

**SYDNEY CHURCH OF ENGLAND
FINANCE AND LOANS BOARD**

ABN 38 776 148 686

Annual financial report – 31 December 2014

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2014

	Notes	2014 \$	2013
<hr/>			
Revenue from continuing operations			
Interest	3	690,635	704,101
Other income - loan fees		17,656	4,852
Total revenue from continuing operations		708,291	708,953
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Expenses			
Legal fees		-	4,000
SDS Management fee		141,000	136,080
Consultants fees - review of insurance		1,500	-
Insurance		5,217	5,342
Audit fees		9,455	9,180
Other expenses		1,005	150
Total expenses		158,177	154,752
Surplus from continuing operations		550,114	554,201

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

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

Statement of financial position As at 31 December 2014

	Notes	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,076,721	4,450,819
Receivables	6	55,175	51,653
Loans	5	1,236,539	387,115
Total current assets		5,368,435	4,889,587
Non-current assets			
Loans	5	9,875,228	9,803,687
Total non-current assets		9,875,228	9,803,687
Total assets		15,243,663	14,693,274
LIABILITIES			
Current liabilities			
Payables		9,455	9,180
Total current liabilities		9,455	9,180
Net assets		15,234,208	14,684,094
EQUITY			
Accumulated surplus	7	15,234,208	14,684,094
Total equity		15,234,208	14,684,094

The above Statement of financial position should be read in conjunction with the accompanying notes.

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

Statement of cash flows For the year ended 31 December 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Interest on deposits		119,912	125,942
Interest on loans		567,202	574,352
(Increase)/decrease in loans provided		(920,966)	659,978
Other income		17,656	4,852
Payments in respect of the operations		(157,902)	(154,571)
Net cash (outflow)/inflow from operating activities	8	(374,098)	1,210,553
Net (decrease)/increase in cash held		(374,098)	1,210,553
Cash at the beginning of the year		4,450,819	3,240,266
Cash at the end of the year	4	4,076,721	4,450,819

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

1. Purpose

Sydney Church of England Finance and Loans Board (the "Fund") operates wholly in Australia and was established by the *Sydney Church of England Finance and Loans Board Ordinance 1957* (as amended). Its primary purpose is to facilitate the provision of loans to churches, parishes and church organisations.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This special purpose financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, other mandatory professional requirements in Australia, and the Accounts, Audits and the Annual Returns ordinance 1995. It contains only those disclosures considered necessary by the members to meet the needs of the Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

New accounting standards and interpretations

There are no new accounting standards and interpretations which will have any material financial impact on the Fund in future reporting periods.

(b) Revenue recognition

Revenue is recognised on an accruals basis. It is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax (GST) where applicable.

Interest revenue is recognised on a time proportion basis using the effective interest method.

Other revenue is brought to account on an accruals basis, except as otherwise disclosed.

(c) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, bank overdrafts and term deposits in the Glebe Income Accounts with a term of three months or less.

(d) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2. Summary of significant accounting policies (cont.)

(e) Loans

Loans and mortgages are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(f) Payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Goods and services tax (GST)

The Sydney Church of England Finance and Loans Board is a member of the Sydney Diocesan Secretariat GST group. Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of an item of expense.

(h) Income tax

The Fund is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

(i) Employee benefits

Management of the Board is provided by Sydney Diocesan Secretariat which charges the Board a management fee. The Board has no employees.

3. Revenue - Interest

	2014	2013
	\$	\$
Interest on deposits	121,185	132,909
Interest on loans	569,450	571,192
	<u>690,635</u>	<u>704,101</u>

4. Current assets – Cash and cash equivalents

	2014	2013
	\$	\$
Current account with Sydney Diocesan Secretariat	71,188	100,237
Glebe Income Account - at call	305,533	73,831
Glebe Income Account - Term deposits with terms of three months or less	3,700,000	4,276,751
	<u>4,076,721</u>	<u>4,450,819</u>

5. Loans

	2014 \$	2013 \$
Loans to parishes		
Current	1,236,539	387,115
Non-current	9,875,228	9,803,687
	<u>11,111,767</u>	<u>10,190,802</u>

Significant terms and conditions

Loans to parishes are unsecured and repayable in monthly or quarterly instalments over 1 to 19 year terms.

