

FINANCE AND LOANS BOARD
(trading as Sydney Anglican Loans)

ABN 38 776 148 686

Annual financial report – 31 December 2021

FINANCE AND LOANS BOARD

Statement of comprehensive income For year ended 31 December 2021

	Notes	2021 \$	2020 \$
Revenue from continuing operations			
Interest	3	447,542	441,202
Other income		36,548	36,422
Total revenue from continuing operations		484,090	477,624
Expenses			
SDS Management fee		206,004	201,612
Insurance		3,380	3,633
Audit fees		11,220	14,300
Loan loss allowance	5	-	10,000
Software costs		600	17,239
Training and development		2,999	-
Other expenses		305	331
Total expenses		224,508	247,115
Surplus from continuing operations		259,582	230,509
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		259,582	230,509

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 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	30,195	30,666
Receivables	6	19,213	15,419
Loans	5	1,674,020	2,590,128
Short-term investments	7	8,749,091	6,672,873
Total current assets		10,472,519	9,309,086
Non-current assets			
Loans	5	7,390,481	8,297,392
Total non-current assets		7,390,481	8,297,392
Total assets		17,863,000	17,606,478
LIABILITIES			
Current liabilities			
Payables		11,220	14,280
Total current liabilities		11,220	14,280
Net assets		17,851,780	17,592,198
EQUITY			
Accumulated surplus	8	17,851,780	17,592,198
Total equity		17,851,780	17,592,198

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 2021

	Accumulated Surplus \$	Total \$
Balance at 1 January 2020	17,361,689	17,361,689
Total comprehensive income	230,509	230,509
Balance at 31 December 2020	17,592,198	17,592,198
Total comprehensive income	259,582	259,582
Balance at 31 December 2021	17,851,780	17,851,780

FINANCE AND LOANS BOARD

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Interest on deposits		2,107	33,614
Interest on loans		441,606	430,245
Loans repaid		3,552,937	5,438,220
Loans advanced		(1,729,918)	(5,433,361)
Other income		36,548	36,422
Payments in respect of the operations		(227,533)	(220,952)
Net cash inflow from operating activities	9	2,075,747	284,188
Cash flows from financing activities			
Net (increase) in short- term investments		(2,076,218)	(291,407)
Net cash (outflow) from financing activities		(2,076,218)	(291,407)
Net (decrease)/increase in cash held		(471)	(7,219)
Cash at the beginning of the year		30,666	37,885
Cash at the end of the year	4	30,195	30,666

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.

(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.

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.

(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 amortised 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 adopted *AASB 9 Financial Instruments* in 2019 and updates its assessment annually. 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 current 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.

(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 Services 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 Services 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

	2021	2020
	\$	\$
Interest from short term investments	3,396	17,251
Interest on loans	444,146	423,951
	<u>447,542</u>	<u>441,202</u>

4. Current assets – Cash and cash equivalents

	2021	2020
	\$	\$
Current account with Sydney Diocesan Services	<u>30,195</u>	<u>30,666</u>

5. Loans

	2021	2020
	\$	\$
Loans to churches, parishes and church organisations		
Current	1,684,020	2,600,128
Loan loss allowance - twelve months expected credit loss	<u>(10,000)</u>	<u>(10,000)</u>
	<u>1,674,020</u>	<u>2,590,128</u>
Non-current	<u>7,390,481</u>	<u>8,297,392</u>
	<u>9,064,501</u>	<u>10,887,520</u>

The loss allowance for loans as at 31 December reconcile to the opening loss allowance as follows:

	2021	2020
	\$	\$
Opening loss allowance as at 1 January	10,000	-
Increase in loan loss allowance recognised in profit or loss during the year	<u>-</u>	<u>10,000</u>
Closing loss allowance as at 31 December	<u>10,000</u>	<u>10,000</u>

Significant terms and conditions

Loans to churches, parishes and church organisations are unsecured and repayable in fortnightly or monthly 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 10 for undrawn loan commitments.

