



10 August 2011

**Copy of letter sent to those  
who requested the Grant Thornton Report**

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Dear

Thank you for requesting the Grant Thornton report and please find enclosed a copy. Grant Thornton is an independent audit firm that are bound by a professional code of conduct which includes confidentiality. They are responsible for their professional services and statements they make so are careful in what they report.

Grant Thornton reviewed media reports, JPG administrators report with their focus on the churches exposure as implied by media reports which led to questions being asked by some members. These questions can be summarised as:

- a. Has the church has loaned/bankrolled the Johnson Property group for \$70m and does its future rested on the churches continued support?
- b. Has the church spent \$70m on the North Cooranbong development?
- c. Will the church will lose 95% of its secured claim as implied by media reports?
- d. Will the land at North Cooranbong be lost?

We had obtained legal and professional advice from several sources which was consistent that detailed information that is being cared for by the Board should not be placed in the public domain for commercial, confidentiality and other reasons associated with the administration process. Commissioning Grant Thornton allowed an expert independent party review the information and records and then respond to questions some members have asked.

Subsequent events that have happened since the media reports that I can share are:

1. The creditors to the Johnson Property Group voted in favour of it coming out of administration. This allows it to operate, restructure and refinance its operations. Creditors have been supportive of JPG with most understanding the issues that currently exit in the financial markets.
2. After a very difficult credit period during the GFC it now looks like financing the Cooranbong development is close. One option could see earthworks commence shortly. There are a number of enquiries coming from people expressing interest in purchasing land in the development because its character, location and price. There is a well-publicised growing land shortage in NSW and buyers are looking for affordable land to build homes.

A question asked by some is why the church has money to invest as it should be spending everything on Mission. The church manages its liquidity responsibly. Most operating income (including tithe and offerings) is spent within a few months of being received. The church and its institutions do not

operate using an overdraft and must have cash on hand sufficient to pay expenses when due with uneven income patterns. For example tithe received is not the same amount every month, school expenses continue when school is closed and some major sources of income only come in quarterly, six monthly or annually. Funds for future capital requirements are set aside as the purchase of assets occurs with the objective of minimising debt because we know the future and economy is uncertain. Money given or set aside for specific purposes must be preserved for that purpose and cannot be used to meet short term operating cash flow requirements.

The last few years have been a turbulent time in the Financial Markets and things are still not settled. Investors are unsure where to invest. The Australian banking sector a couple of years ago was seen as a risk with smaller banks being taken over and the Government having to give guarantees on bank deposits. The church has been blessed in that it has had conservative low risk diversified investment strategy that has avoided losses. In the "boom times" the church was criticised for not maximising its investment returns because of its conservative investment strategy. We are not complacent about the future as we know and teach that the future is uncertain. In the current investment climate there is a lack of certainty about anything including sovereign debt. I have often reflected on and acknowledged Gods guidance during a very difficult financial period.

Thank you for your interest and ongoing support of the church in the South Pacific.

Rodney Brady  
**Chief Financial Officer**  
**South Pacific Division**