

FINANCE AND LOANS BOARD
(trading as Sydney Anglican Loans)

ABN 38 776 148 686

Annual financial report – 31 December 2019

FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2019

	Notes	2019 \$	2018 \$
Revenue from continuing operations			
Interest	3	586,462	631,400
Other income - loan fees		32,280	35,655
Total revenue from continuing operations		618,742	667,055
Expenses			
SDS Management fee		196,692	190,962
Insurance		3,805	3,903
Audit fees		14,298	10,506
Software costs		18,676	20,013
Training and development		-	5,600
Other expenses		794	903
Total expenses		234,265	231,887
Surplus from continuing operations		384,477	435,168
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		384,477	435,168

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 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	37,885	33,342
Receivables	6	38,042	44,067
Loans	5	1,880,167	1,866,816
Short-term investments	7	6,381,466	5,223,636
Total current assets		8,337,560	7,167,861
Non-current assets			
Loans	5	9,022,212	9,786,079
Other	10	16,197	33,777
Total non-current assets		9,038,409	9,819,856
Total assets		17,375,969	16,987,717
LIABILITIES			
Current liabilities			
Payables		14,280	10,505
Total current liabilities		14,280	10,505
Net assets		17,361,689	16,977,212
EQUITY			
Accumulated surplus	8	17,361,689	16,977,212
Total equity		17,361,689	16,977,212

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

FINANCE AND LOANS BOARD

Statement of changes in equity For year ended 31 December 2019

	Accumulated Surplus \$	Total \$
Balance at 1 January 2018	16,542,044	16,542,044
Total comprehensive income	435,168	435,168
Balance at 31 December 2018	16,977,212	16,977,212
Total comprehensive income	384,477	384,477
Balance at 31 December 2019	17,361,689	17,361,689

FINANCE AND LOANS BOARD

Statement of cash flows For the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Interest on deposits		82,652	69,618
Interest on loans		509,812	563,258
Loans repaid		2,998,883	4,399,884
Loans advanced		(2,248,367)	(3,767,953)
Other income		32,280	35,655
Payments in respect of the operations		(212,887)	(219,034)
Net cash inflow from operating activities	9	1,162,373	1,081,428
Cash flows from investing activities			
New loans software cost		-	(2,672)
Net cash (outflow) from investing activities		-	(2,672)
Cash flows from financing activities			
Net (increase) in short- term investments		(1,157,830)	(1,095,784)
Net cash (outflow) from financing activities		(1,157,830)	(1,095,784)
Net increase/(decrease) in cash held		4,543	(17,028)
Cash at the beginning of the year		33,342	50,370
Cash at the end of the year	4	37,885	33,342

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

In the opinion of the members of the Finance and Loans Board as elected by the Synod (the "members"), the Board is not a reporting entity because there are no users dependent on general purpose financial reports. These are special purpose financial statements that have been prepared for the purpose of complying with the *Sydney Church of England Finance and Loans Board Ordinance 1957* (as amended) and the *Accounts, Audits and the Annual Returns Ordinance 1995* requirements to prepare and distribute financial statements to the members of the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney.

The accounting policies that have been used for the preparation of the financial statements are set out below.

The members of the Finance and Loans Board have determined that the accounting policies adopted are appropriate to meet the needs of the members of the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney.

The financial statements contain only those disclosures considered necessary by the members of the Finance and Loans Board to meet the needs of the above named specified users.

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

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

Interest income for all interest earning financial assets at amortised cost is recognised using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument by discounting the financial instrument's estimated future cash receipts or payments to their present value and allocates the interest income, including any fees, costs, premiums or discounts integral to the instrument, over its expected life.

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.

(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.

(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.

The Board has adopted *AASB 9 Financial Instruments* in assessing any required impairment of loans. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition of the financial instrument.

The Board measures the loss allowance on loans at an amount equal to the *12-month expected credit losses* if the credit risk on loans has not increased significantly since initial recognition. If at the reporting date the credit risk on loans has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the *lifetime expected credit losses*.

The Board, in line with the Loan Impairment policy in its *Lending and Investment Policies*, has not determined that any loans have materially deteriorated since their approval. Therefore, there are no *lifetime expected credit losses* for the year ended 31 December 2019 and the prior year.

The *12-month expected credit losses* have been calculated by assigning each loan a probability of default in line with the Board's green, yellow and red risk indicators. As the loans are unsecured, but with the right for the Board to approach the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and request that action be taken for the Board to recover what it has lent, a loss given default of 50% has been assumed. Each borrower's exposure includes the drawn and any undrawn portion.

Using this methodology on the Board's exposure to each borrower, the total *12-month expected credit losses* has been assessed as not material for the year ended 31 December 2019 and the prior year.

(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.

(j) Short-term investments

The Board has classified financial assets based on the Board's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Short term investments represents financial assets at amortised costs. The Board's investments in the Diocesan Cash Investment Fund (DCIF) are financial assets. The purpose of these investments is to collect contractual cash flows that are solely payments of principal and interest. They are measured at amortised cost.

