

## **AGENDA 13.1**

# **FINANCIAL REPORTS: FINANCE, AUDIT AND RISK COMMITTEE**

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### **Financial reports for the synodical period**

The Finance Audit and Risk Committee report is included in the General Church Board report (p129). It is pointed out that, while the LCA has moved to a consolidated reporting structure, the departments still provide their individual summarised financial reports as part of their synodical reports.

### **Explanatory notes on financial performance**

The financial results over the past three years are available at p269). This report provides information about the reasons for significant variations from year to year in several income and expenditure areas.

#### **Income**

The financial statements show small changes in income over 2018 to 2020. This primarily reflects decreases in funds from the districts and the cyclical nature of income related to the triennial conventions of General Synod.

#### Appeals donations and requests

The up and down results in this category reflect the cyclical nature of giving at the Churchwide Office level. Primarily these figures reflect donations to the Disaster and Welfare Fund and bequests generously provided by members. The LCA received COVID-19-related JobKeeper monies, which were used as required to meet the salaries of staff, as well as cash-flow boost income.

#### Investment income

This category primarily consists of interest received from funds held on deposit at the LLL, in line with the current investment policy. The LCA income from this source is lower than previous synodical periods due to reductions in the interest rate on LLL deposit accounts.

#### LCA Group income

The primary reason for this variation is because the LCA NSW District generously provided for a tithe sharing their windfall following the sale of their Concord House property at Rhodes. This is in addition to funds provided out of property sale proceeds in the prior synodical period. We are very grateful to the LCA NSW District for these special contributions to support the work of the wider church.

District income is also included in this category. The amount transferred from the Districts to the churchwide office has continued to decline over the past three years, after deducting the additional, one-off income amount received from the LCA NSW District.

The LCA Pastor Transfer and Support Fund is now managed by the Churchwide Office with the costs being directly paid from the LCA rather than through the Districts. This explains the increase in recorded income in this category.

The LCA is now invoicing those parishes in vacancy direct which means a more timely recognition of income, and saves considerable work for the districts in the collection and management of these funds.

The income received into the fund is also in decline. The reductions in 2020, of course, reflect the impact of COVID-19 and that several parishes were unable to meet their commitments.

The expectation is that revenues into the fund will continue to reduce as more parishes make the difficult decision to not call a pastor, or even to close.

## Reimbursements

This income item fluctuates from year to year depending on the level of expenditure incurred by the LCA and then subsequently reimbursed to it, as well as the reporting periods in which the transactions occur.

## Trading income

This records the income for services provided by LCA entities (eg for training and conferences) to other bodies, such as congregations and parishes and individual members.

## **Expenditure**

LCA expenditure has decreased by approximately \$1,350,000, or 13% over the three-year period.

A large proportion of this amount is attributed to the 2020 year because of the reduced travel, consultancy and conference activities due to COVID-19.

There have previously been amounts allocated to project and ministry costs. These are no longer separated out and are included in the appropriate accounting categories.

## **Overall results**

The overall results show surpluses in each year. The extraordinary result in 2020 was primarily attributed to decreased expenditure due to reduced activity during COVID-19.

The accumulated funds will be used to support the ongoing operations of the LCA in the next synodical period.

The departments maintain varying levels of reserves, which reflects the fact approved budgets and related income that is recognised in one year isn't necessarily spent in that year.

The availability of uncommitted cash reserves improved over the three-year period, which has increased the LCA's capacity to meet its obligations and any unexpected adverse events.

## **Balance Sheet**

### Reserves

Where income has been recognised in line with the income policy but has not been fully expended within the reporting period, the balance of the funds is transferred to the appropriate reserve account or into accumulated funds.

This funding is then available to the department or the LCA for use in future years in accordance with the purposes for which the income was given and thereby ensures that the wishes of the donor is honoured.

A comprehensive review of the reserve accounts has been completed in this synodical term and this gives the LCA a clear picture of the available funds. Moreover, it also gives GCB the knowledge about funds that can be reallocated to meet identified should that be needed.

## **LCA Property companies**

In 2004 three companies limited by guarantee were established to hold the land and buildings owned by the LCA. In 2015 these companies were registered as charities with the Australian Charities and Not-for-profit Commission. They are now operating as intended.

The rental income and operational costs of each company are received and paid for by the company.

## **Auditors**

The MRL Group finished its appointment as the LCA's auditor after the completion of the 2018 audit. The LCA records here its thanks to MRL Group for the service it provided to the church over the 12 years it served in this capacity.

The GCB appointed Bentleys SA Partnership as auditor for a three-year period from 2019. Please refer to the GCB report (p87) and Finance Risk and Audit report (p129) for more details.

As a result, the audit report from 2018 prepared by MRL and the audit report from 2019 and 2020 prepared by Bentleys are included in the financial reports following.

**Summary of allocation of income from Districts**

The income from the congregations and parishes is derived from two main sources, as follows:

	2021 Budget	2020 Actual	2019 Actual	2018 Actual
Income via Districts (removing non-budget amounts)	1,150,300	1,311,768	1,792,134	2,285,419
LCA Funds Levy	304,000	357,500	357,000	347,000
Total contribution to LCA	1,454,300	1,669,268	2,149,134	2,632,419

This income is allocated to the LCA budget. The top four ministries by amount supported by the LCA budget (and therefore where congregation/parish income received through the districts are allocated) are as follows:

- Australian Lutheran College (\$1,425,000 in 2018, 2019 and 2021; reduced to \$831,250 in 2020 (only) due COVID induced reductions by Districts. The balance was covered by ALC’s JobKeeper payments and in 2021 this has been reinstated to the full \$1,425,000.
- International Mission (\$500,000 in 2021, 2020, 2019 and 2018)
- Lutheran Archives (\$179,000 in 2021, \$163,000 in 2020, 2019 and 2018)
- Finke River Mission (\$180,000 in 2021, 2020, 2019 and 2018).

