SYDNEY DIOCESAN SERVICES

ABN 69 266 342 710

Annual financial report – 31 December 2023

SYDNEY DIOCESAN SERVICES

Statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023 $	2022 $
Revenue from continuing operations			
Cost recovery charges and service funding		6,539,554	6,799,473
Rental income		581,956	201,035
Interest and other distributions		206,023	77,186
Grants and donations		603,000	597,000
Other income		173,871	135,738
Total revenue from continuing operations		8,104,404	7,810,432
Expenses from continuing operations			
Staff and related expenses		6,081,867	5,453,642
Interest and finance charges		21,865	21,457
Professional fees		288,231	311,627
Rent and occupancy expenses	6	900,434	442,396
Make good provision reversed		-	(355,809)
Office operating expenses		837,403	760,242
Depreciation and amortisation	5,6,7	398,524	525,334
Audit fees		43,153	37,779
Insurance expenses		139,575	141,322
Other expenses		103,784	64,375
Total expenses from continuing operations		8,814,836	7,402,365
Surplus/(Deficit) for the year		**(710,432)**	**408,067**
Other comprehensive income		-	-
Total comprehensive income/(deficit) for the year		(710,432)	408,067
Transfer from current year surplus/(deficit)			
Transfer from/(to) Cost recovery transition reserve	13	121,290	23,496
Transfer from/(to) Business restructure reserve	13	115,229	-
Transfer from/(to) Premises fit out works reserve	13	(77,567)	(126,432)
Transfer from/(to) Sub-tenant leasing reserve	13	(63,518)	(48,650)
Transfer from/(to) Project reserve	13	25,000	(140,000)
Transfer from/(to) Information communication and technology (ICT) projects reserve	13	-	(89,241)
Net available surplus/(deficit) after transfer to reserves		**(589,998)**	**27,240**

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

SYDNEY DIOCESAN SERVICES

Statement of financial position
As at 31 December 2023

	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents and restricted cash	2	416,636	220,258
Short term financial assets	3	3,789,057	3,545,057
Receivables and other assets	4	346,906	994,781
Total current assets		**4,552,599**	**4,760,096**
Non-current assets			
Plant and equipment	5	2,370,343	2,412,217
Intangible assets	7	157,388	287,082
Total non-current assets		**2,527,731**	**2,699,299**
Total assets		**7,080,330**	**7,459,395**
LIABILITIES			
Current liabilities			
Payables	8	294,960	297,825
Funds held in trust for client entities (Current accounts)	9	683,028	141,527
Provisions	10	944,290	1,183,959
Total current liabilities		**1,922,278**	**1,623,311**
Non-current liabilities			
Provisions	11	401,553	369,153
Total non-current liabilities		**401,553**	**369,153**
Total liabilities		**2,323,831**	**1,992,464**
Net assets		**4,756,499**	**5,466,931**
FUNDS			
Capital	12	2,062,105	2,062,105
Reserves	13	3,199,211	3,319,645
Accumulated surplus/(deficit)		(504,817)	85,181
Total funds		**4,756,499**	**5,466,931**

