Baptist Financial Services

2021

Annual Report

Welcome

It is my pleasure to welcome you to Baptist Financial Services (BFS)'s 2021 Annual Report.

The BFS team has navigated significant uncertainty throughout the last 12 months, and yet I am pleased to say we have ended 2021 in yet another strong position.

On behalf of the BFS Board, I thank you for your support and contribution to this ministry, and look forward to continuing to serve God's Kingdom together.

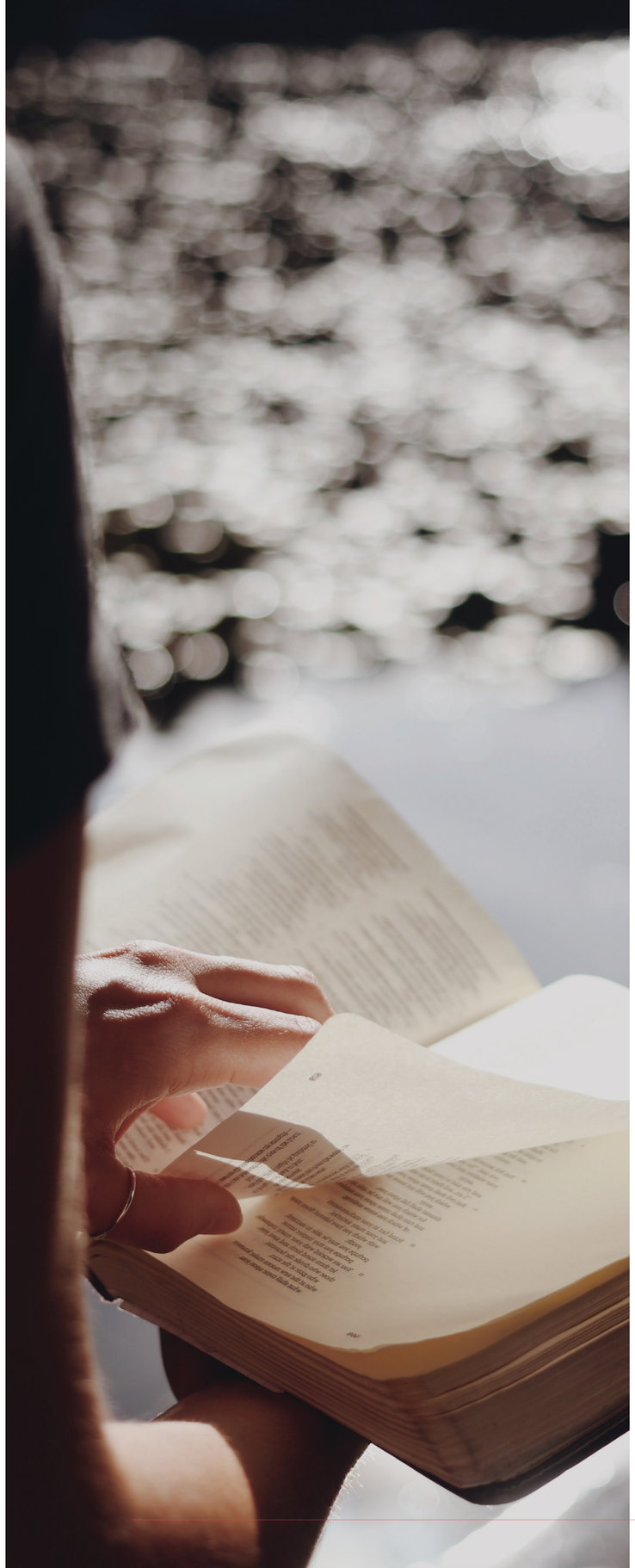
Ross Langford
Board Chair

Index

About Us

We're here to serve Christian Ministry.

Baptist Financial Services (BFS) has been supporting Christian ministry since 1984. We offer a range of savings and term investments to help pool funds to resource Christian ministry. Loans and other assistance are made to churches and Christian organisations to support their work and activities.



BFS is a delegated body of Australian Baptist Ministries.

