**agenda 14.2**

**Financial Report: Lutheran Church of Australia Inc**

**SPECIAL PURPOSE FINANCIAL REPORT**

 **FOR THE PERIODS ENDED 31 DECEMBER 2015 to 2017**

**CONTENTS**

Statement by the General Church Council

Independent Auditor’s report

Consolidated Income and Expenditure Statement

Balance Sheet

Statement of Changes in Equity

Statement of Cash Flow

Notes to the Financial Statements

Segment Report

**STATEMENT BY THE GENERAL CHURCH COUNCIL**

The General Church Council 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.

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

* 1. 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 2017 and its performance for the year ended on that date.
	2. 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.
	3. 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.
	4. No officer has received directly or indirectly any payment or other benefit of a pecuniary value other than regular remuneration payments to employees.
	5. 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 Council and subsection 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

By Bishop John Henderson and Mel Zerner, as Members of General Church Council on 15 June 2018

**INDEPENDENT AUDITORS REPORT**

**Opinion**

We have audited the accompanying financial report, being a special purpose financial report, of Lutheran Church of Australia Incorporated, which comprises the balance sheet as at 31 December 2017, 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 Council.

In my opinion the financial report of the Lutheran Church of Australia Incorporated 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 2017 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 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 Association in accordance with the auditor independence requirements of 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 Council for the Financial Report**

The General Church Council are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the 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 Council are 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 Council either intend to liquidate the Association 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 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the 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 presentation.

We communicate with the General Church Council 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 (Adelaide)

Mark LeCornu - Director

15th day of June 2018

**LCA CONSOLIDATED**

**INCOME AND EXPENDITURE STATEMENT**

**FOR THE PERIODS ENDING 31 DECEMBER**

 **Note 2017 2016 2015**

 **$ $ $**

**INCOME**

Appeals, donations and bequests 1,342,935 2,127,133 1,435,392

Investment and rental income 722,915 415,775 548,120

Lutheran Church group income 1(B) 8,752,467 9,511,193 7,416,801

Reimbursements 203,474 278,504 320,117

Trading income 588,128 454,867 540,459

**TOTAL INCOME 11,609,919 12,787,472 10,260,889**

**LESS: EXPENDITURE**

Administration costs 561,225 487,074 435,906

Asset costs 213,375 238,863 353,582

Australian Lutheran College subsidies 1,425,000 1,400,000 1,400,000

Consulting expenses 520,700 484,237 440,361

Depreciation expense 100,564 105,742 40,218

Employee expenses 4,137,739 4,010,067 3,230,381

Governance costs 335,853 221,237 219,987

Ministry expenses 2,188,769 2,252,431 1,460,792

Project costs 1,648,515 1,101,955 1,825,982

Promotion and marketing 324,762 373,305 314,022

Travelling expenses 341,304 441,248 470,451

**TOTAL EXPENDITURE 11,797,806 11,116,159 10,151,464**

**SURPLUS (DEFICIT) FOR THE YEAR PRIOR TO**

**RESERVE & EQUITY TRANSFERS** (187,887) 1,671,313 109,425

Less: Transfers to equity and reserves 73,847 (1,765,672) (180,958)

**NET (DEFICIT) FOR THE YEAR $(114,040) $ (94,359) $(71.533)**

The accompanying notes form part of these financial statements.

**BALANCE SHEET**

**FOR THE PERIODS ENDING 31 DECEMBER**

 **Note 2017 2016 2015**

**CURRENT ASSETS**

Cash assets 2 13,664,077 12,946,871 11,338,783

Trade and other receivables 3 227,710 552,239 233,332

Other assets 4 218,618 204,400 237,793

**TOTAL CURRENT ASSETS 14,110,405 13,703,510** 11,809,908

**NON-CURRENT ASSETS**

Financial assets 5 3,514 3,514 3,514

Property, plant and equipment 6 2,183,807 2,700,492 3,510,155

**TOTAL NON-CURRENT ASSETS 2,187,321 2,704,006** 3,513,669

**TOTAL ASSETS $16,297,726 $16,407,516** 15,323,577

**CURRENT LIABILITIES**

Trade and other payables 7 271,494 415,903 161 ,064

**TOTAL CURRENT LIABILITIES 271,494 415,903** 161 ,064

**NON-CURRENT LIABILITIES**

Specific funds held 8 1,698,175 1,461,542 1,580,694

Provisions 9 759,954 686,142 640,645

Borrowings 10 88,682 82,500 100,000

**TOTAL NON-CURRENT LIABILITIES 2,546,811 2,230,184** 2,321,339

**TOTAL LIABILITIES 2,818,305 2,646,087** 2,482,403

**NET ASSETS $13,479,421 $13,761,429** 12.841.174

**EQUITY**

Accumulated Funds 11 3,498,987 4,082,328 3,581,164

Reserves 12 9,980,434 9,679,101 3,581,164

**TOTAL EQUITY $13,479,421 $13,761,429 $12,841,174**

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

**AS AT 31 DECEMBER 2017**

 **Accumulated Total**

 **Funds Reserves Funds**

 **$ $ $**

**Balance as at 1 January 2015** **3,250,637 10,489,047 13,739,684**

Surplus (deficit) (71,533) 0 (71 ,533)

