

---

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

**CONTENTS**

<b>Fund Information</b>	<b>2</b>
<b>Statement of Comprehensive Income</b>	<b>3</b>
<b>Statement of Changes in Equity</b>	<b>4</b>
<b>Statement of Financial Position</b>	<b>5</b>
<b>Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Financial Statements</b>	<b>7 - 12</b>
<b>Independent Auditors' Report</b>	<b>13 - 14</b>

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
FUND INFORMATION  
AS AT 30 JUNE 2020**

---

<b>Nature of Fund</b>	Investment Fund
<b>Trustee</b>	The Presbyterian Church Property Trustees
<b>Principal Place of Business</b>	Ground Floor, 245 Cuba Street, Wellington
<b>Fund Administrator</b>	Booster Financial Services Limited
<b>Fund Managers</b>	Harbour Asset Management Limited Mercer (N.Z.) Limited
<b>Custodian Trustee</b>	Trustees Executors Limited
<b>Solicitors</b>	DLA Piper
<b>Bankers</b>	ANZ Bank BNZ Bank
<b>Auditors</b>	Ernst & Young

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>Revenue</b>			
Interest Income	4	4,485,968	6,306,339
Net gains on financial Instruments at fair value through profit or loss	6	498,302	56,235
Foreign exchange (losses)/gains		(837)	57
Other income		1,200	2,648
<b>Total Revenue</b>		<b>4,984,633</b>	<b>6,365,279</b>
<b>Expenses</b>			
Administration expenses	5	677,146	705,556
Interest expense	12	4,539,846	5,844,029
Attribution of capital loss adjustment to long term fund	12	(790,394)	-
Inflation allocation to long term fund	12	175,329	-
<b>Total Expenses</b>		<b>4,601,927</b>	<b>6,549,585</b>
<b>Net Profit/(Loss) for the year</b>		<b>382,706</b>	<b>(184,306)</b>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Profit/(Loss)</b>		<b>382,706</b>	<b>(184,306)</b>

**The accompanying notes form an integral part of these financial statements.**

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
 PRESBYTERIAN INVESTMENT FUND  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2020**


	Income \$	Reserve Fund \$	Total \$
<b>As at 1 July 2019</b>	-	8,579,376	8,579,376
Total comprehensive profit	382,706	-	382,706
Transferred to Reserve Fund	(382,706)	382,706	-
<b>As at 30 June 2020</b>	<u>-</u>	<u>8,962,082</u>	<u>8,962,082</u>
	Income \$	Reserve Fund \$	Total \$
<b>As at 1 July 2018</b>	-	8,763,682	8,763,682
Total comprehensive loss	(184,306)	-	(184,306)
Transferred from Reserve Fund	184,306	(184,306)	-
<b>As at 30 June 2019</b>	<u>-</u>	<u>8,579,376</u>	<u>8,579,376</u>

**The accompanying notes form an integral part of these financial statements.**

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
 PRESBYTERIAN INVESTMENT FUND  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	7	5,352,143	5,200,321
Trade and other receivables	8	2,092,351	913,787
Financial assets at fair value through profit or loss	10	127,670,805	108,682,327
Bank deposits		46,548,870	62,654,006
Mortgages	11	1,853,548	-
<b>Total Assets</b>		<b>183,517,717</b>	<b>177,450,441</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	9	136,487	120,955
Trust account deposits	12	172,412,440	167,555,668
Financial liabilities at fair value through profit or loss	10	2,006,708	1,194,442
		<b>174,555,635</b>	<b>168,871,065</b>
<b>Equity</b>			
Reserve Fund		8,962,082	8,579,376
		<b>8,962,082</b>	<b>8,579,376</b>
<b>Total Equity and Liabilities</b>		<b>183,517,717</b>	<b>177,450,441</b>

The financial statements have been authorised for issue by the Trustee, The Presbyterian Church Property Trustees.