BFS is a public company limited by guarantee and a Registered Charity. 'BFS' is a registered trademark. BFS has been endorsed by the Australian Charities and Not-for-Profits Commission (and formerly, the Australian Taxation Office) as an Income Tax Exempt Charitable Institution on the basis of Advancement of Religion for the operation of financial services. BFS has the ACNC Tick of Charity Registration.

Australian BAPTIST MINISTRIES

CEO Report

"God has continued to use us, and we have had fantastic opportunities this year to serve and invest in Christian work around Australia."

David Slinn

Chief Executive Officer

Like the one before it, this past year has presented many challenges. COVID related disruptions have impacted each of us in ways we could not have imagined just a few short years ago.

Nonetheless, God has continued to use us, and we have had fantastic opportunities this year to serve and invest in Christian work around Australia. We have been pleased to see our staff, partners and the Board flourish, and together Baptist Financial Services (BFS) had a very successful 2021.

We must first thank our Board of Directors and our staff for their resilience and hard work. They have all had to adapt to new ways of thinking, working and connecting as we continue our work in enabling Christian ministry to thrive. It has not always been easy, but it has been worthwhile. The steadfast commitment of our team, along with their trust in God, and good grace shown to one another has seen us through another abnormal year.

Likewise, we thank our investors for their continued trust in us to faithfully invest and grow their capital. With a healthy growth in client funds of 5.7%, we are now holding assets exceeding $500m. Moreover, we thank you for partnering with us in sowing resources into God's kingdom. Jesus described the kingdom of God as a treasure worth investing in. Thank you for your faithfulness. It is only through these investments that BFS can play our part in growing God's kingdom.

We recognise that 2021 was a difficult year for many of our church, school, and Christian organisation partners. Lockdowns have meant that some services and other activities had to be halted or go online, and in some cases, projects have had to be postponed. While this has naturally meant that BFS has had fewer lending opportunities, we are very thankful that no BFS loans require additional support due to Covid at the time of writing this report. We look forward to partnering in the future with those who had had to put projects on hold over the past year.

With many going online for a significant portion of 2021, BFS took the opportunity to invest in online ministries. Our capital increased to over $40 million, and over $2 million of grants were made by BFS to Baptist work nationally. This included support to develop a web-based domestic violence training program for Baptist leaders and significantly increased support to Australian Baptist Ministries. BFS also continues to sponsor the online Church Finance Handbook which had a major revamp during the year. Additionally, BFS has sponsored and attended a wide range of ministry events around Australia.

Also in the online space, in 2021 BFS performed some important work on our online giving platform, Giveway. Giveway is designed to make it possible for churches and organisations to collect electronic payments simply and safely. Over the past year, Giveway has been successfully upgraded and migrated to a new platform, and now offers the significant benefits of reporting and receipting functions. Our hope is that Giveway will help Christians to continue faithfully supporting ministries in what is an increasingly online world.

Looking forward to the year ahead, we have no doubt that the good God who has sustained us so far, will continue to do so in 2022. Our team are ready and enthusiastic to walk with you in your ministry. As Australia continues to open again, we hope to see more connection between BFS and our partners. Whether this is in person, or through online technology, we want to build and continue relationships that see Christian ministry thrive.

Luke 12:34

For where your treasure is, there your heart will be also.

Highlights

Baptist Financial Services continues to resource Christian ministry notwithstanding the COVID crises we have been experiencing over the last two years.

We continue to thank our many supporters who utilise our financial services. In doing so, you help us enable churches and Christian ministry across Australia.

Strong Financial Position

We have been able to continue to grow and thrive, with total assets exceeding $500m at 31 December 2021. It is helpful to pause and recognise that this is only possible due to the support of our clients and our collective partnership in ministry.

Over $2 million of grants were made by BFS to Baptist work nationally.

Assets
$533m

Loans
$276m

Capital
$40m

+5.7%
Growth in client funds

Overall lending to ministries across Australia totalled $276m at year end. Fortunately, our loan clients have navigated the COVID crises remarkably well and we are very blessed that we have no loans requiring COVID related support at the present time.

In our local church communities

BFS continues to make an impact by supporting local churches and Christian ministries across Australia.

Christian Impact Centre & Edxcellence (WA): Since 2018 Pastor Adusei has pastored the Christian Impact Centre and running Edxcellence, a charity geared to helping migrants access education. In 2021, this church moved from their first property into a more suitable building. In the process, they helped another Baptist ministry to migrants to find a home in the old building.