Credit risk

The Board does not have any significant exposure to any individual parochial unit or diocesan organisation. All loans are receivable from entities within the Anglican Church in Australia, Diocese of Sydney. Refer to note 9 for undrawn loan commitments.

6. Current assets - Receivable

	2014 \$	2013 \$
Accrued interest on loans	24,963	22,715
Accrued interest on term deposits	30,212	28,938
	<u>55,175</u>	<u>51,653</u>

7. Accumulated surplus

	2014 \$	2013 \$
Balance at 1 January	14,684,094	14,129,893
Surplus from continuing operations	550,114	554,201
Balance 31 December	<u>15,234,208</u>	<u>14,684,094</u>

8. Reconciliation of surplus from continuing operations to the net cash flow from operating activities

	2014	2013
	\$	\$
Surplus from ordinary activities	550,114	554,201
(Increase)/decrease in loans provided	(920,965)	659,978
(Increase) in receivables	(3,522)	(3,806)
Increase in payables	275	180
Net cash (outflow)/inflow from operating activities	(374,098)	1,210,553

9. Undrawn loan commitments to churches, parishes and church organisations

As at 31 December 2014, applications for loans totalling \$1,760,101 (2013: \$2,222,094) had been approved but not drawn upon by the borrowers.

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

MEMBERS' DECLARATION

The members of the Board of the Sydney Church of England Finance and Loans Board declare that the financial statements and notes set out on pages 1 to 7.

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) give a true and fair view of the Board's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the members' opinion there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the members.



20 May 2015

Member



20 May 2015

Member

SYDNEY CHURCH OF ENGLAND

FINANCE AND LOANS BOARD

CLAUSE 14

Report to Standing Committee of Synod pursuant to Clause 14 of the Accounts, Audits and Annual Reports Ordinance 1995 for the year ended 31 December 2014.

Clause 14e - Liquidity

(i) Solvency

The members of the Board are of the opinion that it will be able to meet all of its liabilities as they fall due.

(ii) Provisions and employee entitlements

It is not necessary to make any provisions and as no staff are employed it is not necessary to provide for employee entitlements.

(iii) Trade creditors

All creditors are being paid in accordance with normal terms of payment.

(iv) Trusts

All dealings with real and personal property have been consistent with the trusts on which the property is held.

(v) Payments to members

No amounts were paid to any members of the Board during the financial year.

(vi) Internal control

The Board has delegated accounting control to the Sydney Diocesan Secretariat through their engagement to carry out accounting activities on behalf of the Board. From enquiries made by the Board, it is satisfied that accounting and internal control processes have been satisfactorily maintained.

(vii) Insurance

The Board's insurances are arranged by the Sydney Diocesan Secretariat through the Anglican Church Property Trust. This Board believes that these insurances are appropriate to the type and level of insurable risk having regard to the value of assets and current level of awards for damages.

(viii) Matters subsequent to end of year

Except as disclosed in the accounts, there are no matters that have arisen since 31 December 2014, which could have significant effect on the Board.

Adoption of report

This report has been adopted at a duly constituted and convened meeting of the members of the Board on 15 April 2015.

Clause 14f – Risk Management

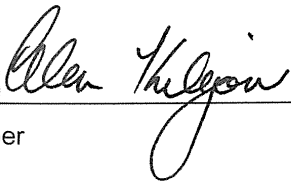
The key risk areas that were identified by the Board in 2014 were:

- a. Financial Sustainability incorporating risks around adequacy of reserves, control of costs and margins, maintenance of adequate capital, adequacy of return on capital and maintenance of adequate liquidity levels.

CLAUSE 14 (cont.)