The LCA budget must also meet the following expenditure areas:

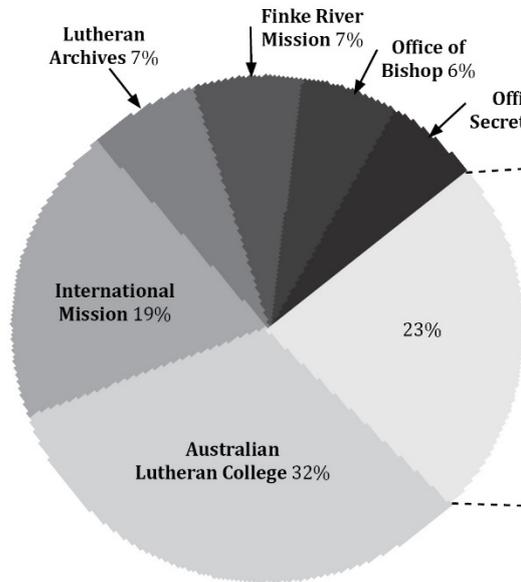
- National Office direct costs (including reception and building)
- Office of the Bishop
- Office of the Secretary
- Boards of the church.

As this indicates, and the graphs below illustrate, the District income primarily supports, but is not enough to fully meet, the expenditure for these four ministry areas. The shortfall is therefore met by way of ‘other income’ derived from a number of sources, most of which are described above.

A key ongoing task for the FAR Committee and the GCB is to explore options for a sustainable funding model, in cooperation with the ministries supported by the LCA, and all those bodies that support the work of the church. See the report from General Church Board (p87) on this matter.

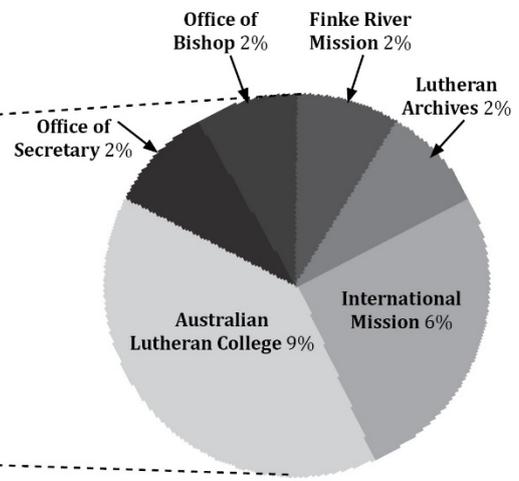
In 2021 the current budget shows ALC funding reverting to its pre-COVID funding level amount of \$1,425,000. This will return the LCA share to be funded from other sources to 45%. It should be noted that the District giving has not yet returned to pre-COVID levels.

# ACTUAL 2020



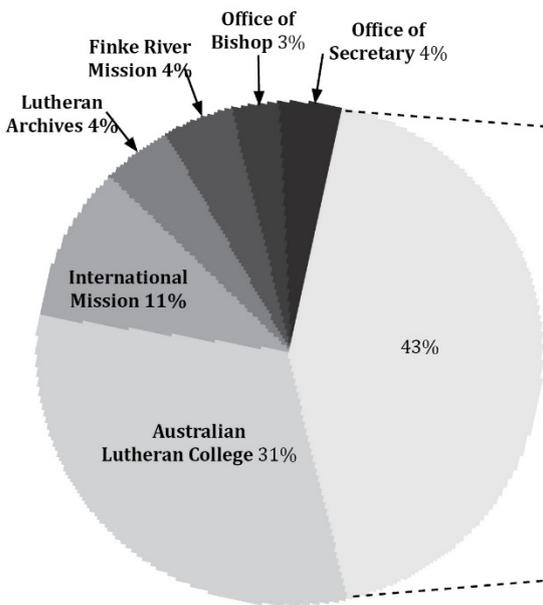
District income allocations

**LCA CORE PAYMENTS**  
 Actual 2020 \$1,999,068  
 District contributions = \$1,542,247  
 LCA Share funded from other sources = \$385,566



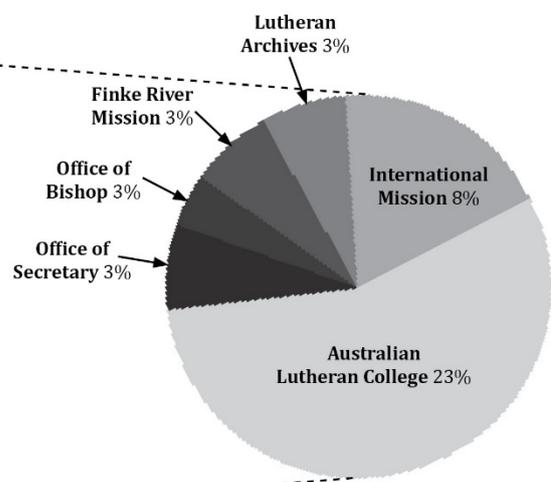
LCA share

# BUDGET 2021



District income allocations

**LCA CORE PAYMENTS**  
 Budget 2021 \$2,579,818  
 District contributions = \$1,454,300  
 LCA Share funded from other sources = \$1,125,518