Safer Spaces: 2021 saw the launch of Safer Spaces Toolkit, a collection of video resources carefully constructed to sensitively address the problem of domestic abuse within our churches and the wider community. BFS is pleased to have partnered in this important step forward.

Baptist Ministries Tour (WA): BFS Relationship Manager, Shelley Bartels had the opportunity to represent BFS alongside colleagues from Baptist World Aid Australia, Baptist Insurance Services and Interim Director of Ministries WA, Karen Siggins as they visited some of our churches in the Pilbara region.

Christies Beach Baptist Church (SA): Using the lockdowns in 2020 to do extensive renovations, this Adelaide church was able to start 2021 well equipped to offer a range of community services from their Family Enrichment Centre. Their new entrance, meeting spaces, showering facilities and expansion of the foodbank make them better equipped to care for the local community, especially those experiencing homelessness.

iSee Church (TAS): This Launceston church undertook a large renovation project in 2021 to emerge with some incredible ministry spaces. They are now much better equipped to offer ministry to people of all ages.

Cru (NSW): Crusaders Union of Australia were able to open their redeveloped Lake Macquarie site after a $21M project. The project transformed the site into a modern 300+ bed conference and recreation facility for Christian ministry.

Norwest Christian College (NSW): After 18 months of creative design and development, in 2021 this Sydney school completed a project to include a two-storey atrium with multiple open collaboration areas, eight classrooms and a 150-seat lecture theatre.

St Joseph Syro-Malabar Church (WA): This Perth church ministers to the many Malayalee Catholic families who have settled in WA from India and other parts of the world. In 2021, BFS partnered with them to build a facility of their own.

Atlantis Beach Baptist College (WA): Atlantis Beach Baptist College was able to complete some important works: a two storey multi-purpose centre comprising art and science labs, classrooms, administration and staff areas.

Perth Siyin Baptist (WA): Ministering primarily to Burmese refugees, this church had been leasing space for their Sunday services. In 2021, BFS partnered with them to construct a church building of their very own.

Cru, Lake Macquarie

Norwest Christian College

Christies Beach Baptist Church

Christian Impact Centre

WA Baptist Ministries Tour

iSee Church, Launceston

Baptist Financial Services Australia Limited

ABN 56 002 861 789
Consolidated Financial Report for the year ended 31 December 2021

Contents

Directors' Report

The Directors of Baptist Financial Services Australia Limited (BFS) submit herewith their report together with the Annual Financial Report of the consolidated entity, being Baptist Financial Services Australia Limited (the Company) and its Controlled Entity (the Group) for the financial year ended 31 December 2021 and the Independent Auditor's Report.

Directors details

The names, qualifications, experience and special responsibilities of each Director in office at any time during the year and up to the date of this report are:

Owen Hsiao-Fen Chew Lee
BSc, BCA, FCA, GAICD

Board Chair to 2 July 2020; Deputy Board Chair to 11 December 2014; Chair of Assets and Liabilities Committee to 27 June 2019 and continuing member of the Committee; Member of Board Governance & Remuneration Committee from 12 December 2014 to 13 August 2020; Member of Investment Committee (Baptist Impact Fund) since 2 July 2020; and Board Chair Baptist Development Australia Pty Ltd from 12 November 2015.

Member of Gordon Baptist Church, NSW

Appointed a Director from 22 July 2008

Over 25 years financial services experience in banking, including senior roles in Regulatory Affairs (International and Domestic), Treasury, Strategy, Mergers and Acquisitions, Finance and Corporate Finance in Australia and Asia. Qualified as a Chartered Accountant with Ernst & Young.

Gregory Paul Holland
BBus (Accounting), CPA, GAICD

Chair of the Board Governance & Remuneration Committee to 27 June 2019; Member of Audit Risk and Compliance Committee from 18 February 2016, Member of Assets & Liabilities Committee from 27 June 2019.

Member of Lake Joondalup Baptist Church, WA

Appointed a Director from 11 February 2014

Head of Finance & Administration for the Baptist Churches of Western Australia. Former Chief Executive Officer of Ray Village Aged Services Inc., WA, former General Manager Finance / Chief Financial Officer and General Manager HR and Shared Services at Capricorn Society Ltd, WA, former Chief Financial Officer of University of Western Sydney, NSW and former Director Management Services of Edith Cowan University, WA.