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

SYDNEY DIOCESAN SERVICES

Statement of changes in funds
For the year ended 31 December 2023

	Notes	Capital	Reserves	Accumulated Surplus	Total
		$	$	$	$
Balance at 1 January 2022		**2,062,105**	**2,882,577**	**114,182**	**5,058,864**
Surplus for the year		-	-	408,067	408,067
Transfer to/(from) Cost recovery transition reserve	13	-	175,000	(175,000)	-
Transfer to/(from) Cost recovery transition reserve	13	-	(40,000)	40,000	-
Transfer to/(from) Cost recovery transition reserve	13	-	(23,496)	23,496	-
Transfer to/(from) Projects reserve	13	-	140,000	(140,000)	-
Transfer to/(from) Premises fit out works reserve (2022 Fitout)	13	-	97,975	(97,975)	-
Transfer to/(from) Premises fit out works reserve (2022 Fitout)	13	-	(60,944)	60,944	-
Transfer to/(from) Premises fit out works reserve (Future Fitout)	13	-	89,401	(89,401)	-
Transfer to/(from) Sub-tenant leasing reserve	13	-	48,650	(48,650)	-
Transfer to/(from) Sub-tenant leasing reserve	13	-	(78,759)	78,759	-
Transfer to/(from) Information Communication and Technology (ICT) projects reserve	13	-	89,241	(89,241)	-
Total comprehensive income for the year		-	437,068	(29,001)	408,067
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2022		**2,062,105**	**3,319,645**	**85,181**	**5,466,931**
(Deficit)/Surplus for the year		-	-	(710,432)	(710,432)
Transfer to/(from) Cost recovery transition reserve	13	-	(75,000)	75,000	-
Transfer to/(from) Cost recovery transition reserve	13	-	(46,290)	46,290	-
Transfer to/(from) Projects reserve	13	-	(25,000)	25,000	-
Transfer to/(from) Premises fit out works reserve (2022 Fitout)	13	-	(166,000)	166,000	-
Transfer to/(from) Premises fit out works reserve (Future Fitout)	13	-	243,567	(243,567)	-
Transfer to/(from) Sub-tenant leasing reserve	13		(69,000)	69,000	-
Transfer to/(from) Sub-tenant leasing reserve	13	-	132,518	(132,518)	-
Transfer to/(from) Business development reserve	13	-	(115,229)	115,229	-
Total comprehensive income for the year		-	(120,434)	(589,998)	(710,432)
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2023		**2,062,105**	**3,199,211**	**(504,817)**	**4,756,499**

The above statement of changes in funds should be read in conjunction with the accompanying notes.

SYDNEY DIOCESAN SERVICES

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 $	2022 $
Cash flows from operating activities			
Cost recovery charges and service funding received		6,539,554	6,799,473
Interest received and distributions from DCIF		177,572	44,878
Grants and donations received		603,000	597,000
Other income received		158,995	456,735
Borrowing costs paid		(21,875)	(21,457)
Payments to suppliers and employees		(7,331,413)	(7,468,953)
Net cash inflow from operating activities		**125,833**	**407,676**
Cash flows from investing activities			
Payments for plant and equipment	5	(226,956)	(2,341,278)
Payments for intangible assets	7	-	(227,537)
Net decrease / (increase) in short term investments with Diocesan Cash Investment Fund	3	(244,000)	4,043,000
Net cash inflow / (outflow) from investing activities		**(470,956)**	**1,474,185**
Cash flows from financing activities			
Movement of net current accounts held with client funds	9	541,501	(1,680,480)
Payments of principal and interest elements of leases		-	(543,562)
Receipt of principal and interest elements of sub-leases		-	275,793
Net cash (outflow) / inflow from financing activities		**541,501**	**(1,948,249)**
Net change in cash and cash equivalents		196,378	(66,388)
Cash at the beginning of the year		220,258	286,646
Cash and cash equivalents at end of year	2	**416,636**	**220,258**

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements 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 Sydney Diocesan Services ("SDS"), SDS is not a reporting entity because there are no users dependent on a general purpose financial report. These are special purpose financial statements that have been prepared for the purpose of complying with the *Sydney Diocesan Services Ordinance 2017*, and the *Accounts, Audits and Annual Statements Ordinance 1995* requirements to prepare and distribute financial statements to the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney (for tabling to Synod) and to the members of SDS and must not be used for any other purpose.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, except as noted below.

The members of SDS have determined that the accounting policies adopted are 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 SDS. The financial statements contain only those disclosures considered necessary by the members of SDS to meet the needs of the above named specified users.

SDS is a not-for-profit entity and a basic religious charity for the purpose of preparing financial statements.

Historical cost convention
The financial statements have been prepared on a historical cost basis.

Critical accounting estimates and judgments
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying SDS's accounting policies. The areas involving a higher degree or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 18.

(b) Principles of consolidation

SDS does not prepare consolidated financial statements. Refer to Note 14 for interests in associated entities.

(c) Revenue recognition

Under AASB 15, a five step model is used to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which SDS expects to be entitled in exchange for transferring goods or services to a customer.

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. SDS' contracts with customers contain a single performance obligation. A contract's transaction price is allocated to each distinct performance obligation. The revenue is recognised over time when the performance obligation is satisfied.

Service fees are generally determined for the financial year and brought to account on a straight-line basis over the year.

Rental income is recognised over the time period for which rent has been charged.