Trustee  \_\_\_\_\_

Date 26/11/20

Trustee M. H. Galt

Date 26/11/20

**The accompanying notes form an integral part of these financial statements.**

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Interest income		4,767,613	4,381,360
Sale of investments		211,330,021	211,743,460
Other income		36,298	2,648
Cash was applied to:			
Payment of management costs		(719,690)	(729,575)
Payment of interest on deposits		(203)	(13)
Purchase of investments		(213,690,143)	(213,114,962)
Mortgages advanced		(1,850,000)	-
Net settlement of derivatives		(548,812)	(785,064)
<b>Net cash (outflows)/inflows from operating activities</b>		<b>(674,916)</b>	<b>1,497,854</b>
<b>Cash flows from financing activities</b>			
Received from trust account deposits		24,028,368	20,461,127
Applied to trust account deposits repaid		(23,201,528)	(22,773,619)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>826,840</b>	<b>(2,312,492)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>151,924</b>	<b>(814,638)</b>
Opening cash brought forward		5,200,321	6,014,865
Effect of exchange rate fluctuations		(102)	94
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>5,352,143</b>	<b>5,200,321</b>

**The accompanying notes form an integral part of these financial statements.**

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

**1. General information**

These financial statements are for the Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund ("Fund") for the year ended 30 June 2020 ("balance date").

The Fund was established by the Presbyterian Church Property Trustees Empowering Act 1957 ("Act") to amalgamate investments and money of trust funds and is governed by that Act.

The Trustee of the Fund is The Presbyterian Church Property Trustees ("Trustee"). The Trustee is a body corporate established under the Presbyterian Church Property Act 1885. The Trustee has delegated certain administration functions to Booster Financial Services Limited, fund management functions to Harbour Asset Management Limited as well as Mercer (N.Z.) Limited, and custodial and accounting services to Trustees Executors Limited. Mortgage security holding services has been delegated to Presbyterian Investment Fund Lending Limited.

The financial statements of the Fund cover the year ended 30 June 2020 and comparatives for the year ended 30 June 2019.

**2. Summary of accounting policies**

**i Basis of preparation**

The financial statements of the Fund have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR"), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS RDR.

The Fund is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards, NZ IFRS RDR on the basis that the Fund has no public accountability and is not a large for-profit public sector entity.

In applying NZ IFRS RDR, the Fund has applied a number of disclosure concessions.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial instruments at fair value through profit or loss. The methods used to measure fair values are discussed further below. The accrual basis of accounting has been applied, as has the going concern assumption.

In the prior year, Other Income was presented as part of Interest income. In the current year, Other Income is presented separately in the Statement of Comprehensive Income. Accordingly, comparatives have been reclassified to conform with the current year presentation.

In the prior year, cash flows from operating activities in relation to the realisation and/or settlement of derivatives were presented as part of sales and purchases of investments. In the current year, the realisation and settlement of derivatives are presented separately within cash flows from operating activities. Accordingly, comparatives have been reclassified to conform with the current year presentation.

In the prior year, cash flows from financing activities were presented as the gross movements within the underlying trust account portfolios of the Fund. In the current year, the cash flows from financing activities are presented as the net movements of the underlying trust account portfolios of the Fund. Accordingly, comparatives have been reclassified to conform with the current year presentation.

All other accounting policies have been applied consistently with prior periods. New standards, amendments to standards and interpretations that came into effect during the reporting period do not have a material impact on the financial statements. The same applies for any new standards, amendments to standards and interpretations that have been issued but are not yet effective.

**ii Functional and presentation currency**

These financial statements are presented in New Zealand dollars (\$), which is the Fund's functional currency. All financial information presented has been rounded to the nearest dollar.

**iii Financial instruments**

**(a) Classification**

**Assets**

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focussed on fair value information and uses that information to assess the assets' performance and to make decisions.

**(ii) Financial assets at amortised cost**

**Cash and cash equivalents** include cash in hand, deposits held at call with banks and overdrawn balances with brokers in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Funds' main income generating activity.

