

FINANCE AND LOANS BOARD

ABN 38 776 148 686

Annual financial report – 31 December 2017

FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue from continuing operations			
Interest	3	592,915	612,297
Other income - loan fees		35,652	15,023
Total revenue from continuing operations		628,567	627,320
Expenses			
SDS Management fee		185,400	180,000
Insurance		4,064	4,886
Audit fees		10,200	9,644
Software costs		9,836	11,725
Other expenses		1,904	777
Total expenses		211,404	207,032
Surplus from continuing operations		417,163	420,288
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		417,163	420,288

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

FINANCE AND LOANS BOARD

Statement of financial position

As at 31 December 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,178,222	5,053,990
Receivables	6	45,518	31,223
Loans	5	1,600,721	1,274,510
Total current assets		5,824,461	6,359,723
Non-current assets			
Loans	5	10,684,105	9,775,450
Other	9	48,685	-
Total non-current assets		10,732,790	9,775,450
Total assets		16,557,251	16,135,173
LIABILITIES			
Current liabilities			
Payables		15,207	10,292
Total current liabilities		15,207	10,292
Net assets		16,542,044	16,124,881
EQUITY			
Accumulated surplus	7	16,542,044	16,124,881
Total equity		16,542,044	16,124,881

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

FINANCE AND LOANS BOARD

Statement of cash flows For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Interest on deposits		70,062	86,613
Interest on loans		508,062	529,793
Decrease/(increase) in loans provided		(1,234,867)	513,625
Other income		35,652	15,023
Payments in respect of the operations		(204,601)	(212,226)
Net cash (outflow)/inflow from operating activities	8	(825,692)	932,828
Cash flows from investing activities			
New loans software cost		(50,076)	-
Net cash (outflow) from investing activities		(50,076)	-
Net (decrease)/ increase in cash held		(875,768)	932,828
Cash at the beginning of the year		5,053,990	4,121,162
Cash at the end of the year	4	4,178,222	5,053,990

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

1. Purpose

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 Statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

In addition to cash and cash equivalents balances noted above, the Board has also adopted a policy which includes short-term investments as a cash and cash equivalents balance. These investments include unsecured loans to the Diocesan Cash Investment Fund (DCIF). The loans made to DCIF are separate from those made by any other lender and makes the Board an unsecured creditor of DCIF. Loans are repayable on request by the Board in accordance with the conditions set out in the Loan Agreement between the Board and the DCIF.

2. Summary of significant accounting policies (cont.)

(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.

(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)

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

	2017	2016
	\$	\$
Interest on deposits	79,936	84,722
Interest on loans	512,979	527,575
	<u>592,915</u>	<u>612,297</u>

4. Current assets – Cash and cash equivalents

	2017	2016
	\$	\$
Current account with Sydney Diocesan Secretariat	50,370	91,322
Diocesan Cash Investment Fund - at call	4,127,852	-
Glebe Income Account - at call	-	1,212,668
Glebe Income Account - Term deposits with terms of three months or less	-	3,750,000
	<u>4,178,222</u>	<u>5,053,990</u>

Included as a cash equivalent is an unsecured loan to the Diocesan Cash Investment Fund (DCIF). The DCIF is a wholesale charitable investment fundraiser. The Glebe Administration Board is the trustee of the DCIF. The unsecured loan to the DCIF is regarded as cash as the unitised interests are valued at \$1.00 which is payable at call. The underlying investments of the DCIF are cash accounts at call, term deposits and cash trusts.

5. Loans

	2017	2016
	\$	\$
Loans to parishes		
Current	1,600,721	1,274,510
Non-current	10,684,105	9,775,450
	<u>12,284,826</u>	<u>11,049,960</u>

Significant terms and conditions

Loans to parishes are unsecured and repayable in monthly or quarterly instalments over 1 to 17 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 10 for undrawn loan commitments.

6. Current assets - Receivable

	2017 \$	2016 \$
Accrued interest on loans	26,311	21,395
Accrued interest on term deposits	-	9,828
Interest receivable from Diocesan Cash Investment Fund	19,202	-
Other	5	-
	<u>45,518</u>	<u>31,223</u>

7. Accumulated surplus

	2017 \$	2016 \$
Balance at 1 January	16,124,881	15,704,593
Surplus from continuing operations	417,163	420,288
Balance 31 December	<u>16,542,044</u>	<u>16,124,881</u>

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

	2017 \$	2016 \$
Surplus from ordinary activities	417,163	420,288
Amortisation of new loans software costs	1,391	-
Changes in assets and liabilities		
(Increase)/decrease in loans provided	(1,234,866)	513,626
(Increase)/decrease in receivables	(14,295)	3,616
Increase/(decrease) in payables	4,915	(4,702)
Net cash (outflow)/ inflow from operating activities	<u>(825,692)</u>	<u>932,828</u>

9. Non-current assets - Other

	2017 \$	2016 \$
New loan system software	50,076	-
Amortisation	(1,391)	-
	<u>48,685</u>	<u>-</u>

The cost of new loans system software is being amortised over 3 years from 1 December 2017.

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

As at 31 December 2017, applications for loans totalling \$4,677,872 (2016: \$2,561,948) had been approved but not drawn upon by the borrowers.

FINANCE AND LOANS BOARD

MEMBERS' DECLARATION

The members of Finance and Loans Board declare that the financial statements and notes set out on pages 1 to 8.

- (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 2017 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.



17 April 2018

Member



17 April 2018

Member



Report of factual findings to the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the 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 and accuracy of the loan portfolio. The procedures performed are detailed in the terms of the engagement dated 19 October 2017 and described below Appendix 1 with respect to the validity, and accuracy of the 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 and accuracy of the 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 and accuracy of the 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 and accuracy of the 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.

PricewaterhouseCoopers, ABN 52 780 433 757

*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

*Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.



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 for 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 and accuracy of the 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

A handwritten signature in black ink, appearing to read 'Francois Bruder', written in a cursive style.

Francois Bruder
Principal

Sydney
9 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 five loans greater than \$200,000 were selected to have confirmations sent. Five other loans were selected and agree to loan approval forms and loan statements. Centennial Park Parish was selected as one of our five samples. This has had a loan approved but it has not be drawn down.	Confirmations were received for 25 loans and no exceptions were noted on these. For the other five loans selected there was 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.	Minor variances totalling \$1 were noted between the amounts recalculated by PwC and those recorded in the mortgage system for the five loans selected.	On the 5 loans recalculated a \$1 absolute value difference was noted.
3. Re-compute the additions of the following and report any differences: 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. Obtain the statements of account for the Glebe Income Account ("GIA") at call deposit and GIA Term Deposits. Compute the total interest received and compare to the balance of account 434600. Report any differences.	No differences were noted between the computation performed by PwC and the balance in account 434600.	No exceptions noted.
5. Obtain the distribution statements for the deposit with the Diocesan Cash Investment Fund. Compute the total distributions received and compare to the total of account 455000.	No differences were noted between the computation performed by PwC and the balance in account 455000.	No exceptions noted.

Appendix 1

Procedures Performed	Factual Findings	Errors or Exceptions Identified
Report any differences		
6. Agree the Income statement, Balance sheet and Statement of changes in equity to the General ledger.	No differences were noted.	No exceptions noted.