Net transfers between accumulated funds

 and reserve accounts (3,069) (3,069)

Movement in reserve accounts 0 (1,232,106) (1,232,106)

Gain on recognition of fixed assets 405,129 0 405,129

**Balance as at 31 December 2015 $3,581,164 $9,260,010 $12,841,174**

Surplus (deficit) (94,359) 0 (94,359)

Net transfers between accumulated funds

 and reserve accounts (75,687) 75,687 0

Movement in reserve accounts 0 1,014,614 1,014,614

Revaluation restatement upon asset sales 671,210 (671,210) 0

**Balance as at 31 December 2016 $4,082,328 $9,679,101 $13,761,429**

Surplus (deficit) (114,040) 0 (114,040)

Net transfers between accumulated funds

 and reserve accounts

Direct transactions through reserve accounts 28,699 (28,699) 0

Movement in reserve accounts 0 330,032 330,032

Transfer of property at cost to LCA Property Ltd(498,000) 0 (498,000)

**Balance as at 31 December 2017 $3,498,987 $9,980,434 $13,479,421**

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**

**FOR THE PERIODS ENDING 31 DECEMBER**

 **Note 2017 2016 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from ordinary activities 9,371,315 9,477,070 8,061,470

Donations and legacies received 1,342,935 2,127,133 1,435,392

Investment income received 722,915 415,775 545,120

Other income 791,602 733,371 857,576

Payments to suppliers and employees (11,839,743) (11,080,624) (10,911,471)

**Net cash (used) provided by
operating activities11 389,024 1,672,725** (11,913)

**CASH FLOW FROM INVESTING ACTIVITIES**

Payment for property, plant and equipment (85,386) (61,283) (113,001)

Proceeds from sale of property 0 765,204 0

**Net cash (used in) investing activities (85,386) 703,921** (113,001)

**CASH FLOW FROM FINANCING ACTIVITIES**

Injection of cash funds to (from) reserve accounts 423,568 (56,817) 0

Transfers to LCA Property 0 (694,241 (755,644)

Proceeds (Repayment) of borrowings (10,000) (17,500) 100,000

**Net cash provided by financing activities 413,568 768,558)** (655,644)

Net increase in cash and cash equivalents held 717,206 1,608,088 (780,558)

Cash and cash equivalents at beginning of year 12,946,871 11,338,783 12,119,341

**Cash and cash equivalents at end of year 2 13,664,077 12,946,871** 11.338.783

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1: Statement on Significant Accounting Policies**

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the Australian Charities and Not-for-Profits Commission Act 2012 and the specific needs of the members of Lutheran Church of Australia Incorporated (‘the Church’). The General Church Council has determined that the Church is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act (2012) and the following Australian Accounting Standards:

AASB 1031 Materiality

AASB 110 Events after the Balance date

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

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 significant accounting policies adopted by the church are stated in order to assist in a general understanding of the financial statements.

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.

**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 un-incorporated entities such as the LCA Insurance, 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.

**Lutheran Church group income**

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

 **Note 2017 2016 2015**

Income from Districts 2,251,996 2,496,903 1,687,143

General convention 5,233 2,095 591,272

LCA Levy Fund Grants 321,200 318,000 309,000

LCA Insurance Grants 623,104 608,800 494,000

LLL Grants and allocations 3,844,141 4,150,037 3,039,252

Transfer Fund 961,215 790,524 179,458

All other income 745,578 1,144,834 216,377

 **$8,752,467 $9,511,193 $7.416,801**

**Income tax**

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

**Cash assets**

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 Incorporated. These moneys are largely committed for specified purposes including provisions, special funds, borrowings and reserves of the church as disclosed at notes 8, 9, 10 and 12 (refer also paragraph (e) and (f) 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.

**Provisions and specific funds held**

Moneys held on behalf of associated groups and for specific purposes are disclosed at note 8, while provisions pertaining to employee benefits are disclosed at Note 9. These moneys represent future commitments and obligations and are accordingly disclosed as liabilities of the church.