**Bank deposits** are debt instruments where the business model is held for collection only; the contractual terms only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further the "hold to collect" model will be applied for these financial assets due to the following: collection of contractual cash flows is not incidental, there's no intention to sell these assets and they are used to effectively manage cash reserves. On this basis, the fair value option will not be applied and are classified as financial assets at amortised cost.

## 2. Summary of accounting policies (continued)

### Financial Instruments (continued)

**Mortgages** are debt instruments secured by the underlying physical assets and where the business model is held for collection only; the contractual terms only give rise to cash flows that are solely interest on the principal amount outstanding. Further the "hold to collect" model will be applied for these financial assets due to the following: loan terms will be up to 15 years, collection of contractual cash flows is not incidental, there's no intention to sell these assets and they are used to effectively manage cash reserves. On this basis, the fair value option will not be applied and are classified as financial assets at amortised cost.

**Unsettled investment sales** included in trade and other receivables, are receivable for securities sold but not yet settled at balance sheet date. The unsettled trade receivable balance is held for collection.

**Trade and other receivables** include margin accounts, accrued interest and contributions receivable.

**Margin accounts** represents deposits held in respect of open trades in financial instruments and not included as a component of cash and cash equivalents.

### Liabilities

#### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. Consequently, all financial liabilities are measured at fair value through profit or loss. All financial liabilities previously classified as financial liabilities at fair value through profit or loss under the category held for trading, are now classified as mandatorily measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

#### (ii) Financial liabilities at amortised cost

Trade and other payables include unsettled investment purchases are amounts representing liabilities and accrued expenses owing by the Fund at year end. These amounts include related party fees payable, distributions payable and withdrawals payable.

**Unsettled investment purchases** included in trade and other payables, are payables for securities purchased but not yet settled at balance sheet date.

### (b) Recognition, Derecognition and Measurement

#### Financial assets and liabilities at fair value through profit or loss

The Fund recognises financial assets and liabilities at fair value through the profit and loss on the date it becomes party to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at fair value through the profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income when they arise. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statement of Comprehensive Income in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item. Interest and dividend income are separately recognised in the Statement of Comprehensive Income. Purchases and sales of investments are recognised on the trade date, the date on which the Fund commits to purchase or sell the investment.

#### Financial assets and liabilities at amortised cost

The Fund recognises financial assets and liabilities at amortised cost on the date it becomes party to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have been expired or the Fund has transferred all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance of the financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 months' of expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired. There is a risk of non-recovery.



**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**2. Summary of accounting policies (continued)**

**iv Fair value hierarchy**

Fair value measurements and fair value disclosures for financial assets and liabilities can be categorised into a three level hierarchy based on the use of market observable and unobservable inputs:

*Level one - fair value in an active market*

The fair value of financial assets traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. Generally, a level one category asset will have the most independent, reliable basis for measurement.

*Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data.*

The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.

*Level three - fair value in an inactive or unquoted market using valuation techniques without observable market data*

The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.

**v Revenue recognition**

- (a) Interest income is recognised as the interest accrues using the effective interest rate method. Interest income is earned on short term deposits, loans granted, cash held at the bank and on bonds and swaps.
- (b) Gains or losses on financial assets and liabilities at fair value through profit or loss are recognised in the Statement of Comprehensive Income disclosed in note 2(III) above.
- (c) Foreign exchange gains and losses on cash are recognised in the Statement of Comprehensive Income as they arise. Foreign exchange gains and losses on financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.
- (d) Other income is recognised in the Statement of Comprehensive Income when the Fund's right to receive payment is established.

**vi Expenses**

Expenses comprise management fees, trustee fees, custody and accounting fees, registry fees, audit fees, legal fees and other administration fees. Management, trustee, custody and accounting, audit and registry fees are accrued for on a monthly basis. All other expenses are recognised when incurred.