LCA share

<b>LLL FUNDING</b>	2020	2019	2018
	(Year of allocation; funds are spent the years following)		
<b>LLL grant funding:</b>	<b>2,000,000</b>	<b>1,893,000</b>	<b>1,839,000</b>
<i>LCA Department allocations:</i>			
Child Youth and Family Ministries	254,000	325,000	325,000
Assistant to the Bishop – Reconciliation Ministries	135,000	133,000	250,000
Assistant to the Bishop – Public Theology	120,000	0	0
Cross-Cultural Ministry (formerly Asian Ministry)	150,000	136,000	185,000
Church Worker Support Department	316,000	290,000	219,000
Communications Department	213,000	175,000	110,000
Interim Pastors	50,000	50,000	50,000
Local Mission	167,000	0	22,000
New and Renewing Mission	90,000	0	0
Ministry with the Ageing	15,000	50,000	0
<i>LCA Projects allocations:</i>			
Governance review: - implementation	75,000	60,000	80,000
Child Protection project	75,000	70,000	0
The Lutheran	40,000	40,000	40,000
Constitution review	25,000	75,000	25,000
Convention of Synod	125,000	0	175,000
ALWS – Community Education	107,000	116,000	113,000
Lutheran Bible Translators	20,000	20,000	20,000
Ecclesiastical Discipline Review	0	36,000	0
Implementation of Synod proposals:	0	0	110,604
SharePoint upgrade and revamp; records management	0	0	140,000
LCA Service desk	0	90,000	0
Accounting project	0	95,000	50,000
LCA SANT District Accounting services	0	75,000	0
LCA Qld District governance review	0	50,000	0
LCA Congregational database platform	0	0	35,000
National Church Life Survey (partial)	25,000	0	0
<b>LLL Permanent fund disbursements and interest free grants</b>	<b>2,068,446</b>	<b>2,508,726</b>	<b>2,344,202</b>
<b>LLL special gifts</b>	<b>189,090</b>	<b>200,000</b>	<b>200,000</b>

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**A.B.N. 36 763 133 867**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**STATEMENT BY THE GENERAL CHURCH BOARD**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

The General Church Board has determined that the association is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the policies outlined in Note 1 to the financial statements.

In the opinion of the members of the General Church Board of Lutheran Church of Australia Incorporated:

- (a) The accompanying Income and Expenditure Statement, Balance Sheet and Notes to the financial statements present fairly the financial position of the Lutheran Church of Australia Incorporated as at 31 December 2020 and its performance for the year ended on that date.
- (b) At the date of this statement there are reasonable grounds to believe that the Lutheran Church of Australia Incorporated will be able to pay its debts as and when they fall due.
- (c) No officer or no firm of which an officer is a member or no corporation in which an officer has a substantial financial interest has received or become entitled to receive a benefit as a result of a contract between the officer, firm or corporation and the Lutheran Church of Australia Incorporated.
- (d) No officer has received directly or indirectly any payment or other benefit of a pecuniary value other than regular remuneration payments to employees.
- (e) The financial statements satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with a resolution of the General Church Board and subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

JOHN HENDERSON

Bishop and Chairperson

MELVIN ZERNER

Member and Chairperson of  
Finance Audit and Risk Committee

Date: 28<sup>th</sup> day of April 2021

**INDEPENDENT AUDIT REPORT TO THE MEMBERS  
LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**INDEPENDENT AUDITORS REPORT**

**FOR THE YEARS ENDED  
31 DECEMBER 2019 and 2020**

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

***Opinion***

We have audited the financial report of Lutheran Church of Australia Inc. which comprises the balance sheet as at 31 December 2020, the consolidated income and expenditure statement, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and statement by the General Church Board.

In our opinion the financial report of Lutheran Church of Australia Inc. has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the registered entity's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and Division 60 the *Australian Charities and Not-for-profits Commission Regulation 2013*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the registered entity in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

***Emphasis of Matter - Basis of Accounting***

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the registered entity's financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

***General Church Board's Responsibility for the Financial Report***

The General Church Board is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act and the needs of the members. The General Church Board's responsibility also includes such internal control as the entities determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the General Church Board is responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

### **BENTLEYS SA AUDIT PARTNERSHIP**

David Francis

Partner

Dated at Adelaide, South Australia, this 14<sup>th</sup> day of May 2021

### **LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**A.B.N. 36 763 133 867**

### **AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the General Church Board of Lutheran Church of Australia Inc.

As the audit partner for the audit of the financial report Lutheran Church of Australia Inc. for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Australian Charities and Not for Profits Commission Act 2012* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Yours sincerely

BENTLEYS SA AUDIT PARTNERSHIP

David Francis

Partner

**INDEPENDENT AUDIT REPORT TO THE MEMBERS  
LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**INDEPENDENT AUDITORS REPORT**

**FOR THE YEAR ENDED  
31 DECEMBER 2018**

***Opinion***

We have audited the accompanying financial report, being a special purpose financial report, of the Lutheran Church of Australia Incorporated, which comprises the balance sheet as at 31 December 2018, and the consolidated income and expenditure statement, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by the General Church Board.