Karen James
BSEE, MSEE, MAICD, MIE

Member of the Board Governance & Remuneration Committee from 28 June 2018; Member of Credit Committee from 14 September 2018.

Member of Seaforth Baptist Church

Appointed a Director from 22 February 2018.

CEO of Business for Development since January 2019. Former senior roles at On Purpose Hub (Founder), Commonwealth Bank including General Manager of Affiliate Business Banking for Corporate Financial Services & General Manager, Direct Sales and Service for Local Business Banking. Former senior management, consulting and project roles in systems, network and product engineering.

Ross Martin Langford
BCom, MAICD, F.FINSIA

Board Chair from 2 July 2020; Deputy Board Chair to 2 July 2020; Member of Audit, Risk & Compliance Committee from 28 May 2015 until 18 February 2016; Member of Assets & Liabilities Committee from 18 February 2016; Chair of Credit Committee from 14 September 2018 to 27 June 2019 and continuing member of the Committee; Member of the Board Governance & Remuneration Committee from 27 June 2019; Chair of Investment Committee (Baptist Impact Fund) since 2 July 2021 and Director of Baptist Development Australia Pty Ltd from 25 October 2019.

Member of Gymea Baptist Church, NSW

Appointed a Director from 13 March 2015

Head of Loan Review with a major overseas bank (Rabobank). Formerly Head of Finance, Property & Administration at St George Christian School and formerly Senior Relationship Management, Regional Lending Manager and Senior Manager

Baptist Financial Services Australia Limited
ABN 56 002 861 789
For the year ended 31 December 2021

positions with Commonwealth Bank, BankWest and State Bank NSW. Former Director of Christian Super 2008 - 2020.

Darren Leigh McDonald
BA (Accounting), FCPA, MBA

Deputy Board Chair from 2 July 2020, Chair of Assets and Liabilities Committee from 27 June 2019, Member of Assets & Liabilities Committee from 20 June 2014; Chair of Audit Risk & Compliance Committee to 27 June 2019 and continuing member of the Committee; Chair of Credit Committee from 28 July 2020, Member of Credit Committee from 14 September 2018.

Member of King's Baptist Church Inc., SA

Appointed a Director from 29 May 2014

Business Director of Kings Baptist Grammar School Inc., SA; former Executive / Finance Manager of Woolworths Ltd, Board of Kings Baptist Grammar School Inc., SA including 2 years as Chair, Board member and Treasurer of King's Baptist Church Inc., SA; Public Officer and Director of King's Baptist Mount Barker Inc., SA.

Sally Anne Mullins
BBus (Business Administration), Grad Dip HR & IR

Chair of Board Governance & Remuneration Committee from 27 June 2019, Member of the Board Governance & Remuneration Committee from 9 December 2015.

Member of Ashburton Baptist Church, VIC

Appointed a Director from 9 December 2015

Manager Communications and Administration at The Village Church, Mt Eliza. Previously Organisational Development and Projects Manager at a boutique Leadership and Talent consultancy business and formerly a Senior Human Resource Consultant at National Australia Bank with over 20 years' experience in various HR roles in Australia and overseas.

Peter Jeffrey Murphy
M.Comm; MA (C.S.); B.Bus; FCPA; FASFA; GAICD

Member of Audit, Risk & Compliance Committee from 23 March 2018; Member of Credit Committee from 14 September 2018; Member of the Board Governance & Remuneration Committee from 27 June 2019 and member of Investment Committee (Baptist Impact Fund) since 2 July 2020.

Member of Blakehurst Baptist Church.

Appointed a Director from 1 August 2017.

Executive Director – Jefferson and Shea Group, Chair – Best Health Solutions, Deputy Chair - Scripture Union Australia, Director - Baptist Care NSW and ACT, Director - Olive Tree Media.

Former CEO of an Industry Superannuation Fund, Administrative Dean of a Theological College, Company Secretary of Aged Care Provider, Business Manager of School and Director – Finance of Not for Profit organisation within a range of faith based organisations.

