

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

ABN 38 776 148 686

Annual financial report – 31 December 2015

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2015

	Notes	2015 \$	2014
Revenue from continuing operations			
Interest	3	642,443	690,635
Other income - loan fees		16,355	17,656
Total revenue from continuing operations		658,798	708,291
Expenses			
SDS Management fee		160,000	141,000
Consultants fees - review of insurance		-	1,500
Insurance		5,524	5,217
Audit fees		14,994	9,455
Software costs		7,500	-
Other expenses		395	1,005
Total expenses		188,413	158,177
Surplus from continuing operations		470,385	550,114
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		470,385	550,114

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 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,121,162	4,076,721
Receivables	6	34,839	55,175
Loans	5	1,391,708	1,236,539
Total current assets		5,547,709	5,368,435
Non-current assets			
Loans	5	10,171,878	9,875,228
Total non-current assets		10,171,878	9,875,228
Total assets		15,719,587	15,243,663
LIABILITIES			
Current liabilities			
Payables		14,994	9,455
Total current liabilities		14,994	9,455
Net assets		15,704,593	15,234,208
EQUITY			
Accumulated surplus	7	15,704,593	15,234,208
Total equity		15,704,593	15,234,208

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 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Interest on deposits		114,462	119,912
Interest on loans		548,824	567,202
(Increase) in loans provided		(451,819)	(920,966)
Other income		15,855	17,656
Payments in respect of the operations		(182,881)	(157,902)
Net cash inflow/outflow) from operating activities	8	44,441	(374,098)
Net increase/(decrease) in cash held		44,441	(374,098)
Cash at the beginning of the year		4,076,721	4,450,819
Cash at the end of the year	4	4,121,162	4,076,721

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 "Board") 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, the *Sydney Church of England Finance and Loans Board Ordinance 1957* (as amended) 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.

The Board is a not for profit entity for the purposes of preparing the financial report.

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 Board 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 statement of comprehensive income.

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 and are measured at cost. 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 Board 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

	2015	2014
	\$	\$
Interest on deposits	94,969	121,185
Interest on loans	547,474	569,450
	<u>642,443</u>	<u>690,635</u>

4. Current assets – Cash and cash equivalents

	2015	2014
	\$	\$
Current account with Sydney Diocesan Secretariat	89,487	71,188
Glebe Income Account - at call	381,675	305,533
Glebe Income Account - Term deposits with terms of three months or less	3,650,000	3,700,000
	<u>4,121,162</u>	<u>4,076,721</u>

5. Loans

	2015	2014
	\$	\$
Loans to parishes		
Current	1,391,708	1,236,539
Non-current	10,171,878	9,875,228
	<u>11,563,586</u>	<u>11,111,767</u>

Significant terms and conditions

Loans to parishes are unsecured and repayable in monthly or quarterly instalments over 1 to 18 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

	2015	2014
	\$	\$
Accrued interest on loans	23,613	24,963
Accrued interest on term deposits	10,719	30,212
Other	507	-
	<u>34,839</u>	<u>55,175</u>

7. Accumulated surplus

	2015	2014
	\$	\$
Balance at 1 January	15,234,208	14,684,094
Surplus from continuing operations	470,385	550,114
Balance 31 December	<u>15,704,593</u>	<u>15,234,208</u>

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

	2015	2014
	\$	\$
Surplus from ordinary activities	470,385	550,114
(Increase) in loans provided	(451,819)	(920,965)
Decrease/(increase) in receivables	20,336	(3,522)
Increase in payables	5,539	275
Net cash inflow/(outflow) from operating activities	44,441	(374,098)

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

As at 31 December 2015, applications for loans totalling \$1,206,248 (2014: \$1,760,101) had been approved but not drawn upon by the borrowers.

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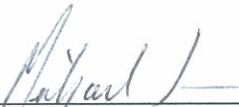
MEMBERS' DECLARATION

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 2015 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 April 2016

Member



20 April 2016

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 2015.

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. The 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 2015, 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 20 April 2016.

Clause 14f – Risk Management

The key risk areas that were identified by the Board in 2015 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.

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

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 Board, an ethical, legal or management failure by one of its external service suppliers adversely impacts the reputation of the Board, unauthorised media comment and members holding external board appointment which adversely impacts the reputation of the Board.
- f. Strategic Risks – which includes risks of failing to articulate the Board’s strategic objectives and failing to achieve strategic objectives.

The Board 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 Board. These procedures are sufficient to ensure that significant breaches of the law are reported to the Board.



Member

20 April 2016



Member

20 April 2016



Independent auditor's report to the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Sydney Church of England Finance and Loans Board for Sydney Church of England Finance and Loans Board

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Sydney Church of England Finance and Loans Board (the Board), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of financial position and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the members' declaration.

Responsibility for the financial report of the members of the Sydney Church of England Finance and Loans Board

The members of the Sydney Church of England Finance and Loans Board are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial statements, which forms part of the financial report, is appropriate to meet the requirements of the *Sydney Church of England Finance and Loans Board Ordinance 1957*, and the *Accounts, Audits and Annual Reports Ordinance 1995* and is appropriate to meet the needs of the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Church of England Finance and Loans Board.

The responsibility of the members of Sydney Church of England Finance and Loans Board also includes such internal control as the members of the Sydney Church of England Finance and Loans Board determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Sydney Church of England Finance and Loans Board, as well as evaluating the overall presentation of the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Board as at 31 December 2015 and its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

Other Matter

The Board was not required to have its financial report audited for the year ended 31 December 2014. The comparative amounts included in this financial report are therefore unaudited.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist Sydney Church of England Finance and Loans Board to meet the requirements of the *Sydney Church of England Finance and Loans Board Ordinance 1957*, and the *Accounts, Audits and Annual Reports 1995*.

As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Church of England Finance and Loans Board and should not be distributed to or used by other parties.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

Francois Bruder
Principal

Sydney
20 April 2016