In my opinion the financial report of the Lutheran Church of Australia is in accordance with Division 60 of the Australian Charities and Not-for Profits Commission Act 2012 including:

- Giving a true and fair view of Lutheran Church of Australia Incorporated 's financial position as at 31 December 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- Complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the Australian Charities and Not-for Profits Commission Act 2012

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Association in accordance with the auditor independence requirements of the Australian Charities and Not-for Profits Commission Act 2012 (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the code.

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

***Responsibilities of the General Church Board for the Financial Report***

The General Church Board is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act. The members' responsibility also includes such internal control as the responsible entities determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Report***

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

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Associations internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Associations ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair representation.

We communicate with the General Church Boards regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MRL Group PTY Ltd

Chartered Accountants

Mark LeCornu

Director

Adelaide 14<sup>th</sup> day of June 2019.

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**DIRECTORS' DECLARATION**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of Lutheran Church of Australia Incorporated declare that, in the directors' opinion:

- a. The financial statements and notes as set out in pages 8 to 21 are in accordance with the requirements of the ACNC Act and:  
Comply with Accounting Standards as described in Note 1 to the financial statements;  
and
  - b. Give a true and fair view the associations financial position as at 31 December 2020 and of its performance for the year ended on that date.
2. In the Director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subsection 60.15 (2) of the ACNC Regulations 2013.

Signed in Adelaide this 28<sup>th</sup> day of April 2021 in accordance with a resolution of the Board of Directors.

JOHN HENDERSON

Bishop and Chairperson

MELVIN ZERNER

Member and Chairperson of  
Finance Audit and Risk Committee

Date: 28<sup>th</sup> day of April 2021

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**INCOME AND EXPENDITURE STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$	2019 \$	2018 \$
<b>INCOME</b>				
Appeals, donations and bequests	1(c)	1,318,405	1,090,773	1,362,688
Investment and rental income		316,315	420,131	403,322
Government Grants		1,758,942	21,563	0
Lutheran Church group income	1(b)	8,447,958	9,748,184	12,126,966
Reimbursements		43,087	6,963	29,909
Trading income		487,103	717,151	503,983
		—————	—————	—————
<b>TOTAL INCOME</b>		<b>12,371,810</b>	<b>12,004,765</b>	<b>15,004,371</b>
		—————	—————	—————
<b>LESS: EXPENDITURE</b>				
Administration costs		918,910	829,183	1,120,395
Asset costs		263,368	279,370	381,201
Australian Lutheran College subsidies		831,250	1,425,000	1,425,000
Consulting expenses		577,620	604,727	770,202
Depreciation expense		141,690	127,160	114,948
Employee expenditure	1(d)	5,771,948	5,356,410	5,248,861
Governance costs		62,238	157,794	128,652
Grants paid		1,365,678	1,662,786	792,722
Promotion and marketing		496,659	596,645	645,261
Synod and Pastors' conference expenditure		0	0	711,314
Travelling expenses		152,792	617,737	591,411
		—————	—————	—————
<b>TOTAL EXPENDITURE</b>		<b>10,582,153</b>	<b>11,656,812</b>	<b>11,929,967</b>
		—————	—————	—————
<b>SURPLUS FOR THE YEAR</b>				
<b>PRIOR TO RESERVE &amp; FUNDS TRANSFERS</b>		<b>1,789,657</b>	<b>347,953</b>	<b>3,074,404</b>
Plus (Less): Transfers from (to) reserves and funds		(88,488)	(155,776)	(3,032,937)
		—————	—————	—————
<b>NET SURPLUS FOR THE YEAR</b>		<b><u>1,701,169</u></b>	<b><u>192,177</u></b>	<b><u>41,467</u></b>

The accompanying notes form part of these financial statements

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**SPECIAL PURPOSE FINANCIAL STATEMENTS  
BALANCE SHEET AS AT 31 DECEMBER 2020**

	Note	2020 \$	2019 \$	2018 \$
<b>CURRENT ASSETS</b>				
Cash assets	2	18,442,795	16,665,449	16,149,688
Trade and other receivables	3	561,828	480,843	501,182
Other assets	4	194,656	49,306	164,683
		_____	_____	_____
<b>TOTAL CURRENT ASSETS</b>		<b>19,199,280</b>	<b>17,195,598</b>	<b>16,815,553</b>
		_____	_____	_____
<b>NON-CURRENT ASSETS</b>				
Property, plant, and equipment	5	2,504,248	2,739,091	2,572,882
		_____	_____	_____
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,504,248</b>	<b>2,739,091</b>	<b>2,572,882</b>
		_____	_____	_____
<b>TOTAL ASSETS</b>		<b>21,703,528</b>	<b>19,934,688</b>	<b>19,388,435</b>
		_____	_____	_____
<b>CURRENT LIABILITIES</b>				
Trade and other payables	6	209,281	295,062	365,365
Specific funds held	7	9,965,575	9,518,460	9,339,118
Provisions	8	614,862	522,873	543,233
Borrowings	9	8,485	7,612	6,110
		_____	_____	_____
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,798,203</b>	<b>10,344,007</b>	<b>10,253,826</b>
		_____	_____	_____
<b>NON-CURRENT LIABILITIES</b>				
Provisions	8	269,107	238,516	247,804
Borrowings	9	58,152	66,633	74,245
		_____	_____	_____
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>327,259</b>	<b>305,149</b>	<b>322,049</b>
		_____	_____	_____
<b>TOTAL LIABILITIES</b>		<b>11,125,462</b>	<b>10,649,156</b>	<b>10,575,875</b>
		_____	_____	_____
<b>NET ASSETS</b>		<b><u>10,578,066</u></b>	<b><u>9,285,533</u></b>	<b><u>8,812,560</u></b>
<b>EQUITY</b>				
Accumulated funds	10	5,451,226	3,818,076	3,735,705
Reserves	11	5,126,840	5,467,457	5,076,855
		_____	_____	_____
<b>TOTAL EQUITY</b>		<b><u>10,578,066</u></b>	<b><u>9,285,533</u></b>	<b><u>8,812,560</u></b>

