

**Emeritus Fund
of the
Free Reformed
Churches of
Australia (Inc.)**

Annual Report 2009



**Albany
Armadale
Baldivis
Bunbury
Byford
Darling Downs
Kelmescott
Launceston
Legana
Mount Nasura
Rockingham
Southern River
West Albany**

EMERITUS FUND of the Free Reformed Churches of Australia Inc.
TREASURER'S REPORT - YEAR ENDED 31 DECEMBER 2009

Dear brothers,

Once again I am pleased to report on the financial activities of the *Fund* for the calendar year 2009. With the Lord's blessing the *Fund* grew by \$160,403 to \$1,575,081, including accrued interest of \$15,925.

This growth was less than the previous year due to a sharp reduction in interest rates for most of the calendar year (until mid-October) and an inability to invest surplus funds as loan(s) to member churches, necessitating those funds instead to be placed as Term Deposits at historically low rates. Investment earnings represented 60% of the year's growth, down from the 66% achieved last year. All contributions of all members were fully paid during the period and once again appreciation is extended to the respective Treasurers for their cooperation.

There were no loan advancements and redemptions made in 2009 and surplus funds were placed in two(2) successive Term Deposits with Westpac Bank, the last of which is due to mature in February 2010.

Repayments of principal and interest have been made faithfully by each of the borrowers and because most repayments are made by electronic funds transfer, the previous requirement to make quarterly repayments has been relaxed. EFT payees can now make more frequent repayments if they chose.

The Board's lending policy again remained unchanged as follows: *80% of the Commonwealth Bank Loan Index Rate (Quarterly Charging Cycle) when that rate is at or below 10%, and 2 percentage points below that rate when it exceeds 10%.*

The Board's lending interest rate reduced by 0.80% in February and remained there for the following 8 months. Since October there were 3 monthly increases of 0.20% each.

At 31 December the net value of the *Fund* comprised the following:

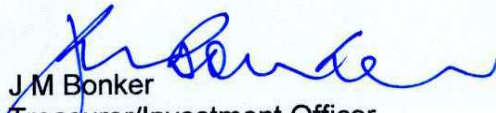
- | | |
|--|-----|
| • Loans to member churches | 60% |
| • Loans to Free Reformed Associations (Incorporated) | 4% |
| • Term Deposit | 29% |
| • Holding account | 7% |

There were no applications for benefit payments during the year.

At the Annual Meeting of members in April br Richard Allingham was re-appointed to the Board for a further 5-year Term and the Treasurer for another year.

With the assistance of br M Pot the Board was able to establish its inaugural website. It can be found at www.frca.org.au/emeritusfund

A copy of this report will be posted on it and the Board would welcome suggestions on how the website can be improved.

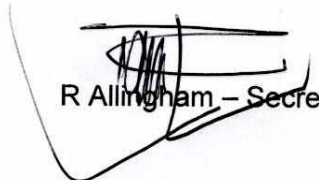

J.M. Bonker
Treasurer/Investment Officer
2 February 2010

CERTIFICATION BY BOARD

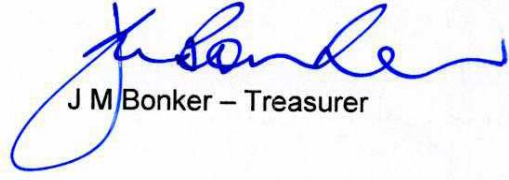
Subject to such qualifying remarks that are made or may be made by the Independent Auditor, the members of the Board of the Emeritus Fund of the Free Reformed Churches of Australia hereby certify that the Financial Statements for the year ending 31 December 2009 are, to the best of our knowledge and belief, a true and correct account of the fund it manages on behalf of the member churches and a resolution certifying these statements and adopting the Annual Report was made at a meeting of the Board held on 19th February 2010.



H C Faas – Chairman



R Allingham – Secretary



J M Bonker – Treasurer



S Bosveld – Member



J Versluis – Member



D Bosveld - Member

Dated the 19th day of February 2010

MEETINGS HELD

The Board met once during the year, on 19 February.

The Annual Meeting of members was held at Southern River on 18 April 2009.