Alan Leslie Soden
FAIML, MAIE

Chair of Audit, Risk and Compliance Committee from 28 June 2019, Member of the Board Governance & Remuneration Committee from 20 June 2014, Member of the Assets and Liabilities Committee to 12 December 2014, Member of the Audit, Risk and Compliance Committee to 12 December 2014.

Appointed a Director from 13 August 2002

Member of Port Macquarie Baptist Church, NSW

Previously, Interim Pastor, Port Macquarie Baptist Church, former Director and Chief Executive Officer of Kairos Prison Ministry Australia, former Member of Baptist Churches of New South Wales Property Trust, former Trustee Director BCS Foundation, Certified CEO and alumni of the CEO Institute, former Chair of Hopestreet, former General Secretary of the Association of Baptist Churches of NSW & ACT, former Board Member and Vice President of the Bible Society of NSW, former National Secretary and Member of the National Council of the Baptist Union of Australia and former Secretary of Baptist Insurance Management Pty Ltd, former Director Chrysalis Public Relations, previous management roles in training, marketing,

public affairs and sales with the Australian Gaslight Company.

Debbie Uy
BScCom (Marketing), BA (Psychology), MBA, GAICD

Member of Assets and Liabilities Committee from 27 June 2019, Member of Credit Committee from 27 June 2019, Director of Finance & Administration and Union Secretary of the Baptist Union of Victoria, Director of Surrey Hill Baptist Child Care Centre

Appointed a Director from 23 May 2019.

Member of Oakleigh Baptist Church, VIC

Over 19 years-experience in corporate business management and over 8 years-experience in executive leadership in Not For Profit sector and professional training in Human Resources management. Former Head of Operations at Crossway LifeCare Ltd. Former ex-officio member of Crossway LifeCare Finance Committee. Former Assistant Manager and Corporate Secretary at TSI Contracts Inc. Member, Australian Human Resources Institute.

Company Secretaries

David Slinn

Alan Soden

Meetings of Directors

During the year, 24 meetings of directors (including committees of directors) were held. Attendances by each Director during the year are set out below:

	State	Board		ARCCo		ALCo		BGRCo		CCo	
		H	A	H	A	H	A	H	A	H	A
Owen H Chew Lee	NSW	6	6			5	5				
Gregory P Holland	WA	6	6	6	6	5	5				
Ross M Langford	NSW	6	6			5	5	4	4	3	3
Darren L McDonald	SA	6	3	6	6	5	5			3	3
Sally A Mullins	VIC	6	5					4	4		
Alan L Soden	NSW	6	6	6	6			4	4		
Karen James	NSW	6	6					4	4	3	2
Peter Murphy	NSW	6	6	6	6			4	4	3	3
Debbie Uy	VIC	6	6			5	5			3	3

H=Meetings held during the year, or during the term of appointment; **A**=Attended; **ARCCo**=Audit, Risk & Compliance Committee; **ALCo**=Assets & Liabilities Committee; **BGRCo**= Board Governance & Remuneration Committee; **CCo** – Credit Committee.

Principal activities

The principal activities of the Company during the financial year were the provision of financial solutions for the particular needs of churches and Christian ministries, the facilitation of the financing of churches and ministries through participating State Baptist Unions/Associations and the Baptist Union of Australia, and, subject to capital adequacy needs, the making of grants to State Baptist Unions/Associations and the Baptist Union of Australia for ministry.

There has been no significant change in those activities during the financial period. The entity's short term strategic objectives are to:

- Maintain and introduce relevant financial services for Baptist entities and Christian ministries in Australia
- Maintain the adequacy of funds and reserves
- Address all relevant regulatory requirements

The entity's long term objectives are to:

- Further develop recognition of BFS by the Australian Baptist community as its primary financial services provider
- Continue to extend the use of BFS services within Baptist Churches, congregations and Christian organisations across Australia
- To assist churches and ministries as they pursue development opportunities and realise increased resources for ministry.

To achieve these objectives, the entity has adopted the following strategies:

- Sponsor nationally oriented support services for Churches
- Appoint and develop staff in accordance with the Strategic Priorities
- Continue to enhance existing financial services and develop new products
- Review relevant regulatory frameworks for the ongoing provision and extension of BFS services
- Upgrading client systems and technology platforms
- Reviewing and progressing redevelopment options for a range of church sites
- Continued development of effective relationships with Stakeholders and clients.