The accompanying notes form part of these financial statements

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**SPECIAL PURPOSE FINANCIAL REPORT**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Accumulated Funds \$</b>	<b>Reserves \$</b>	<b>Total Funds \$</b>
<b>Balance as at 1 January 2018</b>	<b>3,498,987</b>	<b>3,872,924</b>	<b>7,371,917</b>
Surplus	41,467	0	41,467
Net transfers from (to) reserves and funds	0	0	0
Net movement in Departmental Funds and Reserves	195,251	1,112,442	1,307,693
	—————	—————	—————
<b>Balance as at 1 January 2019</b>	<b>3,735,705</b>	<b>4,985,366</b>	<b>8,721,071</b>
Surplus	347,953	0	347,953
Net transfers from (to) reserves and funds	(155,776)	0	(155,776)
Net movement in Departmental Funds and Reserves	396,551	482,091	878,642
Transfer of manse fund to LCA Property Ltd	(506,357)	0	(506,357)
	—————	—————	—————
<b>Balance as at 1 January 2020</b>	<b>3,818,076</b>	<b>5,467,457</b>	<b>9,285,533</b>
Surplus	1,789,657	0	1,789,657
Net transfers from (to) reserves and funds	(88,488)	0	(88,488)
Net movement in Departmental Funds and Reserves	(68,019)	(340,617)	(408,636)
	—————	—————	—————
<b>Balance as at 31 December 2020</b>	<b>5,451,226</b>	<b>5,126,840</b>	<b>10,578,066</b>

The accompanying notes form part of these financial statements.

**LUTHERAN CHURCH OF AUSTRALIA INCORPORATED**

**SPECIAL PURPOSE FINANCIAL REPORT**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from ordinary activities		9,304,910	10,150,906	12,248,545
Government Grants received		1,471,542	21,563	0
Donations and legacies received		1,318,405	1,112,336	1,362,688
Investment income received		316,315	426,859	403,322
Other income		198,182	320,168	1,111,395
Payments to suppliers and employees		(10,743,390)	(11,325,724)	(12,123,816)
		_____	_____	_____
<b>Net cash provided by operating activities</b>	<b>12</b>	<b>1,865,964</b>	<b>706,108</b>	<b>3,002,134</b>
		_____	_____	_____
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property			506,357	0
Payment for property, plant, and equipment		(81,006)	(184,831)	(504,023)
		_____	_____	_____
<b>Net cash (used in) provided by investing activities</b>		<b>(81,006)</b>	<b>322,120</b>	<b>(504,023)</b>
		_____	_____	_____
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Net funding (from) reserves		0	0	0
Repayment of borrowings		(7,612)	(6,110)	12,500
Transfer to LCA Property		0	(506,357)	0
		_____	_____	_____
<b>Net cash (used in) financing activities</b>		<b>(7,612)</b>	<b>(512,467)</b>	<b>(12,500)</b>
		_____	_____	_____
Net increase in cash and cash equivalents held		1,777,346	515,761	2,485,611
Cash and cash equivalents at beginning of year		16,665,449	16,149,688	13,664,077
		_____	_____	_____
<b>Cash and cash equivalents at end of year</b>		<b><u>18,442,795</u></b>	<b><u>16,665,449</u></b>	<b><u>16,149,688</u></b>

The accompanying notes form part of these financial statements.

# LUTHERAN CHURCH OF AUSTRALIA INCORPORATED

## SPECIAL PURPOSE FINANCIAL REPORT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### NOTE 1

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF PREPARATION

The General Church Board have prepared the financial statements on the basis that the Entity is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*. The Entity is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared in accordance with the requirements of the *ACNC ACT* and the following Australian Accounting Standards:

AASB 101	Preparation of Financial Statements
AASB 107	Statement of Cash flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048	Interpretation of Standards
AASB 1054	Australian Additional Disclosures

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specially stated, current valuations of non-current assets.

The following material accounting policies and information, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

##### ACCOUNTING POLICIES

###### (a) Scope of the financial accounts

The financial statements report the income and expenditure of the Church pertaining to its core objects and ministries. The financial accounts also include the assets, liabilities and equity of various Boards, Departments and activities of the Church including the following:

- International Mission
- Local Mission
- Lutheran Media Ministry
- Lutheran Archives
- Church Worker Support Department
- Child, Youth & Family Ministry
- Lutheran Bible Translators Australia
- LCA Subscriptions.

The financial accounts do not report on activity of the Church that is outside of the scope of the above ministries and core budget. This includes some specific funds and unincorporated entities such as the LCA Insurance, LCA Pension Fund, various gift funds, Finke River Mission and Australian Lutheran World Service. Separate financial reporting

takes place for these activities outside of these financial accounts and is subject to independent audit.

The LCA has a constitutional linkage to a range of organisations and entities that are separate legal entities. Separate financial reports are prepared for these legal entities at law and no consolidation with the LCA is required. This includes Australian Lutheran College Limited and Lutheran Education Australia Limited.