- b. Loan Portfolio Management incorporating risks of inadequate governance procedures, and default by a borrower.
- c. Operational Risk – Systems and Processes – adequacy of financial services systems and failure of external service providers.
- d. Regulatory and Contractual Obligations which includes risks around non-compliance with significant regulatory obligations and lack of awareness of proposed or actual changes to the regulatory environment.
- e. Reputation – including risks that an adverse event occurs affecting another Anglican organisation which adversely impacts the reputation of the Fund, an ethical, legal or management failure by one of its external service suppliers adversely impacts the reputation of the Fund, unauthorised media comment and members holding external board appointment which adversely impacts the reputation of the Fund.
- f. Strategic Risks – which includes risks of failing to articulate the Fund's strategic objectives and failing to achieve strategic objectives.

The Fund has in place a risk register which captures the key risks, current controls and, where necessary, proposed additional controls. The Board's administration is supplied by Sydney Diocesan Secretariat. SDS provides periodic compliance reports on the key risks and on compliance with the terms of a service level standard agreement with the Fund. These procedures are sufficient to ensure that significant breaches of the law are reported to the Fund.



20 May 2015

Member



20 May 2015

Member



Report of factual findings to the Finance Committee of the Standing Committee and members of the Sydney Church of England Finance and Loans Board

We have performed the procedures agreed with you to report factual findings for the purpose of assisting you in assessing, in combination with other information obtained by you, the validity, accuracy and cut-off of the current loan portfolio. The procedures performed are detailed in the terms of the engagement dated 3 November 2014 and described below with respect to the current loan portfolio and the accuracy of the income statement and balance sheet.

The Finance Committee of the Standing Committee and members of the Sydney Church of England Finance and Loans Board's Responsibility for the Procedures Agreed

Management, the Finance Committee of the Standing Committee and the members of the Sydney Church of England Finance and Loans Board are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you wish to draw on the subject matter.

Assurance Practitioner's Responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, we do not express any conclusion and provide no assurance on the current loan portfolio. Had we performed additional procedures or had we performed an audit or a review of the current loan portfolio in accordance with AUASB standards, other matters might have come to our attention that would have been reported to you.

Factual findings

The procedures were performed solely to assist you in evaluating the accuracy of the current loan portfolio and the accuracy of the income statement and balance sheet. The procedures performed and the factual findings obtained are as follows:



Procedures Performed	Factual Findings	Errors or Exceptions Identified
1. Confirm all loan balances from the parochial unit that are greater than \$200,000. Confirm five other approved loans, including loans approved but not drawn down. Report any differences.	Twenty two loans greater than \$200,000 and five additional loans were selected to have confirmations sent. All loans were confirmed and no differences were noted.	No exceptions noted.
2. Select five loans. Select five months. Re-calculate the interest revenue on each loan for one of the months selected. Compare this to the amount recorded in the mortgage system. Report any differences	No differences were noted between the amount recalculated by PwC and that recorded in the mortgage system for the five loans selected, aside from rounding of \$2.	No exceptions noted aside from rounding of \$2.
3. Re-compute the additions of the following and report any differences: i. Income Statement ii. Balance Sheet	No differences were noted from the re-computation performed of (i) to (ii).	No exceptions noted.
4. Agree the Income statement and Balance sheet to the General Ledger.	No differences were noted.	No exceptions noted.
5. Compute the interest accrued on GIA deposits for the 31 December 2014 quarter. Compare to the amount recorded in the trial balance. Report any differences.	No differences were noted between the accrual recalculated by PwC and that recorded in the trial balance.	No exceptions noted.



Restriction on Distribution and Use of Report

This report is intended solely for the use of the Finance Committee of the Standing Committee and the members of the Sydney Church of England Finance and Loans Board for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, distribution of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Finance Committee of the Standing Committee and the members of the Sydney Church of England Finance and Loans Board for any consequences of reliance on this report for any purpose.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

Francois Bruder
Principal

Sydney
1 April 2015