Financial Performance Disclosures

Result and Review of Operations

The Net Operating Surplus for the year was $4,974,632 (2020: $4,329.209). The Net Operating Surplus includes sponsorship expenditure of $176,275 (2020: $193,157) which was previously presented as part of Grants to Baptist entities in prior periods. Grants to Baptist entities amounted to $778,404 (2020: $860,084) and transfers to the Future Grants Reserve to be paid to Baptist entities during 2022 amounted to $1,181,529 (2020: $1,061,725). Taken together (sponsorship and grants) the total funds made available to support Baptist and other Christian ministry was $2,136,207 (2020: $2,114,977).

BFS resources ministry through making available loans to churches and other Christian ministries. This ministry objective is funded from accumulated reserves and through inviting investments for the Charitable Investment Scheme.

During the year the Board continued the review of the capital adequacy framework. This framework indicated that an appropriate capital structure, including capital contributions and retention of surpluses, be maintained to fund the expected future growth in operations and to meet desired prudential equivalent levels of capital.

The Company operates a registered Charitable Investment Scheme to raise funds so that loans and advances can be made to resource Baptist and other Christian ministries. Loans and advances primarily comprise secured commercial loans to these entities. The Financial Report provides additional information in Note 20 regarding Risk Management.

Liquidity was maintained consistently during the year at levels well above the Board's determined minimum of $25 million plus 20% of total client funds, and significantly in excess of the 20% requirement set out in BFS' Identification Statement lodged with ASIC.

Key Performance Measures

The Company measures its performance through the use of quantitative benchmarks. The benchmarks are used by the directors to assess whether the Company's short-term and long-term objectives are being achieved.

	2021		2020	
	Actual	**Benchmark**	Actual	Benchmark
Growth in total client investments	4.9%	7.0%	7.2%	7.0%
Growth in loans advanced	-5.0%	7.0%	5.6%	7.0%
Growth in total assets	4.9%	5.0%	7.3%	5.0%
Ratio of loans advanced to total client investments	55.6%	65.0%	61.4%	65.0%

Indemnification of Officers and Auditors

During the financial year the Company incurred a premium in respect of a contract insuring the Directors of the Company and all Executive Officers of the Company against a liability incurred as such a Director or Executive Officer to the extent permitted by the *Corporations Act 2001*. The insurance contract does not permit disclosure of the premium or terms relating to such Directors or Executive Officers. No indemnity has been given or insurance premiums paid for the Auditor.

Subsequent Events

In the opinion of the Directors, since the end of the year to the date of this report, no matter or circumstance has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Contribution in winding up

The Company is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the Company is wound up the constitution states that each member is required to contribute a maximum of $100 towards meeting any outstanding obligations of the entity. At balance date the total amount that members of the Company are liable to contribute if the company was wound up was $900 (2020: $900).

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* is included in page 7 of this financial report and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors.

Director
Dated at Sydney this 13th day of April 2022

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Baptist Financial Services Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001* and section 60 – 40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Baptist Financial Services Australia Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 13 April 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 $	2020 $
Gross interest revenue	23	13,439,402	15,460,726
Gross interest expense	23	(4,830,285)	(6,550,336)
Net interest income		**8,609,117**	**8,910,390**
Other income		744,303	6,155
Impairment expense	7	278,295	(91,802)
Employee benefits & costs	21	(2,634,545)	(2,401,808)
Other expenses	22	(2,022,538)	(2,023,726)
NET OPERATING SURPLUS	**22**	**4,974,632**	**4,399,209**
Other Comprehensive Income (OCI)			
Change in derivative liability	19(c)	572,088	(39,246)
Fair value change in investments at fair value through other comprehensive income (FVOCI)	9	51,813	64,651
TOTAL COMPREHENSIVE INCOME		**5,598,533**	**4,424,614**

This statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 $	2020 $
Assets			
Cash and cash equivalents	4	37,123,070	32,123,545
Other receivables and prepayments	8	2,008,011	1,531,530
Investment securities at fair value through other comprehensive income	9	221,232,940	187,056,041
Loans and advances - interest bearing	5	272,522,464	286,753,786
Property, plant and equipment	10	159,215	173,059
Intangibles	11	142,045	255,480
Right-of-use-assets	12	414,767	578,440
Total assets		**533,602,512**	**508,471,881**
Liabilities			
Payables - interest bearing	13	489,928,934	467,108,854
Swap derivative liability	17	367,096	939,184
Trade and other payables	14	1,549,994	2,306,770
Provisions	15	427,628	386,962
Lease liability	16	436,234	595,890
Total liabilities		**492,709,886**	**471,337,660**
Net assets		**40,892,626**	**37,134,221**
Equity			
Accumulated funds	18	24,511,243	21,496,543
Contributions reserve	19(a), 3(l)	14,950,000	14,950,000
Future grants reserve	19(b), 3(m)	1,181,529	1,061,725
Fair value through other comprehensive income reserve	19(c)	249,854	(374,047)
Total equity		**40,892,626**	**37,134,221**

This statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity, Accumulated Funds & Reserves

For the year ended 31 December 2021

	Accumulated Funds $	Contributions Reserve $	Future Grants Reserve $	FVOCI Reserve $	Total $
2021					
Balance brought forward	21,496,543	14,950,000	1,061,725	(374,047)	37,134,221
Net Operating Surplus	**4,974,632**	**-**	**-**	**-**	**4,974,632**
Change in derivative liability	-	-	-	572,088	572,088
Fair value change in investments at FVOCI	-	-	-	51,813	51,813
Total Comprehensive Income	**4,974,632**	**-**	**-**	**623,901**	**5,598,533**
Grants to Baptist Entities	(778,404)	-	(1,061,725)	-	(1,840,129)
Transfer (to)/from reserves	(1,181,529)	-	1,181,529	-	-
Balance at 31 December 2021	**24,511,243**	**14,950,000**	**1,181,529**	**249,854**	**40,892,626**
2020					
Balance carried forward	19,019,154	14,950,000	966,138	(399,452)	34,535,840
Net Operating Surplus	**4,399,208**	**-**	**-**	**-**	**4,399,208**
Change in derivative liability	-	-	-	(39,246)	(39,246)
Fair value change in investments at FVOCI	-	-	-	64,651	64,651
Total Comprehensive Income	**4,399,208**	**-**	**-**	**25,405**	**4,424,613**
Grants to Baptist Entities	(860,094)	-	(966,138)	-	(1,826,232)
Transfer (to)/from Reserves	(1,061,725)	-	1,061,725	-	-
Balance at 31 December 2020	**21,496,543**	**14,950,000**	**1,061,725**	**(374,047)**	**37,134,221**

This statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 $	2020 $
Operating services			
Interest received from loans		10,299,142	11,700,667
Interest from other investments		3,654,701	4,036,922
Donations, subscriptions & sundry income		744,303	5,285
Interest paid to investors		(4,990,174)	(6,497,021)
Cash paid to suppliers and employees		(4,866,483)	(4,231,858)
Sponsorships		(176,275)	(193,157)
Net cash provided by operating activities	**25(2)**	**4,665,214**	**4,820,838**
Investing activities			
Church & other loans advanced		(37,252,413)	(49,455,990)
Church & other loan payments received		51,762,029	34,087,549
Payments for leasehold improvements, software & web design, furniture & computers		(48,152)	(257,666)
Grants paid to Baptist Entities		(1,840,127)	(1,826,233)
(Increase)/Decrease in other receivables		(559,050)	(828,207)
(Increase)/Decrease in investments		(34,548,056)	(10,993,199)
Received from investors (net)		22,820,080	31,325,479
Net cash provided by / (used in) investing activities		**334,311**	**2,051,733**
Net change in cash and cash equivalents		4,999,525	6,872,571
Cash and cash equivalents, beginning of year		32,123,545	25,250,974
Cash and cash equivalents, end of year	**4, 25(1)**	**37,123,070**	**32,123,545**

This statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. General Information and Statement of Compliance

The financial report includes the consolidated financial statements of Baptist Financial Services Australia Limited ("BFS" or "the Company") and its controlled entity Baptist Development Australia Pty Ltd ("BDA") (together "the Group").

