

Hillsong Church Limited

CONFIDENTIAL AND PRIVILEGED

Summary of Report

30 March 2023

Instructed by: Prolegis Lawyers

1 Scope and Instructions

- 1.1 We have been retained by Prolegis Lawyers, representatives of Hillsong Church Limited and other Australian entities using the 'Hillsong' name ("**Hillsong Entities**"), to conduct forensic consulting services for the purposes of assisting Prolegis Lawyers to provide legal advice to the Hillsong Entities in relation to:
 - a. A statement of claim filed in relation to an alleged contravention of s 1317AC(1) of the Corporations Act by Hillsong Citycare and others ("**Statement of Claim**"); and
 - b. Notices issued by the Australian Charities and Not-for-profits Commission ("**ACNC**") pursuant to section 70-5 of the Australian Charities and Not-for-profits Commission Act 2012 (Cth) requesting information and documents ("**ACNC Notices**").
- 1.2 We were instructed to provide a report to address the key issues (detailed in the table at Section 3) that have been raised in the Statement of Claim ("**Key Issues**") and issued a final report on 23 March 2023 ("**Report**").
- 1.3 We have subsequently been instructed to prepare a summary of our Report ("**Summary**"). We note that this Summary contains summaries of our Report setting out:
 - a. Instructions;
 - b. The Key Issues;
 - c. The process undertaken to consider the Key Issues; and
 - d. Our findings.

2 Limitations

- 2.1 Concurrently, we have been in the process of assisting Prolegis Lawyers in the preparation of responses to the ACNC Notices that address a number of issues raised in the Statement of Claim, including payments made to foreign entities, payments made to related parties and payments made to key management personnel and pastors.
- 2.2 This process involved a review of a significant number of documents and financial data. Unless otherwise stated, our analysis is restricted to the entities subject to the ACNC Notices, being:
 - a. Hillsong Church Australia (ABN 73 640 782 059);
 - b. Hillsong Church Ltd (ABN 37 002 745 879);
 - c. Hillsong College Ltd (ABN 84 617 111 592);
 - d. Hillsong Citycare (ABN 13 003 698 726);
 - e. The Trustee for Hillsong International (ABN 81 254 249 210); and
 - f. Hills Christian Life Centre (ABN 42 406 987 921).

(collectively referred to as the "**Australian entities under investigation by the ACNC**")
- 2.3 Unless otherwise stated, our analysis has also been limited to the period under investigation by the ACNC.
- 2.4 We note that we have not conducted a complete analysis of all bank accounts of the Australian entities under investigation by the ACNC or any entity using the name 'Hillsong'.

3 Process and Findings

3.1 Set out below are summaries of our Report:

No.	Key Issues	Process	Findings
1	Payments made to key management personnel and pastors including salary (which may include payments that are tax exempt) and royalty payments to artists who were classified as 'pastors'	<p>In assisting with the preparation of the responses to the ACNC Notices, our process was as follows:</p> <ul style="list-style-type: none"> a. Discussions with the Hillsong Entities around who were considered to be key management personnel and pastors of each relevant entity; and b. Review of payroll data of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including salary and expenses. c. Review of royalty payments to all artists to prepare a listing of all artists who were classified as 'Pastors' and any royalty payments that were paid to the artist and/or any associated entities identified by the Hillsong Entities over a specific period. 	<p>Based on our analysis, we provided the following information and comments as part of our report:</p> <p>Salary</p> <ul style="list-style-type: none"> a. A listing of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including salary and expenses. b. As part of responding to the ACNC Notices, the Hillsong Entities provided benchmarking information in relation to how salary is determined for employees. c. Subject to certain requirements, benefits provided by registered religious institutions to religious practitioners are fringe benefits tax exempt if they are mainly for the practitioners' pastoral duties, or other duties related to the practice, study, teaching or propagation of religious beliefs.¹ <p>Royalties</p> <ul style="list-style-type: none"> d. A listing of all artists who were classified as 'Pastors' and any royalty payments that were paid to the artist and/or any associated entities identified by the Hillsong Entities over a specific period. e. Outside of performing the role of a pastor, an artist is entitled to create music and receive royalties for the right to use their intellectual property. These payments do not relate to compensation for their role as a pastor.
2	Gifts provided to key management personnel and pastors	<p>In assisting with the preparation of the responses to the ACNC Notices, our process was as follows:</p> <ul style="list-style-type: none"> a. Discussions with the Hillsong Entities around who were considered to be key management personnel and pastors of each relevant entity; 	<p>Based on our analysis, we provided the following information and comments as part of our report:</p> <ul style="list-style-type: none"> a. A listing of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including gifts. b. A listing of additional gifts that were paid outside of the payroll function including any reason for the gift (where identifiable from records of the Hillsong Entities).