**Reserves**

Reserve balances as at 31 December 2017 are disclosed at Note 12. Reserves represent moneys set aside by General Church Council for future purposes over which it has discretion together with the equity balances of specific departments and auspices of the church.

 **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.

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.

During the year ended 31 December 2017, the LCA transferred property at 53A Livingston Avenue, Prospect to LCA Property Limited. This transfer was made for $498,000.

 *Plant and equipment*

The LCA undertook a complete stocktake of its fixed asset as at 31 December 2015 by way of a formal review conducted by BMT Quantity Surveyors.

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.

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

Class of fixed asset Depreciation rate

Plant and equipment 10.0%

Furniture and fittings 10.0%

**Comparative information**

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

 **Note 2017 2016 2015**

**Note 2: Cash Assets**

**Funds held as:**

Cash on hand 300 100 100

Cash at bank 63,974 34,442 49,236

Cash on deposit at the LLL 13,599,803 12,912,329 11,289,447

**TOTAL CASH ASSETS $13,664,077 $12,946,871 $11,338,783**

**Disclosed as:**

**CASH ASSETS – UNCOMMITTED 1,530,715 1,431,469 822,527**

**CASH ASSETS – COMMITTED 12,133,362 11,515,402 10,516,256**

**TOTAL CASH ASSETS $13,664,077 $12,946,871 $11,338,783**

**Note 3: Trade and Other receivables**

LCA Levies receivable 0 318,000 0

Trade and sundry debtors 204,434 215,155 197,490

Tax receivables 23,276 19,084 35,842

**TOTAL TRADE AND**

**OTHER RECEIVABLES $227,710 $552,239 $233,332**

**Note 4: Other Assets**

Inventory 57,154 56,659 80,724

Prepayments 77,598 98,884 157,069

Loans to LCA Property Ltd 78,666 45,857 0

Loan to LCA Archives Ltd 1,500 1,500 0

Loan to ALC Land Ltd 3,700 1,500 0

**TOTAL OTHER ASSETS $218,618 $204,400 $237,793**

**Note 5: Financial Assets**

Shares in listed companies 3,514 3,514 3,514

**TOTAL FINANCIAL ASSETS $3,514 $3,514 $3,514**

**Note 6: Property, Plant and Equipment**

**Property**

Property at valuation 1,635,000 1,635,000 1,635,000

Property at cost 480,714 978,714 978,714

Property improvements at cost 146,232 130,192 130,912

Less accumulated depreciation (66,579) (53,560 26,780

**TOTAL PROPERTY 1,445,367 1,940,346 2,717,126**

**Plant and equipment**

Furniture and fittings 485,283 481,841 451,213

Less accumulated depreciation (93,521) (45,304) 0

 **391,762 436,537 485,213**

Computer and office machinery 414,728 352,668 302,950

Less accumulated depreciation (72,950) (33,659) 0

 **341,778 319,009 302,950**

**Artwork, at valuation 4,900 4,600 4,600**

Motor Vehicles at cost 0 0 83,879

Less Accumulated depreciation 0 0 (49,613)

 **0 0 34,266**

**TOTAL PLANT AND EQUIPMENT 738,440 760,146 793,029**

**TOTAL PROPERTY, PLANT AND EQUIPMENT $2,183,807 $2,700,492 $3,510,155**

**Note 7: Trade and Other Payables**

HRS amounts held 33,301 44,942 0

Trade and sundry creditors 238,193 370,961 161,064

**TOTAL TRADE AND OTHER PAYABLES $271,494 $415,903 $161,064**

**Note 8: Specific Funds Held**

Aboriginal training fund 20,847 19,985 19,428

ALC succession planning fund 26,303 (9,350) 63,262

Child, Youth & Family Ministry leadership training fund 20,828 20,860 28,694

Child, Youth & Family Ministry permanent fund 45,745 45,745 45,745

Church Worker Support Department – Training grants 39,240 39,240 39240

Contribution for legal costs 10,000 10,000 10,000

Disaster welfare fund 569,505 553,922 601,938

Finke River mission funds ex appeal 91,489 91,489 91,489

Jordan Vicar Fund 3,773 3,773 6,032

Lutheran Archives fund 268,687 245,538 239,055

Lutheran Archives trust account 2,326 209 (1,077)

