

**The Presbyterian Church Of Aotearoa New  
Zealand Beneficiary Fund**

**Financial Statements**

**For the Year Ended 30 June 2021**

# **The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**

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**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Statement of Net Assets**  
**As at 30 June 2021**

	Note	As at 30 June 2021 \$	As at 30 June 2020 \$
<b>ASSETS</b>			
Cash and cash equivalents		25,572	12,806
Presbyterian Investment Fund deposits	7	351,802	521,740
Financial Assets at Fair Value Through Profit or Loss	4	54,629,432	51,413,488
<b>Total Assets</b>		<b>55,006,806</b>	<b>51,948,034</b>
<b>LIABILITIES</b>			
Other Payables	5	67,505	79,125
Sundry Creditors	5	39,544	65,517
<b>Total Liabilities</b>		<b>107,049</b>	<b>144,642</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	3	<b>54,899,757</b>	<b>51,803,392</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<i>Represented by:</i>	3		
Member account		52,105,091	49,479,810
Employer account		2,510,369	1,880,967
Reserve account		284,297	442,615
		<b>54,899,757</b>	<b>51,803,392</b>

For and on behalf of the Trustee, who authorised the issue of these financial statements on:

Director:   
Margaret Nell Galt

Date: 7/10/2021

Director:   
Warren Douglas Potter

Date: 7/10/2021

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Statement of Changes in Net Assets**  
**For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
<b>Income</b>			
Interest		6,784	12,845
Gain on Financial Assets at Fair Value Through Profit or Loss	6	6,709,475	2,548,391
		6,716,259	2,561,236
<b>EXPENSES</b>			
Investment Management Fees / Rebates		310,527	344,636
Actuarial Fees		738	2,226
Administration and Management Charges		54,000	54,000
Fees for audit of financial statement		23,260	22,138
Consulting Fees		15,881	14,697
Legal Expenses		17,702	7,353
Trustee Expenses	7	104,984	106,422
Sundry Expenses		15,108	29,358
<b>Total Expenses</b>		542,200	580,830
<b>Net Profit before Taxation</b>		6,174,059	1,980,406
Income Tax Expense		-	-
<b>Net Profit after Taxation</b>		6,174,059	1,980,406
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		566,961	584,278
Government Contributions		34,959	38,415
Church Contributions		401,011	393,618
<b>Total Contributions</b>		1,002,931	1,016,311
<b>Benefits Paid</b>			
Regular drawdowns		1,415,637	1,489,216
Retirements / Withdrawals		2,664,988	3,046,367
<b>Total Benefits Paid</b>		4,080,625	4,535,583
<b>Net Membership Activities</b>		(3,077,694)	(3,519,272)
<b>Net Increase/(Decrease) in Net Assets During Year</b>		3,096,365	(1,538,866)
Net Assets Available For Benefits at Beginning of Year		51,803,392	53,342,258
<b>Net Assets Available For Benefits at End of Year</b>		54,899,757	51,803,392

This statement is to be read in conjunction with the notes on pages 6 to 11

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash provided from</i>			
Member Contributions		566,961	584,278
Church Contributions		401,011	393,618
Government Contributions		34,959	38,415
		<u>1,002,931</u>	<u>1,016,311</u>
<i>Cash applied to</i>			
Benefits Paid		4,084,750	4,538,721
Fund Operating Costs		257,647	230,639
		<u>4,342,397</u>	<u>4,769,360</u>
<b>Net Cash Out Flows applied to Operating Activities</b>	8	<u>(3,339,466)</u>	<u>(3,753,049)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash provided from</i>			
Proceeds from Sale of Investments		4,211,232	5,324,938
<i>Cash applied to</i>			
Purchase of investments		859,000	1,572,573
<b>Net Cash Flows from Investing Activities</b>		<u>3,352,232</u>	<u>3,752,365</u>
<b>Net Increase/(Decrease) in Cash Held</b>		12,766	(684)
<b>Cash at Beginning of Year</b>		12,806	13,490
<b>Cash at End of Year</b>		<u>25,572</u>	<u>12,806</u>

**THE PRESBYTERIAN CHURCH OF AOTEAROA NEW ZEALAND BENEFICIARY FUND**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

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**1. (a) Fund Description**

The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund ("Beneficiary Fund" or "Fund") is a restricted workplace savings scheme registered under the Financial Market Conduct Act 2013 ("FMCA"). It was established in the early 1900's to provide retirement benefits to nationally ordained ministers of the Presbyterian Church of Aotearoa New Zealand ("Church").