¹ <https://www.ato.gov.au/Non-profit/Types-of-Not-for-profit-workers/Your-obligations-to-workers-and-independent-contractors/Fringe-benefits-tax-for-not-for-profits/FBT-concessions-for-not-for-profits/fbt-concessions-for-religious-institutions/>

No.	Key Issues	Process	Findings
		<ul style="list-style-type: none"> b. Review of payroll data of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including gifts; and c. Review of the gift register, prepared by the Hillsong Entities, setting out additional gifts provided to key management personnel and/or related parties. 	
3	Honorariums paid to key management personnel and pastors	<p>In assisting with the preparation of the responses to the ACNC Notices, our process was as follows:</p> <ul style="list-style-type: none"> a. Discussions with the Hillsong Entities around who were considered to be key management personnel and pastors of each relevant entity; b. Review of payroll data of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including honorariums; and c. Review of documents, prepared by the Hillsong Entities, setting out additional honorariums provided to key management personnel and/or related parties. 	<p>Based on our analysis, we provided the following information and comments as part of our report:</p> <ul style="list-style-type: none"> a. A listing of all key management personnel and pastors for each entity and the associated payments that were made to them through the payroll function, including honorariums. b. A listing of additional honorariums that were paid outside of the payroll function. c. Where a director and/or pastor conducted speaking engagements outside of their core role and duties, they are also entitled to be compensated for performing these roles.
4	Payments made by the Australian entity to individuals in Romania via the United States of America based bank account of Hillsong Global LLC	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <ul style="list-style-type: none"> a. Review of email correspondence in relation to payments made to Romania; 	<p>Based on our analysis:</p> <ul style="list-style-type: none"> a. We have identified two payments that have been made from Hillsong Global LLC, a US bank account, to Romania. As these two payments were made from a US entity, we understand that they were not subject to the External Conduct Standards.

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		<ul style="list-style-type: none"> b. Review of transaction reports to identify donations made to the Hillsong Entities for Romania in relation to a specific offering; c. Review of bank statements of a third party in Romania provided by the Hillsong Entities for any payments received from the Hillsong Entities over a specific period; and d. Review of bank statements of relevant entities using the 'Hillsong' name provided by the Hillsong Entities to identify any payments made to Romania over a specific period. 	<ul style="list-style-type: none"> b. We have not sighted any payments from Hillsong Church Australia to Romania that correspond to the offerings received by Hillsong Church Australia.
5	Donation of personal protective equipment to India by the Hillsong Foundation Trust through funds transferred from the United States of America based bank account of Hillsong Global LLC to Vision Rescue India's United States of America bank account	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <ul style="list-style-type: none"> a. Review of email correspondence in relation to payments made to Vision Rescue India; b. Review of the agreement between Ethical Merc Co. and Vision Rescue India; and c. Review of bank statements of Hillsong Global LLC provided by the Hillsong Entities to identify any payments made to Vision Rescue India over a specific period. 	<p>Based on our analysis:</p> <ul style="list-style-type: none"> a. The personal protective equipment was donated to Vision Rescue India by an entity in the name of Ethical Merch Co and not by the Hillsong Foundation Trust. b. The payment for the freight costs associated with the transportation of the personal protective equipment from Sydney, Australia to Mumbai, India was paid to Vision Rescue India by Hillsong Global LLC. c. We have identified one payment made from Hillsong Global LLC with 'Vision Rescue' in the transaction description. The payment appears to relate to freight costs. d. As this payment was made from a US entity, we understand that they were not subject to the External Conduct Standards.

