

2017 ANNUAL REPORT



inc[™]
international
network of
churches

**BORN
FOR
MORE.**

Christian Outreach Centre Trading as International Network of Churches

CONTENTS

Core Values	3
Chairman's Report	4
National Executive	5
Operations Board and INC Invest Report...	6
Financial Report	8
Global Care	28
Missions.....	30



IN THE 2016 NATIONAL CHURCH LIFE SURVEY, INC SCORED WELL ABOVE DENOMINATIONAL AVERAGES FOR CHURCH VITALITY.

The results identified INC's core strengths as:

1. Worship Challenges Us to Act
2. Strong Sense of Belonging
3. Helping Others in Our Community





BORN FOR MORE.

The National Executive are committed to the outworking of the following vision, mission and values for INC.

OUR SHARED VISION

- Oceania for Christ

OUR SHARED MISSION

- To make disciples, empower leaders and to multiply healthy churches across Oceania

OUR SHARED VALUES

- Faith with Stewardship
- Growing Relationships with Results
- Winning Souls and Influencing Communities
- Learning with Equipping



2016 CENSUS DATA LISTED INC AS THE FASTEST GROWING RELIGION IN AUSTRALIA. 126% INCREASE FROM 2011 CENSUS DATA.

CHAIRMAN'S REPORT



“ Continue to pursue Him
Continue to trust Him
Continue to serve Him. “

The amazing thing about a life fully devoted to Christ is that there is always a future focus – a sense that every morning as we wake, we still have a purpose for being on this earth. As God grants each day to us, we continue to run the race He has set before us.

We are a movement of Christian churches that has commitment to significant ministries to bring the love of Jesus to our communities. We are a movement that is committed to healthy churches, more church plants and more influence in our local communities and overseas through our ministries. We are a movement that cares about the spiritual health of our teams

over performance. We are a movement that is passionate about being better not bigger. We are a movement that is here for those that don't yet know the love of Christ.

For all those reading this Annual Report, let it be a testament to the continuing grace of God that we steward the resources entrusted to this movement, to build a stronger base year after year for the continuing work.

In all ways, we are reminded that it is only through God that we see the impossible possible.

Continue to pursue Him.
Continue to trust Him.
Continue to serve Him.

From this we will continue to see improved strength, growth and health across all aspects of our movement.

BORN FOR MORE.

Ps Ross Abraham

Chairman

Ross Abraham
Chairman
 Lead Pastor, Elevation Church, QLD, NSW, VIC




Geoff Woodward
Deputy Chairman
 Senior Pastor, Metrochurch, WA




Suellen Holmes
Secretary
 Chief Financial Officer, INC Office




Craig Anderson
National Executive
 Senior Pastor, Infinity Church, VIC
 VIC, TAS State Chairman




Phil Campbell
National Executive
 Senior Pastor, Harbour Church, NSW
 NSW, ACT State Chairman




Chas Gullo
National Executive
 Itinerant Minister, QLD




Gary Hourigan
National Executive
 QLD, NT, State Chairman
 National Director, Church Health & Planting




Peter Pilt
National Executive
 Senior Pastor, CityNet Church, QLD
 National Director, Global Care




Mark Ramsey
National Executive
 Senior Pastor, Citipointe Church, QLD, NZ, USA




NATIONAL EXECUTIVE MEMBERS

OPERATIONS BOARD AND INC INVEST

Over the course of 2016, the Operations Board has continued to support the financial management needs of our INC locations throughout Australia.

Major projects approved in the last 18 months include the development of a new long-day childcare facility at **Shellharbour**⁽¹⁾ to cater for 68 children (scheduled to open in early 2018), the purchase of new church properties at **Batemans Bay** and **Cessnock**, the re-development of church properties at **Ipswich, Kallangur** and **Auckland** following their transition under the leadership of Citipointe Brisbane and major renovations at church locations such as **Nowra, Toowoomba, Traralgon, Ballina, Redlands, Tullamarine Melbourne**⁽³⁾ and **Bridgeman Downs**⁽⁴⁾. New playground facilities were established at the Westgate Church property at **Redbank** while the Citipointe Kindergarten facility at **Carindale** underwent a building extension.