**(b) Lutheran Church group income**

The label given to 'Lutheran Church group income' in the income and expenditure statement comprises the following:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Income from Districts	1,311,768	1,792,134	4,285,419
LCA Levy Fund Grants	357,500	357,000	347,000
LCA Insurance	726,500	773,449	634,000
LLL Grants and allocations	4,257,536	4,601,726	4,383,202
Transfer Fund	875,213	1,233,178	1,374,782
All other income	919,441	990,697	1,102,563
	—————	—————	—————
	<b>8,447,958</b>	<b>9,748,184</b>	<b>12,126,966</b>
	—————	—————	—————

Lutheran Church of Australia recognises income in profit or loss for the excess of the initial carrying amount of an asset over the related amounts recognised except when other methods of recognition in accordance with others Australian Accounting Standards apply.

The 'related amounts' recognised represent specific fund liabilities or accumulated funds/reserves determined based on the nature and purpose of each fund received. The details of the 'related amounts' are disclosed in Notes 7 (Specific Funds), Note 10 (Accumulated Funds) and Note 11 (Reserves)

During 2020, Lutheran Church of Australia did not receive any transfers to enable the association to acquire or construct a recognisable non-financial asset to be controlled by the entity.

Lutheran Church of Australia receives volunteer services for various functions which cannot be measured reliably. The association do not consider that it is reliant on these volunteer services to run its operations. The association would not have purchased these services have they had not been donated. As a matter of accounting policy, the association do not recognise in its revenues and expenses volunteer services.

**(c) Appeals, donations and bequests**

Income classified as appeals, donations and bequests includes systematic appeals run by the Church together with unsolicited donations and bequests from constituents. It also includes on a net basis those moneys that are gifted for a specified or earmarked recipient that the Church has passed on to the nominated recipient.

**(d) Employee expenditure**

Employee expenditure includes salaries and wages together with employee entitlements and on-costs. This expense category also includes specific costs in relation to transfer fund activities and pastoral relocation costs.

**(e) Income tax**

The Church is exempt from income tax under the Income Tax Assessment Act, 1936 and Income Tax Assessment Act, 1997 as amended.

**(f) Cash assets**

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to amounts of cash and which are subject to an insignificant risk of changes in value.

The Church holds its cash assets in a cheque account with ANZ Bank Ltd together with numerous accounts with the Lutheran Laypeople's League of Australia Limited. These moneys are largely committed for specified purposes including provisions, special funds, borrowings and reserves of the Church as disclosed at notes 7, 8, 9 and 11 (refer also paragraph (h), (i) and (j) below). The Church discloses its cash assets as 'committed' and 'uncommitted'. Committed cash assets represent those moneys that support special funds and reserves of the Church as noted above. Refer Note 2 in relation to these disclosures.

**(g) Provisions**

Provision is made for employee entitlements in the form of annual leave and long service leave and for which the LCA is directly responsible. Annual leave and Long Service Leave provisions are made for all relevant staff.

**(h) Specific funds held**

Moneys classified as specific funds held at Note 7 include funds of the Church and its Departments for which there are future commitments or specified purposes. This includes funding held for future purposes, specified missional funds, deductible gift recipient moneys and funds that are managed according to specific rules or policies. It also includes moneys held on behalf of associated groups.

These moneys represent future commitments and obligations and are accordingly disclosed as liabilities of the Church.

**(i) Property, plant, and equipment**

**Property**

The properties of the Church disclosed in these accounts are those held in the name of the Church and are used for specific ministry purposes of the Church. Other property occupied by the Church is held by the LCA Property Limited, a public company limited by guarantee, and are disclosed in the financial accounts of that entity.

Freehold land and buildings held by the company as at 31 December 2019 were revalued in accordance with the value purported by the Valuer General of Queensland for the year ended 31 December 2019. It is considered most appropriate to record property at the Valuer General's valuation in the absence of a market value available for the property held.

On 1 November 2019, the property at 3/33 Hassold St, Corinda Queensland, was revalued by an independent valuer, Matthews Real Estate. The revaluation resulted in a decreased value of \$48,727.

Gains and losses on disposals of property are determined by comparing proceeds with the carrying amount. These gains or losses are included in income and expenditure. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surpluses.

## Property improvements

Property improvements consist of building works which the LCA occupies.

## Plant and equipment

The LCA has adopted a policy for recognising depreciable assets whereby individual assets of \$500 or more are subject to depreciation, apart from art works which are not depreciated. Acquisitions of assets below \$500 are expensed.

### (j) Property, plant, and equipment (continued)

#### Depreciation rates

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset %	Depreciation rate
Furniture and fittings	10.0
Computer and office machinery	10.0 to 25%
Property improvements	2.0

### (k) Comparative information

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

	2020	2019	2018
	\$	\$	\$
<b>NOTE 2</b>			
<b>CASH ASSETS</b>			
<i>Funds held as:</i>			
Cash on hand	1,726	300	300
Cash at bank	21,597	28,209	118,903
Cash on deposit at the LLL	18,419,472	16,636,940	16,030,485
	_____	_____	_____
<b>TOTAL CASH ASSETS</b>	<b><u>18,442,795</u></b>	<b><u>16,665,449</u></b>	<b><u>16,149,688</u></b>
<i>Dissected as:</i>			
Cash Assets – Uncommitted	3,457,777	2,619,611	1,060,752
Cash Assets – Committed	14,985,018	14,045,838	15,088,936
	_____	_____	_____
<b>TOTAL CASH ASSETS</b>	<b><u>18,442,795</u></b>	<b><u>16,665,449</u></b>	<b><u>16,149,688</u></b>
<b>NOTE 3</b>			
<b>TRADE AND OTHER RECEIVABLES</b>			
Trade and sundry debtors	553,376	480,843	478,915
Tax receivables	8,453	0	22,267
	_____	_____	_____
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b><u>561,829</u></b>	<b><u>480,843</u></b>	<b><u>501,182</u></b>