Pastor’s conference provision 52,000 26,000 0

Scholarship fund 407,306 277,716 245,536

Vicarage permanent fund 140,126 136,415 132,452

**TOTAL SPECIFIC FUNDS HELD $1,698,175 $1,461,542 $1,589,694**

**Note 9: Provisions**

Annual leave provision 302,583 264,856 225,897

Long service leave provision 457,371 421,286 414,748

**TOTAL PROVISIONS $759,954 $686,142 $640,645**

**Note 10: Borrowings**

Long Term Borrowings 88,682 82,500 100,000

**TOTAL BORROWINGS $88,682 $82,500 $100,000**

**Note 11: Accumulated funds**

Opening accumulated funds 4,082,328 3,581,164 3,250,637

Net surplus (deficit) for the year - national budget (206,364) (190,255) (4,142)

Net surplus for the year - departments 92,324 95,896 (67,391)

Net transfers from (to) reserve accounts 28,699 (75,687) (3,069)

Gain on recognition of fixed assets 0 0 405,129

Transfer from revaluation reserve upon sale of property 1(g) 0 671,210 0

Transfer of property at cost to LCA Property Ltd (498,000) 0 0

**TOTAL ACCUMULATED FUNDS $3,498,987 $4,082,328 $3,581,164**

Comprised of:

LCA National Office 1,219,533 1,923,897 2,191,911

Church Worker Support Department 398,293 321,742 282,230

Lutheran Archives 374,870 391,143 374,870

Child, Youth and Family Ministry 178,054 93,819 172,215

Lutheran Media Ministry (195,454) (44,972) (6,313)

LCA Subscriptions 219,187 214,107 211,304

Lutheran Bible Translators Australia (90,058) (56,950) (33,857)

Local Mission 312,715 139,592 134,793

International Mission 1,081,847 1,099,950 254,011

**TOTAL ACCUMULATED FUNDS $3,498,987 $4,082,328 $3,581,164**

**Note 12: Reserves**

Asset revaluation 393,883 393,883 1,065,093

Executive Officers allocation 309,972 447,739 412,188

Graduates fund 36,290 36,290 36,290

Interim Pastors fund (85,917) (51,772) 14,170

Klemzig cemetery memorial 0 1,793 1,885

LCA Mission fund 525,944 488,604 368,670

Professional standards department allocation 198,682 210,607 314,563

Special gifts for special purposes 3,470,309 3,599,739 2,691,032

LCA Pastors Transfer and Support Fund 1,976,306 1,778,958 1,033,692

50.500 Project fund 183,482 0 0

Ministry with the Ageing 10,062 0 0

Aged Care Scholarship (2,186) 0 0

Suomi Conference fund 10,510 10,510 10,510

Borgfeldt Estate Legacy reserves 740,047 704,353 684,616

Local Mission fund 200,000 200,000 200,000

Specific Legacy reserves 1,806,392 1,765,157 1,742,138

General Legacy reserves 206,658 93,240 93,240

**TOTAL RESERVES $9,980,434 $ 9,679,101 $9,260,010**

**Note 13: Reconciliation of Cash Flows from Operations to Surplus**

(Deficit) Surplus from operations (187,887) 1,671,313 (71,533)

Non-cash flows in surplus

* Depreciation 100,564 105,742 40,218

Changes in assets and liabilities

* Decrease (Increase) in trade and other receivables 324,529 (318,907) 313,651
* (Increase) Decrease in prepayments (14,218) 33,393 (82,809)
* (Decrease) Increase in trade payables and accruals (144,409) 254,839 28,225
* Increase (Decrease) in provisions and
special purpose funds 310,445 (73,655) 236,797
* Operational cash flows through reserve accounts 0 0 (476,462)

**Cash flows from operations $389,024 $1,672,725 $(11,913)**

**Note 14: Contingent Liabilities**

The Lutheran Laypeople’s League of Australia Incorporated (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 Pensions Fund 3,054,044 3,421,667 3,632,735

LCA Car Loans 557,743 667,630 773,668

**Total Contingent liabilities $3,611,787 $4,089,297 $4,406,403**

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 provided by Westpac Banking Corporation Limited. 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. As 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 is in anyway likely to result in financial loss to the LCA.

