client.

d. This clause will survive the termination or expiration of this Agreement.

18. WARRANTIES

a. The Service Provider warrants and represents that any end products or materials given by the Service Provider to the Client under the terms and conditions of this Agreement will not infringe on or violate the intellectual property rights or any other right of any third party.

b. This clause will survive the termination or expiration of this Agreement.

19. LIMITATION OF LIABILITY

a. Except in cases of death or personal injury caused by either party's negligence, either party's liability in contract, tort or otherwise arising through or in connection with this Agreement or through or in connection with the completion of obligations under this Agreement, liability shall be limited to the sum of $1,000,000.

b. To the extent it is lawful, neither Party shall be liable to the other Party in contract, tort, negligence, breach of statutory duty or otherwise for any loss, damage, costs or expenses of any nature whatsoever incurred or suffered by that other Party of an indirect or consequential nature including without limitation any economic loss, data loss, loss of goodwill, or other loss of turnover, profits or business.

c. This clause will survive the termination or expiration of this Agreement.

20. INDEMNITY

a. The Service Provider represents and warrants that it will:

(a) comply with all relevant requirements and legislation in relation to the supply of the Services; and

(b) use all professional care and skill in the discharge of its obligations under this Agreement;

Subject to clause 19, the Service Provider indemnifies the Client against any loss, damage or liability arising from a breach of these warranties, except for where, and to the extent that, a breach of those warranties and representations was contributed by a failure by the Client to meet its material obligations under this Agreement.

The parties agree that a good faith dispute as to fees payable pursuant to this Agreement shall not be considered to be a breach of this section.

b. The Client represents and warrants that it will:

(a) comply with all relevant requirements and legislation in relation to the operation of its business; and

(b) use all professional care and skill in the discharge of its obligations under this Agreement,

Subject to clause 19, the Client indemnifies the Service Provider against any loss, damage or liability arising from a breach of these warranties, except for where, and to the extent that, a breach of those warranties and representations was contributed by a failure by the Service Provider to meet its material obligations under this Agreement.

The parties agree that a good faith dispute as to fees payable pursuant to this Agreement shall not be considered to be a breach of this section.

c. Neither Party shall be liable under an indemnity given under this clause where a court of competent jurisdiction, giving a final judgment, holds that any loss, damage or liability is the result of the negligence, wilful misconduct or bad faith of an Indemnified Party.

d. This clause will survive the termination or expiration of this Agreement.

21. WORKPLACE HEALTH AND SAFETY

a. The Client is committed to providing a workplace to its employees, agents, subcontractors, affiliates or other visitors which is healthy, safe and clean.

b. The Client is committed to creating, motivating and maintaining a positive workplace culture, particularly in relation to workplace health, safety, welfare and wellbeing.

c. The Client's commitment to workplace health and safety may be reflected and implemented through various standards, procedures, guidelines and/or policies ("WHS Policies").

d. The Service Provider must, at the Service Provider's cost, comply with the Client's WHS Policies or any other standards and regulations in relation to workplace health, safety, welfare and wellbeing as required by law.

22. COMPLIANCE WITH LAWS

a. The Service Provider must, at the Service Provider's own cost, comply with all laws which relate to or affect the Services, the Agreement or the Service Provider, including but not limited to regulations, legislation, delegated legislation, ordinances, rules, codes and any other requirements of any Federal, State or Local authorities, bodies or government departments ("the Laws").

b. This clause will survive the termination or expiration of this Agreement.

23. ENTIRE AGREEMENT

a. The Parties confirm that no warranties, representations, conditions or collateral agreements affect this Agreement or the subject matter of this Agreement except as expressly provided in this Agreement.

b. The Parties each respectively agree that in entering into this Agreement, they did not do so in reliance on any representations, warranties or other provisions except for those which are expressly provided in this Agreement.

c. The Parties agree that any warranties, conditions or other terms implied by law are expressly excluded from this Agreement to the maximum extent permitted by law.

d. No amendment to or modification of this Agreement, and no additional obligation or obligations in relation to this Agreement or the subject matter of this Agreement, will bind any Party unless evidenced in writing and signed by both Parties.

24. NOTICES

a. Any notice, demand, request or other correspondence in relation to this Agreement, which is required or permitted to be given in writing will be deemed validly given to the Client if delivered to the following address:

The Registrar/General Manager
The Corporate Trustees of the Diocese of Grafton Investment Fund trading as Anglican Funds Grafton Diocese
Level 1, 50 Victoria Street, Grafton, New South Wales 2460
Email: chris.nelson@graftondiocese.org.au

b. Any notice, demand, request or other correspondence in relation to this Agreement, which is required or permitted to be given in writing will be deemed validly given to the Service Provider if delivered to the following address:

The Registrar and Secretary of Synod
The Synod of the Diocese of Adelaide of the Anglican Church of Australia Limited trading as Anglican Funds South Australia
18 King William Road, North Adelaide, South Australia 5006.
Email: registrar@adelaideanglicans.com

c. Either Party ("the Nominating Party") may nominate another address ("the New Address") by notifying the other Party in writing of the New Address. Any notice demand, request or other correspondence in relation to this Agreement, which is required or permitted to be given in writing will, after nomination of the New Address, be deemed validly given if delivered to the Nominating Party at the New Address.

25. WRITTEN COMMUNICATION

a. In relation to any correspondence or notification which is required under this Agreement to be provided in writing from one Party to the other Party:

I. such notice is properly given if given to the other Party:

A. by email to an email address that the other Party has nominated, acknowledged or used in connection with the Services or this Agreement.

B. by facsimile to a facsimile address which the other party has nominated, acknowledged or used in connection with the Services or this Agreement.

C. by post to a postal address the other party has nominated, acknowledged or used in connection with the Services or this Agreement.

II. such notice is taken to be received:

A. if sent by email, when the email becomes capable of being retrieved by the recipient at the relevant email address.

B. if sent by facsimile, at the time shown of correct and complete transmission to the recipient's facsimile number by the sending machine.

C. if sent by prepaid post within Australia, five (5) days after the date of posting.

D. if sent by prepaid post to or from an address outside Australia, twenty one (21) days after the date of posting.

26. DISPUTE RESOLUTION

a. Dispute Notice

If any dispute arises between the Parties relating to or arising out of the Agreement, including its construction, effect, the rights and obligations of the Parties, the performance, breach, rescission or termination of this Agreement, the entitlement of any Party to damages or compensation (whether for breach of contract, tort or any other cause of action) or the amount of that entitlement (a "Dispute"), the Party claiming that a Dispute has arisen must deliver to the other Party a notice containing particulars of the Dispute (a "Dispute Notice").

b. Parties must negotiate

During the period of 10 business days after delivery of the Dispute Notice, or any longer period agreed in writing by the Parties (the "Initial Period"), each of the Parties must use its reasonable endeavours and act in good faith to resolve the dispute by discussion and negotiation.

c. Resolution by Registrars

If the Parties are unable to resolve the Dispute within the Initial Period, the Dispute must be referred to the Registrars for the time being of the Diocese of Adelaide and the Diocese of Grafton or their equivalents or their nominees ("Registrars"). As at the date of this Agreement, Mrs Amanda Harfield is the Registrar for the Diocese of Adelaide and Mr Chris Nelson is the Registrar for the Diocese of Grafton. The Parties must ensure that their respective Registrars:

(a) Have authority to negotiate and, if appropriate, enter into a binding agreement on behalf of the relevant Party;
(b) Meet promptly (and in any event within 5 business days) after the matter is referred to them; and
(c) Use their reasonable endeavours and act in good faith in an attempt to resolve the matter.

d. Referral to third party

If the Registrars have been unable to resolve the Dispute within 10 business days from referral, or such longer period as the Registrars may agree in writing, then the Parties must submit the Dispute to a mediator for consideration in accordance with the Resolution Institute's then current 'Mediation Rules', which Rules are taken to be incorporated into this Agreement.

e. Other proceedings

A Party may not commence court proceedings in respect of a Dispute unless it has complied with this clause and until the procedures in this clause have been followed in full, except where:

(a) The Party seeks injunctive relief in relation to a Dispute from an appropriate court where failure to obtain such relief would cause irreparable damage to the Party concerned; or

(b) Following those procedures would mean that a limitation period for a cause of action relevant to the issues in dispute would expire.

27. TERMINATION

a. This Agreement may be terminated by either Party, upon notice in writing:

I. if the other Party commits a material breach of any term of this Agreement that is not capable of being remedied within fourteen (14) days or that should have been remedied within fourteen (14) days after a written request and was not;

II. if the other Party becomes unable to perform its duties under this Agreement, including a duty to pay or a duty to perform;

III. if the other Party or its employees or agents engages in any conduct prejudicial to the business of the other, or in the event that either Party considers that a conflict or potential conflict of interest has arisen between the Parties.

b. If the Client defaults in the payment of any money payable under this Agreement for a period of more than 10 Business Days, the Service Provider may do one or both of the following:

1. suspend performance of its obligations under this Agreement, until such time as all payments due by the Client are paid in full; and
2. charge interest on the amount overdue at the 90 days Bank Bill Swap Reference Rate last published in The Australian Financial Review newspaper plus 2% calculated from and including the date on which the payment became due until but excluding the date on which the payment is made, which interest is payable on the Service Provider making written demand.

The exercise by the Service Provider of any of its rights under this clause does not affect:

3. the Client's obligation to pay any money due and payable; or
4. any other rights or remedies the Service Provider may have in relation to any failure by the Client to pay an amount due,

under this Agreement or any other agreement between Service Provider and the Client.

c. If this Agreement is terminated before the expiration of the Term, the Client hereby agrees to pay for all Services rendered up to the Termination Date, and for any and all expenditure due for payment after the date of termination for commitments reasonably made and incurred by the Service Provider related to the rendering of Services prior to the date of termination.

d. Any termination of the Agreement under this clause shall not affect the accrued rights and liabilities of either Party under this Agreement or at law and shall be without prejudice to any rights or remedies that either Party may be entitled to.

e. Any part of this Agreement which is meant to continue after termination or which is meant to come into force at or after termination shall not be affected by this clause.

28. ASSIGNMENT

Neither Party will, whether voluntarily or by operation of law, assign, subcontract, delegate, mortgage, charge or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party.

29. WAIVER

a. The waiver by either Party of any right or remedy in relation to a breach, default, delay or omission by the other Party of any provision or provisions of this Agreement will not be construed as a waiver of any subsequent breach of the same or other provisions of this Agreement.

b. The failure or delay by either Party in exercising any right or remedy under this Agreement will not constitute a waiver of that right or remedy, nor will it prevent or impair that Party from subsequently exercising that right or remedy.

c. Any rights or remedies provided in this Agreement are cumulative and are in addition to any rights or remedies provided by law.