The Presbyterian Beneficiary Fund Trustee Limited ("Trustee") is the Fund's trustee and the Administration manager is Melville Jessup Weaver.

The Fund is domiciled in New Zealand and the address of the principal place of business is Ground floor, 275-283 Cuba Street, Te Aro, Wellington, 6141.

From 1 July 2017, the Fund has been a defined contribution scheme consisting of a New Benefits Section and Complying Fund Section. All nationally ordained ministers are required to join the Fund in accordance with the standard terms of appointment set by the Church. The Trustee may also accept applications from those deemed to be in kindred service. Personal contributions are made to the Fund at the prescribed rate of 5% of Basic Stipend. Church contributions are made to the Fund at a matching 5% of Basic Stipend (before the deduction of Employer Superannuation Contribution Tax, if any). Contribution rates for kindred members may vary. Members may withdraw their savings on reaching retirement age or leaving active ministry. Additional withdrawals may also be approved in the event of serious illness, financial hardship, first home purchase and permanent emigration.

The Fund offers four investment options: Cash; Conservative; Balanced; and Growth. The Fund's investments are managed in a socially responsible investment fashion. Members are allocated units in the investment option(s) of their choice, with daily unit pricing.

**(b) Fund History**

Prior to 30 June 2017, the Fund was primarily a contributory defined benefit superannuation scheme, with two defined benefit sections and a defined contribution component (Complying Fund Section). In November 2016, the General Assembly, the governing body of the Church, approved the wind up of the defined benefit sections of the Fund ("Old DB Sections") and the creation of a new defined contribution section (New Benefits Section). The Complying Fund Section continued unchanged.

The amount payable to members under wind up was determined as at 30 November 2017 and as at 30 June 2020 all members had received all their wind up entitlements. Members in receipt of wind up entitlements were able to reinvest those funds in the Fund. Funds reinvested in the New Benefits Section (as a Continuing Value balance) are available for withdrawal at any time.

The General Assembly determined that any surplus on the wind-up of the Old DB Sections would be transferred to a new charitable fund called the Presbyterian Benevolent Fund. The Fund has already transferred the vast majority of surplus funds to the Presbyterian Benevolent Fund, with the remainder to be transferred once the wind up is complete. It was also determined that prior to the determination of the surplus, some funds would be retained in the Fund to subsidise costs for a period of five years. The balance of these funds is reflected in the Reserve Account balance on page 3.

**(c) Trust Deed**

The current Trust Deed is dated 28 September 2020. This Deed removed references to the Old DB Sections, replacing a Trust Deed dated 5 April 2018.

The Trust Deed sets out the basis on which the Fund can be terminated.

**2. Summary of Significant Accounting Policies**

**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 requirements of the FMCA and the Trust Deed governing the Fund. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

**Statement of Compliance**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Measurement Base**

The measurement base adopted is that of historical cost modified by the revaluation of certain financial assets which are measured at fair value through profit or loss at each reporting date. The going concern assumption has been adopted.

**Functional and Presentational currency**

The financial statements are presented in New Zealand dollars which is the Fund's functional and presentation currency. All values are rounded to the nearest dollar (\$).

**Classification of assets and liabilities**

Assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity and are not distinguished between current and non-current.

**2. Summary of Significant Accounting Policies (Cont'd)**

**New accounting standards and interpretations**

(i) Changes in accounting policy and disclosures

There have been no changes to accounting policies during the year.

(ii) Accounting standards issued but not yet effective

No standards and interpretations have been issued with an effective date after the Fund's balance date which would have a material impact on the financial statements of the Fund.

**Income**

Interest income is recognised using the effective interest rate method. Gains/losses on financial assets at fair value through profit or loss includes realised gains/losses on the disposal of financial assets and unrealised gains/losses arising from changes in the fair value of financial assets.

**Expenses**

Expenses are recognised on an accruals basis.

**Goods and Services Tax (GST)**

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

**Taxation**

The Fund is a registered charitable entity which means that income earned by the Fund is exempt from income tax in New Zealand.