**Note 15: Segment Reports**

**For year ending 31 December 2017**

 **LCA LCA Internal LCA**

 **National Departments Funding Consolidated**

**Income $ $ $ $**

Appeals, donations and bequests 273,427 1,069,508 0 1,342,935

Investment and rental income 605,090 117,825 0 722,915

LCA allocations and internal income 71,878 1,375,108 (1,446,986) 0

Lutheran Church group income 7,322,934 1,429,533 0 8,752,467

Reimbursements 78,879 181,975 (57,380) 203,474

Trading Income 398,031 190,097 0 588,128

Total income 8,750,239 4,364,046 (1,504,366) 11,609,919

**Expenditure**

Administration costs 317,707 243,518 0 561,225

Asset costs 169,012 44,363 0 213,375

Australian Lutheran College funding 1,425,000 0 0 1,425,000

Consulting expenses 400,490 120,210 0 520,700

Depreciation expense 50,223 50,341 0 100,564

Employee expenses 2,010,490 2,127,249 0 4,137,739

Governance costs 295,846 40,007 0 335,853

LCA allocations
and departmental costs 1,398,771 48,215 (1,446,986) 0

Ministry expenses 1,547,696 641,073 0 2,188,769

Project costs 1,063,528 584,987 0 1,648,515

Promotion and marketing 39,790 284,972 0 324,762

Reimbursements – Departments 14,550 42,830 (57,380) 0

Travelling expenses 148,376 192,928 0 341,304

Total expenditure 8,881,479 4,420,693 (1,504,366) 11,797,806

Operating Surplus (Deficit) prior
 to reserve and equity transfers (131,240) (56,647) 0 (187,887)

Transfer (to) from equity and reserves (75,124) 148,971 0 73,847

**Net (Deficit) Surplus $(206,364) $92,324 0 $(114,040)**

**For year ending 31 December 2016**

 **LCA LCA Internal LCA**

 **National Departments Funding Consolidated**

**Income $ $ $ $**

Appeals, donations and bequests 600,487 1,526,646 0 2,127,133

Investment and rental income 285,102 130,673 0 415,775

LCA allocations and internal income 51,325 1,288,466 (1,339,791) 0

Lutheran Church group income 8,309,786 1,201,407 0 9,511,193

Reimbursements 114,120 167,384 (3,000) 278,504

Trading Income 332,738 122,129 0 454,867

**Total income 9,693,558 4,436,705 (1,342,791) 12,787,472**

**Expenditure**

Administration costs 261,577 225,497 0 487,074

Asset costs 165,654 73,209 0 238,863

Australian Lutheran College funding 1,400,000 0 0 1,400,000

Consulting expenses 388,465 95,772 0 484,237

Depreciation expense 63,816 41,926 0 105,742

Employee expenses 1,877,295 2,132,772 0 4,010,067

Governance costs 194,874 26,363 0 221,237

LCA allocations
and departmental costs 1,287,586 52,205 (1,339,791) 0

Ministry expenses 1,667,573 584,858 0 2,252,431

Project costs 456,759 645,196 0 1,101,955

Promotion and marketing 34,678 338,627 0 373,305

Reimbursements – departments 3,000 0 (3,000) 0

Travelling expenses 183,709 257,539 0 441,248

**Total expenditure 7,984,986 4,473,964 (1,342,791) 11,116,159**

Operating Surplus prior to
 reserve and equity transfers 1,708,572 (37,259) 0 1,671,313

Transfer (to) from equity & reserves (1,898,827) 133,155 0 (1,765,672)

**Net (Deficit) Surplus (190,255) 95,896 0 (94,359)**

**For year ending 31 December 2015**

 **LCA LCA Internal LCA**

 **National Departments Funding Consolidated**

**Income $ $ $ $**

Appeals, donations and bequests 498,474 936,918 0 1,435,392

Investment and rental income 379,819 168,301 0 548,120

LCA allocations and internal income 38,164 1,359,300 (1,397,464) 0

Lutheran Church group income 6,155,822 1,260,979 0 7,416,801

Reimbursements 118,091 205,026 (3,000) 320,117

Trading Income 328,464 211,995 0 540,459

**Total income 7,518,834 4,142,519 (1,400,464) 10,260,889**

**Expenditure**

Administration costs 190,359 245,547 0 435,906

Asset costs 266,539 87,043 0 353,582

Australian Lutheran College funding 1,400,000 0 0 1,400,000

Consulting expenses 286,341 154,020 0 440,361

Employee expenses 1,347,786 1,882,595 0 3,230,381

Governance costs 183,910 36,077 0 219,987

LCA allocations & department costs 1,348,300 49,164 (1,397,464) 0

Ministry expenses 872,177 588,615 0 1,460,792

Project costs 1,317,850 508,132 0 1,825,982

Promotion and marketing 38,289 275,733 0 314,022

Reimbursements - departments 3,000 0 (3,000) 0

Travelling expenses 193,589 276,862 0 470,451

**Total expenditure 7,448,140 4,103,788 (1,400,464) 10,151,464**

Operating Surplus prior
to reserve and equity transfers 70,694 38,731 0 109,425

Transfer to equity and reserves (74,836) (106,122) 0 (180,958)

**Net (Deficit) (4,142) (67,391) 0 (71,533)**