New building facilities and extensions were also undertaken at Christian Outreach College **Toowoomba**⁽²⁾ and Victory College **Gympie**⁽⁵⁾ to cater for increased school enrolments and enhance teaching environments to provide state-of-the-art course delivery, such as the new million-dollar Victory College Hospitality Centre. The **Gympie** Church and College locations also purchased adjoining land for future development, while the **Toowoomba** campus leadership added new parking and internal roadwork upgrades which has greatly enhanced the presentation of their property.



(1)



(2)



(3)



(4)

Between January 2016 and mid-2017, 121 finance applications were submitted to the Operations Board - just over 1.5 applications per week. The assessment of these applications forms part of the work of the Operations Board who meet every two to three months to review the financial, legal, risk, governance and management matters of the INC Movement. This work is well supported by the INC Office which continues to host a regular 2-day management course for church and college administrators, business managers and pastors. These courses have now been attended by representatives from over 70% of INC locations and cover training material including the organisational and governance structure of INC, understanding policy and processes, managing legal risks and providing information on services made available to our church, college and charitable operations such as banking, finance and insurance benefits. It is anticipated that in the near future course work and training will also be delivered online.

The INC Office, through its working relationship with insurance providers ANSVAR, coordinated the inspection and property risk reporting of over 20 INC locations over the previous three years. These independent and professionally prepared reports are an ongoing service to assist local church and college leaders to better manage property assets and mitigate related risks.

Other highlights of the year include the lift in property valuations on several locations including the Citipointe West property at **Inala**⁽⁵⁾ which saw its professional property valuation increase from \$750k three years ago to \$1.9M; **Shellharbour** property increase from \$1.4M in 2013 to \$1.98M; **Nambour** (Suncoast) campus previously valued on an alternative use basis at \$1.26M and now valued as a going concern for \$17M; **Ballina** property increase from \$1.15M three years ago to \$1.47M and the **Coffs Harbour** campus value increase from \$1.89M three years ago to \$3M. The increase in the **Coffs Harbour** property valuation was particularly pleasing as the new valuation was undertaken after the sale of surplus land for \$1.6M in December 2016.



(5)

INC Invest continues to play a central role in the financial management of the Movement. The growth of deposit funds in recent years has enabled the full funding of INC's loan book needs at various times while maintaining 100% loan funding arrangements through Westpac Institutional Banking to

fully manage the liquidity needs of the Group. The INC Invest annual loan portfolio review concluded all loans are within arrangements, the overall credit risk of the loan portfolio is sound and the loan portfolio performance is trending positively.

The strengthening of the INC balance sheet and the ongoing ability to meet interest cover covenants was reflected in the positive review of our external banking limits, the maintaining of interest pricing margins and the waiver of external loan establishment and renewal fees. Distributions from INC Invest over 2016 totalled \$900K. These funds were used to assist the working capital needs of the INC Office, including clearing long-standing overdraft limits and the reduction of term borrowings. INC Invest projects for 2017 include upgrading its online internet facility and user interface and continuing to roll out products that meet the investment needs of churches and colleges.

We are deeply grateful to the INC Invest Advisory Board and Operations Board Members who freely give their time and expertise to support the work of INC churches, colleges and our charitable operations throughout Australia and overseas.

2016 FINANCIALS



**FINANCIAL REPORT
31 DECEMBER 2016**

CONTENTS	Page
Consolidated income statement	10
Consolidated statement of comprehensive income	11
Consolidated statement of financial position	12
Consolidated statement of changes in funds	13
Consolidated statement of cash flows	14
Notes to the consolidated financial statements	15
Declaration by the National Executive	25
Independent auditor’s report to the members	26

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations	4	106,458	106,152
Other income	5	896	899
Salaries and related expenses	6(a)	(62,475)	(62,760)
General operational expenses		(8,975)	(8,651)
Facilities management and maintenance		(6,943)	(6,905)
Trade purchases		(4,024)	(4,279)
Utilities and outgoings		(3,742)	(4,203)
Donations and mission giving		(1,713)	(2,673)
Net loss on loans & investments	6(b)	(144)	(134)
Other expenses from ordinary activities		(7,549)	(7,092)
Earnings before interest, tax, depreciation and amortisation		11,789	10,354
Depreciation and amortisation expenses		(6,090)	(6,004)
Interest expense	7	(1,495)	(1,598)
Net surplus before income tax		4,204	2,752
Income tax expense	2(g)	-	-
Net surplus for the year		4,204	2,752