Grants and donations do not have specific performance obligations and are recognised in income when received.

1. Summary of significant accounting policies (cont.)

Disposal of plant and equipment
Income from the disposal of plant and equipment is measured at fair value of the consideration received or receivable less the carrying value of the fixed asset or group of assets sold. Gain or loss arising from the sale is recognised at net amount in the statement of comprehensive income.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount.

(d) **Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(e) **Cash and cash equivalents, and restricted cash**

For cash flow statement 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Restricted cash and cash equivalent amounts are disclosed in Note 2 which represents funds held in trust by SDS through the operation of current accounts for its client entities, the liability for which is disclosed in Note 9.

(f) **Financial assets**

(i) Classification

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

Based on the above, SDS has classified its financial assets in the amortised cost measurement category.

SDS reclassifies financial assets when and only when its business model for managing those assets changes.

(ii) Recognition/de-recognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Fund 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 group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, SDS measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(iv) Impairment

SDS assesses on a forward-looking basis any expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology that would be applied depends on whether there has been a significant increase in credit risk.

1. Summary of significant accounting policies (cont.)

(g) **Short term financial assets – loans with DCIF**
SDS' loan funds with the Diocesan Cash Investment Fund (DCIF) are financial assets. The purpose of these loans is to collect contractual cash flows that are solely payments of principal and distributions received on a periodic basis.

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

Purchases and sales of financial assets are recognised on trade date, being the date on which SDS 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 SDS has transferred substantially all the risks and rewards of ownership.

Distributions from loan funds with DCIF are received on a periodic basis and brought to account as earned and receivable. As the income from the DCIF loans is based on the distributable income of DCIF, the income is classified as a distribution, and the loans are classified as fair value through profit or loss in accordance with AASB 9. Additionally, as the fair value of the loans is determined to be the loan balance there is no fair value movement to be recognised.

(h) **Impairment of financial assets**
The entity has two types of financial assets that are subject to the expected credit loss model:

- receivables from related entities from the provision of services
- financial assets carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

SDS applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

SDS assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets at amortised cost are considered to have low credit risk, and the identified impairment loss was immaterial. SDS considers the financial assets are 'low credit risk' because of a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(i) **Receivables and other assets**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability 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 recognised in the statement of comprehensive income.

(j) **Loan**

SDS had provided an interest-free, subordinated, unsecured loan of $100,000 to SDS Legal. The loan remains repayable by SDS Legal, and no call has been made on the loan. Due to the uncertain nature of the recoverability of the loan, it was impaired in 2019 for accounting purposes only.

(k) **Leases**

SDS does not apply AASB 16 Lease Accounting. Lease expenses incurred as lessee are recognised immediately in profit and loss.

1. Summary of significant accounting policies (cont.)

l) **Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	2.5 years to 5 years
Motor Vehicles	5 years.
Leasehold improvements	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

(m) **Intangible assets**

Costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

SDS amortises intangible assets – software using the straight-line method over its estimated useful life, as follows:

- Software 3 years to 5 years.

(n) **Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(o) **Payables**

These amounts represent liabilities for goods and services provided prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) **Current account held for client entities**

Cash deposits held by SDS in trust for client entities are carried at their principal amounts.

(q) **Provisions**

Provisions for make good obligations and termination benefits are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

1. Summary of significant accounting policies (cont.)

(r) Employee benefits

(i) *Wages, salaries, annual leave and personal leave*

Liabilities for wages and salaries including non-monetary benefits and annual leave expected to be settled within 12 months of the end of each reporting period are recognised either in payables or current provisions in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for personal leave, it is not considered that any personal leave taken will incur additional costs.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for long service leave entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian Government Bond Yields at the end of each reporting period for a term that matches estimated future cash outflows.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

The obligations are presented as current liabilities in the balance sheet where SDS does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(s) Capital

Represents the original capital contributed to SDS. Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. SDS's governing ordinance grants no rights or preferences in relation to the capital, and places no restrictions on the use of the capital in pursuing SDS's objectives and providing benefits to the Synod's stakeholders.

(t) Reserves

Appropriate reserves are created to enable SDS to meet projected future major expenditure without significant dissipation of working capital or requiring SDS to borrow significant sums to fund that expenditure.

