

EMERITUS FUND of the Free Reformed Churches of Australia Inc.
TREASURER'S REPORT - YEAR ENDED 31 DECEMBER 2013

Dear brothers,

It is my privilege to report on the financial activities of the *Fund* for the 2013 calendar year.

With the Lord's blessing the *Fund* grew by a net \$150,066 to \$2,314,081, including accrued interest of \$9,715 and after benefit payments totaling \$75,084 and costs of \$80. Investment earnings, before benefit payments, represented 62% of the 2013 revenue.

There was a loan extension of \$40,000 made during the year to FRC Rockingham, and another of \$400,000 to FRC Baldivis. Not including the \$650,000 Term deposit at Westpac, \$558,119 of the loan book – which stood at \$1,490,798 at the commencement of the year – was repaid by 5 member churches. The FRC Byford loan was fully repaid during the year.

There was one Term Deposit rollover with Westpac Bank in September in an amount of \$385,000 at 3.9% for 6 months.

FRC Busselton took out a loan in June

The Board's revised loan interest rate policy took effect from 1 January 2013. It now reads: "70% of the Commonwealth Bank "Corporate Overdraft Reference Rate" as published on the Bank's website where that rate is at or below 10%, and 3 percentage points below that rate when it exceeds 10%, rounded up or down to the nearest 0.25%." This has made the Board's loans to be more competitive with the interest rates the member churches have been able to source from the regular banks in the continuing low interest environment. Since August the COR Rate has remained steady at 9.38% which translates to a rate for the members of 6.5%.

There were 2 interest rate reductions of 0.25% each in May and August.

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

- | | |
|----------------------------|-----|
| • Loans to member churches | 76% |
| • Term Deposit | 17% |
| • Holding accounts | 7% |

I thank the various Treasurers for the timely payments of contributions and loan installments made by the member churches during the period.

There were no changes in Board membership at the Annual Meeting of member churches held on 4 May 2013. Br J Versluis was re-elected for a second 5 year term.

Chairman Br D Bosveld regrettably tendered his resignation from the Board due to circumstances following his son's tragic accident. We take this opportunity to express our appreciation for the leadership and commitment he provided during his years on the Board and we pray the Lord will provide the family with the comfort and encouragement of His rich covenant promises for the future.

A copy of this report, once accepted by the member churches at the forthcoming annual meeting, will, D.V., be placed on the *Fund's* website in due course. (www.frca.org.au/emeritusfund)

In the meantime previous annual reports and other information about the Fund can be found there.

J M Bonker
Treasurer/Investment Officer
28 February 2014

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 2013 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.

A resolution certifying these statements and adopting the Annual Report was made at a meeting of the Board held on 27th February 2014.

J Versluis – Member

J K Van Burgel – Secretary

J M Bonker – Treasurer

D Lewis snr – Member

Dated the 27th day of February 2014

MEETINGS HELD

The Board met twice during the year, on 21 February and 11 November.

The Annual Meeting of members was held at Southern River on 4 May 2013.

MEMBERS' RETIREMENT SCHEDULE

J M Bonker (Treasurer/Investment Officer)	Term expires annually
D Bosveld (R'ham - Chairman)	Term expires 2016 (Resigned February 2014)
J K Van Burgel (Secretary)	Term expires 2015
D Lewis (MtN)	Term expires 2016
J Versluis	Term expires 2018