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Net surplus for the year		4,204	2,752
Other comprehensive income			
<i>Items that will not be reclassified to surplus or deficit</i>			
Gain/(loss) on property revaluation	2(j)	(1,335)	(27)
Other adjustments	16	2,346	213
Other comprehensive income for the year		1,011	186
Total comprehensive income for the year		5,215	2,938

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	10,491	19,732
Trade and other receivables	9	3,687	3,382
Prepayments		1,215	1,347
Inventories		1,083	2,289
TOTAL CURRENT ASSETS		16,476	26,750
NON-CURRENT ASSETS			
Property, plant and equipment	10	194,342	193,456
Amounts receivable over 12 months		338	239
TOTAL NON-CURRENT ASSETS		194,680	193,695
TOTAL ASSETS		211,156	220,445
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	11	19,028	32,686
Trade and other payables	12	9,991	9,268
Provisions	13	5,902	5,325
TOTAL CURRENT LIABILITIES		34,921	47,279
NON-CURRENT LIABILITIES			
Borrowings	14	23,187	24,672
Provisions	15	1,219	1,880
TOTAL NON-CURRENT LIABILITIES		24,406	26,552
TOTAL LIABILITIES		59,327	73,831
NET ASSETS		151,829	146,614
FUNDS			
Reserves		78,208	78,145
Retained earnings		73,621	68,469
TOTAL FUNDS		151,829	146,614

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	Reserves \$'000	Retained Earnings \$'000	Total Funds \$'000
Balance at 1 January 2015		80,200	63,476	143,676
Surplus for the year		-	2,752	2,752
Other comprehensive income for the year	16	(2,055)	2,241	186
Total comprehensive income for the year		(2,055)	4,993	2,938
Balance at 31 December 2015		78,145	68,469	146,614
Surplus for the year		-	4,204	4,204
Other comprehensive income for the year	16	63	948	1,011
Total comprehensive income for the year		63	5,152	5,215
Balance at 31 December 2016		78,208	73,621	151,829

The above consolidated statement of changes in funds should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 \$'000	2015 \$'000
Operating Activities			
Surplus before taxation		4,204	2,752
Adjustment for:			
Depreciation		6,090	6,004
Impairment of inventories and assets held for sale	6(b)	-	63
Bad and doubtful debts		357	278
Loss of sale of assets	6(b)	144	231
Revaluation of interest rate SWAP	6(b)	-	(160)
Interest income	5	(44)	(12)
Interest expense		1,495	1,598
Adjustment on entities excluded in prior year	16	2,346	213
		14,592	10,967
Increase in trade and other receivables		(629)	(101)
Decrease/(increase) in inventories		1,206	(236)
(Decrease) in employee provisions		(84)	466
Increase in trade and other payables		723	1,904
Cash generated from operations		15,808	13,000
Interest paid	7	(1,495)	(1,598)
Net cash flows from operating activities		14,313	11,402
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(8,455)	(9,278)
Interest received	5	44	12
Net cash flows used in investing activities		(8,411)	(9,266)
Financing Activities			
Proceeds/(repayment) of borrowings		(14,952)	8,939
Proceeds/(repayment) of lease liabilities		(191)	1,326
Net cash flows used in financing activities		(15,143)	10,265
Net increase in cash and cash equivalents		(9,241)	12,401
Cash and cash equivalents at 1 January	8	19,732	7,331
Cash and cash equivalents at 31 December	8	10,491	19,732

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016 (continued)

Note 1. Corporate Information

Christian Outreach Centre is incorporated under Letters Patent issued pursuant to the Religious Education and Charitable Institutions Act 1861-1967 on 9th September, 1976. The organisation is a not for profit entity established to pursue charitable purposes only and must apply its income in promoting those purposes.

Christian Outreach Centre has a registered trading name of International Network of Churches which is now in common use for the organisation.