	2020	2019	2018
	\$	\$	\$
<b>NOTE 4</b>			
<b>OTHER ASSETS</b>			
Prepayments	13,350	(2,783)	50,485
HRS funds to be recovered (repaid)	(14,073)	24,675	30,518
Loan to LCA Property Ltd	138,866	23,900	78,666
Loan to LCA Archives Ltd	53,000	0	1,500
Other financial assets	3,514	3,514	3,514
	_____	_____	_____
<b>TOTAL OTHER ASSETS</b>	<b><u>194,656</u></b>	<b><u>49,306</u></b>	<b><u>164,683</u></b>
<b>NOTE 5</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
<b>PROPERTY</b>			
Property at valuation	1,462,860	1,462,860	885,000
Property at cost	0	0	480,714
Property improvements at cost	490,220	502,933	468,940
Less accumulated depreciation	(88,772)	(74,795)	(70,559)
	_____	_____	_____
<b>TOTAL PROPERTY</b>	<b>1,864,308</b>	<b>1,890,998</b>	<b>1,764,095</b>
<b>PLANT AND EQUIPMENT</b>			
Furniture and fittings	510,043	530,545	494,883
Less accumulated depreciation	(244,520)	(194,757)	(143,042)
	_____	_____	_____
	<b>265,523</b>	<b>335,788</b>	<b>351,841</b>
	_____	_____	_____
Computer and office machinery	519,136	713,013	585,374
Less accumulated depreciation	(149,619)	(205,608)	(133,328)
	_____	_____	_____
	<b>369,517</b>	<b>507,405</b>	<b>452,046</b>
	_____	_____	_____
Artwork, at valuation	4,900	4,900	4,900
	_____	_____	_____
<b>TOTAL PLANT AND EQUIPMENT</b>	<b>639,940</b>	<b>848,093</b>	<b>808,787</b>
	_____	_____	_____
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b><u>2,504,248</u></b>	<b><u>2,739,091</u></b>	<b><u>2,572,882</u></b>

	2020	2019	2018
	\$	\$	\$
<b>NOTE 6</b>			
<b>TRADE AND OTHER PAYABLES</b>			
Trade and sundry creditors	209,281	284,933	365,365
Tax payables	0	101,290	0
	_____	_____	_____
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b><u>209,281</u></b>	<b><u>295,062</u></b>	<b><u>365,365</u></b>

**NOTE 7**  
**SPECIFIC FUNDS HELD**

***Funds of the Church***

ALC succession planning fund	120,848	126,303	76,303
Disaster and Welfare fund	284,180	288,789	696,190
Interim Pastors fund	97,031	64,083	(35,917)
LCA Transfer fund	2,915,412	2,870,791	2,495,870
Scholarship fund	420,642	365,022	397,686
Special Ministry Fund	368,865	349,553	0
Vicarage permanent fund	134,221	131,853	140,126

***Funds of the Departments***

Child Youth and Family Ministry leadership training fund	0	0	20,828
Church Worker LSL Fund	131,392	134,135	135,075
Church Worker Support Department – Training grants	39,240	39,240	39,240
Commission on Worship DSAD project funds	32,165	0	0
Executive Officer's allocation	130,647	149,572	334,269
LCA Mission Fund	369,853	369,853	369,853
Lutheran Archives fund	452,087	529,831	268,687
Lutheran Archives trust account	187	1,785	233,829
Ministry with the Ageing	127,705	140,672	21,417
New & Renewing and Cros-Cultural Fund ex CERF	200,000	200,000	200,000
Pastors Conference provision	70,178	44,178	19,159
Professional Standards Department allocation	245,775	231,211	216,415
Special gifts for special purposes	3,621,492	3,244,411	3,445,186
Suomi Conference fund	10,510	10,510	10,510
50.500 Project fund	124,793	158,305	183,482

***Other Funds***

Aboriginal training fund	20,847	20,847	20,487
Contribution for legal costs	10,000	10,000	10,000
Graduates fund	36,289	36,290	36,290
Jordan Vicar Fund	1,216	1,216	3,773
	_____	_____	_____

<b>TOTAL SPECIFIC FUNDS HELD</b>	<b><u>9,965,575</u></b>	<b><u>9,518,460</u></b>	<b><u>9,339,118</u></b>
----------------------------------	-------------------------	-------------------------	-------------------------