30. FORCE MAJEURE

a. In the event that circumstances arise which:

I. are outside of the reasonable control of a Party; and

II. materially affect that Party's performance of its obligations under this Agreement; and

III. could not have been reasonably foreseen or avoided;

(hereinafter "the Circumstances"), then that Party will not be deemed to be in breach of this Agreement and will not have any liability under this Agreement for any delays or failures in performance of that Party's respective obligations under this Agreement.

b. In the event that such a delay or failure occurs, the Party affected by the Circumstances must immediately notify the other Party in writing of when the Circumstances cause a delay or failure in performance, and when the Circumstances no longer cause a delay or failure in performance.

c. Either Party may terminate this Agreement, if the Circumstances continue for a continuous period of three months or more, by providing written notice to the other Party.

31. APPLICABLE LAW

This Agreement is subject to the laws of South Australia and each Party submits to the jurisdiction of the courts of South Australia.

32. SEVERABILITY

If any clause or sub-clause of this Agreement is held to be invalid or unenforceable, it is to be read down or severed such that the remaining clauses and sub-clauses will be enforced to the maximum extent possible. In such circumstances the remaining provisions of this Agreement shall continue in full force and effect.

33. SURVIVAL OF OBLIGATIONS

At the termination or expiration of this Agreement, any provisions of this Agreement which would by their nature be expected to survive termination or expiration shall remain in full force and effect, including but not limited to any provisions which explicitly state that they will survive termination or expiration.

EXECUTED AS AN AGREEMENT THIS ________

Sealed with the Common Seal of **The Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc** (ABN 63 198 215 958) by us the undersigned being duly authorised to use the said seal.

______________________ Secretary of Synod

______________________ Seal Holder

______________________ Seal Holder

The seal of **THE CORPORATE TRUSTEES OF THE DIOCESE OF GRAFTON ABN 42 489 753 905** *was hereunto affixed in the presence of Corporate Trustees of the Diocese and pursuant to Section 8 of the Anglican Church of Australia Trust Property Act 1917:*

....

Signature of Corporate Trustee

Lindsay Walker

Name of Corporate Trustee

+Murray Grafton.

Signature of Corporate Trustee

MURRAY A HARVEY

Name of Corporate Trustee

....

Signature of Secretary

CHRISTOPHER NELSON

Name of Secretary

191108 Amended Final

CONFIDENTIAL

AFGD Strategic Options

Introduction

There have been a number of recent events that have prompted a reconsideration of AFGD's Strategic Direction.

These recent events have come after a sustained period of a market with lower interest rates and modest profitability. During that period the reputation of GDIF/AFGD has been rebuilt and in general terms the organisation has had increased financial stability.

Despite the good work in rebuilding the GDIF/AFGD brand, the levels of profitability have been insufficient to both make contributions to the Diocesan budget and to address the capital adequacy of the fund. At current trends, Capital Adequacy will not achieve the benchmark level for at least 5 years and the fund will lack the strength to withstand defaults or a sudden outflow of funds.

Recently, a number of events have prompted a review of strategic direction especially with regard to range of services and structure of delivery. These include:

- Increased concern of the Diocesan schools with regard to s83C of the Education Act and the pricing of loans and deposits leading to tighter margins in school business;
- Withdrawal from negotiations with Melbourne Securities Corporation regarding a vehicle for retail investors;
- Resignation of Blaine Fitzgerald as Fund Manager;
- Exit of retail non-associate investors in compliance with ASIC guidelines (plus seemingly increasing difficulties in dealing with ASIC);
- Comments made in Audit Committee about lack of real return for Corporate Trustee funds in AFGD; and
- Corporate Trustees starting a program of greater diversity of its investments which has the consequence of reducing deposits in AFGD.

With AFGD Board agreement:

- The Chair and Registrar visited both Diocese of Brisbane and Diocese of Sydney to understand their Treasury operations;
- Mr Clive Mason provided some on site assistance and gave a report reflecting on his time on site; and
- Initiatives for a closer working relationship among DIFs across the Anglican Church of Australia are being monitored.

2017 Financial Audit

The audited financial accounts that despite a reported AFGD profit of $31,458 and a contribution to the Diocese of Grafton of $150,000, the net contribution to the overall position of the Corporate Trustees was only about $125,000.

On the basis that the Corporate Trustees and parishes forego potential returns to support AFGD, the value return is disappointing.

It is assumed that apparent from unusual expenses in 2017, the low value add is largely due to the cost structure of AFGD.

Diocese of Brisbane Treasury

On 14 May 2018, David Ford and Chris Nelson met with David Burton of the Diocese of Brisbane to discuss the changes made by Brisbane to their Anfin operations.

The Diocese of Brisbane made significant changes in 2015 because of:

- Requirements for lenders;
- Forward projections;
- Accounts held by individuals totalled $10M and was trending downward;
- Becoming responsible for Anglicare treasury management;
- A number of strategic projects in the Diocese;
- No demand for retail;
- Heightened probability of increased regulation for a small proportion of funds base;
- Retail investors created more work than value (e.g. relationship management)

Change away from retail meant 1-2 FTE staff reduction.

Anfin still conducting personal transactional banking for parishes but are migrating parishes to Anfin on-line.

Anfin now holds $290M. 98% are 'internal' funds.

Anfin conducts treasury for Diocese, Anglicare and 14 Diocesan-owned schools
- Obtain a weekly cashflow forecast from each school and Anglicare on a quarterly basis
- Have sufficient liquidity and historical analysis for parish cashflows
- 5 year project horizon
- Manage Anglicare accounts payable and accounts receivable
- On basis of cash needs Anfin invests remainder of funds
- When schools need cash funds are transferred to schools CBA account (as low as $50,000 per week)
- Rates are published but in practice Anfin targets a 1.7% margin
- Loans set at 2.5% over bank bills (unsecured) [these are within market rates and subject to board review]

The change away from retail to the current model has improved Anfin's profitability by $2.5M.

Currently, Anfin have 3.2FTE managing the $290M fund (2 customer service, 1 insurance manager, and David Burton (Anfin management and treasury at 20% FTE).

DataAction is used as their banking and accounting platform to track accounts.

Diocese of Brisbane has a Financial Services Commission and this has replaced the Anfin board.

Anfin recognises the potential to follow a model where all participants share the ups and downs of the investments and the treasury function takes a percentage fee for service. That change is not yet on the agenda.

Anfin's focus is Brisbane Diocese only and not looking to expand geographic area.

Diocese of Sydney Treasury
On 5 June 2018, David Ford and Chris Nelson met with Robert Wicks (CEO Diocesan and Corporate Services) and Isaac Kuruvilla (Head of Investments) of the Diocese of Sydney to discuss the changes made by Sydney to their investment fund operations.

AFGD Strategic Options

Sydney decided to exit the ‘full service’ investment fund because of:

- Tightening terms; and
- Tightening regulatory environment.

About 2 years ago, Sydney closed down the retail structure of the Diocesan Cash Investment Fund (DCIF). At the time the DCIF had $25M of retail funds of $130M funds under management and only one school loan in place. (Note: The structure of the schools of the Diocese of Sydney enable most schools to finance within the Schools Corporation.)

The DCIF now holds funds of affiliates, mainly:

- Church property trust
- See Endowment
- Glebe administration
- St Andrew’s House

The DCIF is

- open to parishes and schools
- a scale business
- not operating term accounts
- split into investment and ‘at call’
- invests in the Mercer Cash Fund (managed by Challenger)
- has no other investments (risk avoidance)
- generating a net return of approx. 1.5%
- maintains sufficient liquidity to balance demands

The Public Documents for the DCIF can be found at https://www.sds.asn.au/glebe-administration-board-0

Clive Mason Observations
For 2 weeks in May 2018, AFGD was assisted by Clive Mason who had recent relevant experience in the church NFP finance industry. Clive’s overall observations that AFGD are meeting ‘declared goals’ with the exception of ‘regulatory compliance’ and noted that the task of meeting compliance is urgent.

Clive also noted that AFGD at that time has a ‘void of proficiency managing the “high value” clients’. This situation continues with the AFGD Manager position remaining vacant.

Clive’s other key concern is that ‘the document resources are dated and in pressing need of attention.’

Clive’s recommendations were:

- Increase staff numbers in order to meet compliance deadlines (Note: Staff are reporting good progress toward compliance without increased staff numbers)
- Alter staffing structure in order to fill skill gaps
- Rewrite of Procedures Manual to include all AFGD operations
- Review and update Board Protocols manual
- Seek IT expertise’s opinion on the vulnerability of hacker infiltration into the Data Action network from the Diocese office network
- Update forms and documents in line with compliance requirement
- The ‘float’ account should be moved to an interest bearing account with interest accruing daily

- Resolve the inefficiencies around “End of Year” rollover
- Investigate business models in greater detail
- Give support to current staff

With respect to business models, the following were discussed in Clive’s report:
- Current business model with addition of Relationship Manager (probably part-time)
- Treasury Model
- Treasury approach to generate new investments
- Wind-up

Clive’s report discusses some of the strengths and weaknesses of each model but does not make any recommendation on a preferred way forward.

National initiatives
Arising out of discussions in the Anglican Church of Australia’s Registrars’ Conference held in Perth in November 2017, there have been some discussions facilitated by the Diocese of Adelaide as to possibilities for Dioceses and Diocesan DIFs to work closer together.

The first meeting of interested parties was held on 22 March 2018 In Adelaide. The meeting noted that a previous attempt at a nationwide fund failed because of local differences so this series of discussions would focus on beneficial cooperation. Possible areas of cooperation were listed as:
- Contracts
- Governance
- Systems
- Financial performance/purchasing power
- Networking/communications
- New product information

The next meeting has been set for 23-24 August 2018.

Summary
The above reports point to the lack of continued viability for the current operating model for AFGD and that other options need consideration. The balance of this paper is the description of several options and discussion of their strengths and weaknesses. Recommendations for next steps are offered.

AFGD Strategic Options

MAJOR OPTIONS

Option A. Current arrangements

AFGD customer service structure with parishes, schools, agencies and retail associated investors lending mainly to schools and diocesan agencies. Organisation includes an AFGD Manager and up to 1.5 customer service staff. Customer service includes business hours counter and telephone service plus banking portal.

Strengths	**Weaknesses**
• Allows Diocese to use deposits to service borrowings • Creates ability to borrow when banks won't lend • Makes a financial contribution to the Diocese • Leverages AFSA structure • Allows personalised assistance to parishes for transactional banking	• Returns small compared with costs (staffing, computer systems) • Significant risk exposure (retail clients, loan concentration, deposit-loan mismatch) • Further system development required • Siphons value to make 'profit' (especially from Corporate Trustees) • Structural weakness (segregation of duties) giving exposure to fraud • Declining retail customer base
Opportunities	**Threats**
• Most opportunities are covered by other strategic options • Business from other Anglican dioceses	• Further regulation from ASIC or APRA • Section 83C of Education Act creating restrictions • Schools borrowing needs outstripping AFGD capacity (beyond pari passu arrangements) • Decline in deposits (Professional Standards redress, parishes using up funds) • Cyber attack • Key person risk

<u>Comments</u>

Naturally, the status quo normally means the least work but as pointed out by Clive Mason and the auditors there needs to be an investment in documentation and IT systems. There is also the need to recruit a suitable lead person for AFGD. The wisdom of this is questionable because of the current low returns, unmitigated risks and a tightening regulatory/business environment.