At initial recognition, the Board measures these financial assets at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

"Regular way" purchases and sales of financial assets are recognised on trade date, being the date on which the Board commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

3. Revenue - Interest

	2019	2018
	\$	\$
Interest from short term investments	79,716	69,715
Interest on loans	506,746	561,685
	<u>586,462</u>	<u>631,400</u>

4. Current assets – Cash and cash equivalents

	2019	2018
	\$	\$
Current account with Sydney Diocesan Secretariat	<u>37,885</u>	<u>33,342</u>

5. Loans

	2019	2018
	\$	\$
Loans to churches, parishes and church organisations		
Current	1,880,167	1,866,816
Non-current	<u>9,022,212</u>	<u>9,786,079</u>
	<u>10,902,379</u>	<u>11,652,895</u>

Significant terms and conditions

Loans to churches, parishes and church organisations are unsecured and repayable in monthly or quarterly instalments over 1 to 15 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 11 for undrawn loan commitments.

6. Current assets - Receivable

	2019	2018
	\$	\$
Accrued interest on loans	21,673	24,738
Interest receivable from Diocesan Cash Investment Fund	16,363	19,299
Other	6	30
	<u>38,042</u>	<u>44,067</u>

7. Current assets – Short-term investments

	2019	2018
	\$	\$
Unsecured loan to Diocesan Cash Investment Fund	<u>6,381,466</u>	<u>5,223,636</u>

Financial assets at amortised cost include unsecured loans / investments to the DCIF. The investments made to DCIF are separate from those made by any other lender and makes the Board an unsecured creditor of DCIF. Investments are repayable on request by the Board in accordance with the conditions set out in the Loan Agreement between the Board and the DCIF.

The DCIF has adopted an Investment Policy Statement which stipulates the permitted asset classes and strategic asset allocation for the investments of the DCIF. These include at-call accounts, cash accounts, and term deposits. These investments can also be made through authorised managed fund investments to the extent that they are made in the above assets categories. The assets in which the authorised managed fund has invested in, are stipulated in the investment strategy and asset allocation policy of the fund. It includes at-call balance and term deposits with a maximum duration of 12 months per deposit and an expected portfolio average duration of three to six months to maturity at any point in time.

8. Accumulated surplus

	2019	2018
	\$	\$
Balance at 1 January	16,977,212	16,542,044
Surplus from continuing operations	384,477	435,168
Balance 31 December	<u>17,361,689</u>	<u>16,977,212</u>

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

	2019	2018
	\$	\$
Surplus from ordinary activities	384,477	435,168
Amortisation of new loans software costs	17,580	17,580
Changes in assets and liabilities		
Decrease in loans provided	750,516	631,931
Decrease in receivables	6,026	1,451
Increase/(decrease) in payables	3,774	(4,702)
Net cash inflow from operating activities	1,162,373	1,081,428

10. Non-current assets - Other

	2019	2018
	\$	\$
New loan system software	52,748	52,748
Amortisation	(36,551)	(18,971)
	16,197	33,777

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

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

As at 31 December 2019, applications for loans totalling \$5,140,000 (2018: \$3,425,538) had been approved but not drawn upon by the borrowers.

12. Events occurring after the balance sheet date

As at 31 December 2019 a limited number of cases of an unknown virus had been reported to the World Health Organisation. Following the subsequent spread of the virus, on 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The identification of the virus post 31 December 2019 as a new coronavirus, and its subsequent spread, is considered a non-adjusting subsequent event. The fair value of the Board's assets reflects the conditions known as at 31 December 2019 and does not factor in the effect of COVID-19 on valuations and recoverability of loans.

The state and federal governments have enacted emergency powers due to the COVID-19 pandemic. In addition, governments have issued a range of advisory actions to the public and employers. Together, these measures are designed to substantially reduce the free movement of people to limit the spread of the disease.

As at the date of this report it is not possible to reliably estimate the financial effect of COVID-19 on the valuation of the Board's assets and recoverability of loans.

The members are not aware of any other events occurring after reporting date that impact on the financial report as at 31 December 2019.

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 11.

- (a) comply with accounting policies in note 2 of the financial report;
- (b) comply with the *Sydney Church of England Finance and Loans Board Ordinance 1957* (as amended) and the *Accounts, Audits and the Annual Returns Ordinance 1995*; and
- (c) give a true and fair view of the Board's financial position as at 31 December 2019 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.

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



Member

14 April 2020



Member

14 April 2020



Independent auditor's report

To the members of the Finance Committee of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Finance and Loans Board for Finance and Loans Board (trading as Sydney Anglican Loans)

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Finance and Loans Board (trading as Sydney Anglican Loans) (the Board) as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the members' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Board in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the *Sydney Church of England Finance and Loans Board Ordinance 1957* (as amended) and of the *Accounts, Audits and Annual Reports Ordinance 1995*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for 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 Finance and Loans Board and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Other matter: prior period financial report not audited

The Board was not required to prepare or lodge an audited financial report for the year ended 31 December 2018. The comparative amounts included in this financial report are therefore unaudited.

Responsibilities of the members of the Finance and Loans Board for the financial report

The members of the Finance and Loans Board are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 2 to the financial statements, and for such internal control as the members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the members are responsible for assessing the ability of the Board to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

Francois Bruder
Principal

Sydney
14 April 2020