No.	Key Issues	Process	Findings
6	Redirection of donations from a fundraising appeal, to assist the Hillsong Kyiv Church in Ukraine, to the United States of America based bank account of Hillsong Foundation LLC	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <ul style="list-style-type: none"> a. Review of email correspondence in relation to donations made to international entities and/or Ukraine; b. Review of transaction reports to identify donations made to the Hillsong Entities for Ukraine in relation to a specific offering; c. Review of bank statements of Hillsong Global LLC and Hillsong Foundation LLC provided by the Hillsong Entities to identify any payments made to Ukraine over a specific period; d. Review of a bank confirmation from the bank account of Hillsong Berlin e.V. confirming payments received from Hillsong Global LLC in relation to Ukraine; and e. Review of the partnership agreement between Hillsong Foundation LLC and Hillsong Berlin. 	<p>Based on our analysis:</p> <ul style="list-style-type: none"> a. Based on our review of the transaction reports, all donations that were made for the Ukraine offering were paid directly to the bank account of Hillsong Foundation LLC and not through an Australian entity. b. As per the partnership agreement between Hillsong Foundation LLC and Hillsong Berlin, we understand that Hillsong Berlin is responsible for the payments made to Ukraine. c. We have identified one payment to Hillsong Global LLC from Hillsong Foundation LLC. This same amount appears to have been transferred to Hillsong Berlin e.V by Hillsong Global LLC.
7	The alleged inappropriate use of tax deductible donations made to the 'Hillsong Foundation Trust' for the purposes of renovating a facility known as 'Festival Hall' and to provide funding to other entities using the 'Hillsong' name	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <ul style="list-style-type: none"> a. Review of legal advice and associated agreements/documents in relation to the proposed use of Festival Hall for the next five years; b. Review of email correspondence between personnel of the Hillsong Entities in relation to the renovation of 'Festival Hall'; 	<p>In relation to the use of tax deductible donations made to the 'Hillsong Foundation Trust' for the purposes of renovating 'Festival Hall':</p> <ul style="list-style-type: none"> a. We have reviewed the legal advice that was provided to the Hillsong Entities and note that the Hillsong Entities has, up until an agreement with Live Nation (which we are instructed reflected updated arrangements not considered in the advice), acted in accordance with the legal advice that was obtained to ensure that the funding of Festival Hall is appropriate. b. We have not identified any payments made by Hillsong Foundation to Festival Hall Trust in the period of review.

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		<p>c. Review of bank statements in the name of 'Hillsong Foundation Hills' provided by the Hillsong Entities to identify any payments made to Festival Hall Trust over a specific period;</p> <p>d. Extract of a bank statement provided by the Hillsong Entities setting out a payment from the bank account in the name of 'Hillsong Foundation Hills' to 'HMPA Public Fund' to 'Community Venues Trust'; and</p> <p>e. Review of additional documentation in relation to Festival Hall.</p>	<p>c. We understand that the purchase of Festival Hall was funded by way of a loan from Hillsong Foundation and it was ultimately determined by the Hillsong Entities that the loan was compliant with governance standards. In this regard, we have identified a payment from the bank account in the name of 'Hillsong Foundation Hills' to 'HMPA Public Fund' to 'Community Venues Trust' in accordance with the loan.</p> <p>In relation to allegations in the Statement of Claim surrounding payments between entities using the 'Hillsong' name through Hillsong Media and Performing Arts:</p> <p>a. We have sighted the relevant resolutions and/or supporting documentation explaining the nature of the transaction, most of which relate to either:</p> <ul style="list-style-type: none"> i. The payment of suppliers through other entities using the 'Hillsong' name due to the way suppliers are set up in the accounting systems of the Hillsong Entities; or ii. Donations to other entities using the 'Hillsong' name for cultural activities. <p>b. We have reviewed transactions relating to donations specified for 'Channel operation' and are advised by the Hillsong Entities that these relate to cultural activities that are performed out of The Trustee of Hillsong International. The Hillsong Entities have further advised that they had previously obtained advice from an independent legal counsel which supports that these were acceptable cultural activities to be funded by HMPA.</p> <p>In relation to allegations in the Statement of Claim surrounding the use of tax deductible donations made to the 'Hillsong Foundation Trust' for the purposes of providing funding to Hillsong College Ltd:</p> <p>a. In accordance with the Hillsong Foundation income allocation reported in the annual reports of 'Hillsong Australia', a percentage of Hillsong Foundation income is allocated to Australian facilities which includes the funding of Hillsong College for the delivery of tuition.</p> <p>In relation to allegations in the Statement of Claim surrounding the use of tax deductible donations made to the 'Hillsong Foundation Trust' for the purposes of covering a deficit for Hillsong Church Australia:</p> <p>a. We understand that multiple discussions were held surrounding an existing loan that was made from Hillsong Church Australia to fund a tax-deductible building project that could be</p>