Option B. AFGD without individual customers

AFGD customer service structure with parishes, schools and agencies (but no individual investors) lending mainly to schools and diocesan agencies. Organisation includes an AFGD Manager and customer service staff (number TBD). Customer service includes (reduced?) business hours counter and telephone service plus banking portal.

AFGD Strategic Options

Strengths	**Weaknesses**
• Allows Diocese to use deposits to service borrowings • Creates ability to borrow when banks won't lend • Makes a financial contribution to the Diocese • Leverages AFSA structure • Allows personalised assistance to parishes for transactional banking • Operate without ASIC or APRA intervention	• Reduced Funds under Management • Returns small compared with costs (staffing, computer systems) • Significant risk exposure (loan concentration, deposit-loan mismatch) • Further system development required • Siphons value to make 'profit' (especially from Corporate Trustees) • Structural weakness (segregation of duties) giving exposure to fraud but less exposure than if retail included
Opportunities	**Threats**
• Most opportunities are covered by other strategic options • Non-retail business from other Anglican Dioceses	• Section 83C of Education Act creating restrictions • Schools borrowing needs outstripping AFGD capacity (beyond pari passu arrangements) • Decline in deposits (Professional Standards redress, parishes using up funds) • Cyber attack • Key person risk

<u>Comments</u>
This option will relieve regulatory pressures and give the opportunity to reduce the customer service infrastructure however does this mean that the service model leans on too few customers to be profitable. This change would not eliminate the need to investment in improvements to documentation and IT systems and to recruit a suitable lead person for AFGD.

Option C. AFGD under another Anglican Development Investment Fund

An arrangement is created with another Anglican DIF to take over the AFGD business space (possibly retaining the AFGD brand) where the Anglican DIF operates the fund in our region and provides a share of returns. Local staff person for continued customer service in the first two years of changed operation.

Strengths	**Weaknesses**
• Allows total funds of DIF to be used to service borrowings • Maintains ability to borrow when banks won't lend • Provides a financial contribution to the Diocese • Leverages a larger structure • Personalised assistance to parishes	• Less local identification with new DIF • Reliant on good management of DIF • New DIF may be less sympathetic to needs of Diocese and its parishes and agencies

for transactional banking (for at least 2 years) • Governance oversight requirements reduced for Grafton Diocese • Management, risk management and development responsibilities transferred and probably reduced for Grafton Diocese	
Opportunities • No locking in of Corporate Trustees and other diocesan deposits. Greater opportunity for investments • Increased capacity could unlock other opportunities	**Threats** • Further regulation from ASIC or APRA • Section 83C of Education Act creating restrictions • New arrangement may threaten pari passu arrangements

Comments
This would require the identification of a suitable partner for this venture with Newcastle, Canberra, Adelaide and Melbourne being the most likely. This model would be most profitable where there is no customer service presence locally in the Diocese of Grafton except visits by a relationship manager from time to time. The AFGD Board would be disbanded.

Financial return to the Diocese of Grafton should be a share of return according to percentage of Funds Under Management contributed from the Grafton Diocese. The operating diocese would get a higher portion of the financial returns to compensate for their bearing of risk and management responsibilities.

The Diocese of Grafton would have to release its parishes and agencies from the obligation to use the Fund in recognition that it is no longer a Grafton fund. This may be a disincentive for the other diocese to take on this venture. Alternatively, it may be possible to maintain the obligation on Grafton parishes and agencies on a transitional basis.

This change will increase the potential seriousness of security for loans as it would make the possibility of foreclosure more likely. It could also lead to a request for the Corporate Trustees to guarantee loans.

The quality of all current loans would be scrutinised during any due diligence exercise. This could mean an attempt to exclude some lower quality loans (e.g. CVAS loan).

Option D. Formation of a national Anglican Development Investment Fund

All (or a significant number) of Dioceses of the Anglican Church of Australia by agreement create a new AFSL licenced DIF that operates across all Dioceses (where the agreement is in place). Each Diocese participates as a shareholder. Possibility of a local staff person for continued local customer service (at least in the initial years of the new operation).

AFGD Strategic Options

Strengths	**Weaknesses**
• National DIF will have greater resources, capability and efficiencies • National DIF should be understanding of and sympathetic of church projects • National DIF should be AFSL licensed • Expect a dividend for the Diocese • Governance oversight requirements reduced for Grafton Diocese • Management, risk management and development responsibilities transferred and dramatically reduced for Grafton Diocese	• Less local identification with national DIF • Reliant on good management of national DIF • National DIF may be less sympathetic to needs of our Diocese and its parishes and agencies • National DIF will find personalised service a challenge
Opportunities	**Threats**
• No locking in of Corporate Trustees and other diocesan deposits. Greater opportunity for investments • Increased capacity could unlock other opportunities	• Ability to demand agency participation is in doubt • New arrangement may threaten pari passu arrangements

Comments
The formation of a national investment fund seems unlikely and if it were to happen would take at least 18 months to achieve. Any national fund would more likely be a semi-national fund (i.e. a collection of interested DIFs) but this would not significantly affect the likelihood or timing.

Similar to the previous option, this model would be most profitable where there is no customer service presence locally in the Diocese of Grafton except visits by a relationship manager from time to time.

The AFGD Board would be disbanded.

Financial return to the Diocese of Grafton would be as per the agreement that forms the new investment fund but should provide a financial return according to percentage of Funds Under Management contributed from the Grafton Diocese. The operating diocese would get a higher portion of the financial returns to compensate for their bearing of risk and management responsibilities.

The Diocese of Grafton would have to release its parishes and agencies from the obligation to use the Fund in recognition that it is no longer a Grafton fund.

This change will increase the potential seriousness of security for loans as it would make the possibility of foreclosure more likely. It could also lead to a request for the Corporate Trustees to guarantee loans.

The quality of all current loans would be scrutinised during any due diligence exercise. This could mean an attempt to exclude some lower quality loans (e.g. CVAS loan).

AFGD Strategic Options

Option E. AFGD to adopt a Treasury model

AFGD to become a consolidator of investment funds of the Diocese, parishes, schools and agencies placing those funds on investment (including some loans to parishes, schools, agencies) to achieve the best return and use of funds for bodies. No retail or high transaction operations. No counter operation. Staffing to be Treasury Officer to maximum of 0.5.

Strengths	**Weaknesses**
• Allows Diocese to use deposits to service borrowings • Maintains ability to borrow when banks won't lend • Makes a financial contribution to the Diocese on a service fee • Lower risk model • Lower infrastructure model • Adds treasury and investment skills to Diocesan finance team • Not an ASIC or APRA regulated space	• Requires close and trustworthy relationship with schools, parishes and agencies on cashflow forecasts • Recruitment and new processes to be developed
Opportunities	**Threats**
• Provide Treasury for other small dioceses	• Section 83C of Education Act would need to be navigated • Pari passu arrangements may need some • Schools borrowing needs outstripping loan capacity (beyond pari passu arrangements)

<u>Comments</u>
The Treasury model should generate good returns for lower risk and should increase the investment returns for the participating parishes and organisations. It will rely heavily on the 'buy in' from other organisations in that the willingness to plan and share cashflow needs is integral to the success of the model. There will be claims from some organisations that they are better placed to handle treasury and investments than the Diocese.

Transition from the current model of operation to a treasury model would need to be carefully planned and executed taking into account:

- Change of Ordinance
- Communication with all stakeholders
- Maintaining capital adequacy and liquidity
- Managing retail and small customers out
- Seek alternatives for Parish Provider and migrate users
- Retained customers setting up transactional banking arrangements
- Withdrawal from AFSA and DataAction arrangements
- Liaison with Westpac about pari passu arrangements and determine the impact
- Balance the loan holdings within the capacity of the treasury funds (and seek a home for some loans, if necessary)
- Development of the procedures for treasury function
- Recruiting skills to conduct the treasury and investment work
- Redeployment/redundancy of current staff

The AFGD Board would be disbanded upon practical completion.

Option F. Wind up of AFGD
Planned closure of AFGD.

Reasons • Insufficient return in AFGD model • Insufficient benefits to Diocese in maintaining AFGD • Efforts in maintaining AFGD (governance and management) • AFGD facing investment in procedures, systems and staff • Risks involved in AFGD model • Avoid dealing with an increasing regulatory environment
Challenges • Finding new arrangements for loans held by AFGD • Matching the release of loans and the loss of deposits • Staff redundancies • Obtaining loans if banks tighten their lending

Comments
A controlled wind-up of AFGD is a consideration and may be a net positive if those investing in AFGD can get better outcomes elsewhere.

A wind-up would need to be carefully planned and executed taking into account:
- Communication with all stakeholders
- Maintaining capital adequacy and liquidity
- Managing a staged exit of investors/customers/borrowers
- Withdrawal from AFSA and DataAction arrangements
- Liaison with Westpac about pari passu arrangements
- Seek a new home(s) for loans
- Seek alternatives for Parish Provider and migrate users
- Redeployment/redundancy of current staff

The AFGD Board would be disbanded upon practical completion.

Consideration of Options
On the basis that the status quo is not truly viable, the following options are the most attractive (in order):
Option E. AFGD to adopt a Treasury model
Option C. AFGD under another Anglican Development Investment Fund
Option F. Wind up of AFGD

This selection and order was based on the ongoing viability of the option (once established) relative to the risk exposure.

AFGD Strategic Options

Recommendations

It is recommended that:

1. AFGD seek the services of an accountancy firm to undertake a financial assessment of options E, C and F versus the current operations; and
2. Discreet enquiries be made of various Anglican Diocesan Investment Funds to ascertain interest in participation in option C and the likely terms of that arrangement.

Chris Nelson
Registrar/General Manager
Anglican Diocese of Grafton

3 July 2018

Report to the Anglican Funds Grafton Diocese

Financial Modelling of Strategic Options

Thomas Noble & Russell

Accountants | Auditors | Business Advisers

ISSUED: 10 April 2019

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

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Executive Summary

Anglican Funds Grafton Diocese ("AFGD" or "the Client") has engaged Thomas Noble and Russell to prepare a financial analysis of the following 4 strategic options:

Option A: Maintain the current arrangement with the addition of a fund manager.

Option B: Maintain the current arrangement with additional expanded service agreement from Anglican Funds South Australia ("AFSA")

Option C: Treasury Model

Option D: Wind Down

These four options are being considered due to:

- Increasing restrictions resulting from changes in exemptions under the *Banking Act 1959 (Cwlth)*
- Sustained periods of low interest rates
- Low returns for the Corporate Trustee Funds invested with AFGD

The board has acknowledged the maximising returns for the Corporate Trustees and parishes is key.