The address of the registered office of Christian Outreach Centre is:

3374 Pacific Highway,
Springwood QLD 4127

The National Executive is of the view that the Group is a going concern. While the Group has a reported working capital deficit of \$18.4 million for the year ended 31 December 2016 (2015: \$20.2 million), this is predominantly due to \$14.2 million (2015: \$31.1 million) in Members' investment funds held. It is unlikely that all of the funds would be withdrawn and not replaced in the 2016 financial year. The Group is required to maintain sufficient margin in its multi-option credit agreement with Westpac Banking Corporation (Westpac) to cover all Member investments at any given time should the investment funds be called upon. External banking facility agreements are in place with Westpac to manage the Group's cash movement needs.

Note 2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The National Executive has determined that Christian Outreach Centre is not a reporting entity. The financial report is a special purpose financial report, which has been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012 and the following Australian Accounting Standards:

AASB 10 Consolidated Financial Statements
 AASB 101 Presentation of Financial Statements
 AASB 107 Statement of Cash Flows
 AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
 AASB 110 Events After the End of the Reporting Period
 AASB 1048 Interpretation of Standards
 AASB 1054 Australian Additional Disclosure

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the National Executive on 30 October 2017.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Christian Outreach Centre and its subsidiaries and special purpose entities (the Group) as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if and only if the Group has:

- i) Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary);
- ii) Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- iii) The ability to use its power over the subsidiary to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 December 2016 (continued)**

When the group has less than a majority of the voting or similar rights of a subsidiary, the Group considers all relevant facts and circumstances in assessing whether it has power over a subsidiary including:

- i) The contractual arrangement with the other vote holders of the subsidiary
- ii) Rights arising from other contractual arrangements
- iii) The Group's voting rights and potential voting rights

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Revenue

All income is recognised on an accruals basis consistent with the provision of the relevant religious and educational services. Fees, grants and other educational related income are recognised on an accruals basis consistent with the position of the relevant educational source. Revenue from the sale of goods is recognised upon delivery of goods to customers. Donations are recognised as revenue when received.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of activity, the type of transaction and the specifics of each arrangement.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Pastors and Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date.

Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows based on Australian corporate bonds at the reporting date. Contributions are made by the Group to employees' superannuation funds and are charged as expenses when incurred.

The long service leave fund is managed by the office of Christian Outreach Centre for the benefit of participatory administrative and ancillary staff and pastors of Christian Outreach Centres and Global Care. The Colleges manage the long service leave for their staff.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight line basis over the lease term.

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016 (continued)

(f) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As a not-for-profit entity, value in use of property, plant and equipment and intangible assets at cost includes depreciated replacement cost.

(g) Income Tax

Christian Outreach Centres is exempt from income tax under section 50-5 of the Income Tax Assessment Act 1997.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less, and overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(i) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provisions for impairment. Refer to note 2(f) for further discussion on the determination of impairment losses.

(j) Property, Plant and Equipment

Property, plant and equipment is carried at cost less, when applicable, any accumulated depreciation and impairment loss, and is depreciated on a basis and rates designed to write off the cost of the assets over their useful lives, commencing from the time the asset is ready for use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

Land and buildings are revalued by independent externally qualified valuations on a selective basis in agreement with the Group's lender, Westpac Banking Corporation. Land and buildings at two locations were revalued with a net decrease to the asset revaluation reserve of \$1,335,000 (2015: net decrease of \$27,000).

Depreciation

Items of property, plant and equipment (other than land) are depreciated over their useful lives to the Group commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis over the expected useful economic lives of the assets as follows:

Freehold buildings	0.5 - 5.0
Plant and equipment	5.0 - 25.0
Furniture and fittings	7.5 - 25.0
Computer equipment	25.0 - 33.3
Motor vehicle	10.0 - 25.0
Library resources	20.0 - 50.0

(k) Trade and Other Payables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31 December 2016 (continued)**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

(m) Critical Accounting Estimates and Judgements

The National Executive evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(n) Adjustment on entities excluded in prior year consolidation

Six locations were not included in the prior period consolidation. As the effect of the exclusion is impractical to determine, the balance is reintroduced by an increase to other comprehensive income in the reporting period of \$2.3 million (2015: \$0.2 million).