**vii Interest expense, Attribution of capital loss adjustment and Inflation allocation to the long term fund**

The Interest expense, Attribution of capital loss adjustments and Inflation allocations to the long term fund are all rates determined by the Investment Committee of the Trustee and are expensed when incurred.

**viii Income tax**

The Fund is a registered charity under the Charities Act 2005 and pursuant to Section CW of the Income Tax Act 2007 is exempt from income tax.

**ix Goods and services tax ("GST")**

The Fund is not registered for GST and all components of the financial statements are stated inclusive of GST where applicable.

**x Statement of cash flows**

Definitions of the terms used in the statement of cash flows are:

- (a) Operating activities comprise all transactions and other events that are not financing activities and includes purchases and sales of investments.
- (b) Financing activities are those activities that result in changes in the size and composition of deposit holders' funds. This includes elements of deposit holders' funds not falling within the definition of cash. Distributions paid in relation to deposit holders' funds are included in financing activities.

**xi Equity**

Pursuant to the Act, the Fund provides for an Income Account and a Reserve Fund. These have the following purposes:

*Income Account*

The Income Account receives all investment income after the deduction of administration expenses. The remainder, after any transfers required to maintain the Reserve Fund, is available to be credited to the deposit holders' accounts. The balance of the Income Account is transferred to or from the Reserve Fund at the end of the year.

*Reserve Fund*

The Reserve Fund receives investment income on its funds and the balance of the Income Account at the end of the year is transferred to or from the Reserve Fund. The Fund is used to stabilise or increase the income of the Fund, to reinstate any capital losses and to hold unrealised gains or losses on fixed interest investments until maturity.

**3. Accounting estimates and judgements**

The preparation of financial statements in conformity with NZ IFRS RDR requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgement in the process of applying the Fund's accounting policies. The Trustee has applied its judgement in selecting the accounting policy to designate financial assets at fair value through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements.

**4. Interest Income**

	2020	2019
	\$	\$
Interest on financial assets held at amortised cost	1,581,566	1,650,166
Interest on investment assets at fair value through profit or loss	2,904,402	4,656,173
<b>Total interest income</b>	<b>4,485,968</b>	<b>6,306,339</b>

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	\$	\$
<b>5. Administration expenses</b>		
Management fees	138,643	209,684
Trustee fees	259,992	240,000
Custody fees	55,861	58,169
Accounting fees	27,600	25,875
Regulatory fees	-	(307)
Professional fees	34,246	16,799
Audit fees	17,388	15,362
Legal fees	-	1,974
Brokerage fees	816	-
Registry fees	142,600	138,000
<b>Total administration expenses</b>	<b>677,146</b>	<b>705,556</b>
<b>6. Net gains/(losses) on financial instruments at fair value through profit or loss</b>		
New Zealand corporate bonds	404,737	335,197
New Zealand local authority bonds	184,865	267,320
New Zealand government bonds	67,560	114,862
Mercer Socially Responsible Investment Balanced Fund	114,533	-
New Zealand swaps, futures and options	(282,640)	(692,632)
International bonds	18,522	6,916
Forward foreign exchange contracts	(9,275)	24,572
<b>Net gains on financial instruments at fair value through profit or loss</b>	<b>498,302</b>	<b>56,235</b>
<b>7. Cash and cash equivalents</b>		
Cash at bank	5,352,143	5,200,321
<b>Total cash and cash equivalents *</b>	<b>5,352,143</b>	<b>5,200,321</b>
Cash and cash equivalents include cash balances and are classified as financial assets at amortised cost under NZ IFRS 9.		
<b>8. Trade and other receivables</b>		
Trust account deposits receivable	134,129	6,000
Margin accounts	1,958,222	907,787
<b>Total trade and other receivables *</b>	<b>2,092,351</b>	<b>913,787</b>
All trade and other receivable balances are classified as financial assets at amortised cost under NZ IFRS 9.		
<b>9. Trade and other payables</b>		
Audit fees payable	15,120	15,120
Management fees payable	43,348	50,794
Sundry expenses payable	24,349	24,349
Trust account withdrawals payable	53,670	30,692
<b>Total trade and other payables *</b>	<b>136,487</b>	<b>120,955</b>
All trade and other payables are current liabilities and are classified as financial liabilities at amortised cost under NZ IFRS 9.		
* For cash and cash equivalents, term deposits, trade and other receivables, trade and other payables as well as trade and other payables to related parties, the carrying amount is considered to be the fair value.		
<b>10. Financial assets and liabilities at fair value through profit or loss</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Financial assets at fair value through profit or loss</i>		
New Zealand corporate bonds	70,582,227	88,555,359
New Zealand local authority bonds	10,961,923	10,922,006
New Zealand government bonds	16,424,140	2,960,604
Mercer Socially Responsible Investment Balanced Fund	27,695,572	-
International bonds	685,139	559,406
New Zealand discounted securities	999,853	5,289,962
New Zealand interest rate swaps	320,871	388,288
Forward foreign exchange contracts	1,080	6,702
<b>Total financial assets at fair value through profit or loss</b>	<b>127,670,805</b>	<b>108,682,327</b>
<i>Financial liabilities at fair value through profit or loss</i>		
New Zealand interest rate swaps	(1,997,762)	(1,194,442)
Forward foreign exchange contracts	(8,946)	-
<b>Total financial liabilities at fair value through profit or loss</b>	<b>(2,006,708)</b>	<b>(1,194,442)</b>