(u) Income tax

SDS is exempt from income tax under Section 50-5 of the *Income Tax Assessment Act 1997*.

(v) Goods and Services Tax (GST)

SDS is the representative member of the SDS GST group and a member of the Anglican GST Religious group.

Revenues, expenses, and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

The GST components of cash flows arising from operating, investing, or financing activities, which are recoverable from, or payable to the ATO, are presented as operating cash flow.

2. Current assets – Cash and cash equivalents, and restricted cash

	Note	2023 $	2022 $
Cash at bank		415,036	218,658
Cash in hand		1,600	1,600
Balances per statement of cash flows		416,636	220,258

SDS provides administrative, secretarial, and accounting services to a range of organisations. As part of these services, SDS holds cash deposits, in trust, on behalf of its client entities, and these funds are pooled with SDS's own funds in accounts with an authorised deposit-taking institution or the Diocesan Cash Investment Fund, for administrative efficiency. SDS controls the funds and has the ability to invest the funds at its discretion to earn interest income. SDS also bears any related credit risk in case of bankruptcy of an institution. As a result, of these matters SDS has determined that these balances should be reported as financial assets of SDS. However, clients are entitled to the full amount of any cash deposited in the event of insolvency and SDS has also considered that these balances represent in effect a restricted cash balance.

Amounts held for clients are credited into separate liability accounts and recognised as liabilities (refer Note 9). SDS has a contractual obligation towards the clients in the event of bankruptcy of a financial institution or its insolvency.

Cash and short-term investments (Note 3) includes a restricted cash and cash equivalent amount of $683,028 (2022: $141,527), which represents funds held in trust through the operation of current accounts by SDS' client entities as noted above. SDS has considered that this balance remains available for use in the short term. Restricted cash is largely deposited with the Diocesan Cash Investment Fund.

3. Current assets – Financial Assets

	Note	2023 $	2022 $
Diocesan Cash Investment Fund		3,789,057	3,545,057

Financial assets at fair value through profit or loss are the unsecured loans to the Diocesan Cash Investment Fund (DCIF). The loans to DCIF are separate from those made by any other lender and makes SDS an unsecured creditor of DCIF. Deposits are repayable on request by SDS in accordance with the conditions set out in the Loan Agreement between SDS 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.

4. Current assets – Receivables and other assets

	2023 $	2022 $
Accounts receivable	101,480	69,319
Prepayments	70,897	48,014
Receivable from related entities	96,089	821,804
Other receivables	78,440	55,644
	346,906	994,781

5. Non-current assets – Plant and equipment

	2,023 $	2,022 $
Furniture and Fittings - at cost	922,964	628,486
Additions	-	294,478
Disposals/write-off	-	-
Furniture and Fittings	922,964	922,964
Less: Provision for depreciation	(665,295)	(635,848)
	257,669	287,116
Office equipment - at cost	283,102	283,102
Additions	4,591	-
Disposals/write-off	-	-
Office equipment	287,693	283,102
Less: Provision for depreciation	(277,958)	(275,551)
	9,735	7,551
Computer hardware - at cost	692,071	397,326
Additions	23,980	294,745
Disposals/write-off	-	-
Computer hardware - at cost	716,051	692,071
Less: Provision for depreciation	(482,894)	(402,372)
	233,157	289,699
Leasehold Improvements - at cost	1,872,077	307,447
Additions - Make Good	-	362,256
Additions for Fit out	198,385	1,509,821
Disposals/write-off	-	-
Less: Provision for depreciation	(200,680)	(351,673)
	1,869,782	1,827,851
Motor vehicle - at cost	21,342	21,342
Less: Provision for depreciation	(21,342)	(21,342)
	-	-
Total plant and equipment	2,370,343	2,412,217

5. Non-current assets – Plant and equipment (cont.)

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current year is set out below:

	2,023 $	2,022 $
Opening balance at beginning of year	2,412,217	160,009
Additions	226,956	2,461,300
Work in progress changes during the year	-	(20,961)
Depreciation - plant and equipment	(268,830)	(188,131)
Closing balance at end of year	2,370,343	2,412,217

6. Leases

SDS holds office property leases on Level 2 St Andrew's House. A new lease came into effect in August 2022. SDS does not apply AASB 16 Lease Accounting and therefore lease costs are expenses into the Statement of Comprehensive Income.