(o) Reclassification

Prior period amounts are reclassified in order to conform to the current period's presentation.

(p) Accounting Standards Issued Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Management have assessed all standards and amendments to standards that have been issued but are not yet effective for the year ended 31 December 2016 and do not believe any will have a material impact on the group's financial statements and have therefore not early adopted any of these standards.

Note 3. Significant accounting judgments, estimates and assumptions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

Note 4. Revenue	2016	2015
	\$'000	\$'000
Government Grants – Recurring	35,018	34,189
Government Grants – Non-recurring	1,017	1,048
Tuition revenue	33,353	31,473
Tithes and offering	16,120	18,191
Donations	8,631	9,750
Sales	7,043	6,275
Fund raising	2,437	2,217
Rental of premises	1,443	1,611
Departmental income	710	590
Events	484	520
Conferences	141	94
Management fees	61	194
	106,458	106,152
Note 5. Other Income		
Other income	852	887
Interest	44	12
	896	899
Note 6. Expenses		
(a) Salaries and related expenses		
Operating salaries and related expenses	56,085	56,397
Defined contribution superannuation expense	5,375	5,195
Long service leave expense	1,015	1,168
	62,475	62,760
(b) Net loss on investments		
Gain on investments	-	(160)
Impairment on obsolete stock	-	63
Loss on sale of assets	144	231
	144	134
Note 7. Interest Expense		
Interest expense – Westpac Banking Corporation	656	734
Interest expense - Members & Related Parties	699	775
Interest expense – Hire Purchases and other unsecured lending	140	89
	1,495	1,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

	2016	2015
	\$'000	\$'000
Note 8. Current Assets – Cash and Cash Equivalents		
Cash at bank – INC Invest	3,914	13,296
Cash at bank – others	6,369	5,861
Term deposits	130	459
Cash on hand	78	116
	<u>10,491</u>	<u>19,732</u>
Note 9. Current Assets – Trade and Other Receivables		
Trade receivables	3,947	3,500
Less: Provision for impairment of trade receivables	(966)	(1,092)
Other receivables	706	974
	<u>3,687</u>	<u>3,382</u>
Note 10 – Non-Current Assets – Property, Plant and Equipment		
Land and buildings	201,157	200,595
Less: Accumulated depreciation	(23,421)	(21,826)
	<u>177,736</u>	<u>178,769</u>
Plant and equipment – at cost	17,908	16,246
Less: Accumulated depreciation	(13,374)	(12,146)
	<u>4,534</u>	<u>4,100</u>
Furniture and fittings – at cost	11,894	11,379
Less: Accumulated depreciation	(7,240)	(7,895)
	<u>4,654</u>	<u>3,484</u>
Computer Equipment – at cost	5,982	6,153
Less: Accumulated depreciation	(3,528)	(3,636)
	<u>2,454</u>	<u>2,517</u>
Motor Vehicle – at cost	9,369	8,964
Less: Accumulated depreciation	(4,774)	(4,724)
	<u>4,595</u>	<u>4,240</u>
Library – at cost	369	346
Total property, plant and equipment	<u>194,342</u>	<u>193,456</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

	2016	2015
	\$'000	\$'000
Note 11. Current Liabilities – Borrowings		
Funds from members & related parties	14,520	31,091
Lease liabilities	1,200	989
Bank loans and overdrafts	3,249	313
Other borrowings	59	292
Liability to trust asset as trustee	-	1
	19,028	32,686

As at 31 December 2016, the Group has a \$51.25 million non-current facility with Westpac to cover all member investments at any given time should the funds from members and related parties be called upon (refer to Note 1).