6. Current assets - Receivable

	2021	2020
	\$	\$
Accrued interest on loans	17,919	15,379
Interest receivable from Diocesan Cash Investment Fund	1,289	16,363
Other	5	40
	<u>19,213</u>	<u>31,782</u>

7. Current assets – Short-term investments

	2021	2020
	\$	\$
Unsecured loan to Diocesan Cash Investment Fund	<u>8,749,091</u>	<u>6,672,873</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

	2021	2020
	\$	\$
Balance at 1 January	17,592,198	17,361,689
Surplus from continuing operations	259,582	230,509
Balance 31 December	<u>17,851,780</u>	<u>17,592,198</u>

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

	2021	2020
	\$	\$
Surplus from ordinary activities	259,582	230,509
Amortisation of new loans software costs	-	16,197
Loan loss allowance	-	10,000
Changes in assets and liabilities		
Decrease in loans provided	1,823,019	4,859
(Increase)/decrease in receivables	(3,794)	22,623
(Decrease)/increase in payables	(3,060)	-
Net cash inflow from operating activities	<u>2,075,747</u>	<u>284,188</u>

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

As at 31 December 2021, applications for loans totalling \$6,095,108 (2020: \$3,665,027) had been approved but not drawn upon by the borrowers.

11. Events occurring after the balance sheet date

The members are not aware of any events occurring after reporting date that impact on the financial report as at 31 December 2021.

This financial report was authorised for issue on 17 May 2022 by the members of Finance and Loans Board.

FINANCE AND LOANS BOARD

MEMBERS' DECLARATION

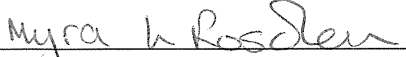
The members of Finance and Loans Board declare that the financial statements and notes set out on pages 1 to 10.

- (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 2021 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

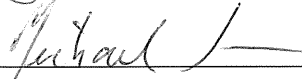
In the members' opinion:

- (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 17 May 2022



Member 17 May 2022



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 9 November 2021 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 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 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 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 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 Sydney Church of England Finance and Loans Board.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Niall McConnell'.

Niall McConnell
Partner

Sydney
19 April 2022

Appendix 1

Procedures Performed	Factual Findings	Errors or Exceptions Identified
<i>Validity</i>		
<p>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>	<p>Sixteen loans greater than \$200,000 were selected to have confirmations sent and we have agreed them to confirmation received.</p> <ul style="list-style-type: none"> - Jannali Parish - Ryde Parish - West Wollongong Parish - Hurstville Grove Parish - Glenhaven Parish - Glenmore Park Parish - Wollongong Parish - Hornsby Heights Parish - Kingswood Parish - Normanhurst Parish - Wahroonga Parish - Helensburgh and Stanwell Park Parish - Belmore with MC Hill and CP Parish - Asquith/Mt Colah/Mt Kuring-gai - Engadine Parish - Blacktown Parish <p>Five other approved loans were selected to have confirmations sent including one loan approved but not drawn down. We matched these loan balances to confirmation letters received with no exception noted.</p> <ul style="list-style-type: none"> - Wollongong Parish 	<p>Sixteen confirmations were received and agreed with no exceptions noted.</p> <p>Five confirmations were received and agreed with no exceptions noted.</p>

Appendix 1

Procedures Performed	Factual Findings	Errors or Exceptions Identified
	<ul style="list-style-type: none"> - Fairy Meadow Parish - Denham Court Parish - Wentworthville Parish - Anglican Parish of Surry Hills 	
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>The following loans and months were selected for re-calculation of interest revenue:</p> <ul style="list-style-type: none"> • West Wollongong Parish March 2021 • Hurstville Grove Parish, April 2021 • Glenhaven Parish, September 2021 • Glenmore Park Parish, October 2021 • Wollongong Parish, November 2021 	No exceptions noted for the selected Parishes.
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 from the re-computation 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 changes in equity to the General ledger for the Finance and Loan Board.	No differences were noted.	No exceptions noted