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			<p>called upon in order to cover a deficit where required, specifically regarding a loan to Hills Christian Life Centre;</p> <p>b. Notwithstanding the above, we are advised that the board of Hillsong Church Australia has not approved any use of funds and have not called upon any loans to cover the budgeted deficit of Hillsong Church Australia.</p>
8	Transactions between Hillsong College Ltd and Hillsong College LLC and between Hillsong Church Australia Ltd and Hillsong Channel LLC	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <p>a. Review of journal entries in intercompany loan accounts of Hillsong College Ltd and Hillsong Church Australia Ltd, provided by the Hillsong Entities to identify any relevant payments over a specific period;</p> <p>b. Review of bank statements of Hillsong College Ltd, Hillsong Church Australia Ltd, Hillsong College LLC and Hillsong Channel LLC, provided by the Hillsong Entities to identify any relevant payments over a specific period;</p> <p>c. Review of the American Express payments listing of Hillsong Church Limited and The Trustee for Hillsong International, provided by the Hillsong Entities to identify any relevant payments over a specific period; and</p> <p>d. Review of the directors' resolution in relation to donations to be made to Hillsong College LLC.</p>	<p>Based on our analysis:</p> <p>a. We have identified payments made from Hillsong College Ltd to Hillsong College LLC and from Hillsong Church Australia to Hillsong Channel LLC.</p> <p>b. In this regard, we are advised that Hillsong College Ltd and Hillsong Church Australia had oversight to ensure any payments made to Hillsong College LLC and Hillsong Channel LLC were dealt with properly and were for charitable purposes.</p> <p>c. With an understanding of the good governance in the entities in the United States of America, along with the appropriate policies in place, Hillsong College Ltd and Hillsong Church Australia understood that the external conduct standards had been met.</p>

No.	Key Issues	Process	Findings
9	Other miscellaneous payments made to overseas entities including payments and/or offset of a loan made from Hillsong Church Australia Ltd to Hillsong Global LLC representing 5% of Hillsong Church Australia's income and payments/reversals made to the Pastor responsible for 'Hillsong Tokyo'	<p>To address specific allegations in the Statement of Claim, our process was as follows:</p> <ul style="list-style-type: none"> a. Review of journal entries in intercompany loan accounts of Hillsong Church Australia Ltd, provided by the Hillsong Entities to identify any relevant payments over a specific period; b. Review of bank statements of Hillsong Church Australia Ltd and Hillsong Global LLC provided by the Hillsong Entities to identify any relevant payments over a specific period; c. Review of the American Express payments listing of Hillsong Church Limited and The Trustee for Hillsong International, provided by the Hillsong Entities to identify any relevant payments over a specific period; d. Review of supplier payments listing of Hillsong Church Australia Ltd, provided by the Hillsong Entities to identify any relevant payments over a specific period; and e. Review of additional supporting documentation regarding payments made to the Pastor responsible for 'Hillsong Tokyo'. 	<p>Based on our analysis:</p> <ul style="list-style-type: none"> a. There is no record of a payment made to Hillsong Global LLC from Hillsong Church Australia representing 5% of Hillsong Church Australia's income. b. There is no record of a transaction representing 5% of Hillsong Church Australia's income to offset any outstanding loan. c. There is no record of a reversal of any payments made to the Pastor responsible for 'Hillsong Tokyo'.