**Financial instruments**

(i) Classification

The Fund classifies its financial assets and financial liabilities as:

(1) Financial assets at fair value through profit or loss

The Fund includes in this category investments in managed investment funds. They are mandatorily measured at fair value through profit or loss because they are retirement benefit plan investments.

(2) Financial assets at amortised cost

The Fund includes in this category cash and cash equivalents, and deposits in the Presbyterian Investment Fund. These assets are classified as financial assets at amortised cost because the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal outstanding and are managed to collect the contractual cash flows.

(3) Financial liabilities at amortised cost

The Fund includes in this category payables which may include benefits payable and sundry creditors owing by the Fund which are unpaid at balance date. All financial liabilities are included in this category.

(ii) Recognition/Derecognition

The Fund recognises financial assets and liabilities on the date they become party to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the asset has expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured initially at fair value. After initial recognition, financial assets at fair value through profit or loss are revalued to fair value with changes in their fair value recognised in the profit or loss.

(2) Financial assets at amortised cost

Financial assets measured at amortised cost are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less expected credit losses (if any).

(3) Financial liabilities at amortised cost

Financial liabilities measured at amortised cost are measured using the effective interest method.

**Statement of Cash Flows**

The cash flows of the Scheme do not include those of the investment manager(s). The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents - Includes cash on hand, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

**Member contributions and benefits paid**

Contributions and benefits are accounted for on an accruals basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable or are received. Benefits are recognised in the Statement of Changes in Net Assets when they become payable resulting in financial liability.

**Members' funds**

Each unit issued confers an equal interest in the investment option of the Fund to which the unit relates. A unit does not confer any rights or interest in the individual investment options of the Fund to the member.

**Net assets available for benefits**

Net assets available for benefits is the Fund's present obligation to pay benefits to members and is the difference between the carrying amount of the assets and the carrying amount of the liabilities.

**Capital risk management**

The Fund's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Fund. The Fund is not subject to any externally imposed capital requirements.

The Fund achieves this through obtaining contributions from members and the Church and investing these into appropriate investments in accordance with its Statement of Investment Policies and Objectives (SIPO).

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**3. Liability for Promised Retirement Benefits:**

Changes in promised retirement benefits as at 30 June 2021:	Member Account \$	Employer Account \$	Voluntary Account \$	Reserve Account \$	Total 2021 \$
Balance at 1 July 2020	3,303,974	1,880,967	46,175,836	442,615	51,803,392
Contributions	560,192	401,011	41,729	-	1,002,932
Withdrawals	(179,763)	(117,686)	(3,783,177)	-	(4,080,625)
Fee Subsidy	-	-	172,597	(172,597)	-
Net Investment movement	561,085	346,076	5,252,617	14,279	6,174,058
Balance at 30 June 2021	4,245,489	2,510,369	47,859,602	284,297	54,899,757

  

Changes in promised retirement benefits as at 30 June 2020:	Member Account \$	Employer Account \$	Voluntary Account \$	Reserve Account \$	Total 2020 \$
Balance at 1 July 2019	2,650,545	1,431,164	48,751,889	508,660	53,342,258
Contributions	555,254	393,618	67,439	-	1,016,311
Withdrawals	(61,415)	(46,132)	(4,428,036)	-	(4,535,583)
Fee Subsidy	-	-	133,462	(133,462)	-
Net Investment movement	159,590	102,317	1,651,082	67,417	1,980,406
Balance at 30 June 2020	3,303,974	1,880,967	46,175,836	442,615	51,803,392

The Voluntary Account represents Members' wind up entitlements reinvested in the Fund. These balances, known as the Continuing Value balance, are available for withdrawal at any time.

The Reserve Account represents the balance of funds from the wind up surplus retained in the Fund to help offset the costs of running the Fund. It was determined that \$800,000 would be retained, with approximately \$150,000 used each year to subsidise administration costs. The balance is held in the Presbyterian Investment Fund, with any interest earned added to the Account.

