

FREEMASONS FOUNDATION VICTORIA LIMITED

AS TRUSTEE FOR

FREEMASONS BENEVOLENT FUND

**General Purpose – Reduced Disclosure Requirement
Financial Report**

For the year ended

30 June 2016

Freemasons Foundation Victoria Limited A.C.N 159 528 122

Acts as Trustee for:

Freemasons Benevolent Fund ABN 77 505 868 957; and

The Freemasons Public Charitable Foundation ABN 97 577 321 065

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**FREEMASONS BENEVOLENT FUND
DIRECTOR'S REPORT IN RELATION TO FREEMASONS BENEVOLENT FUND**

The Directors of Freemasons Foundation Victoria Limited ("Trustee") present their report together with the financial report of Freemasons Benevolent Fund ('the Fund') for the financial year ended 30 June 2016 and the auditor's report thereon.

Directors

During the financial year the following persons have acted as Directors of the Trustee Company:

For the full financial year

Andre John Clayton – Chairman
George Stanley Streitberg – Deputy Chairman
Timothy John Clark – Director
Andrew Stuart Dexter – Director
Frank Charles David Fordyce – Director
David Ian Gibbs – Director
Barry Edward Minster – Director
Myles King – Director
Edward William Finch – Director
Jane Elizabeth Hill – Director
Carol Scholes-Robertson – Director

Officer

For the full financial year

John Royston Alderton – Company Secretary

Principal Activities

The entity is a Fund which is registered as a charity with the Australian Charities and Not-for-Profits Commission. Its main purposes are to raise funds, to make grants to charitable causes, support indigent Freemasons and their dependents, and to support the educational goals of the youth of Victoria. It commenced operation in December 2014. Since that date there has been no change to its purposes.

Review of Operations

Donations received amounted to \$131,878 (\$32,203,886). Investment income was \$2,409,642 (\$849,661) and, net of administration expenses \$2,138,621 (\$750,841) remained with which to fund grants. Grants made during the financial year were \$976,059 (\$390,663). At the end of the financial year the surplus of the Fund was \$1,294,430 (\$32,564,064) which represented the surplus for the year. No remuneration was paid to any Director or the Company Secretary.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year under review.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item which has significantly affected or may significantly affect the entity's operations in future financial years, or the entity's state of affairs in future financial years.

Likely developments

The likely developments in the operation of the Fund and the expected results of those operations are not expected to materially change the results of future operations.

**FREEMASONS BENEVOLENT FUND
DIRECTOR'S REPORT IN RELATION TO FREEMASONS BENEVOLENT FUND**

Dividends

The terms of the Trust Deed provide that distributions of income can only be made for the purposes set out therein. No dividends have been paid or recommended.

Indemnification and insurance of trustee and auditors

Indemnification

Since the end of the previous financial year, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been a trustee or auditor of the Fund.

Insurance premiums

During the financial year the Fund has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2016 and since the financial year, the Fund has paid premiums in respect of such insurance contracts for the year ended 30 June 2017. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Fund.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the year ended 30 June 2016.

Advisory Committee Members

The Directors extend their appreciation to the following:

Benevolent Fund Advisory Committee – Terry Clifton & Bernard Henry.

Scholarships & Educational Support Advisory Committee – Alan Pigdon & Alan Roberts.

Dated at _____ on _____ 2016

Signed in accordance with a resolution of Directors.

Andre John Clayton, Chairman of Directors

**FREEMASONS BENEVOLENT FUND
STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Investment income			
Dividends and interest received		2,409,642	894,661
TOTAL INCOME (excluding donations)		<u>2,409,642</u>	<u>894,661</u>
Expenses			
Investment management		(143,514)	(84,562)
Audit and accounting		(22,431)	(19,320)
Other expenses		(105,076)	(39,938)
TOTAL EXPENSES (excluding distributions)		<u>(271,021)</u>	<u>(143,820)</u>
Other			
Donations of Investments		-	30,237,778
Donations of Cash		131,868	1,780,040
Donations of Receivables		-	186,068
Donations received		<u>131,868</u>	<u>32,203,886</u>
Distributions		(976,059)	(390,663)
Net Surplus for the period		<u>1,294,430</u>	<u>32,564,064</u>
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(838,496)	190,476
Net profit/(loss) on sale of available-for-sale financial assets		174,790	(199,627)
Total other comprehensive income		<u>(663,706)</u>	<u>(9,151)</u>
Total comprehensive income for the year		<u><u>630,724</u></u>	<u><u>32,554,913</u></u>

The statement of surplus or deficit and other comprehensive income is to be read in conjunction with the notes to the financial statements.