The table below compares the figures projected from a 12 month period for Option A, Option B and Option C:

Account Name	Option A $	Option B $	Option C $
Income			
Total Income	**1,464,876**	**1,607,733**	**973,773**
Cost Of Sales			
Interest Paid to Investors	747,037	747,037	583,593
Total Cost Of Sales	747,037	747,037	583,593
Gross Profit	**717,839**	**860,696**	**390,180**
Expenses			
Total Expenses	498,361	391,456	153,038
Surplus Profit for Distribution	**219,478**	**469,240**	**237,142**

Entity Returns

Projected returns for AFGD, the Corporate Trustees and Diocese of Grafton is summarised in the table below:

Entity	Option A Return $	Option B Return $	Option C Return $	Option D Return $
AFGD	44,478	294,240	62,142	-
Corporate Trustees	292,151	628,151	490,779	490,779
Less: 25% to ADoG	(73,038)	(157,038)	(122,695)	(122,695)
Total Corporate Trustees	219,114	471,114	368,084	368,084
Diocese of Grafton	175,000	175,000	175,000	-
Add: 25% from Corporate Trustees	73,038	157,038	122,695	122,695
Total Diocese of Grafton	248,038	332,038	297,695	122,695
Combined	**511,629**	**1,097,391**	**727,921**	**490,779**

- AFGD return based on surplus available after contribution to Grafton Diocese.
- Contribution to Diocese of Grafton estimated at 2018 actual of $175,000.
- Assumed approximately 25% of the Corporate Trustees returns relate to funds held on behalf of the Diocese of Grafton, shown as an adjustment above.
- Corporate Trustees returns calculated as follows:
  - Option A: Maintaining the current status and returns
    - Type A Funds - $572,666 returning 1.5% = $8,590
    - Type B Funds - $10,906,205 returning 2.6% = $283,561

  - Option B: Participation in the AFSA Endowment fund will provide an additional benefit over Option A. This is a direct result of the $8m returning 5% plus 1.8% CPI compared to 4.5% on an open market
    - Type A Funds - $572,666 returning 1.5% = $8,590
    - Type B Funds - $2,906,205 returning 2.6% = $75,561
    - Funds with AFSA - $8,000,000 returning 5% + CPI @1.8% = $544,000

  - Option C: Treasury role provides the opportunity for investment in the open market. Open market returns calculated using 4.5%
    - Type A Funds - $Nil
    - Type B Funds - $10,906,205 returning 4.5% = $490,779

  - Option D: Opportunity for investment in the open market. Open market returns calculated using 4.5%
    - $10,906,205 returning 4.5% = $490,779

The table below displays any additional benefits compared to maintaining the current arrangement of Option A:

Entity	Additional Benefits of Option B v Option A $	Additional Benefits of Option C v Option A $	Additional Benefits of Option D v Option A $
AFGD	249,762	17,664	(44,478)
Corporate Trustees	336,000	198,628	198,628
Less: 25% to ADoG	(84,000)	(49,657)	(49,657)
Total Corporate Trustees	252,000	148,971	148,971
Diocese of Grafton	-	-	(175,000)
Add: 25% from Corporate Trustees	84,000	49,657	49,657
Total Diocese of Grafton	84,000	49,657	(125,343)
Combined	**585,762**	**216,292**	**(20,850)**

- Of the $585,762 combined benefit of Option B v Option A above, $184,000 is the direct result of the 2.3% additional margin on $8m

Capital Adequacy

Asset	Option A $	Option B $	Option C $
Loans	20,392,036	20,392,036	-
Investments	7,415,286	-	20,371,822
AFSA Endowment Fund	-	7,415,286	-
Cash	3,089,702	3,089,702	3,595,027
Total	30,897,024	30,897,024	23,966,849
Capital Adequacy	7.42%	7.42%	13.58%

1. Instructions

1.1 Anglican Funds Grafton Diocese ("AFGD") has engaged Thomas Noble & Russell to prepare a financial analysis of the following 4 strategic options that are being considered by AFGD based upon assumptions and parameters provided by AFGD.

1.2 Option A comprise maintaining the current arrangements. The model is to draft a 5 year budget with a path of improving AFGD's capital adequacy over a 3 year time frame;

1.3 Option B comprises a continuance of the current structure with additional services provided by AFSA;

1.4 Option C comprises a funds management model whereby AFGD manages the excess cash needs of various entities. Existing loans and advances would be absorbed within the portfolio and eventually paid out.

1.5 Option D comprises a "wind up" model. At this stage a "map" of how to proceed down this path would need to be developed after Options A, B and C are considered. Consideration of the potential impact of the finances of the Anglican Diocese of Grafton and the Corporate Trustees of the Diocese of Grafton over the review period will be important.

2. Disclosure of Other Services

We note that Thomas Noble & Russell acts as auditor for AFGD. AFGD acknowledges that we provide this other service, and have agreed for Thomas Noble & Russell to perform the engagement.

3. Sources of Information

We have reviewed and relied upon the following sources of information:

- 2017 Financial Statements for AFGD
- 2018 Draft Financial Statements for AFGD
- Letter of Offer from David Ford of AFSA including expanded Service Agreement from AFSA
- Emails from Chris Nelson
- Telephone conversations with Chris Nelson
- Confidential paper summarising AFGD Strategic Options
- Ord Minnett Portfolio Valuation as at 31 December 2018
- Summary of Estimated Income Yields for 2019

4. Analysis of Options A, B & C

Option A: Maintain Current Arrangements

Under this option the current operations continue with parishes, schools and associated retail investors. Customer service levels will remain with counter service during business hours, telephone service and a business banking portal. Refer to Appendix A for assumptions

Account No.	Account Name	Year 1 $	Year 2 $	Year 3 $	Year 4 $	Year 5 $
4-0000	Income					
4-1012	Interest Recd - AFSA	6,931	7,056	7,183	7,312	7,444
4-1013	Interest Recd - Melb CF7963	80,673	82,125	83,604	85,109	86,640
4-1014	Interest Recd - WBC	25,090	25,542	26,002	26,470	26,946
4-1020	Overdraft/LOC INT INC	187,175	190,544	193,974	197,466	201,020
4-1021	Interest Only Loans INT INC	247,383	251,836	256,369	260,984	265,681
4-1022	Princ & Int Loans INT INC	422,005	429,601	437,334	445,206	453,220
4-1055	Ord Min List Interest Income	120,513	122,682	124,891	127,139	129,427
4-1056	Ord Min U/List Interest Income	233,937	238,148	242,435	246,799	251,241
4-2100	Line Fee Income	141,167	143,708	146,294	148,928	151,608
	Total Income	**1,464,876**	**1,491,244**	**1,518,086**	**1,545,412**	**1,573,229**
5-0000	Cost Of Sales					
5-2100	Interest Paid to Investors	747,037	760,484	774,172	788,108	802,294
	Total Cost Of Sales	747,037	760,484	774,172	788,108	802,294
	Gross Profit	**717,839**	**730,760**	**743,914**	**757,304**	**770,935**
6-0000	Expenses					
6-1100	Provision for Annual Leave	2,994	3,048	3,103	3,158	3,215
6-1300	Salaries and Wages	222,400	226,403	230,478	234,627	238,850
6-1500	Superannuation	21,128	21,508	21,895	22,290	22,691
6-1700	Fund Manager Vehicle	4,800	4,886	4,974	5,064	5,155
6-4200	Advertising	2,878	2,930	2,983	3,036	3,091
6-4300	Audit Fees	26,890	27,374	27,867	28,368	28,879
6-4360	Legal Fees	7,262	7,392	7,525	7,661	7,799
6-4400	WBC Bank Charges	6,398	6,513	6,630	6,750	6,871
6-4402	Indue Fees	586	597	608	619	630
6-4425	Depreciation Expense	7,516	7,652	7,789	7,930	8,072
6-4440	WBC Line of Credit Charges	10,230	10,414	10,602	10,792	10,987
6-4442	Ord Minnett Brokerage/Advice	18,538	18,872	19,212	19,557	19,909
6-4445	ASFA Line of Credit Charges	624	635	647	658	670
6-4450	AFSA Service Agreement Fees	118,718	120,855	123,030	125,245	127,499
6-4510	Insurance - Workers Comp	3,336	3,396	3,457	3,519	3,583
6-4530	Insurance - General	18,818	19,157	19,501	19,852	20,210
6-4600	Meeting Expenses	822	837	852	868	883
6-4700	Postage	2,030	2,067	2,104	2,142	2,180
6-4800	Printing & Stationery	2,093	2,130	2,169	2,208	2,248
6-4900	Rent/Victoria Street	5,200	5,294	5,389	5,486	5,585
6-5000	PC Repairs & Maintenance	25	25	26	26	27
6-5100	Telephone	2,332	2,374	2,417	2,460	2,505
6-5200	Travel & Accommodation - Board	10,415	10,603	10,794	10,988	11,186
6-5300	Travel & Accommodation - AFGD	1,706	1,737	1,768	1,800	1,832
6-5310	AFGD Staff Expenses Other	621	632	643	655	667
	Total Expenses	498,361	507,331	516,463	525,760	535,223
	Surplus Profit for Distribution	**219,478**	**223,429**	**227,450**	**231,544**	**235,712**

Option B: Continue with additional management services from AFSA

This option assumes the current business operations continue with the vacant manager position not filled. The additional management service requirements will be met by an expanded service agreement from AFSA.

In addition to the extra services from AFSA, we have factored in an adjusted investment profile with AFGD moving Corporate Trustee funds of $8m to AFSA endowment fund. Refer to Appendix B.

Account No.	Account Name	Year 1	Year 2	Year 3	Year 4	Year 5
	Income	$	$	$	$	$
4-1012	Interest Recd - AFSA	504,239	513,316	522,555	531,961	541,537
4-1013	Interest Recd - Melb CF7963	80,673	82,125	83,604	85,109	86,640
4-1014	Interest Recd - WBC	25,090	25,542	26,002	26,470	26,946
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4-1022	Princ & Int Loans INT INC	422,005	429,601	437,334	445,206	453,220
4-1055	Ord Min List Interest Income	-	-	-	-	-
4-1056	Ord Min U/List Interest Income	-	-	-	-	-
4-2100	Line Fee Income	141,167	143,708	146,294	148,928	151,608
	Total Income	**1,607,733**	**1,636,672**	**1,666,133**	**1,696,123**	**1,726,653**
5-0000	Cost Of Sales					
5-2100	Interest Paid to Investors	747,037	760,484	774,172	788,108	802,294
	Total Cost Of Sales	747,037	760,484	774,172	788,108	802,294
	Gross Profit	**860,696**	**876,189**	**891,960**	**908,015**	**924,360**
6-0000	Expenses					
6-1100	Provision for Annual Leave	1,244	1,266	1,289	1,312	1,336
6-1300	Salaries and Wages	92,400	94,063	95,756	97,480	99,235
6-1500	Superannuation	8,778	8,936	9,097	9,261	9,427
6-4200	Advertising	2,878	2,930	2,983	3,036	3,091
6-4300	Audit Fees	26,890	27,374	27,867	28,368	28,879
6-4360	Legal Fees	7,262	7,392	7,525	7,661	7,799
6-4400	WBC Bank Charges	6,398	6,513	6,630	6,750	6,871
6-4402	Indue Fees	586	597	608	619	630
6-4440	WBC Line of Credit Charges	10,230	10,414	10,602	10,792	10,987
6-4442	Ord Minnett Brokerage/Advice	0	-	-	-	-
6-4445	ASFA Line of Credit Charges	624	635	647	658	670
6-4450	AFSA Service Agreement Fees	188,718	192,115	195,573	199,093	202,677
6-4510	Insurance - Workers Comp	1,386	1,411	1,436	1,462	1,489
6-4530	Insurance - General	18,818	19,157	19,501	19,852	20,210
6-4600	Meeting Expenses	822	837	852	868	883
6-4700	Postage	2,030	2,067	2,104	2,142	2,180
6-4800	Printing & Stationery	2,093	2,130	2,169	2,208	2,248
6-4900	Rent/Victoria Street	5,200	5,294	5,389	5,486	5,585
6-5000	PC Repairs & Maintenance	25	25	26	26	27
6-5100	Telephone	2,332	2,374	2,417	2,460	2,505
6-5200	Travel & Accommodation - Board	10,415	10,603	10,794	10,988	11,186
6-5300	Travel & Accommodation - AFGD	1,706	1,737	1,768	1,800	1,832
6-5310	AFGD Staff Expenses Other	621	632	643	655	667
	Total Expenses	391,456	398,502	405,675	412,978	420,411
	Surplus Profit for Distribution	**469,240**	**477,686**	**486,285**	**495,038**	**503,948**

Option C: Treasury

This option examines the results after making changes to the structure of the businesses service offerings by reducing the accounts available to customers, reducing customer service and focusing on maximising the overall return on investments. Refer to Appendix C for assumptions.