**4. Investments in Presbyterian Investment Fund Deposits and Investments at Fair Value Through Profit or Loss**

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

Investments as at 30 June consist of the following:

	2021 \$	2020 \$
Domestic Fixed Interest	351,802	521,740
Mercer - Cash Fund	774,006	925,809
Mercer - Conservative Fund	14,157,410	14,321,150
Mercer - Balance Fund	32,201,460	29,765,888
Mercer - Growth Fund	7,496,556	6,400,641
	<b>54,981,234</b>	<b>51,935,228</b>

  

	2021	2020
<u>Investment classes &gt; 5% of Net Assets</u>		
Mercer - Conservative Fund	26%	28%
Mercer - Balance Fund	59%	57%
Mercer - Growth Fund	14%	12%

**5. (i) Other Payables**

Provision for wind-up cost	67,505	79,125
	<b>67,505</b>	<b>79,125</b>

**(ii) Sundry Creditors**

Other Expenses	39,544	65,517
	<b>39,544</b>	<b>65,517</b>

The provision for wind up cost 5(i) represents a provision set aside to meet costs associated with any changes to membership provisions implemented by the Church from the Trust Deed. Any surplus not consumed by way of wind-up costs will be transferred to the Presbyterian Benevolent Fund.

**6. Gain on Financial Assets Held at Fair Value Through Profit or Loss**

	2021 \$	2020 \$
Mercer Investments	6,709,475	2,548,391
	<b>6,709,475</b>	<b>2,548,391</b>

**7. Related Party Transactions**

During the year no payments were made by the Fund to the General Assembly for management services provided (2020: Nil).

The Fund has a Presbyterian Investment Fund ("PIF") On Call account, a consolidated short duration fund offering deposits available on call. The Trustee of the PIF is The Presbyterian Church Property Trustees, which is the sole shareholder of Presbyterian Beneficiary Fund Trustee Limited, the Fund's Trustee. During the year there were no additional deposits by the Fund in the Presbyterian Investment Fund (2020: Nil). Other withdrawals relating to redemptions amounted to \$176,722 (2020: \$128,498). The investment generated an interest income for \$6,784 (2020: \$31,167). The closing balance as at 30 June 2021 was \$351,802 (2020: \$521,740).

The Fund paid \$104,984 to The Presbyterian Church Property Trustees for trustee services provided (2020: \$106,422).

No debts were forgiven during the year (2020: nil). At balance date there were no amounts owing from the Fund to the General Assembly (2020: Nil).



The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund  
Notes to the Financial Statements  
For the year ended 30 June 2021

8 Reconciliation of Net Cash Flows from Operating Activities to Decrease in Net Assets

	2021	2020
	\$	\$
Increase in Net Profit after Taxation and before membership activities	6,174,059	1,980,406
<b>Non-cash items</b>		
Gains on financial assets at fair value through profit or loss	(6,709,475)	(2,300,498)
Distribution income received as units	(6,784)	(12,845)
Management fee	310,527	96,743
<b>Movement in working capital items</b>		
(Decrease) in Other payables	(4,125)	(29,257)
(Decrease)/Increase in Sundry Creditors	(25,974)	31,674
<b>Membership Activities</b>		
Contribution received	1,002,931	1,016,311
Benefit paid	(4,080,625)	(4,535,583)
<b>Net Cash Out Flows from Operating Activities</b>	<b>(3,339,466)</b>	<b>(3,753,049)</b>

9 Financial Instruments

Financial Instruments by Category	Financial assets at Amortised cost	Financial assets at fair value through profit and loss
<b>As at 30 June 2021</b>	\$	\$
Assets as per the Statement of Net Assets		
Financial assets at Fair Value Through Profit or Loss	-	54,629,432
Presbyterian Investment Fund deposits	351,802	-
Cash and Cash Equivalents	25,572	-
<b>Total</b>	<b>377,374</b>	<b>54,629,432</b>
	Financial liabilities at Amortised cost	Financial liabilities at fair value through profit and loss
	\$	\$
<b>As at 30 June 2021</b>		
Liabilities as per the Statement of Net Assets		
Sundry Creditors	39,544	-
<b>Total</b>	<b>39,544</b>	<b>-</b>
<b>Financial Instruments by Category</b>	<b>Financial assets at Amortised cost</b>	<b>Financial assets at fair value through profit and loss</b>
<b>As at 30 June 2020</b>	\$	\$
Assets as per the Statement of Net Assets		
Financial assets at Fair Value Through Profit or Loss	-	51,413,488
Presbyterian Investment Fund deposits	521,740	-
Cash and Cash Equivalents	12,806	-
<b>Total</b>	<b>534,546</b>	<b>51,413,488</b>
	Financial liabilities at Amortised cost	Financial liabilities at fair value through profit and loss
	\$	\$
<b>As at 30 June 2020</b>		
Liabilities as per the Statement of Net Assets		
Sundry Creditors	65,517	-
<b>Total</b>	<b>65,517</b>	<b>-</b>