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**11. Related parties**

The Trustee of the Fund is The Presbyterian Church Property Trustees. The Presbyterian Investment Fund provides both On-Call deposit and Long-Term investment facilities for the General Assembly, Presbyteries, Parishes, Church Trusts and other entities within the Presbyterian Church of Aotearoa New Zealand family. Funds are held in the name of the Trustee on behalf of these entities.

Loan facilities, in the form of mortgages, to the same group of entities were introduced during June 2020 as part of the Fund's investment strategy within the On-Call portfolio. These mortgages are in the name of the Trustee on behalf of the borrowing entity and are held by Presbyterian Investment Fund Lending Limited on behalf of the Trustee, a wholly owned subsidiary of The Presbyterian Church Property Trustees. The mortgages have terms of up to 15 years, no fixed repayments, current interest rate of 3.5% per annum determined by the Investment Committee of the Trustee and secured by the physical underlying assets.

For the year ended 30 June 2020, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2019: nil).

The following table provides the total amount of transactions including trustee fees paid that have been entered into with related parties for the relevant financial year.

		2020	2019
		\$	\$
The Presbyterian Church Property Trustees:	Trustee fees paid	259,992	240,000
The Presbyterian Church Property Trustees:	Mortgages	1,853,548	-

**12. Trust account deposits**

The Fund amalgamates investments and money held by the Trustee on behalf of Presbyterian Church of Aotearoa New Zealand parishes, Presbyteries, General Assembly, and other related trusts and entities ("Presbyterian Entities"). Prior to 1 July 2019, the Fund provided a single On-Call account for Presbyterian Entities. From 1 July 2019, the Fund provides two types of Trust accounts for Presbyterian Entities: On-Call and Long-Term.

On-Call accounts are backed by investments into highly-rated NZ cash, term deposits and short-term fixed interest securities managed by Harbour Asset Management and loans to Presbyterian Entities secured by a first mortgage. Long-Term accounts are backed by investment in the Mercer Socially Responsible Investment Balanced Fund ("Mercer Fund"). The Mercer Fund is comprised of a diversified mix of NZ and global equity, real asset, fixed interest and cash securities.

On-Call accounts are credited with interest (calculated on daily balances) each quarter. Interest on the On-Call accounts for the year ended 30 June 2020 was credited at the following rates: 3.25% p.a. from 1 July 2019 to 30 September 2019; 2.5% p.a. from 1 October 2019 to 30 April 2020 and 1.75% p.a. from 1 May 2020 to 30 June 2020. Interest on the On-Call accounts for the year ended 30 June 2019 was credited at the following rate: 3.5% p.a. from 1 July 2018 to 31 June 2019.