Funds managed are divided into the following categories:

- Type A Funds: Excess cashflow not required for that organisation's cashflow in the next 30 days. These funds are those of the Corporate Trustees of the Diocese of Grafton; Anglican Schools and Anglicare North Coast Funds.
- Type B Funds: Amounts greater than $50,000 or greater from Parishes and other organisations of the Diocese of Grafton.

As at 31 December 2018 Type A, Type B and funds to be returned to investors comprise the following:

Description	Totals $	Type A $	Type B $	Funds Returned $
Anglican Affiliate Entity	6,700,691	1,005,104	5,695,587	
Grafton Diocese	12,208,494	1,831,274	10,377,220	
Individuals	4,047,888			4,047,888
Organisation	393,804			393,804
Parish	4,617,512	692,627	3,924,885	
School	440,153	66,023	374,130	
Self Managed Superannation Fund	2,488,479			2,488,479
	30,897,021	3,595,027	20,371,822	6,930,171

This results in $23,966,849 remaining in the Treasury Model. Refer to Appendix C.

Account No.	Account Name	Year 1 $	Year 2 $	Year 3 $	Year 4 $	Year 5 $
4-0000	Income					
4-1055	Ord Min List Interest Income	331,083	337,042	343,109	349,285	355,572
4-1056	Ord Min U/List Interest Income	642,690	654,259	666,035	678,024	690,228
	Total Income	**973,773**	**991,301**	**1,009,144**	**1,027,309**	**1,045,801**
5-0000	Cost Of Sales					
5-2100	Interest Paid to Investors	583,593	594,097	604,791	615,677	626,760
	Total Cost Of Sales	583,593	594,097	604,791	615,677	626,760
	Gross Profit	**390,180**	**397,204**	**404,353**	**411,632**	**419,041**
6-0000	Expenses					
6-1100	Provision for Annual Leave	1,010	1,028	1,046	1,065	1,084
6-1300	Salaries and Wages	75,000	76,350	77,724	79,123	80,548
6-1500	Superannuation	7,125	7,253	7,384	7,517	7,652
6-4360	Legal Fees	7,262	7,392	7,525	7,661	7,799
6-4442	Ord Minnett Brokerage/Advice	50,930	51,846	52,780	53,730	54,697
6-4510	Insurance - Workers Comp	1,125	1,145	1,166	1,187	1,208
6-4530	Insurance - General	9,409	9,578	9,751	9,926	10,105
6-5000	PC Repairs & Maintenance	13	13	13	13	13
6-5100	Telephone	1,166	1,187	1,208	1,230	1,252
	Total Expenses	153,038	155,793	158,597	161,452	164,358
	Surplus Profit for Distribution	**237,142**	**241,411**	**245,756**	**250,180**	**254,683**

5. Comments on Option D

In order to wind the fund up in an orderly and structured manner a number of key financial decisions would need to be made inter alia:

- Managing the wind down of the existing loan portfolio;
- Return of deposits from investors
- Payment of entitlements to staff
- How any surplus of funds are to be distributed

6. Scope of Engagement

6.1 We have provided the Services to you in accordance with engagement letter dated 15 February 2019.

6.2 The Services covered by this engagement do not include audit or review services, therefore, no assurance will be provided.

6.3 The Services do not cover financial or legal advice. Should you require financial or legal advice we can recommend a licenced practitioner to you or you may seek your own advice from a licenced practitioner.

6.4 Other than our responsibility to AFGD's Board of Directors and Management, neither Thomas Noble & Russell nor any member or employee of Thomas Noble & Russell undertakes responsibility arising in any way from reliance placed by a third party on this Report. Any reliance placed is that party's sole responsibility

6.5 Our Report is for the sole use of the board and is not to be used by any other person for any other purpose and may not be distributed, duplicated, quoted, referred to, in whole or in part, without our prior written consent.

6.6 The report was prepared on the basis that full disclosure of all information that may affect the options considered in this report was made to us. We have not verified the reliability, accuracy or completeness of the information provided to us

6.7 We reserve the right, if it is considered necessary, to review all calculations referred to in this report.

THOMAS NOBLE AND RUSSELL
CHARTERED ACCOUNTANTS

Per:

B Lane
....
BRETT LANE (Partner_

7. Appendix A

Income Assumptions

- Interest Received – based on 2018 actuals
- Ord Minnett Investment returns based on the yield projections for 2019 for Ord Minnett performance, calculated at 4.78%. Income split between listed in unlisted based on 2018 actuals.
- Ord Minnett returns calculated on funds invested of $7.4m.
- The following accounts have been deemed not relevant:
  - 4-1058 Profit/Loss on Sale of Fixed Assets
  - 4-2000 Service Fees Received
  - 4-1057 Proceeds on Sale of Bonds
  - 4-3000 Sundry Income
  - 4-1011 Interest Recd – NAB
  - 4-1015 Interest Recd - AMP

Investor Distribution Assumptions:

- Distributions to Investors has been calculated on the following Assumptions:
  - Type A Funds – 1.5%
  - Type B Funds – 2.6%

Expense Assumptions:

- The following accounts have been deemed not relevant:
  - 6-1200 Provision for Long Service Leave
  - 6-4410 Consultancy Fees – replaced with manager wage
  - 6-4412 Donations

- 6-1300 Salaries & Wages – increased with an additional manager role at $130,000p.a plus on-costs
- 6-1500 Superannuation – 9.5% of Salaries & Wages
- 6-1100 Provision for Annual Leave – Monthly Accrued entitlement based on Salaries & Wages
- 6-4510 Insurance – Worker's Comp – 1.5% of Salaries and Wages
- 6-4360 Legal Fees - reduced to 50% of 2018
- 6-4425 Depreciation Expense – Included to account for fund manager vehicle
- 6-4442 Ord Minnett Brokerage/Advice – reduction from 0.4% management fee to 0.25% as negotiated by Blaine Fitzgerald

8. Appendix B

Income Assumptions:

- Interest Received – based on 2018 actuals
- Ord Minnett Investment returns have been reduced to $Nil, based on reinvesting the balance of $7.4m into the AFSA Endowment Fund.
- $8m of Corporate Trustees funds moved to AFSA, and replaced by AFSA back-filling $8m into AFGD and invested in the same proportions as 2018.
- Endowment fund income calculated at 5% + 1.8% CPI on $8m
- The following accounts have been deemed not relevant:
  - 4-1058 Profit/Loss on Sale of Fixed Assets
  - 4-2000 Service Fees Received
  - 4-1057 Proceeds on Sale of Bonds
  - 4-3000 Sundry Income
  - 4-1011 Interest Recd – NAB
  - 4-1015 Interest Recd - AMP

Investor Distribution Assumptions:

- Distributions to Investors has been calculated on the following Assumptions:
  - Type A Funds – 1.5%
  - Type B Funds – 2.6%

Expense Assumptions:

- The following accounts have been deemed not relevant/significant:
  - 6-1200 Provision for Long Service Leave
  - 6-4412 Donations
  - 6-4410 Consultancy Fees – replaced with increased AFSA Service Agreement of $70,000
  - 6-4425 Depreciation Expense
  - 6-1700 Fund Manager Vehicle

- 6-1300 Salaries & Wages – Only existing staff. Management reporting taken on through additional service agreement from AFSA
- 6-1500 Superannuation – 9.5% of Salaries & Wages
- 6-1100 Provision for Annual Leave – Monthly Accrued entitlement based on Salaries & Wages
- 6-4510 Insurance – Worker's Comp – 1.5% of Salaries and Wages
- 6-4360 Legal Fees - reduced to 50% of 2018
- 6-4450 AFSA Service Agreement – Increase of $70,000 per year
- 6-4442 Ord Minnett Brokerage/Advice – reduction from 0.4% management fee to 0.25% as negotiated by Blaine Fitzgerald – Balance transferred to AFSA Endowment Fund has resulted in $Nil Ord Minnett Fees.

9. Appendix C

The following assumptions are in relation to Option C Treasury Model.

Income Assumptions:

- Investment returns based on the yield projections for 2019 for Ord Minnett performance, calculated at 4.78%. Income split between listed in unlisted based on 2018 actuals.
- The following accounts have been deemed not relevant:
  - 4-1058 Profit/Loss on Sale of Fixed Assets
  - 4-2000 Service Fees Received
  - 4-2100 Line Fee Incomes
  - 4-1057 Proceeds on Sale of Bonds
  - 4-1020 Overdraft/LOC Interest Income
  - 4-1021 Interest Only Loans Interest Income
  - 4-1022 Princ & Int Loans INT Inc
  - 4-1011 Interest Recd – NAB
  - 4-1012 Interest Recd - AFSA
  - 4-1013 Interest Recd – Melb CF7963
  - 4-1014 Interest Recd - WBC
  - 4-4015 Interest Recd – AMP
  - 4-3000 Sundry Income

Investor Distribution Assumptions:

- Distributions to Investors has been calculated on the following Assumptions:
  - Type A Funds – 1.5%
  - Type B Funds – 2.6%

Expense Assumptions:

- The following accounts have been deemed not relevant:
  - 6-1700 Fund Manager Vehicle
  - 6-4200 Advertising
  - 6-4300 Audit Fees
  - 6-4402 Indue Fees
  - 6-4410 Consultancy Fees
  - 6-4412 Donations
  - 6-4440 WBC Line of Credit Charges
  - 6-4445 AFSA Line of Credit Charges
  - 6-4450 AFSA Service Agreement Fees
  - 6-4600 Meeting Expenses
  - 6-4700 Postage
  - 6-4800 Printing & Stationery
  - 6-4900 Rent/Victoria Street

  - 6-5200 Travel & Accommodation – Board
  - 6-1200 Provision for Long Service Leave
  - 6-4425 Depreciation Expense
  - 6-5310 AFGD Staff Expenses

- 6-4360 Legal Fees - reduce to 50%
- 6-4530 Insurance - General - reduce to 50%
- 6-5000 PC Repairs & Maintenance - reduce to 50%
- 6-5100 Telephone - Reduce to 50%
- 6-1300 Salaries & Wages – Based on a 0.5 FTE manager role at $150,000
- 6-1500 Superannuation – 9.5% of Salaries & Wages
- 6-1100 Provision for Annual Leave – Monthly Accrued entitlement based on Salaries & Wages
- 6-4510 Insurance – Worker's Comp – 1.5% of Salaries and Wages
- 6-4442 Ord Minnett Brokerage/Advice – reduction from 0.4% management fee to 0.25% as negotiated by Blaine Fitzgerald

ATTACHMENT H: Initial cash flow forecast report

ANGLICAN FUNDS GRAFTON DIOCESE - liquidity

CASHFLOW FORECAST OCTOBER 2020 - MARCH 2021

Actual figures for October 2020 cash flow should now be available. December & January based on advice from schools and Registrar. Feb & March still assumed

This is government grant funding pre paid to schools - it is based on assumptions of enrolments and other factors for 2021. In the main, it is recurrent grant funding.