Extension and terminations options
There is a 5 year extension option available under the current office lease.

Amounts recognised in the statement of comprehensive income	2023 $	2022 $
Depreciation charge of right-of-use assets	-	226,289
Interest expense (included in interest and finance charges)	-	6,618
Rental and occupancy (incorporates all lease expenses from the commencement of the new lease in 2022)	900,434	442,396

Movement in Sub-lease receivables	2023 $	2022 $
At beginning of the year	-	240,981
Interest on Sub-lease receivables	-	-
Sub-lease receipts	-	(240,981)
At end of the year	-	-

7. Non-current assets – Intangible assets

	2023 $	2022 $
Intangible assets - at cost	514,887	287,350
Additions	-	227,537
Less: Provision for amortisation	(357,499)	(227,805)
Total intangible assets - at cost	157,388	287,082

8. Current liabilities - Payables

	2023 $	2022 $
Accrued expenses	-	603
Other payables	294,960	297,222
	294,960	297,825

9. Current liabilities – Current accounts

Funds held in trust for client entities (Current accounts)	**Note**	**2023** **$**	**2022** **$**
Current accounts held for Diocesan funds (other related parties) (a)	2	683,028	141,527
Movement			
Current account balances at start of year		141,527	1,822,007
Net (decrease)/increase in current account liability		541,501	(1,680,480)
Current account balances at end of year		683,028	141,527

(a) Current account balances are at call.
Interest is not paid or charged on client fund balances.

(b) Restricted cash and cash equivalents.

Refer Note 2 for disclosure related to the cash held by SDS on behalf of its client entities.

10. Current liabilities – Provisions

	2023 $	2022 $
Annual leave entitlements	463,030	475,176
Long service leave entitlements	481,260	708,783
	944,290	1,183,959

11. Non-current liabilities – Provisions

	2023 $	2022 $
Long service leave entitlements	27,217	6,142
Obligations upon termination of leases - Make Good provision (a)	374,336	363,011
	401,553	369,153

(a) **Obligations upon termination of leases – make good provision.**

Provision to meet future expenditure required under the leases for part of level 2 of St Andrew's House to make good at the end of the leases.

(b) **Movement in provision**

Movements in each class of provision during the year, other than employee benefits, are set out below –

Make Good Provision	2023 $	2022 $
Carrying amount at start of year	363,011	355,809
- unused amount reversed	-	(355,809)
- initial provisions recognised	-	362,256
-addition to provision	11,325	755
Carrying amount at end of year	374,336	363,011

12. Contributed Capital

	2023 $	2022 $
Contributed capital	2,062,105	2,062,105

13. Reserves

	2023 $	2022 $
Capital maintenance reserve *(i)*	764,564	764,564
Premises fit out works reserve (2022 Fitout) *(ii)*	1,433,056	1,599,056
Premises fit out works reserve (Future Fitout) *(ii)*	332,968	89,401
ICT projects reserve *(iii)*	89,241	89,241
Sub-tenant leasing reserve *(iv)*	112,168	48,650
Projects Reserve (v)	170,000	195,000
Cost recovery transition reserve (vi)	297,214	418,504
Business restructure reserve (vii)	-	115,229
	3,199,211	3,319,645

Movement in reserves	Capital maint-enance reserve $	Premises fit out works reserve (2022 Fitout) $	Premises fit out works reserve (Future Fitout)	ICT projects reserve $	Sub-tenant leasing reserve $	Projects reserve $	Cost recovery transition reserve $	Business restructure reserve $	Total $
Carrying amount at start of year	764,564	1,599,056	89,401	89,241	48,650	195,000	418,504	115,229	3,319,645
Transfer from/(to) current year surplus	-	(166,000)	243,567	-	63,518	-	(46,290)	-	94,795
Amounts added to/(used) during the year	-		-	-	-	(25,000)	(75,000)	(115,229)	(215,229)
Carrying amount at end of year	764,564	1,433,056	332,968	89,241	112,168	170,000	297,214	-	3,199,211

Nature and purpose of reserves

(i) *Capital maintenance reserve*

The capital maintenance reserve is used to ensure sufficient capital is generated and maintained by SDS operations. Amounts will be transferred to the reserve to maintain the real value of the contributed capital and accumulated surplus. Balances may be transferred to accumulated surplus at times when major expenditure is incurred for activities outside of the Service Level Agreements held with SDS clients, i.e. not recouped through the SDS cost recovery charges.