Long-Term accounts are credited with interest and inflation (calculated on daily balances) each quarter. Interest on the Long-Term accounts for the year ended 30 June 2020 was credited at the following rates: 3.5% p.a. from 1 July 2019 to 30 April 2020 and 3.0% p.a. from 1 May 2020 to 30 June 2020. The Inflation Allocation is calculated using Statistics NZ Consumer Price Index figures. Inflation Allocation on Long-Term accounts for the year ended 30 June 2020 was credited at the following rates: 0.68% for the quarter ended 30 September 2019; 0.48% for the quarter ended 31 December 2019; 0.77% for the quarter ended 31 March 2020; -0.48% for the quarter ended 30 June 2020. Long-Term accounts may also be debited/credited with a Capital Adjustment to reflect market price movements in the Mercer Fund that vary significantly from the regular Interest and Inflation amounts credited to accounts. A Capital Adjustment of -3.25% p.a. was debited to accounts for the quarter ended 31 March 2020, reflecting the sharp fall in investments markets as a result of the COVID-19 pandemic.

Interest on On-Call accounts and the Interest, Inflation Allocation and Capital Adjustment rates are all determined by the Investment Committee of the Trustee.

Interest, Inflation Allocation and Capital Adjustment amounts debited/credited to Trust accounts are recorded as Expenses of the Fund.

The following Trust account deposits are held and all are repayable on demand, subject to the depositor complying with regulations of the Presbyterian Church of Aotearoa New Zealand and the Act concerning the use of funds.

	2020	2019
	\$	\$
Presbyterian Parishes - General	22,208,379	21,318,764
Presbyterian Parishes - Property	65,583,052	68,692,727
Presbyterian Parishes - Trust	10,533,792	10,278,274
Presbyterian Parishes - Other	27,739,421	23,323,439
Presbyterian Church Property Trustees - on Trust	24,927,721	24,503,318
Presbyterian General Assembly	21,283,633	19,292,183
Presbyterian Schools	80,437	90,469
Presbyterian Support	56,005	56,494
	<b>172,412,440</b>	<b>167,555,668</b>
The Trust account deposits in the On-Call and Long-Term accounts are as follows:		
On-Call	144,702,679	167,555,668
Long-Term	27,709,761	-
	<b>172,412,440</b>	<b>167,555,668</b>

**PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND  
PRESBYTERIAN INVESTMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

**13. Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities as at 30 June 2020 (30 June 2019: nil).

**14. Subsequent events**

There were no subsequent events which require adjustment to or disclosure in these financial statements.

**15. Impact of COVID-19**

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a state of national emergency. Financial markets were significantly impacted by the pandemic and have experienced greater than usual volatility. This resulted in the Fund recognising a capital loss adjustment of \$790,394 across Long Term Fund accounts during the 2020 financial year. Whilst investment volatility has now reduced, it is difficult to estimate the ongoing impact of COVID-19 on the Fund.



## Independent auditor's report to the Members of the Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund Report on the audit of the financial statement

### Opinion

We have audited the financial statements of the Presbyterian Church of Aotearoa New Zealand Presbyterian Investment Fund (the "Fund") on pages 3 to 12, which comprise the statement of financial position of the Fund as at 30 June 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Fund, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 12 present fairly, in all material respects, the financial position of the Fund as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Fund's members as a body. Our audit has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interest in, the Fund.

### Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.



If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Those charged with governance responsibilities for the financial statements

Those charged with Governance are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing on behalf of the entity the Fund'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 those charged with governance either intend to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing (New Zealand) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>. This description forms part of our auditor's report.

The signature 'Ernst &amp; Young' is written in a black, cursive script.

Wellington  
30 November 2020