This is cash that will flow in as schools are able to refinance their loans

These are withdrawals by schools to cover running costs and any outflows for drawdown of loans for capital works

	October	November	December	January	February	March	
Inflows							
SCHOOLS							
Government grant funding							
CVAS	$ 1,125,178	$ 290,000	$ -	$ 2,200,000	$ 50,000	$ 50,000	1
EAC	$ 2,166,580	$ 886,000	$ -	$ -	$ -	$ -	2
BDC	$ -	$ -	$ -	$ 4,000,000	$ -	$ -	3
LAGS	$ -	$ -	$ -	$ -	$ -	$ -	4
SCAS	$ 5,800,000	$ 800,000	$ -	$ 5,000,000	$ 300,000	$ 300,000	5
Refinancing							
CVAS	$ -	$ -	$ -	$ -	$ -	$ -	6
EAC	$ -	$ 4,012,740	$ -	$ -	$ -	$ -	7
BDC	$ -	$ -	$ -	$ -	$ -	$ -	8
LAGS	$ -	$ -	$ -	$ -	$ -	$ -	9
SCAS	$ -		$ 2,700,000	$ -	$ -	$ -	10
Total school in flows	**$ 9,091,758**	**$ 5,988,740**	**$ 2,700,000**	**$ 11,200,000**	**$ 350,000**	**$ 350,000**	
DIOCESE							
General operations	$ -	$ -	$ -	$ -	$ -	$ -	11
Anglicare North Coast	$ -	$ -	$ -	$ -	$ -	$ -	12
Corporate Trustees	$ 165,000	$ -	$ -	$ -	$ -	$ -	13
ADoG	$ -	$ -	$ -	$ -	$ -	$ -	14
Ord Minnett maturity redemptions	$ -	$ -	$ -	$ -	$ -	$ -	15
Total Diocese inflows	**$ 165,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	
TOTAL INFLOWS	$ 9,256,758	$ 5,988,740	$ 2,700,000	$ 11,200,000	$ 350,000	$ 350,000	
Outflows							
SCHOOLS							
Withdraw of government grant funding							
CVAS	$ 700,000	$ 965,000	$ 950,000	$ 700,000	$ 700,000	$ 700,000	16
EAC	$ 800,000	$ 800,000	$ -	$ -	$ -	$ -	17
BDC	$ -	$ -	$ 1,700,000		$ -	$ -	18
LAGS	$ -	$ -	$ -	$ -	$ -	$ -	19
SCAS	$ 1,970,000	$ 2,170,000	$ 2,240,000	$ 1,670,000	$ 2,200,000	$ 2,200,000	20
Total school out flows	**$ 3,470,000**	**$ 3,935,000**	**$ 4,890,000**	**$ 2,370,000**	**$ 2,900,000**	**$ 2,900,000**	
DIOCESE							
General operations	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	21
Anglicare North Coast	$ -	$ -	$ -	$ -	$ -	$ -	22
Corporate Trustees	$ 282,000	$ -	$ -	$ -	$ -	$ -	23
ADoG	$ 650,000	$ 1,337,500	$ -	$ 1,365,000	$ -	$ 600,000	24
Total Diocese out flows	**$ 1,182,000**	**$ 1,587,500**	**$ 250,000**	**$ 1,615,000**	**$ 250,000**	**$ 850,000**	
TOTAL OUTFLOWS	$ 4,652,000	$ 5,522,500	$ 5,140,000	$ 3,985,000	$ 3,150,000	$ 3,750,000	
Net Cash Movement	$ 4,604,758	$ 466,240	$ (2,440,000)	$ 7,215,000	$ (2,800,000)	$ (3,400,000)	
Liquid Cash Funds - opening balance	$ (1,193,702)	$ 3,411,056	$ 3,877,296	$ 1,437,296	$ 8,652,296	$ 5,852,296	
Closing position each month	$ 3,411,056	$ 3,877,296	$ 1,437,296	$ 8,652,296	$ 5,852,296	$ 2,452,296	

Please see notes following

Notes

1 CVAS - $290K incoming Nov assumes Govt funding. $2.2M incoming Jan assumes Govt funding

2 EAC - refinancing happens at end Nov 2020.

3 BDC - $1.7m incoming Jan Govt funding.

4 LAGS advised no funds required

5 SCAS - Nov Govt Funding (approx $1M). $5M incoming Jan assumes Govt funding

6 CVAS - No shift of financing likely

7 EAC - assumes refinance to CBA completed in Nov ($4.1M Approx)

8 BDC - Assume no shift of financing in time period

9 LAGS - moving financing to Westpac - $6.3M should move before end December 2020

10 SCAS - incoming Dec assumes Westpac funding of 'Enviro Centre' returned to AFGD LOC - might be January 2021

11 Assumes parishes and other depositors will not add to term deposits.

12 Assumes no large in flow of deposits (eg no government funding)

13 The $165,000 is from redemption of Escala investments and will be outflowing presumably)

14 Assumes no large in flow

15 No Ord Minnett redemption assumed but $1.14m could be redeemed without penalty on 15/12/2020. Total holding = $4.16m with various redemption dates out till 2024. Need to discuss how the December redemption or reinvestment should be handled

16 Estimated withdrawals to meet running costs

17 Estimated withdrawals to meet running costs until end Nov 2020

18 Estimated withdrawals to meet running costs

19 Estimated withdrawals to meet running costs

20 Expected withdrawals to meet running costs (Feb & March still assumed figures)

21 Assumption of parish and large depositor withdrawals. Parishes will be paying insurance in late December which might impact here. When endowments are drawdown assume this will reflect in Corporate Trustee line.

22 Assume with nothing coming in above, nothing large will go out.

23 CTS - outgoing Oct $282 000 is investment. CT $1.5m drawdown not made.

24 Estimated redress payments. Diocese paid insurance in early Nov which will then be paid by parishes in late December (see #21)

Gmail

Chris Nelson <chris.nelson@graftondiocese.org.au>

Final working group report

Chris Nelson <chris.nelson@graftondiocese.org.au> 8 February 2021 at 16:14
To: Lee Archinal <archinal@ozemail.com.au>
Cc: Terry Shorten <terryngae@hotmail.com>, Stuart Webb <thevicar@portanglican.com>, Philip Crandon <phil_crandon@bigpond.com>, kelley Malaba <kmalaba@eac.nsw.edu.au>, David Ford <fordie@mac.com>

Dear Lee and Working Group Members,

The Working Group's report was included in the meeting papers for Bishop-in-Council held on 4 February.

For your information, the Bishop-in-Council made the following resolution:
"That Bishop-in-Council thanks the Working Group on the future of Anglican Funds Grafton Diocese for its excellent report of 27 January 2021 and endorses the recommendations on page 16 of the report to the Corporate Trustees."

On Wed, 27 Jan 2021 at 12:46, Lee Archinal <archinal@ozemail.com.au> wrote:

> [Quoted text hidden]
>
> [Quoted text hidden]

[Quoted text hidden]

Anglicanfunds GRAFTON DIOCESE

BOARD MEETING DATE:

18/02/2021

No 8 Matters for discussion and/or decision

Item: e

Title: AFGD Budget 2021

No of Pages. 3 incl Header

	Draft 1	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals	
	AFGD Budget 2021 -	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Full Year**	
4-1000	Interest revenue														**Average rate**
4-1010	Interest Received - Investment	10,983	9,884	4,448	2,669	2,135	1,281	1,537	1,230	984	787	630	504	37,071	**0.450%**
4-1020	Interest Received - Borrowers	11,896	12,144	15,517	23,433	25,143	14,503	9,373	9,310	9,247	9,183	9,120	9,057	157,927	**3.800%**
4-1055	Ord Minnett - Listed Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	
4-1056	Ord Minnett - Unlisted Interest	7,557	7,557	7,557	7,557	7,557	7,557	7,557	7,557	7,557	7,557	7,557	7,557	90,689	**2.900%**
4-1057	Loss on sale of Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	
4-2100	Line Fee Income	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	10,854	130,250	recommend monthly accrual
	refer calculation sheet		0												to smooth out P&L
														0	
	Total Income	**41,291**	**40,440**	**38,376**	**44,514**	**45,690**	**34,196**	**29,322**	**28,951**	**28,642**	**28,382**	**28,161**	**27,972**	**415,937**	
			81,731	120,107	164,621	210,311	244,507	273,829	302,780	331,422	359,804	387,965	415,937		
														-	
5-2100	**Interest Paid to Investors**	**16,196**	**14,875**	**9,533**	**7,042**	**8,125**	**8,125**	**8,125**	**8,125**	**8,125**	**8,125**	**8,125**	**8,125**	**112,646**	**0.650%**
	Gross Profit	**25,095**	**25,565**	**28,843**	**37,472**	**37,565**	**26,071**	**21,197**	**20,826**	**20,517**	**20,257**	**20,036**	**19,847**	**303,291**	
6-1000	**Employee benefits expense**	**10,816**	**10,816**	**11,216**	**10,816**	**10,816**	**11,957**	**10,816**	**10,816**	**11,216**	**10,816**	**10,816**	**11,955**	132,877	
6-1100	Provision for Annual Leave	313	313	313	313	313	313	313	313	313	313	313	313	3,756	?
6-1200	Provision for Long Service Leave	-	-	-	-	-	741	-	-	-	-	-	741	1,482	?
6-1300	Salaries and Wages	7,815	7,815	7,815	7,815	7,815	7,815	7,815	7,815	7,815	7,815	7,815	7,815	93,780	
6-1400	Registry Support	1,946	1,946	1,946	1,946	1,946	1,946	1,946	1,946	1,946	1,946	1,946	1,944	23,350	**10% Chris & Darrin**
6-1500	Superannuation	742	742	742	742	742	742	742	742	742	742	742	742	8,909	
6-1600	Staff Training			400			400			400			400	1,600	
6-1700	Fund Manager Vehicle	0	0	0	0	0	0	0	0	0	0	0	0	0	
6-4000	**Other expenses**													0	
6-4200	Advertising	200	200	200	200	200	200	200	200	200	200	200	200	2,400	
6-4300	Audit Fees	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	1,886	22,632	
6-4360	Legal Fees	167	167	167	167	167	167	167	167	167	167	167	163	2,000	
6-4400	WBC Bank charges	560	560	560	560	560	560	560	560	560	560	560	560	6,720	
6-4440	WBC Line of Credit Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	
6-4445	AFSA Line of Credit Charges	417	417	417	417	417	417	417	417	417	417	417	413	5,000	
6-4402	Indue Fees	49	49	49	49	49	49	49	49	49	49	49	47	586	
6-4442	Ord Minnett Brokerage & Advisor Fees	792	792	792	792	792	792	792	792	792	792	792	792	9,504	
6-4410	Consultancy Fees	625	625	625	625	625	625	625	625	625	625	625	625	7,500	
6-4425	Depreciation	123	123	123	123	123	123	123	123	123	123	123	123	1,476	?
6-4412	Donations	0	0	0	0	0	0	0	0	0	0	5,000	0	5,000	
6-4450	AFSA Service Agreement Fees	15,085	15,085	15,085	15,085	15,085	15,085	15,085	15,085	15,085	15,085	15,085	15,086	181,026	
6-4510	Insurance/Workers Comp	136	136	136	136	136	136	136	136	136	136	136	130	1,626	
6-4530	Insurance General Provision	320	320	320	320	320	320	320	320	320	320	320	320	3,840	
6-4600	Meeting expenses	41	41	41	41	41	41	41	41	41	41	41	49	500	
6-4610	Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	
6-4700	Postage	99	99	99	99	99	99	99	99	99	99	99	95	1,184	
6-4800	Printing & stationery	215	215	215	215	215	215	215	215	215	215	215	206	2,571	
6-4900	Rent Victoria Street	433	433	433	433	433	433	433	433	433	433	433	437	5,200	
6-5000	PC Maint & Repairs	250	250	250	250	250	250	250	250	250	250	250	250	3,000	
6-5100	Telephone	120	120	120	120	120	120	120	120	120	120	120	120	1,440	
6-5200	Travel & Accommodation - Board	208	208	208	208	208	208	208	208	208	208	208	212	2,500	
6-5300	Travel & Accommodation - AFGD	100	100	100	100	100	100	100	100	100	100	100	100	1,200	
6-5310	AFGD Staff Expenses Other	53	53	53	53	53	53	53	53	53	53	53	53	636	
	Total Expenses	**32,696**	**32,696**	**33,096**	**32,696**	**32,696**	**33,837**	**32,696**	**32,696**	**33,096**	**32,696**	**37,696**	**33,822**	**400,418**	
	Net Operating Profit	**-7,601**	**-7,131**	**-4,253**	**4,776**	**4,869**	**-7,766**	**-11,499**	**-11,870**	**-12,579**	**-12,439**	**-17,660**	**-13,975**	**-97,127**	
9-2200	**Contrib to Dio of Gtn**	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,400	10,600	125,000	
Net Surplus	**Net Surplus post distribution**	-18,001	-17,531	-14,653	-5,624	-5,531	-18,166	-21,899	-22,270	-22,979	-22,839	-28,060	-24,575	-222,127	
			-35,532	-50,185	-55,809	-61,340	-79,506	-101,405	-123,674	-146,653	-169,492	-197,552	-222,127		

Notes		Draft	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals	Notes		
	Assumptions	AFGD Budget 2021 -	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast				
1	**Interest Received Investments (cash holdings only)**	**FUM**	**$ 21,965,420**	**$ 19,768,878**	**$ 11,861,327**	**$ 7,116,796**	**$ 5,693,437**	**$ 3,416,062**	**$ 4,099,274**	**$ 3,279,420**	**$ 2,623,536**	**$ 2,098,829**	**$ 1,679,063**	**$ 1,343,250**				
		Rate	0.60%	0.60%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%				
		Income	$ 10,983	$ 9,884	$ 4,448	$ 2,669	$ 2,135	$ 1,281	$ 1,537	$ 1,230	$ 984	$ 787	$ 630	$ 504	$ 37,071			
	2020 Actual	Income	35,581	13,062	18,803	8,072	5,513	10,272	13,709	1,393	-726	-1,229	$ 1,209	$ 4,698	$ 110,358			
		FUM	15,468,908	13,579,816	14,615,006	10,148,672	9,150,472	7,235,462	5,140,824	1,235,935	145,286	6,199,605	$ 6,345,451	$ 13,016,176				
2	**Interest Received Borrowers**	**FUM**	**$ 3,756,749**	**$ 3,835,000**	**$ 4,900,000**	**$ 7,400,000**	**$ 7,940,000**	**$ 4,580,000**	**$ 2,960,000**	**$ 2,940,000**	**$ 2,920,000**	**$ 2,900,000**	**$ 2,880,000**	**$ 2,860,000**				
		Rate	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%				
		Income	$ 11,896	$ 12,144	$ 15,517	$ 23,433	$ 25,143	$ 14,503	$ 9,373	$ 9,310	$ 9,247	$ 9,183	$ 9,120	$ 9,057	$ 157,927			
	2020 Actual	Income	$ 76,493	$ 53,483	$ 53,664	$ 57,463	$ 63,117	$ 60,043	$ 69,943	$ 75,935	$ 76,289	$ 74,662	$ 65,869	$ 44,700	$ 771,661			
		FUM	$ 15,186,834	$ 16,319,658	$ 15,654,150	$ 18,553,641	$ 17,834,776	$ 20,654,979	$ 21,218,639	$ 22,494,550	$ 25,560,364	$ 19,215,980	$ 17,058,566	$ 10,871,883				
3	**Interest received Ord Minnett**	FUM	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205	$ 3,127,205		Ord Management		
		Rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%		Fee is in the budget.		
		Income	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 7,557	$ 90,689			$ 285,687
	2020 Actual	Income	$ 30,453	$ 3,720	$ 17,747	$ 31,040	$ 3,709	$ 16,099	$ 25,636	$ 2,740	$ 13,953	$ 16,690	$ -	$ 21,617	$ 183,403			$ 1,065,422
		FUM	$ 5,776,669	$ 5,818,924	$ 5,836,671	$ 5,857,189	$ 5,818,913	$ 5,835,011	$ 5,815,204	$ 5,783,275	$ 4,265,297	$ 4,273,615	$ 4,273,615	$ 3,127,205				
	2021 Asset classes proposed	FUM	$ 28,849,373	$ 26,731,083	$ 19,888,532	$ 17,644,001	$ 16,760,642	$ 11,123,267	$ 10,186,479	$ 9,346,625	$ 8,670,741	$ 8,126,034	$ 7,686,268	$ 7,330,455				
	2020 Asset classes actual	FUM	$ 36,432,411	$ 35,718,398	$ 36,105,827	$ 34,559,503	$ 32,804,161	$ 33,725,452	$ 32,174,667	$ 29,513,760	$ 29,970,948	$ 29,689,200	$ 27,677,632	$ 27,015,264				
5	Interest Paid Investors	**FUM**	**$ 27,764,467**	**$ 25,500,000**	**$ 17,600,000**	**$ 13,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**	**$ 15,000,000**				
		Rate	0.70%	0.70%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%				
		Income	$ 16,196	$ 14,875	$ 9,533	$ 7,042	$ 8,125	$ 8,125	$ 8,125	$ 8,125	$ 8,125	$ 8,125	$ 8,125	$ 8,125	$ 112,646			
	2020 Actual	Income	$ 45,427	$ 42,208	$ 41,938	$ 35,985	$ 33,083	$ 30,829	$ 30,766	$ 28,213	$ 23,547	$ 23,276	$ 18,180	$ 16,055	$ 369,507			
		FUM	$ 34,467,543	$ 35,071,099	$ 33,866,267	$ 31,818,898	$ 30,846,316	$ 31,575,229	$ 30,120,312	$ 28,396,221	$ 27,516,020	$ 27,428,867	$ 25,549,426	$ 24,818,829				

Loan Portfolio Break up

			Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Totals	Notes		
	Term Loans end	FUM	$ 3,800,000	$ 3,750,000	$ 3,700,000	$ 3,650,000	$ 3,600,000	$ 2,000,000	$ 1,980,000	$ 1,960,000	$ 1,940,000	$ 1,920,000	$ 1,900,000	$ 1,880,000				
	New loans	BDC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-				
		EAC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-				
		LAGS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-				
		CVAS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-				
		SCAS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-				
			$ 3,800,000	$ 3,750,000	$ 3,700,000	$ 3,650,000	$ 3,600,000	$ 2,000,000	$ 1,980,000	$ 1,960,000	$ 1,940,000	$ 1,920,000	$ 1,900,000	$ 1,880,000				
	Monthly P&I reductions		$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000				
	Balance		**$ 3,750,000**	**$ 3,700,000**	**$ 3,650,000**	**$ 3,600,000**	**$ 3,550,000**	**$ 1,980,000**	**$ 1,960,000**	**$ 1,940,000**	**$ 1,920,000**	**$ 1,900,000**	**$ 1,880,000**	**$ 1,860,000**				
4	**Line of Credit utilisation**		**Line Fee income**	**Rate**		**Line Fee**												
	Anglican Diocese of Grafton	$ 450,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		4.85%	0.00%
	St Columba Anglican School Council Incor	$ 8,000,000	$ -	$ -	$ 1,000,000	$ 1,500,000	$ 2,000,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 65,000		3.09%	1.00% Assumes facility limit reduced to $6M from 01/04/2021
	Camfar Properties Pty Ltd	$ 190,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		5.53%	0.00%
	Clarence Valley Anglican School	$ 850,000	$ -	$ 135,000	$ 250,000	$ 100,000	$ 190,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,250		5.90%	0.50%
	Anglicare North Coast	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000		5.00%	0.50%
	Emmanuel Anglican College	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
	BDC	$ 6,000,000	$ -	$ -	$ -	$ 2,200,000	$ 2,200,000	$ 2,600,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 60,000		4.16%	1.00%
	Lindisfarne Anglican School	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
		$ 15,690,000	**$ 6,749**	**$ 135,000**	**$ 1,250,000**	**$ 3,800,000**	**$ 4,390,000**	**$ 2,600,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 1,000,000**	**$ 130,250**	**charged quarterly $36,562.50**		**0.98%**
	Limit utilisation		**0%**	**1%**	**8%**	**24%**	**28%**	**17%**	**6%**	**6%**	**6%**	**6%**	**6%**	**6%**	**$ 10,854.17**	**per month**		
															Average return	**3.76%**		**4.74%**
7	**Total Liabilites School portfolio**		**$ 17,440,000**	**$ 17,390,000**	**$ 17,340,000**	**$ 17,290,000**	**$ 17,240,000**	**$ 15,670,000**	**$ 15,650,000**	**$ 15,630,000**	**$ 15,610,000**	**$ 15,590,000**	**$ 15,570,000**	**$ 15,550,000**				
															refer balance by rate end of month for benchmark			
	2020 OD usage actual		$ 6,112,057	$ 7,286,189	$ 6,672,864	$ 9,706,905	$ 9,049,642	$ 8,822,299	$ 9,430,291	$ 10,758,789	$ 13,954,361	$ 7,673,590	$ 9,609,589	$ 7,037,422				
			25%	**29%**	**27%**	**39%**	**37%**	**36%**	**38%**	**43%**	**56%**	**31%**	**44%**	**45%**				
8	**AFSA Fee**		$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 9,000	$ 108,000			
	Expanded Service Agreement		$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 5,833	$ 70,000			
	Total	15,085	$	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,085	$ 15,086	$ 181,026			

BOARD MEETING DATE:

18/02/2021

No 10 Correspondence

In

9/01/2021 – letter of resignation as AFGD Board Member from John Adlington

No of Pages. 2 incl Header

To: Dr Murray Harvey Bishop of Grafton

And

David Ford, Chair of Anglican Funds Grafton Diocese.

