

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

ABN 38 776 148 686

Annual financial report – 31 December 2016

SYDNEY CHURCH OF ENGLAND FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations			
Interest	3	612,297	642,443
Other income - loan fees		15,023	16,355
Total revenue from continuing operations		627,320	658,798
Expenses			
SDS Management fee		180,000	160,000
Insurance		4,886	5,524
Audit fees		9,644	14,994
Software costs		11,725	7,500
Other expenses		777	395
Total expenses		207,032	188,413
Surplus from continuing operations		420,288	470,385
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		420,288	470,385

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 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	5,053,990	4,121,162
Receivables	6	31,223	34,839
Loans	5	1,274,510	1,391,708
Total current assets		6,359,723	5,547,709
Non-current assets			
Loans	5	9,775,450	10,171,878
Total non-current assets		9,775,450	10,171,878
Total assets		16,135,173	15,719,587
LIABILITIES			
Current liabilities			
Payables		10,292	14,994
Total current liabilities		10,292	14,994
Net assets		16,124,881	15,704,593
EQUITY			
Accumulated surplus	7	16,124,881	15,704,593
Total equity		16,124,881	15,704,593

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 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Interest on deposits		86,613	114,462
Interest on loans		529,793	548,824
Decrease/(increase) in loans provided		513,625	(451,819)
Other income		15,023	15,855
Payments in respect of the operations		(212,226)	(182,881)
Net cash inflow from operating activities	8	932,828	44,441
Net increase in cash held		932,828	44,441
Cash at the beginning of the year		4,121,162	4,076,721
Cash at the end of the year	4	5,053,990	4,121,162

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

	2016	2015
	\$	\$
Interest on deposits	84,722	94,969
Interest on loans	527,575	547,474
	<u>612,297</u>	<u>642,443</u>

4. Current assets – Cash and cash equivalents

	2016	2015
	\$	\$
Current account with Sydney Diocesan Secretariat	91,322	89,487
Glebe Income Account - at call	1,212,668	381,675
Glebe Income Account - Term deposits with terms of three months or less	3,750,000	3,650,000
	<u>5,053,990</u>	<u>4,121,162</u>

5. Loans

	2016 \$	2015 \$
Loans to parishes		
Current	1,274,510	1,391,708
Non-current	9,775,450	10,171,878
	<u>11,049,960</u>	<u>11,563,586</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

	2016 \$	2015 \$
Accrued interest on loans	21,395	23,613
Accrued interest on term deposits	9,828	10,719
Other	-	507
	<u>31,223</u>	<u>34,839</u>

7. Accumulated surplus

	2016 \$	2015 \$
Balance at 1 January	15,704,593	15,234,208
Surplus from continuing operations	420,288	470,385
Balance 31 December	<u>16,124,881</u>	<u>15,704,593</u>

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

	2016	2015
	\$	\$
Surplus from ordinary activities	420,288	470,385
Decrease/(increase) in loans provided	513,626	(451,819)
Decrease in receivables	3,616	20,336
(Decrease)/increase in payables	(4,702)	5,539
Net cash inflow from operating activities	932,828	44,441

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

As at 31 December 2016, applications for loans totalling \$2,561,948 (2015: \$1,206,248) 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 2016 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

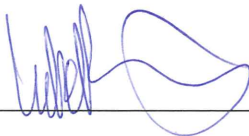
In the members' opinion there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.

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



18 April 2017

Member



18 April 2017

Member



Report of factual findings to the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and Members of the Board 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 10 October 2016 and described below Appendix 1 with respect to the validity, accuracy and cut-off of the current loan portfolio of Sydney Church of England Finance and Loans Board.

The responsibilities of the Finance Committee of the Standing Committee and the members of the board of the Sydney Church of England Finance and Loans Board

The Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the board 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 validity, accuracy and cut-off of the current loan portfolio of Sydney Church of England Finance and Loans Board.

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 validity, accuracy and cut-off of the current loan portfolio of Sydney Church of England Finance and Loans Board. Had we performed additional procedures or had we performed an audit or a review of Sydney Church of England Finance and Loans Board 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 validity, accuracy and cut-off of the current loan portfolio of Sydney Church of England Finance and Loans Board. Please refer to Appendix 1 for the procedures performed and the factual findings obtained.



Restriction on Distribution and Use of Report

This report is intended solely for the use of the members of the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the board 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 validity, accuracy and cut-off of the current loan portfolio of Sydney Church of England Finance and Loans Board. 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 of the Synod of the Anglican Church Diocese of Sydney and the members of the board of the Sydney Church of England Finance and Loans Board.

PricewaterhouseCoopers
PricewaterhouseCoopers

Francois Bruder
Francois Bruder
Principal

Sydney
7 April 2017

Appendix 1

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 three loans greater than \$200,000 and five additional loans were selected to have confirmations sent. For 24, loans confirmations were received and no differences were noted. For 4 loans no confirmations were received.	Confirmations were received for 24 loans and no exceptions were noted on these. Confirmations were not received for 2 Parishes representing 4 loans (Annandale Parish and French's Forest Parish).
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.	Minor variances totalling \$6 were noted between the amount recalculated by PwC and that recorded in the mortgage system for the five loans selected.	On the 5 loans recalculated a \$6 absolute value difference was noted.
3. Re-compute the additions of the following and report any differences: <ul style="list-style-type: none"> i. Income Statement ii. Balance Sheet iii. Statement of changes in equity 	No differences were noted from the re-computation performed for (i), (ii) and (iii).	No exceptions noted.
4. Agree the Income statement, Balance sheet and Statement of changes in equity to the General ledger.	No differences were noted.	No exceptions noted.
5. Compute the interest accrued on GIA deposits for the 31 December 2016 quarter. Compare 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.