**FREEMASONS BENEVOLENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
ASSETS			
Cash and cash equivalents	5	839,010	11,222,226
Trade and other receivables	7	865,125	229,314
Total Current assets		1,704,135	11,451,540
Trade and other receivables	7	170,373	173,068
Investments at fair value through other comprehensive income	8	31,361,815	21,705,880
Total non-current assets		31,532,188	21,878,948
TOTAL ASSETS		33,236,323	33,330,488
Liabilities			
Trade and Other Liabilities	9	50,676	775,565
Total Current liabilities		50,676	775,565
TOTAL LIABILITIES		50,676	775,565
NET ASSETS		33,185,647	32,554,923
TRUST FUNDS			
Original endowment		10	10
Accumulated surpluses / (deficiency)		1,038,545	199,627
Capital account	6	32,335,754	32,203,886
Capital preservation reserve	10	484,195	160,551
Asset revaluation reserve	11	(672,857)	(9,151)
TOTAL TRUST FUNDS		33,185,647	32,554,923

The statement of financial position is to be read in conjunction with the notes to the financial statements.

ACCUMULATED SURPLUSES/(DEFICIENCY)	ORIGINAL ENDOWMENT \$	CAPITAL ACCOUNT \$	CAPITAL PRESERVATION RESERVE \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
	10				10
32,564,064					32,564,064
				190,476	190,476
				(199,627)	(199,627)
32,564,064				(9,151)	(9,151)
(32,203,886)	-	32,203,886			
(160,551)			160,551		
(32,364,437)	-	32,203,886	160,551		
199,627	10	32,203,886	160,551	(9,151)	32,554,923
199,627	10	32,203,886	160,551	(9,151)	32,554,923
1,294,430	-				1,294,430
				(838,496)	(838,496)
				174,790	174,790
1,294,430				(663,706)	(663,706)
(131,868)		131,868			
(323,644)			323,644		
(455,512)		131,868	323,644		
1,038,545	10	32,335,754	484,195	(672,857)	33,185,647

with the notes to the financial statements.

**FREEMASONS BENEVOLENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Cash receipts in the course of operations		120,253	1,780,040
Cash paid in the course of operations		(1,971,979)	(458,788)
Net cash (used in) / from operating activities	12	(1,851,726)	1,321,252
Cash flows from investing activities			
Dividend and imputation credits received		1,769,814	650,739
Interest received		18,338	15,234
Proceeds from sale of investments		5,161,543	15,288,382
Acquisition of investments		(15,481,185)	(6,053,383)
Net cash generated (used in) / from investing activities		(8,531,490)	9,900,974
Net (decrease)/increase in cash and cash equivalents		(10,383,216)	11,222,226
Cash and cash equivalents 1 July 2015		11,222,226	-
Cash and cash equivalents at 30 June 2016		839,010	11,222,226

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1. Reporting entity

Freemasons Benevolent Fund (the Fund) is a trust domiciled in Australia. The address of the Fund's registered office is 45 Moubay Street, Melbourne. The fund is a not-for-profit entity and primarily involved in charitable works.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the Directors, the Fund is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Act 2012. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were approved by the Directors on _____ 2016. Details of the Funds accounting policies, including changes during the year, are included in Notes 3 to 16.

(b) Basis of measurement

The financial report is prepared on a historical cost basis except for the following asset stated at fair value: equity and debt securities through other comprehensive income are measured at fair value as described in Note 4.

(c) Functional currency

The financial report is presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected.

3. Summary of significant accounting policies

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

(a) Financial instruments

The Fund classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Fund classifies non-derivative financial liabilities into the other financial liabilities category.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Fund initially recognises loans and receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and form and integral part of the Fund's cash management.

Financial assets at fair value through other comprehensive income

For investments in equity instruments that are not held for trading, the Fund may elect at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to surplus or deficit and no impairment losses are recognised in surplus or deficit.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

3. Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Non-derivative financial assets – measurement (continued)

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss in equity is reclassified to surplus or deficit.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

(b) Income tax

The Freemasons Benevolent Fund is exempt from income tax.

(c) Dividends

Dividend and distribution income is recognised in the surplus or deficit on the date that the Fund's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

The Fund does not pay tax, dividends and dividend franking credits are received in cash, and accordingly the Fund does not have a dividend franking account.

(d) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through surplus or deficit or fair value through other comprehensive income, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security.

For an investment in an equity security, all changes in fair value including decreases in fair value are recognised through other comprehensive income and not reclassified to the statement of surplus and deficit.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

3. Summary of significant accounting policies (continued)

(d) Impairment (continued)

Available-for-sale financial assets

For available-for-sale financial assets, the Fund has elected for all changes in fair value to be recognised through other comprehensive income including impairment losses.

Financial assets at fair value through other comprehensive income

For investments in equity instruments that are not held for trading, the Fund has elected for all changes in fair value through other comprehensive income including impairment losses.

(e) Donation Revenue

Donation revenue is recognised upon receipt or at the time the Fund is entitled to the donation and it is both measurable and probable of receipt.

(f) Distributions expense

Distributions to beneficiaries' expense represents grants made by the Fund to charitable organisations and are recognised as incurred when the Directors approve the disbursement.

(g) Trust funds and reserves

Original endowment

Original endowment relates to the original endowment on inception of the Fund.

Accumulated surpluses/deficiency

Accumulated surpluses/deficiency relates to the net surplus/deficiency generated in the Fund since inception less transfers to other reserve accounts.