9th January 2021

After consideration over a number of months I tender my resignation from the Board of Anglican Funds Grafton Diocese effective immediately.

I appreciate the friendship and working relationships over a number of years but believe it is time, given my age, the direction finances are heading and my lack of enthusiasm moving forward.

Thank you for the opportunities over the years and I wish you all well for the future.

Thank you

John Adlington.

BOARD MEETING DATE:

18/02/2021

No 10 Correspondence

In

21/01/2021 – email correspondence ‘Banking arrangements for the new Parish of Nambucca Valley’.

No of Pages. 4 incl Header

Gmail

Annette Dent <annette.dent@afgd.com.au>

Re: Banking arrangements for the new Parish of Nambucca Valley.

1 message

Chris Nelson <chris.nelson@graftondiocese.org.au> 28 January 2021 at 10:03
To: Dave <davejonesspt@msn.com>
Cc: Clyde & Linda Appleby <lc.appleby@optusnet.com.au>, Kaytrina Jessup <kaytrina.jessup@graftondiocese.org.au>, Annette Dent <office@afgd.com.au>

Thank you Dave.

i will will provide that information to Bishop-in-Council.

On Wed, 27 Jan 2021 at 15:11, Dave <davejonesspt@msn.com> wrote:

> Hi Chris, thanks for your email, first of all with the banking arrangements, Nambucca Heads were using Westpac to be able to bank directly with AFGD, we at Macksville had no Westpac to use and so were given permission to continue using BCU and transferring any surplus funds to AFGD when applicable. Any accounts with AFGD had to be transferred into the new parish name and all funds from both parishes amalgamated into the new parish name. I also believe any deposits made to AFGD will in future be done through Australia Post, not through Westpac as it is now done. Macksville post office informed us ages ago they were not in a position to take the amount of coin that we at Macksville bank.
> Being a new Parish we were trying to amalgamate our funds under the one umbrella, so to speak, so that we could see our financial position fairly quickly and not have to transfer funds from every where to determine what our financial position was.
> BCU have a small type of branch at Bowraville which does not accept deposits, however the Post Office said they would accept deposits from St, James church provided they had a card to direct deposit into an account. We approached BCU, explained our predicament, and they gladly set up a card and an account that was set up specifically for that purpose. Funds are then transferred weekly into the main working account and various sub accounts.
> Blessings
> David Jones
> Interim Treasurer.
>
> **From:** Chris Nelson <chris.nelson@graftondiocese.org.au>
> **Sent:** Wednesday, 27 January 2021 12:48 PM
> **To:** Dave <davejonesspt@msn.com>
> **Cc:** Clyde & Linda Appleby <lc.appleby@optusnet.com.au>; Kaytrina Jessup <kaytrina.jessup@graftondiocese.org.au>; Annette Dent <office@afgd.com.au>
> **Subject:** Re: Banking arrangements for the new Parish of Nambucca Valley.
>
> Hi David,
>
> Thank you for that further information.
>
> I think that the BiC will still be wondering why the arrangements that used to take place at Nambucca Heads need to be changed. Can you explain that?
> Also, could you please comment about Bank@Post?
>
> On Thu, 21 Jan 2021 at 12:48, Dave <davejonesspt@msn.com> wrote:
>
> > Hi Chris,
> > Thank you for your prompt reply, banking arrangements have been made to accommodate Sunday offerings and other monies (St Jimmies Kitchen and blokes brekkie etc) to be banked at Bowraville Post

Office via a card issued from BCU.
Nambucca will bank their offerings and OP-shop funds through the local BCU office in Nambucca which will be credited to the working account with BCU at Macksville.
This morning I explained to Annette Dent that it is not our intention to take funds from AFGD, rather it is our intention to combine the funds from both Parishes so that we get a clear picture of where we stand financially. As in the past, surplus funds to our immediate needs will continue to be banked with AFGD.
Sunday offerings and op-shop takings from Macksville will continue to be banked at the local BCU branch in Macksville.
Kind Regards
David Jones
Interim Treasurer

From: Chris Nelson <chris.nelson@graftondiocese.org.au>
Sent: Thursday, 21 January 2021 10:47 AM
To: Dave <davejonesspt@msn.com>
Cc: Clyde & Linda Appleby <lc.appleby@optusnet.com.au>; Kaytrina Jessup <kaytrina.jessup@graftondiocese.org.au>; Annette Dent <office@afgd.com.au>
Subject: Re: Banking arrangements for the new Parish of Nambucca Valley.

Dear David,

Thank you for this. I will refer this to the next Bishop-in-Council meeting for consideration.

I have some questions for clarification.

Has it been decided that the money handling of the Parish will be done at Macksville only and therefore it is necessary to keep the previous arrangements of the Macksville Parish?
Or will there be money handling done at Nambucca Heads (whether all monies or just the Nambucca Heads monies) that could continue to happen as banking with AFGD through Westpac?
AFGD has flagged that the Westpac branch arrangements will cease and there will be a move to Bank@Post. Does Bank@Post mean that the previous Macksville concerns are now not valid?

On Thu, 21 Jan 2021 at 11:31, Dave <davejonesspt@msn.com> wrote:

> Hi Chris, Clyde & Kaytrina, some time ago it was decided that all banking should be done with AFGD through Westpac. Macksville Parish was given permission to continue their current banking arrangements through B C U as we had no Westpac branch in Macksville, and it was considered too dangerous to let any of our aged congregation take the banking to Nambucca Heads.
> As you may be aware Nambucca Heads do most of their banking with AFGD through their local Wetspac branch. Presently we are preparing to consolidate the banking of both Parishes and once that is done we will decide what funds we can re-invest with AFGD. Annette Dent has asked us if we have been given the same exemption that Macksville Parish had some time ago.
> Therefore on behalf of the Parish of Nambucca Valley I respectfully ask that Bishop in Council grant us exemption to continue banking with BCU and to lodge any surplus funds with AFGD.
>
> Yours In Christ
> David Jones
> Interim Treasurer Nambucca Valley Parish
>
>

--

Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

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Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

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Regards,

Chris Nelson

General Manager/Registrar

Anglican Diocese of Grafton

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BOARD MEETING DATE:

18/02/2021

No 10 Correspondence

In

10/02/2021 – letter via email ‘Interest Rate Review AFGD’ reduction to interest rate on AFGD account 00041173 Monthly Income Account held with AFSA

No of Pages. 2 incl Header

Anglicanfunds SOUTH AUSTRALIA

10th February 2021

Mr David Ford
Chair Anglican Funds Grafton Diocese
50 Victoria Street
Grafton NSW 2460

Dear David,

In this tight interest rate environment AFSA has undertaken a review of its credit interest rates that it pays its investors.

As a result of this review we advise effective 14 days from the date of this correspondence the following interest rate will apply to your existing High Interest Monthly Income Account No: 00041173.

Current rate:
Current RBA Cash Rate 0.10% + a margin of 0.75% = 0.85%pa.

Proposed new rate:
Current RBA Cash Rate 0.10% + a margin of 0.40% = 0.50%pa.

Interest will continue to calculate daily and be paid monthly in arrears.

This account was last reviewed in February 2019 and whilst we have attempted to hold this margin for as long as we could, it is no longer possible in the current market.

The new rate remains very competitive and we would be more than happy to discuss other investment options once AFGD has clarity on its cashflow and liquidity needs.

Yours faithfully

Blaine Fitzgerald
Head of Anglican Funds South Australia

Via email: fordie@mac.com

cc email: office@afgd.com.au

BOARD MEETING DATE:

18/02/2021

No 10 Correspondence

Out

08/02/2021 – Letter of Acknowledgement & Thanks to John Adlington from B-i-C.

No of Pages. 2 incl Header

THE ANGLICAN DIOCESE OF GRAFTON

Chris Nelson Registrar

PO Box 4
GRAFTON
NSW 2460
02 6642 4122
registrar@graftondiocese.org.au

Monday 8 February 2021

Mr John Adlington
jadlington2@gmail.com

Dear John,

Resignation from Anglican Funds Grafton Diocese Board

The Bishop-in-Council meeting of 4 February 2021 noted your resignation from the Board of Anglican Funds Grafton Diocese and resolved to convey their gratitude for your contribution.

On behalf of the Bishop-in-Council, thank you for your generous service that you have provided to the Board since being appointed in 2014.

I wish you well for the future.

Yours in Christ,

Chris Nelson
Registrar/General Manager
Anglican Diocese of Grafton

Cc Mr David Ford, Chair – AFGD Board fordie@mac.com

BOARD MEETING DATE:

18/02/2021

No 10 Correspondence

Out

09/02/2021 – Letter to Anglican Parish of Nambucca Valley – response from B-i-C in regards to banking arrangements.

No of Pages. 2 incl Header

THE ANGLICAN DIOCESE OF GRAFTON

Chris Nelson Registrar

PO Box 4
GRAFTON
NSW 2460
02 6642 4122
registrar@graftondiocese.org.au

Tuesday, 9 February 2021

David Jones
Acting Treasurer
Parish of Nambucca Valley
davejonesspt@msn.com

Dear David,

Parish Request – Banking Arrangements

On Thursday 4 February 2021, the Bishop-in-Council considered your request to use BCU for transactional banking and passed the following motion:

> **That Bishop-in-Council approves the Parish of Nambucca Valley conducting its transactional banking with BCU provided that it also maintains and AFGD account and periodically transfers funds from the BCU account into the AFGD account.**

Yours in Christ,

Chris Nelson
Registrar/General Manager
Anglican Diocese of Grafton

Cc Rev'd Clyde Appleby – Rector, Parish of Nambucca Valley
Mr David Ford – Chair, Anglican Funds Grafton Diocese Board
Ms Annette Dent – Customer Support Officer – Anglican Funds Grafton Diocese