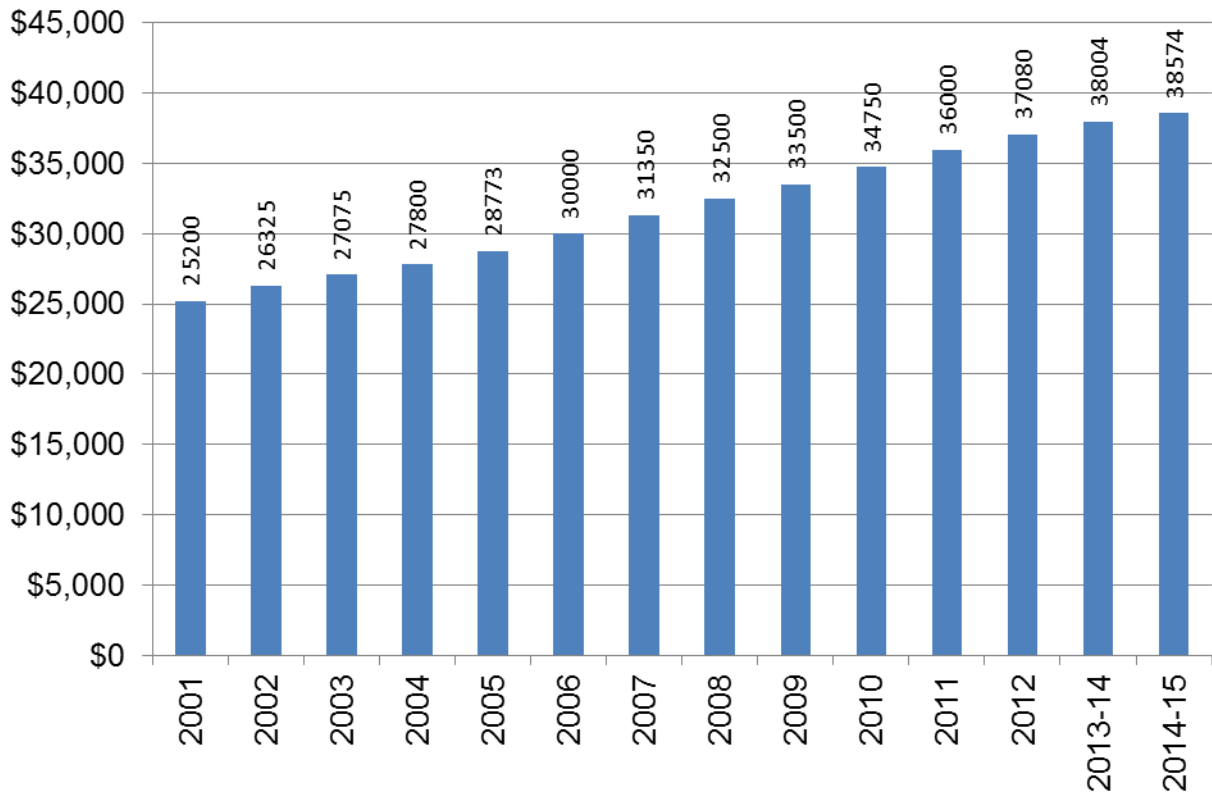
BOARD NOTES

1. The Annual Meeting of members has been scheduled for **Saturday, 3 May 2014 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. The Board reminds the member churches that the maximum annual benefit in the case of death prior to age 65, or early (i.e. pre-age 65) retirement will be limited to the amount set out in Clause 6 below and the churches are encouraged to continue to make provision for any requirement over and above that amount.
5. The contribution rate for 2014 is recommended to be increased by 4% from \$35 to \$36.40 per confessing member.
6. The maximum retirement benefit amount for the 2014/15 financial year is \$38,574, an increase of 1.5% on the amount published for 2013/14. This is less than the current CPI due to the continuing low interest rate environment and a recent review of the Board's projection model which overestimated the future returns on investments.

MAKING BENEFIT CLAIMS – General Principles

1. 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. 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 of 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.
3. 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 2. above, the church should inform the Board of such provisions at that time.

Declared Benefit History



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OPERATING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

<u>Revenues</u>	<u>Note</u>	
Members Contributions	1	\$ 85,470.50
Interest Received and Accrued	2	\$ 140,353.97
<u>Total Revenues</u>		<u>\$ 225,824.47</u>
<u>Expenses</u>		
Benefit Payments - FRC Sthn River		\$ 37,542.00
Benefit Payments - FRC Armadale		\$ 37,542.00
Bank Fees		\$ 80.40
Photocopying		
<u>Total Expenses</u>		<u>\$ 75,164.40</u>
<u>Operating Surplus</u>		<u>\$ 150,660.07</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

<u>Assets</u>	<u>Note</u>	
Cash and Investments	3	\$ 2,314,081.02
<u>Total Assets</u>		<u>\$ 2,314,081.02</u>
<u>Equity</u>		
Accumulated Surplus		\$ 2,314,081.02
<u>Total Equity</u>		<u>\$ 2,314,081.02</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

<u>Accumulated Surplus</u>	<u>Note</u>	
Fund value at beginning of year	4	\$ 2,163,420.95
Net change this year		\$ 150,660.07
Balance at end of year		\$ 2,314,081.02
<u>Total Equity</u>		<u>\$ 2,314,081.02</u>

NOTES**Note 1 Members' Contributions (Levy: \$ 35 per confessing Member)**

	<u>Church</u>	<u>Members</u>	<u>Paid</u>	
Albany		234	\$ 8,190.50	(overpaid \$0.50)
Armadale		256	\$ 8,960.00	
Baldivis		146	\$ 5,110.00	
Bunbury		60	\$ 2,100.00	
Busselton		51	\$ 1,785.00	
Byford		193	\$ 6,755.00	
Darling Downs		143	\$ 5,005.00	
Kelmscott		202	\$ 7,070.00	
Launceston		144	\$ 5,040.00	
Legana		73	\$ 2,555.00	
Mount Nasura		156	\$ 5,460.00	
Mundijong		125	\$ 4,375.00	
Rockingham		174	\$ 6,090.00	
Southern River		293	\$ 10,255.00	
West Albany		192	\$ 6,720.00	
		<u>2442</u>	<u>\$ 85,470.50</u>	