(ii) *Premises fit out works reserve – 2022 Fit out*

The Premises fit out works reserve was used to generate sufficient working capital to enable SDS to undertake significant fit out works in its premises at the time of entering a new lease in August 2022. The fit-out reserve will be amortised over ten years.

Premises fit out works reserve – Future Fit out

The Premises fit out works reserve is used to generate sufficient working capital for the likely need for SDS to undertake significant future fit out works in its premises at the time of entering a new leases/premises.

13. Reserves (cont.)

(iii) *ICT projects reserve*

The ICT projects reserve will be used to support expenditure on future ICT projects which will represent the replacement and upgrade of SDS's existing technology and communication infrastructure. Balances may be transferred back to accumulated surplus at times when the ICT projects have been completed.

(iv) *Sub-tenant leasing reserve*

The reserve reflects the sub-tenant's share of the rent incentive that will be provided over 10 years, but the rent incentive that will received by SDS from the landlord is over a period of 5 years.

(v) *Projects Reserve*

The Projects reserve has been created to provide a funding source for future projects, which were budgeted in previous years but were either not undertaken or were not completed in the previous years. Amounts may be applied from the Projects reserve to fund the completion of the projects in a future year or to fund alternative projects which maintain or enhance SDS's service capacity.

(vi) *Cost recovery transition reserve*

The Cost Recovery Transition reserve is intended to support SDS operations over the five-year transition to a new cost recovery methodology adopted in 2020 and to meet any shortfall in the amount paid by the Synod to meet diocesan overhead costs incurred by SDS. The transition period runs from 2022 – 2026. The cost recovery charge payable by some organisations in 2020 under the previous cost recovery methodology was materially different to the costs incurred by SDS in providing services to those organisations in 2020 as calculated under the new methodology. The reserve is intended to provide a reducing cost subsidy over a five-year transition period for those organisations whose 2020 cost recovery charge under the previous methodology was insufficient to meet the costs incurred by SDS in serving those organisations under the new methodology - rather than increasing the cost recovery charge in a single year.

The reserve is funded for this purpose by transferring amounts from surpluses from operations. In 2023 a net $121,290 was taken from the Cost recovery transition reserve as an allocation to offset current year deficit from operations.

Balances in the reserve may continue to be used as a means of delivering an ongoing subsidy to the cost recovery charges payable by the Synod and certain Synod funded organisation.

(vii) *Business restructure reserve*

The Business restructure reserve was used in 2023 to fund additional capacity via a new legal resource. The balance may be transferred back to accumulated surplus when the business restructure has been completed.

14. Interests in associated entities

SDS is a member of SCEGGS Darlinghurst Ltd, SCECGS Redlands Ltd, and SDS Legal Ltd, all companies limited by guarantee. No financial information of the three companies is disclosed. In regard to the two schools both are limited by guarantee and SDS has not contributed any capital to the schools. In addition, SDS has no expectation of ever receiving any financial benefit from the schools as by their nature no dividends are paid and the winding up clauses in their constitutions require any surplus on winding up to be paid to an Anglican school in the Diocese. In respect to SDS Legal Ltd, SDS is the sole member. SDS Legal Limited is a not for profit entity registered with the ACNC and is prohibited by its constitution from making distributions to its member.

15. Contingent liabilities

Contingent liabilities in respect to the membership of the schools SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd are limited in their constitutions to the guarantees of $1 and $10 respectively.

Contingent liability in respect to the membership of SDS Legal Ltd is limited in its constitution to the guarantee of $10.

16. Overdraft facility

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board as trustee for the Diocesan Endowment for overdraft facility up to $1,200,000 granted to SDS.

Financing arrangements

SDS had access to the following undrawn borrowing facility at the end of each reporting period:

	2023 $	2022 $
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,200,000

At balance date SDS made available an overdraft facility with a limit of $1,000,000 to the Glebe Administration Board as trustee for the Diocesan Endowment through its current account with SDS.

17. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The transactions with other related parties, the Synod and the Standing Committee and many other diocesan organisations, are carried out on a commercial basis.

SDS Legal Ltd is a related party of SDS due to SDS being the sole member of SDS Legal Ltd and due to shared senior staff and board members.

Statement of comprehensive income
SDS operates as the central administrative body of the Diocese and is the employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan Funds. SDS activities involve extensive related party transactions. SDS' revenues from management and service fees, interest, other income and grants are wholly derived from related parties. Expenses mainly attributable to related parties are interest and finance charges, rent and insurance expenses.

SDS paid the St Andrew's House Trust $811,643 for office rent, (2022: office rent $776,030).

Statement of financial position
SDS's net assets also contain outstanding balances with related parties. Included in the assets of SDS are loans to Diocesan Cash Investment Fund, related through a director in common, and some receivables. SDS provides cash administration service via "current accounts" with its client funds. These related party outstanding balances are shown as liabilities.

17. Related party transactions (cont.)

Key management personnel

(a) **Members of SDS**

Ms M Carpenter
The Rev L Strachan
Ms Liz Livingstone (resigned 31 December 2023)
The Rev Mike Paget (Archbishop appointment)
Mr J Pascoe (Chair)
Bishop M Stead

(b) **Other key management personnel**

The following persons also had authority and responsibility for the strategic direction and management of SDS during the year:

Name	*Position*
Mr R Wicks	Chief Executive Officer
Mr J Lau	Chief Financial Officer

(c) **Key management personnel compensation**

$669,852 in 2023 ($616,406 in 2022)

18. Critical accounting estimates and judgments

Significant estimates and judgments

Estimation of provision for long service leave

Long-term employee benefit liabilities such as long service leave provisions are subject to estimation of uncertain future events. These estimates involve assumptions about such items as discount rates used, future changes in salaries, and individual employee's pattern of use of long service leave.

Cash held in Trust and cash flow statement

SDS holds cash in trust on behalf of its client entities. SDS has used judgment to determine that it controls the funds and has the ability to invest the funds at its discretion to earn interest income. SDS also bears any related credit risk in case of bankruptcy of an institution. As a result of these matters, SDS has determined that these balances should be reported as financial assets and financial liabilities of SDS.

SDS has also considered that this cash balance remains available for use in the short term, albeit with some restrictions, and hence this balance is still classified as cash and cash equivalents for the purpose of the statement of cash flows, and as short-term investments for that amount deposited in DCIF.

19. Events occurring after the end of the reporting period

The members of SDS are not aware of any events occurring after the reporting period that materially impact the financial statements as at 31 December 2023.

SYDNEY DIOCESAN SERVICES

MEMBERS' DECLARATION

The members of SDS declare that these financial statements and notes set out on pages 1 to 18:

(a) comply with accounting policies set out in note 1;

(b) comply with the *Sydney Diocesan Services Ordinance 2017,* and the *Accounts, Audits and the Annual Reports Ordinance 1995;* and

(c) presents fairly SDS's statement of financial position as at 31 December 2023 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 SDS 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.

Member

Member

Sydney

10 April 2024

Grant Thornton

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Independent Auditor's Report

To the members of Sydney Diocesan Services

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report of Sydney Diocesan Services (the "Entity"), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the members' declaration.

In our opinion, the financial report of Sydney Diocesan Services has been prepared, in accordance with the *Sydney Diocesan Services Ordinance 2017* and the *Accounts, Audits and Annual Reports Ordinance 1995* including:

1. giving a true and fair of the Entity's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
2. complying with Australian Accounting Standards to the extent described in Note 1 of the financial report.

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 are independent of the Entity 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.

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

Emphasis of matter – basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purposes of fulfilling the Entity's financial reporting responsibilities under the *Sydney Diocesan Services Ordinance 2017* and the *Accounts, Audits and the Annual Reports Ordinance 1995*. As a result the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the members for the financial report

The members of the Entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Sydney Diocesan Services Ordinance 2017* and the *Accounts, Audits and the Annual Reports Ordinance 1995,* and the needs of the members. The members' responsibility also includes 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 Entity's ability 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 Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

James Winter

James Winter
Partner – Audit & Assurance

Sydney, 10 April 2024