Capital account

Capital account relates to donations received since inception of the Fund.

Capital preservation reserve

Capital preservation reserve relates to amounts transferred from accumulated income to compensate for the effect of inflation on the capital account.

Revaluation reserve

The revaluation reserve relates to the fair value adjustments of financial assets measured at fair value through comprehensive income.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

3. Summary of significant accounting policies (continued)

(h) Standards not yet adopted

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Freemasons Benevolent Fund has not assessed the potential impact on its financial statements resulting from the application of AASB 15.

AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. AASB is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. Freemasons Benevolent Fund has not assessed the potential impact on its financial statements resulting from the application of AASB 16.

4. Determination of fair values

Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted bid price at the reporting date.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
5. Cash and cash equivalents		
Cash and cash equivalents	<u>839,010</u>	<u>11,222,226</u>
6. Capital Account		
Balance at beginning of year	32,203,886	
Add: transfer from accumulated funds	131,868	32,203,886
	<u>32,335,754</u>	<u>32,203,886</u>
Balance at end of year	<u>32,335,754</u>	<u>32,203,886</u>
Capital account relates to donations received since the inception of the trust.		
7. Trade and other receivables		
Current		
Franking credits receivable	320,128	218,412
Other debtors		626
Accrued income	530,051	10,276
Prepayments	14,946	
Total current	<u>865,125</u>	<u>229,314</u>
Non-current		
Benevolent loans to members	183,373	186,068
Less: provision for doubtful debts	(13,000)	(13,000)
Total non-current	<u>170,373</u>	<u>173,068</u>

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
8. Investments		
Non-current		
Financial assets measured at fair value through other comprehensive income	31,361,815	21,705,880

8a. Financial Instruments

Market Risk - Other market price risk

The Fund is exposed to equity price risk, which arises from the equity securities held at fair value through other comprehensive income. The Directors of the Fund monitor the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Directors.

The primary goal of the Fund's investment strategy is to maximise investment returns whilst preserving capital and management is assisted by external advisers in this regard. Certain investments are designated at fair value through other comprehensive income because their performance is actively monitored and they are managed on a fair value basis.

	2016 \$	2015 \$
9. Trade and other payables		
Trade creditors	-	12,052
Accrued creditors	50,676	63,513
Estimated capital gains tax repayable to United Grand Lodge of the Antient, Free and Accepted Masons of Victoria	-	700,000
Balance at end of year	50,676	775,565

10. Capital preservation reserve

Balance at beginning of year	160,551	-
Addition for year	323,644	160,551
Balance at end of year	484,195	160,551

11. Asset revaluation reserve

Balance at beginning of year	(9,151)	-
Change in fair value of available for sale financial assets	(663,706)	(9,151)
Balance at end of year	(672,857)	(9,151)

The asset revaluation reserve relates to the fair value adjustments of financial assets measured at fair value through other comprehensive income until the assets are derecognised or impaired.

**FREEMASONS BENEVOLENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

12. Reconciliation of cash flows from operating activities	2016	2015
	\$	\$
Profit from ordinary activities after income tax	1,294,430	32,564,064
Add/(less) non-cash items		
Dividend and interest income	(2,409,642)	(894,661)
Donations received as shares	-	(30,237,778)
Donations received as receivables	-	(186,068)
Net cash (used in)/provided by operating activities before changes in assets and liabilities	<u>(1,115,212)</u>	<u>1,245,557</u>
Decrease in trade and other receivables	(11,625)	-
(Decrease)/increase in trade and other payables	(724,889)	75,695
Net cash provided by operating activities	<u>(1,851,726)</u>	<u>1,321,252</u>

13. Auditor's Remuneration

Audit services	13,980	15,570
Compilation services	3,863	3,750
Balance at end of year	<u>17,843</u>	<u>19,320</u>

14. Related parties

There are no direct employees in the Freemasons Benevolent Fund. All management is by volunteer members and directors of Freemasons Foundation Victoria Ltd as Trustee.

15. Key management personnel

The directors of Freemasons Foundation Victoria Limited have significant influence to participate in the financial and operating policy decisions of the Fund. The key management personnel compensation was \$nil for the period ended 30 June 2016.

16. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

**FREEMASONS BENEVOLENT FUND
STATEMENT BY THE DIRECTORS IN THEIR CAPACITY AS TRUSTEE
DIRECTORS' DECLARATION**

In the opinion of the Board of the Freemasons Foundation Victoria Limited (the Trustee) acting in their capacity as Trustee of the Freemasons Benevolent Fund:

- (a) The Freemasons Benevolent Fund is not publicly accountable;
- (b) the financial statements and notes, set out on pages 3 to 14, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view in all material respects of the financial position of the Freemasons Benevolent Fund as at 30 June 2016 and of its performance, for the financial year ended on that date, and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulations 2013; and
- (c) there are reasonable grounds to believe that the Freemasons Benevolent Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Andre John Clayton

Carol Scholes-Robertson

Dated

2016

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Trustee of the Freemasons Benevolent Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Dana Bentley
Partner

Melbourne

2016