**The Presbyterian Church Of Aotearoa New Zealand Beneficiary Fund**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**10 Financial Risk Management**

The Trustees have determined, in consultation with professional investment advisors, an investment strategy for the Fund. This strategy is contained in the Statement of Investment Policies and Objectives (SIPO). This document is regularly reviewed by the Trustees to ensure it remains appropriate for prevailing market conditions and the liability profile of the Fund.

The SIPO includes an investment target (i.e. to achieve a rate of return that exceeds an investment Index) for each manager in each asset class that they manage for the Fund. Failure by an Investment manager to achieve the benchmark rate of return can result in its mandate being terminated.

The asset classes can be divided into growth and income assets. Growth assets offer significant long-term growth prospects but at the expense of potentially large variations in the short-term asset valuation, whereas income assets are not expected to vary as greatly in their capital value, and provide a regular income stream.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Currency risk, interest rate risk and Other price risk.

The investments at fair value through profit & loss are managed by Mercer. The Fund has no influence over how the underlying risks relating to these investments are controlled or mitigated, but considers the underlying investments to be of such a diverse nature so as to reduce significant exposure to the impact of market movements.

The Trustees have considered risk management for the Fund and have set objectives (detailed in the SIPO) including the target risk profile and asset allocation for the investment fund as well as defining performance target objectives within each asset class. The Trustee utilises the services of Mercer Investment Trusts New Zealand to design and implement investment strategies for the Fund.

*Currency risk*

The Fund is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments which invest in foreign currency denominated investments. During the year the Fund did not directly hold investments denominated in foreign currency.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to cash and cash equivalents and Presbyterian Investment Fund deposits. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will affect the valuation of investments which invest in cash and fixed interest investments. Interest rate risk management activities are undertaken by the Trustees in accordance with the investment mandate. The Fund's exposure to interest rate risk is not deemed significant.

*Other Price Risk*

Other price risk is the risk that the fair value of the Fund's Investments will fluctuate as a result of changes in the price of the Fund's Investments. Price risk exposure arises from the Fund's Investment portfolios. Other price risk management activities are undertaken by the investment manager in accordance with the investment mandates set by the Trustee.

The table below shows the impact on the statement of changes in net assets available for benefits and the statement of net assets due to a reasonably possible change in the price of the Fund's Investments with all other variables held constant:

30 June 2021				30 June 2020		
Change in the price	Increase/ (Decrease) in Profit before tax	Increase/ (Decrease) in amount available for benefits	Change in the price	Increase/ (Decrease) in Profit before tax	Increase/ (Decrease) in amount available for benefits	
	\$	\$		\$	\$	
+15%	8,194,415	8,194,415	+15%	7,712,023	7,712,023	
-15%	(8,194,415)	(8,194,415)	-15%	(7,712,023)	(7,712,023)	

**Credit Risk**

Credit Risk is the risk a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Concentrations of credit risk are determined on a direct holdings level and are minimised primarily by ensuring counterparties together with their respective limits are approved and ensuring that transactions are undertaken with a number of counterparties.

Cash and cash equivalents and Presbyterian Investment Fund deposits are not past due or impaired. Cash and cash equivalents are held with banks registered in New Zealand.

**Liquidity Risk**

Liquidity risk is the risk the Fund will encounter difficulty in raising funds to meet its obligation to pay members. Due to the nature of the Fund it is unlikely a significant number of members would withdraw at the same time. However, to control liquidity risk, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure no concentration of credit risk. Sundry creditors are typically settled within 30 days.