MEMBERS' RETIREMENT SCHEDULE

H C Faas (Chairman)	Term expires 2010
J M Bonker (Treasurer/Investment Officer)	Term expires annually
S Bosveld	Term expires 2011
D Bosveld (Rockingham)	Term expires 2011
J Versluis	Term expires 2013
R Allingham (Secretary)	Term expires 2014

BOARD NOTES

1. The Annual Meeting of members has been scheduled for **Saturday, 24 April 2010 at FRC Southern River, Lot 16 Southern River Rd, Southern River**
2. Churches are reminded that the *Fund* is a group savings scheme for the member churches to provide annual financial assistance after their Ministers retire. The *Fund* will provide financial assistance only to the churches, not individual Ministers.
3. For financial planning purposes member churches are advised that the objective of the *Fund* is to provide, in general, the maximum annual benefit set out in Clause 6 below
4. As endorsed by the member churches at the Annual Meeting held on 14 May 2005, the Board will not provide early retirement (i.e. before age 65) benefits prior to 2011. All churches should therefore continue to make provision, by means of life insurance and/or other schemes, to fully maintain their Minister and his dependents until he reaches age 65, or would have reached in case of prior death or disability.
5. The contribution rate for 2010 is recommended to be \$31.80 per confessing member.
6. The maximum retirement benefit amount for 2010 is \$34,750, an increase of \$1,250 on the amount published for 2009.

LOANS TO MEMBER CHURCHES and KINDRED INCORPORATED FREE REFORMED ASSOCIATIONS

Last year the Board reported:

"For many years the Fund has continuously invested almost all of its funds to the member churches and associated organizations, mainly for capital purchases or improvements, and church development. Successive annual meetings have endorsed this as the preferred investment strategy as it has on most occasions proved to provide a win-win outcome for both the borrowers and the Fund.

As of February 2009 there are no known forthcoming loan requests from the churches or Associations so that the Fund has reverted to investing its surplus funds as Term Deposit(s) with the Bank. These are currently yielding low returns.

Member churches and Associations are requested to consider whether now is an opportune time to apply for a new loan or exchange an existing loan from a bank with one from the Fund. The current rate is 7.232%, calculated quarterly, and likely to fall further during 2009. We remind potential borrowers that this rate is for an unsecured loan with zero fees and full repayment flexibility.

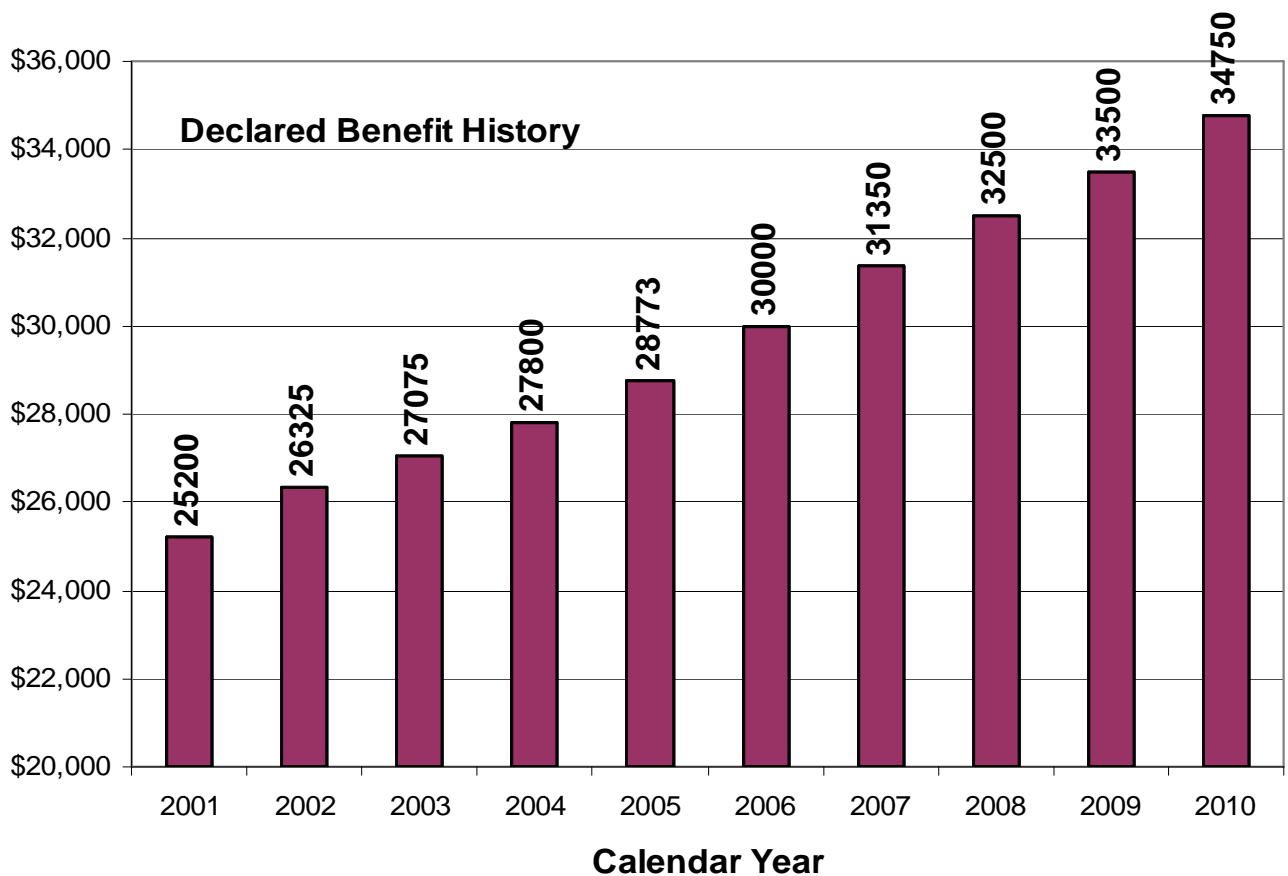
The Board's interest rate policy for these 'in-house' loans remains as follows:

"80% of the Commonwealth Bank Loan Index Rate (Quarterly Charging Cycle) when that rate is at or below 10%, and 2 percentage points below that rate when it exceeds 10%."

The Board is pleased to report that member churches have made applications for new loans early in 2010 totaling around \$650,000 and this should obviate the need to invest in new Term Deposits in the immediate future.

MAKING BENEFIT CLAIMS – General Principles

1. The Board is of the view that when a member church becomes eligible to receive annual benefits, the church should take into consideration other retirement provisions that may exist for its Minister at the time of his retirement such as superannuation, government or other pensions.
2. As a broad principle the Board considers that any claim ought to be limited to the additional cost a member church will incur in maintaining a retiring Minister, over and above what that church normally incurred prior to the retirement.
3. Where a member church remains vacant after its Minister retires, it should defer an application for benefits until such time as it incurs additional expenditure associated with the appointment of a successive Minister.
4. Where an existing Minister has previously served in another country and returns to, and retires in, that or another country, resulting in a reduced pension due to the time served in Australia, the *Fund* will consider – but not necessarily be obligated to approve - applications for pro-rata funding the shortfall based on the time served in Australia. However such applications will only be considered where the Board was notified of a potential future claim by the claimant church at, or before, the time the Minister returns to the other country.
5. Where a church calls a new Minister or Missionary from another country and enters into negotiations with him on provisions for his retirement that has the potential to incur a liability for the *Fund* under 4. above, the church should inform the Board of such provisions at that time.



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OPERATING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Revenues	Note	
Members Contributions	1	\$ 64,699.00
Interest & Costs Received and Accrued	2	\$ 95,802.73
Total Revenues		\$ 160,501.73
Expenses		
Bank Fees - Holding AC		\$ 93.45
- Maxi AC		\$ 5.00
Total Expenses		\$ 98.45
Operating Surplus		\$ 160,403.28

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

Assets	Note	
Cash and Investments	3	\$ 1,575,080.63
Total Assets		\$ 1,575,080.63
Equity		
Accumulated Surplus		\$ 1,575,080.63
Total Equity		\$ 1,575,080.63

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Accumulated Surplus	Note	
Fund value at beginning of year	4	\$ 1,414,677.35
Net change this year		\$ 160,403.28
Balance at end of year		\$ 1,575,080.63
Total Equity		\$ 1,575,080.63

NOTES

Note 1 Members' Contributions (Levy: \$ 30 per confessing Member)

Church	Members	Paid	
Albany	242 \$	7,260.00	
Armadale*	269 \$	7,969.00	*overpaid \$101 in 2008
Baldivis	73 \$	2,190.00	
Bunbury	79 \$	2,370.00	
Byford	217 \$	6,510.00	
Darling Downs	108 \$	3,240.00	
Kelmscott	180 \$	5,400.00	
Launceston	126 \$	3,780.00	
Legana	69 \$	2,070.00	
Mount Nasura	172 \$	5,160.00	
Rockingham	180 \$	5,400.00	
Southern River	257 \$	7,710.00	
West Albany	188 \$	5,640.00	
	2160 \$	64,699.00	