	2020	2019	2018
	\$	\$	\$
<b>NOTE 8</b>			
<b>PROVISIONS</b>			
Annual leave provision	441,272	317,969	378,865
Long service leave provision	442,698	443,420	412,172
	_____	_____	_____
<b>TOTAL PROVISIONS</b>	<b><u>883,969</u></b>	<b><u>761,389</u></b>	<b><u>791,037</u></b>
<i>Dissected as:</i>			
Current year liability	614,862	522,873	543,233
Long term liability	269,107	238,516	247,804
	_____	_____	_____
<b>TOTAL PROVISIONS</b>	<b><u>883,969</u></b>	<b><u>761,389</u></b>	<b><u>791,037</u></b>
<b>NOTE 9</b>			
<b>BORROWINGS</b>			
Current year liability	8,485	7,612	6,110
Long term liability	58,152	66,633	74,245
	_____	_____	_____
<b>TOTAL BORROWINGS</b>	<b><u>66,637</u></b>	<b><u>74,245</u></b>	<b><u>80,355</u></b>
<b>NOTE 10</b>			
<b>ACCUMULATED FUNDS</b>			
LCA Churchwide Office	2,644,603	943,434	1,261,000
Church Worker Support Department	588,725	603,326	454,936
Lutheran Archives	374,870	374,870	374,870
Child, Youth and Family Ministry	169,404	176,052	120,048
LCA Subscriptions	235,183	258,399	220,347
Lutheran Bible Translators Australia	58,362	52,616	(90,058)
New and Renewing Ministry	314,506	235,261	312,715
International Mission	1,065,573	1,174,118	1,081,847
	_____	_____	_____
	<b><u>5,451,226</u></b>	<b><u>3,818,076</u></b>	<b><u>3,735,705</u></b>
<b>NOTE 11</b>			
<b>RESERVES</b>			
Asset revaluation	722,467	848,016	393,883
Borgfeldt Estate Legacy reserves	684,790	684,790	669,599
Specific Legacy reserves	1,421,804	1,413,062	1,763,352
General Legacy reserves	707,551	502,127	226,843
NSW Grant Income reserve	1,590,228	2,019,462	2,023,178
	_____	_____	_____
<b>TOTAL RESERVES</b>	<b><u>5,126,840</u></b>	<b><u>5,467,457</u></b>	<b><u>5,076,855</u></b>

	2020 \$	2019 \$	2018 \$
<b>NOTE 12</b>			
<b>RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH SURPLUS</b>			
Surplus from operations	1,701,169	192,177	41,467
Non-cash flows in surplus			
- Depreciation	141,690	127,160	114,948
- Loss on disposal of plant and equipment	36,624	0	0
- Gain on sale of property	0	(160,763)	0
Changes in assets and liabilities			
- Increase (Decrease) in trade and other receivables	(80,955)	78,238	(273,472)
- (Decrease) Increase in prepayments and other assets	(145,350)	(415)	57,449
- (Decrease) Increase in trade payables and accruals	(87,781)	(12,410)	93,871
- Increase in provisions and special purpose funds	581,676	54,228	2,968,871
- Increase (decrease) in accumulated funds and reserves	(283,083)	427,892	0
	_____	_____	_____
<b>Cash-flows from operations</b>	<b>1,865,964</b>	<b>706,108</b>	<b>3,0021,134</b>
	_____	_____	_____

**NOTE 13**  
**CONTINGENT LIABILITIES**

The Lutheran Laypeople's League of Australia Limited (LLL) provides financial support to the LCA and its umbrella entities through the provision of finance and services. The LCA provides a general guarantee of repayment and indemnity against loss to the LLL in relation to all borrowings provided to the LCA and its related bodies.

The primary responsibility for repayment of loans rests with the borrowing entities of the LCA as authorised by each District of the Church. This responsibility is supported by significant property assets and other moneys together with a hierarchal guarantee for which each District of the Church takes responsibility.

In some instances, the LCA has a primary guarantee of repayment to the LLL in relation to some borrowings. As at the time of signing the audit report, the Church had provided guarantees to the LLL in respect of loans provided by LLL for:

- LCA Pension Fund	2,590,651	2,696,032	2,832,926
- LCA Car Loans	444,952	473,197	488,323
	_____	_____	_____
	<b><u>3,035,603</u></b>	<b><u>3,169,229</u></b>	<b><u>3,321,249</u></b>

As at the time of signing the audit report, the LCA is not aware of any circumstance that would require it to meet any material liability to the LLL under its guarantee of repayment and indemnity against loss provided.

The LCA also acts as guarantor for certain borrowings of Lutheran Schools and Colleges which are predominantly provided by Westpac Banking Corporation Limited together with other institutions. These borrowings are supported by first mortgages provided by each Lutheran School or College under the auspices of Lutheran Education Australia Limited and its state-based affiliates. At the time of signing the audit report there are no grounds to believe that any guarantee provided by the LCA to Westpac Banking Corporation or any other lender is in anyway likely to result in financial loss to the LCA.

The Lutheran Church of Australia Inc and other nominated members of the participating group have agreed to participate in the National Redress Scheme for Institutional Child Sexual Abuse (“the Scheme”).

LCA Insurance has been identified as the entity through which the Lutheran Church of Australia will levy the participating members in order to fund and pay any claims that are made and agreed to under the Scheme. LCA Insurance have collected \$1,473,023 to 30 June 2020 and have been instructed to disburse \$691,521 up to 28 February 2021. There are additional claims currently under consideration with the Australian Commonwealth Department of Social Services as the operators of the Scheme. Further claims will be received over the life of the Scheme and these will result in further payments from LCA insurance and if necessary Lutheran Church of Australia Inc and other participating group members.

The General Church Board is continuing to monitor the effect of COVID-19 on district and other income to ensure there is no adverse effect on the financial viability of Lutheran Church of Australia Inc.

#### **NOTE 14 ENTITY DETAILS**

The registered office and the principal place of business of the entity is 197 Archer Street, North Adelaide SA 5006.