**Fair Value**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Fund's accounting policies.

The Fund classifies fair value measurements of financial instruments at fair value through profit or loss using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or;

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

# 10 Financial Risk Management (Cont'd)

## Fair Value (Cont'd)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes "observable" requires judgement by the Trustees. The Trustees consider "observable" to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses the fair value hierarchy of the Fund's financial assets (by class) measured at fair value:

30 June 2021	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Mercer Investments	-	54,629,432	-	54,629,432
	-	54,629,432	-	54,629,432

  

30 June 2020	Level 1	Level 2	Level 3	Total
Assets	\$	\$	\$	\$
Mercer Investments	-	51,413,488	-	51,413,488
	-	51,413,488	-	51,413,488

The fair value of the units held in the Mercer investment funds is determined by reference to published exit prices, being the redemption price established by Mercer.

## 11 Vested Benefits

Vested benefits are benefits payable to members under conditions of the Fund, on the basis of all members ceasing to be members of the Fund at balance date. The vested benefits at 30 June 2021 is \$54,615,460 (2020: \$51,360,778).

## 12 Commitments and Contingent Liabilities

There were no commitments outstanding as at 30 June 2021. (2020: Nil).

## 13 Events After Balance Date

There have been no other material events after balance date that require adjustment to or disclosure in the financial statements.

## 14 The effects of COVID-19 on the Fund

At this time, it is difficult to determine the full on-going effect of COVID-19 and therefore some uncertainties remain. There could also be other matters that affect the Fund in future, of which we are not yet aware. To the extent possible we have considered the impact of COVID-19 on areas such as investment valuation and incorporated these considerations in the price sensitivity analysis in Note 10. To date there hasn't been a significant impact on the Fund's financial performance or position. Going forward further impacts may include continued uncertainty and volatility in investment markets. Trustees are monitoring the situation.



## Independent auditor's report to the members of The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund

### Opinion

We have audited the financial statements of the Presbyterian Church of Aotearoa New Zealand Beneficiary Fund ("the Fund") on pages 3 to 11, which comprise the statement of net assets of the Fund as at 30 June 2021, and the statement of changes in net assets 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 11 present fairly, in all material respects, the financial position of the Fund as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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. Partners and employees of our firm may deal with the Fund on normal terms within the ordinary course of trading activities of the business of the Fund.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the

procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Financial assets at fair value through profit or loss

Why significant	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>▶ The Fund's portfolio of financial assets at fair value through profit or loss, being its investments, of \$54.6m represents approximately 99% of its total assets.</li> <li>▶ As detailed in the Fund's accounting policies, as described in Note 2 to the financial statements, these financial assets are recognised at fair value through profit or loss in accordance with NZ IFRS 9 <i>Financial Instruments</i>.</li> <li>▶ Volatility and other market drivers can have a significant impact on the value of these financial assets and the financial statements as a whole, therefore investments is considered a key area of audit focus.</li> <li>▶ Disclosures regarding the Fund's investments at 30 June 2021 are included in Notes 4 and 10 to the financial statements.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▶ Gaining an understanding of the processes used to record investment transactions and the monthly revaluation of the investment portfolio.</li> <li>▶ Obtaining and considering the Independent Assurance Report on Controls for the manager of the fund in which the Fund invests. We rely on the confirmation provided by the fund manager to support the existence and valuation of investments at balance date. We have considered the implications of any control deficiencies for our audit.</li> <li>▶ Receiving third party confirmation directly, for investments held, of the number of units issued to the Fund and their respective exit price at balance date and agreed the recorded holdings to that confirmation.</li> <li>▶ Recalculating the valuation of the Fund's investments at balance date. To validate the fair value in accordance with NZ IFRS 9, we agreed the pricing used for valuation purposes to the exit prices from the third party confirmation.</li> <li>▶ Agreeing investment applications and redemptions to the third party confirmation from the underlying fund manager and recalculating the resultant gain or loss.</li> <li>▶ Assessing whether the disclosures in the financial statements appropriately reflected the Fund's exposure to financial instrument risk with reference to NZ IFRS 7 <i>Financial Instruments: Disclosures</i>.</li> </ul>





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

The Trustee is responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

## Trustee's responsibilities for the financial statements

The Trustee is 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 and International Financial Reporting Standards, and for such internal control as the Trustee determines 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, the Trustee is 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 the Trustee either intends to liquidate the Fund or cease operations, or has 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.



The engagement partner on the audit resulting in this independent auditor's report is David Borrie.

*Ernst & Young*

Chartered Accountants  
Wellington  
15 October 2021