

FINANCE AND LOANS BOARD
(trading as Sydney Anglican Loans)

ABN 38 776 148 686

Annual financial report – 31 December 2018

FINANCE AND LOANS BOARD

Statement of comprehensive income

For year ended 31 December 2018

	Notes	2018 \$	2017 \$
Revenue from continuing operations			
Interest	3	631,400	592,915
Other income - loan fees		35,655	35,652
Total revenue from continuing operations		667,055	628,567
Expenses			
SDS Management fee		190,962	185,400
Insurance		3,903	4,064
Audit fees		10,506	10,200
Software costs	9	20,013	9,836
Training and development		5,600	-
Other expenses		903	1,904
Total expenses		231,887	211,404
Surplus from continuing operations		435,168	417,163
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		435,168	417,163

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 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	5,256,978	4,178,222
Receivables	6	44,067	45,518
Loans	5	1,866,816	1,600,721
Total current assets		7,167,861	5,824,461
Non-current assets			
Loans	5	9,786,079	10,684,105
Other	9	33,777	48,685
Total non-current assets		9,819,856	10,732,790
Total assets		16,987,717	16,557,251
LIABILITIES			
Current liabilities			
Payables		10,505	15,207
Total current liabilities		10,505	15,207
Net assets		16,977,212	16,542,044
EQUITY			
Accumulated surplus	7	16,977,212	16,542,044
Total equity		16,977,212	16,542,044

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 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Interest on deposits		69,618	70,062
Interest on loans		563,258	508,062
Decrease/(increase) in loans provided		631,931	(1,234,867)
Other income		35,655	35,652
Payments in respect of the operations		(219,034)	(204,601)
Net cash inflow/(outflow) from operating activities	8	1,081,428	(825,692)
Cash flows from investing activities			
New loans software cost		(2,672)	(50,076)
Net cash (outflow) from investing activities		(2,672)	(50,076)
Net increase/(decrease) in cash held		1,078,756	(875,768)
Cash at the beginning of the year		4,178,222	5,053,990
Cash at the end of the year	4	5,256,978	4,178,222

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 *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

	2018	2017
	\$	\$
Interest on deposits	69,715	79,936
Interest on loans	561,685	512,979
	<u>631,400</u>	<u>592,915</u>

4. Current assets – Cash and cash equivalents

	2018	2017
	\$	\$
Current account with Sydney Diocesan Secretariat	33,342	50,370
Diocesan Cash Investment Fund - at call	5,223,636	4,127,852
	<u>5,256,978</u>	<u>4,178,222</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

	2018	2017
	\$	\$
Loans to parishes		
Current	1,866,816	1,600,721
Non-current	9,786,079	10,684,105
	<u>11,652,895</u>	<u>12,284,826</u>

Significant terms and conditions

Loans to parishes are unsecured and repayable in monthly or quarterly instalments over 1 to 16 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

	2018 \$	2017 \$
Accrued interest on loans	24,738	26,311
Interest receivable from Diocesan Cash Investment Fund	19,299	19,202
Other	30	5
	<u>44,067</u>	<u>45,518</u>

7. Accumulated surplus

	2018 \$	2017 \$
Balance at 1 January	16,542,044	16,124,881
Surplus from continuing operations	435,168	417,163
Balance 31 December	<u>16,977,212</u>	<u>16,542,044</u>

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

	2018 \$	2017 \$
Surplus from ordinary activities	435,168	417,163
Amortisation of new loans software costs	17,580	1,391
Changes in assets and liabilities		
Decrease/(increase) in loans provided	631,931	(1,234,866)
Decrease/(increase) in receivables	1,451	(14,295)
(Decrease)/increase in payables	(4,702)	4,915
Net cash inflow/(outflow) from operating activities	<u>1,081,428</u>	<u>(825,692)</u>

9. Non-current assets - Other

	2018 \$	2017 \$
New loan system software	52,748	50,076
Amortisation	<u>(18,971)</u>	<u>(1,391)</u>
	<u>33,777</u>	<u>48,685</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 2018, applications for loans totalling \$3,425,538 (2017: \$4,677,872) 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 the framework set out in Note 2(a) of the financial report;
- (b) give a true and fair view of the Board's financial position as at 31 December 2018 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 –

- (a) there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable.
- (b) appropriate accounting records and systems of internal control and risk management have been maintained.

The Board engaged PWC to complete Agreed Upon Procedures and no exceptions or errors have been reported.

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



Member

14 May 2019



Member

14 May 2019



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 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 27 August 2018 and described below Appendix 1 with respect to the validity, and accuracy of the loan portfolio of the Finance and Loans Board.

The responsibilities of the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and of the members of the board of the 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 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 the 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 the Finance and Loans Board. Had we performed additional procedures or had we performed an audit or a review of the 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 the 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 for the members of the board of the 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 the 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 Finance and Loans Board.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Francois Bruder', written over a vertical line.

Francois Bruder
Principal

Sydney
8 April 2019

Appendix 1

Procedures Performed	Factual Findings	Errors or Exceptions Identified
Validity		
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.	<p>Twenty-one loans greater than \$200,000 were selected to have confirmations sent.</p> <p>Five other loans were selected to have confirmations sent.</p> <p>One loan approved but not drawn down was agreed to loan approval forms and loan statements.</p>	<p>Confirmations were received for 26 loans with no exceptions noted.</p> <p>For the other loan approved but not drawn selected there was no exception noted.</p>
Accuracy		
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.	<p>No variances noted between the amounts re-calculated by PwC and those recorded in the mortgage system for the five loans selected. The following loans and months were selected for re-calculation:</p> <ul style="list-style-type: none"> • Blakehurst Parish February 2018 • Chatswood Parish April 2018 • Dural Parish September 2018 • Greystanes Merrylands Parish October 2018 • Hurtsville Grove Parish November 2018. 	No exceptions 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. 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. Report any differences.	No differences were noted between the payments recorded from DCIF distributions and the balance in account 455000.	No exceptions noted.
5. Agree the Income statement, Balance sheet and Statement of	No differences were noted.	No exceptions noted.

Appendix 1

Procedures Performed	Factual Findings	Errors or Exceptions Identified
changes in equity to the General ledger.		