Note 12. Current Liabilities – Trade and other payables

Trade payables	7,282	7,173
Accrued expenses	2,709	2,095
	9,991	9,268

Note 13. Current Liabilities – Provisions

Employee benefits – long service leave	4,593	4,089
Employee benefits – annual leave	1,309	1,236
	5,902	5,325

Note 14. Non-Current Liabilities – Borrowings

Bank loans	20,000	21,700
Lease liabilities	2,081	2,483
Other borrowings	1,106	489
	23,187	24,672

Note 15. Non-Current Liabilities – Provisions

Employee benefits – long service leave	1,219	1,880
	1,219	1,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

Note 16. Analysis of amounts recognised in other comprehensive income	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Year to 31 December 2016			
Asset revaluation	(1,335)	-	(1,335)
Movement in reserves	259	(259)	-
Adjustments to prior years	1,139	1,207	2,346
	<u>63</u>	<u>948</u>	<u>1,011</u>
Year to 31 December 2015			
Asset revaluation	(27)	-	(27)
Movement in reserves	(1,952)	1,952	-
Adjustment on entities excluded in prior year consolidation	(76)	289	213
	<u>(2,055)</u>	<u>2,241</u>	<u>186</u>

Note 17. Contingent Liabilities

The educational institutions in the group providing P-12 education receive grants from both the Australian and Queensland Governments. Under the arrangements entered into between Christian Outreach Centre and the Australian and Queensland Governments there are conditions which if breached in a 20-year period can result in having to repay any grant monies. The National Executive are of the opinion that the educational institutions will continue in their current capacities and therefore the liability is unlikely to eventuate.

Note 18. Events Occurring After the Reporting Period

On 16th of February 2017, the Group varied its multi-option credit agreement with Westpac, extending the terms of the facility up to 1 June 2019.

Since 31 December 2016 there has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Group.

	2016 \$'000	2015 \$'000
Note 19. Auditor Remuneration		
Audit and review of Group Financial Statements (including Component Auditors)	261	318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016 (continued)

Note 20. Expenses by nature	2016	2015
	\$'000	\$'000
Expense		
Operating salaries and related expense	56,085	56,397
Depreciation	6,090	6,004
Defined contribution superannuation expense	5,585	5,195
Trade purchases	4,024	4,279
Repairs and maintenance	2,585	2,150
Other expenses	2,437	1,734
Departmental expenses	1,936	2,204
Rental of premises	1,667	1,886
Insurance	1,662	1,810
Light and power	1,616	1,589
Interest	1,495	1,598
Motor vehicle expense	1,400	1,645
Donations: general	1,298	1,258
Travel	1,246	1,195
Events	1,063	921
Long service leave expense	1,015	1,167
Training & development costs	994	1,004
Computer costs	975	1,182
Registration fees	971	828
Advertising	943	860
Catering	920	1,012
Rates and taxes	807	750
Cleaning	736	723
Rental of equipment and leasing	585	900
Telephone	576	804
Donations: missions	530	603
Accounting and audit fees	500	738
Legal and consulting	450	353
Love offering	392	677
Office expenses & staff amenities	381	433
Conferences	363	483
Provisions for bad and doubtful debts	357	278
Meeting expenses	343	434
Bank fees - other	341	319
Printing	315	436
Bank fees – line fees	309	251
Other loss on sale assets	144	231
Management fees	14	64
Impairment on obsolete stock	-	63
Gain on movement in SWAP valuation	-	(160)
Expense Total	103,150	104,298

**Financial Statements For
the Year Ended 31 December 2016**

DECLARATION BY THE NATIONAL EXECUTIVE

The National Executive have determined that Christian Outreach Centre trading as International Network of Churches is not a reporting entity and that these special purpose consolidated financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The National Executive of Christian Outreach Centre trading as International Network of Churches declare that in the National Executive's opinion:

1. The financial statements, comprising the income statement, statement of comprehensive income, statement of financial position, and accompanying notes, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and:
 - a. comply with Accounting Standards as described in Note 1 to the financial statements; and
 - b. give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. There are reasonable grounds to believe that the Group will be able to pay all of its debts, as and when they become due and payable.

This statement is made in accordance with the resolution of the National Executive and is signed for and on behalf of the National Executive by:

Chairman:



Secretary:



Dated: 30th October 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Christian Outreach Centre trading as International Network of Churches

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Christian Outreach Centre trading as International Network of Churches (the registered entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in funds and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the responsible entities' declaration.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of Christian Outreach Centre trading as International Network of Churches, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards to the extent described in Note 2 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for qualified opinion

Donations, Tithes and Offerings Revenue are a significant source of fundraising revenue for Christian Outreach Centre trading as International Network of Churches. Christian Outreach Centre trading as International Network of Churches has determined that it is impracticable to establish control over the collection of Donations, Tithes and Offerings Revenue for all Centres prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to Donations, Tithes and Offerings Revenue had to be restricted to the amounts recorded in the financial records amounting to \$24.8 million (2015: \$27.9 million).