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

Loan No.	Borrower	Capital	New or Extra	Payments Received		Capital	Accrued Int
		at 1/1/13	Borrowings	Capital	Interest	at 31/12/13	to 31/12/13
FRCROC03	FRC Rockingham	\$ 403,873.11	\$ 40,000.00	\$ 127,750.02	\$ 25,849.98	\$ 316,123.09	\$ 1,576.28
FRCSR01	FRC Southern River	\$ 250,307.00	\$ -	\$ 374.59	\$ 17,125.41	\$ 249,932.41	\$ 934.68
FRCBAL01	FRC Baldivis	\$ 248,845.28	\$ 400,000.00	\$ 80,176.59	\$ 35,498.41	\$ 568,668.69	\$ 1,417.78
FRCKEL01	FRC Kelmscott	\$ 338,743.35	\$ -	\$ 50,665.20	\$ 21,334.80	\$ 288,078.15	\$ 51.30
FRCBYF03	FRC Byford	\$ 249,029.31	\$ -	\$ 249,029.31	\$ 13,890.96	\$ -	\$ -
FRCBUS01	FRC Busselton	\$ -	\$ 330,000.00	\$ 123.55	\$ 10,031.45	\$ 329,876.45	\$ 1,703.61
TD008	Westpac Term Deposit	\$ 650,000.00	\$ -	\$ 650,000.00	\$ 16,027.40	\$ -	\$ -
TD009	Westpac Term Deposit	\$ -	\$ 385,000.00	\$ -	\$ -	\$ 385,000.00	\$ 4,031.42
		<u>\$ 2,140,798.05</u>	<u>\$ 1,155,000.00</u>	<u>\$ 1,158,119.26</u>	<u>\$ 139,758.41</u>	<u>\$ 2,137,678.79</u>	<u>\$ 9,715.07</u>

Interest Received

On Loans (as per above table)	\$ 139,758.41
<i>Cash Reserve</i> Account	\$ 2,623.07
	<u>\$ 142,381.48</u>
Plus Interest Accrued - as per above table	\$ 9,715.07
Less Interest Accrued to 31 December 2012	\$ (11,742.58)
<u>TOTAL INTEREST</u>	<u>\$ 140,353.97</u>

Note 3**TOTAL CASH AND INVESTMENTS AT 31/12/13**

Capital out on loans & investment	\$ 2,137,678.79
Interest Accrued on Loans	\$ 9,715.07
Balance in Holding Account	\$ 6,630.98
Balance in <i>Cash Reserve</i> Account	\$ 160,056.18
	<u>\$ 2,314,081.02</u>

Note 4**OPENING BALANCE OF ACCUMULATED SURPLUS****Accumulated Surplus Represented by:****Loans at 1/1/13**

Loan No.	Borrower/Investment	at 1/1/13
FRCROC03	FRC Rockingham	\$ 403,873.11
FRCSR01	FRC Southern River	\$ 250,307.00
FRCBAL01	FRC Baldivis	\$ 248,845.28
FRCKEL01	FRC Kelmscott	\$ 338,743.35
FRCBYF03	FRC Byford	\$ 249,029.31
TD008	Westpac Term Deposit	\$ 650,000.00
at 31/12/2012		\$ 2,140,798.05

Accrued interest

at 31/12/2012 \$ 11,742.58

Cash at 31/12/12

Holding Account	\$ 8,847.21
<i>Maxi</i> Account	\$ 2,033.11
	<u>\$ 2,163,420.95</u>

19 February 2014

The Members
Emeritus Fund of the Free Reformed Church of Australia (Inc.)
C/- 9 Tipuana Place
THORNLIE WA 6108

I have audited the accompanying special purpose financial report, of the Emeritus Fund of the Free Reformed Churches of Australia (Inc.), which comprises the Statement of Financial Position, Operating Statement, Statement of changes in Equity and Notes to the Financial Statements for the year ended 31 December 2013. The Board of the Emeritus Fund of the Free Reformed Churches of Australia (Inc.) are responsible for the preparation of the financial report and have determined that the basis of preparation and accounting policies used are appropriate to meet the financial reporting requirements of the Emeritus Fund of the Free Reformed Church of Australia (Inc.) constitution and is appropriate to meet the needs of the members. The Board's responsibility also includes such internal control as it determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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 Church of Australia (Inc.). The financial report has been prepared for distribution to the members of the Emeritus Fund of the Free Reformed Church of Australia (Inc.) for the purpose of fulfilling the Board's financial reporting requirements under the 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.

I have conducted my audit 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. No opinion is expressed as to whether the accounting policies are appropriate to the needs of the members.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Emeritus Fund of the Free Reformed Church of Australia (Inc.) as at 31 December 2013 and of its operations and its cash flows for the year then ended.



Bryant De Vos CPA
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