Note 2 Cash and Investments**Loans & Investments**

Loan No.	Borrower	Capital	New or Extra	Payments Received		Capital	Accrued Int
		at 1/1/09	Borrowings	Capital	Interest/ Costs	at 31/12/09	to 31/12/09
FRCLEG01	FRC Legana	\$ 10,004.51	\$ -	\$ 6,704.57	\$ 555.43	\$ 3,299.94	\$ 23.86
FRCROC03	FRC Rockingham	\$ 478,259.74	\$ -	\$ 10,602.25	\$ 34,997.75	\$ 467,657.49	\$ 2,989.93
FRCMTN02	FRC Mt Nasura	\$ 77,451.45	\$ -	\$ 94.14	\$ 5,777.75	\$ 77,357.31	\$ 494.58
FRCBUN01	FRC Bunbury	\$ 22,309.43	\$ -	\$ 7,307.54	\$ 1,492.46	\$ 15,001.89	\$ 95.91
FRCR01	FRC Southern River	\$ 300,074.16	\$ -	\$ 74.22	\$ 22,318.43	\$ 299,999.94	\$ 1,918.03
FRCLAU01	FRC Launceston	\$ 103,716.41	\$ -	\$ 35,829.88	\$ 6,727.99	\$ 67,886.53	\$ 434.03
FRATSN01	Eucalypt Assn	\$ 109,890.14	\$ -	\$ 41,817.54	\$ 6,795.48	\$ 68,072.60	\$ 204.49
TD002	Westpac Term Deposit	\$ 200,000.00	\$ -	\$ 200,000.00	\$ 6,496.44	\$ -	\$ -
TD003	Westpac Term Deposit	\$ -	\$ 326,000.00	\$ 326,000.00	\$ 4,434.04	\$ -	\$ -
TD004	Westpac Term Deposit	\$ -	\$ 450,000.00	\$ -	\$ -	\$ 450,000.00	\$ 9,764.38
		<u>\$ 1,301,705.84</u>	<u>\$ 776,000.00</u>	<u>\$ 628,430.14</u>	<u>\$ 89,595.77</u>	<u>\$ 1,449,275.70</u>	<u>\$ 15,925.21</u>

Interest & Costs Received

On Loans (as per above table)	\$ 89,595.77
<i>Maxi</i> Account	\$ 1,871.41
	<u>\$ 91,467.18</u>
Plus Interest Accrued - as per above table	\$ 15,925.21
Less Interest Accrued to 31 December 2008	\$ (11,589.66)
<u>TOTAL INTEREST & COSTS</u>	<u><u>\$ 95,802.73</u></u>

Note 3**TOTAL CASH AND INVESTMENTS AT 31/ 12/ 09**

Capital out on loans & investment	\$ 1,449,275.70
Interest Accrued on Loans	\$ 15,925.21
Balance in Holding Account	\$ 59.00
Balance in <i>Maxi</i> Account	\$ 109,820.72
	<u><u>\$ 1,575,080.63</u></u>

Note 4**OPENING BALANCE OF ACCUMULATED SURPLUS****Accumulated Surplus Represented by:****Loans at 1/ 1/ 09**

<u>Loan No.</u>	<u>Borrower</u>	<u>Capital</u>
FRCLEG01	FRC Legana	\$ 10,004.51
FRCMTN02	FRC Mt Nasura	\$ 77,451.45
FRCROC03	FRC Rockingham	\$ 478,259.74
FRCBUN01	FRC Bunbury	\$ 22,309.43
FRCWEK01	FRC Sthn River	\$ 300,074.16
FRCLAU01	FRC Launceston	\$ 103,716.41
FRATSN01	Eucalypt Assn	\$ 109,890.14
TD002	Westpac Term Deposit	\$ 200,000.00
		<u>\$ 1,301,705.84</u>

Accrued interest

at 31/12/2008	\$ 11,589.66
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Cash at 1/ 1/ 09

Holding Account	\$ 123.98
<i>Maxi</i> Account	\$ 101,257.87
	<u><u>\$ 1,414,677.35</u></u>

18 February 2010

The Members

Emeritus Fund of the Free Reformed Churches of Australia (Inc)
C/- 9 Tipuana Place
THORN LIE WA 6108

I have audited the attached special purpose financial report comprising the Statement of Financial position, Operating Statement, Statement of Changes in Equity and Notes to the financial statements, of the Emeritus Fund of the Free Reformed Churches of Australia (Inc) for the year ended 31 December 2009. The Board of the Emeritus Fund of the Free Reformed Churches of Australia (Inc) is responsible for the financial report and has determined that the accounting policies used are consistent with the financial reporting requirements of the Emeritus Fund of the Free Reformed Churches of Australia (Inc) constitution and are appropriate to meet the needs of the members. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Emeritus Fund of the Free Reformed Churches of Australia. No opinion is expressed as to whether the accounting policies are appropriate to the needs of the members.

The financial report has been prepared for the distribution to members for the purpose of fulfilling the Board's financial reporting requirements under the Emeritus Fund of the Free Reformed Churches of Australia (Inc) constitution. I disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

The audit has been conducted in accordance with Australian Auditing Standards. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies.

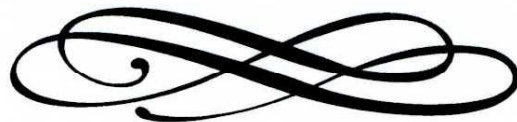
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial report presents fairly the financial position of the Emeritus Fund of the Free Reformed Churches of Australia (Inc) as at 31 December 2009 and the results of its operations and its cash flows for the year then ended.



Ed Eikelboom CPA
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