We therefore are unable to express an opinion whether donations revenue for Christian Outreach Centre trading as International Network of Churches as recorded, is complete.

Emphasis of matter - Basis of accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Group's financial reporting responsibilities under the *ACNC Act*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of responsible entities for the Financial Report

The responsible entities of the registered entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the ACNC Act. The responsible entities' responsibility also includes such internal control as the responsible entities determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the responsible entities are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO


A J Whyte
Director

Brisbane, 30 October 2017

GLOBAL CARE

Global Care is gaining momentum on all fronts. Over the last 12 months there has been an increase in Global Care locations, volunteers and the variety of ways in which Global Care helps people, therefore increasing the amount of people being helped. Mates Helping Mates is now Mates Helping More Mates.



There are so many stories to share, here are a few stand outs:

- The cyclone responses in Vanuatu, Fiji and Cyclone Debbie in Queensland.
- International Building Projects such as the sanitation block in the Solomon Islands INC Training Facility.
- The expansion of our response vehicles including a Disaster Response Unit and several BBQ trailers.
- Many successful applications for funding, e.g. Bundaberg Global Care received a Federal Government Grant for a cool room in their low cost food program.
- The success of National Others Week, particularly in places like Mt Isa where significant influence in the city has been gained by their ongoing National Others Week activities.
- The granting of our 700th microenterprise loan as part of our anti-poverty programs around the world.
- The start of a Goat Bank in Vietnam.
- The launch of a website that simply tells Global Care stories, globalcaresstories.com

The five-year strategic plan for Global Care will see the momentum continue to build. There are many needs in our nation and beyond. Global Care, as the social justice expression of the INC movement, is well positioned to meet those needs.



MISSIONS

Reaching out with the Gospel of Jesus Christ has been part of INC's DNA since its inception in 1974 as Christian Outreach Centre, motivating Australian men and women of God to spread the Gospel throughout the world. Many of our INC churches in Australia connect in various ways to INC churches in South America and Asia. However, INC South Pacific has been our main focus and responsibility due to established relationships and proximity.



There are approximately 450 INC churches in the nations of Fiji, New Zealand, Papua New Guinea, Solomon Islands, Tonga and Vanuatu. These churches carry that same call to reach out. Regular reports are received of people being saved at their local outreach meetings, crusades and mission trips to surrounding islands. A recent mission trip to the island of Ulawa in the Solomon Islands has seen a breakthrough among previously hostile communities and at a recent youth crusade in Vanuatu, young people were being saved and baptised each day. Outreaches to Bougainville over the past year have resulted in the planting of five new churches.

Australian churches reach out to these nations through teaching, missions trips, buildings, finances, and helping to establish microenterprises. Some individual churches become involved in a nation, a church or a specific project. The INC churches in New South Wales are combining to focus on the needs of the Vanuatu churches and working hand in hand with

Global Care, aid has been given in the form of finances and building teams, following the cyclone disasters in Fiji and Vanuatu over the past two years.

Despite the constant challenges of administration, finances and cyclones, there has been growth and breakthrough. "Born for More" continues to stir them to do what is needed to establish the kingdom of God in their nations. The School of Ministries at Balasuna in the Solomon Islands trained 31 pastors during 2016 and the schools in Fiji and the Solomon Islands continue to grow and make an impact in their communities. A new preschool has been established by one of the churches in Port Moresby, PNG.

We cannot say mission accomplished yet. There is still more to be done. One of the final words spoken by a pastor in Fiji before he died was "Remember the souls to be saved". We are Born for More. More souls to be saved means more giving, more going, more praying. That is the heart of INC.





**BORN
FOR
MORE.**

International Network of Churches

Tel: + 61 7 5506 5100

Business Office

PO Box 6917

Tweed Heads South

NSW 2486 Australia

Registered Office

3374 Pacific Highway

Springwood

QLD 4127 Australia

Web: inc.org.au