These consolidated financial statements are general purpose statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, to satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*. Baptist Financial Services Australia Limited is a not for profit entity for the purpose of preparing the financial statements.

The Group has carefully considered the impact of COVID-19 in preparing its financial statements for the year ended 31 December 2021, including the application of critical estimates and judgments. The key area of consideration is impairment of financial assets (refer Note 7).

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 13 April 2022.

2. Changes in accounting policies

2.1 New standards adopted as at 1 January 2021

Accounting standards issued but not yet effective and not been adopted early by the Group

There were no new accounting standards issued but not yet effective from 1 January 2021 which the group have early adopted deemed to have a significant impact on the Group's financial results or position.

3. Summary of Significant Accounting Policies

a) Overall consideration

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Australian Accounting Standards set out accounting policies that the AASB has concluded could result in financial statements containing relevant and reliable information about transactions events and conditions. Significant accounting policies adopted in the preparation of these consolidated financial statements have been consistently applied unless otherwise stated.

3. Summary of Significant Accounting Policies (continued)

b) Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

c) Property, Plant and Equipment

Land and Buildings are recognised at cost less any subsequent accumulated depreciation on Buildings and accumulated impairment losses. Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Company. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the reporting date are as follows:

Computers	3 years
Furniture and Equipment	10 years
Leasehold Improvements	3 – 5 years

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

d) Income Tax

No income tax has been provided for in these consolidated financial statements as the Company has been endorsed by the Australian Taxation Office as an income tax exempt charitable institution, and is also registered as a Charity with the Australian Charities & Not-for-profits Commission.

e) Membership

The Company is a company limited by guarantee. Membership consists of each person who is a member of the Board. At balance date there were 9 members. The liability of members in the event of a deficit upon winding up the Company is limited to $100. If upon winding up there remains a surplus, then the first part of the surplus, up to the limit of Contributions Reserve, will be repaid to the Contributor, and any remaining surplus given or transferred to State Baptist Unions and Associations or, failing that, to some other institution(s) having objectives and restrictions on distributions similar to the Company, such institutions being determined by the members.

3. Summary of Significant Accounting Policies (continued)

f) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (Equity at FVOCI)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

3. Summary of Significant Accounting Policies (continued)

Loans and advances

Loans and advances are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently their amortised cost using the effective interest method.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset. This category includes investments that were previously classified as held to maturity under AASB 139.

The Group does not have any assets in the categories FVPL or Equity FVOCI. Investment securities are classified as Fair Value through Other Comprehensive Income.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to BFS in accordance with the contract and the cash flows that BFS expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to BFS if the commitment is drawn down and the cash flows that BFS expects to receive.

3. Summary of Significant Accounting Policies (continued)

Credit-impaired financial assets

At each reporting date, BFS assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by BFS on terms that BFS would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in debt securities is credit-impaired, BFS considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The issuer's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for expected credit loss (ECL) in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments:* generally, as a provision; and
- *where a financial instrument includes both a drawn and an undrawn component, and BFS cannot identify the ECL on the loan commitment component separately from those on the drawn component:* BFS presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when BFS determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with BFS' procedures for recovery of amounts due.

g) Other receivables and prepayments

Other receivables and prepayments are recognised and accounted for as financial assets classified at amortised cost.

3. Summary of Significant Accounting Policies (continued)

h) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs, and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the Group is reasonably certain to exercise a purchase option. In that case, the right-of use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

The Group has not elected to recognise right-of-use assets and leases liabilities (for leases of low-value assets and short-term leases). Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment and small items of office furniture.

i) Intangible assets

Items of computer software which are not integral to the computer hardware and web design owned by the Group are capitlised using the cost model and classified as intangible assets. Computer software and web design are amortised on straight line basis over the expected useful life of three years. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

j) Classification and measurement of financial liabilities

The Group's financial liabilities include customer investments and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Derivative financial instruments that are designated and effective as hedging instruments are classified as Fair Value through Other Comprehensive Income. The fair value of interest rate swaps is calculated as the present value of estimated future cashflows.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3. Summary of Significant Accounting Policies (continued)

k) Provision for employee benefits

Employee benefits expected to be settled within 12 months of the end of the reporting period have been measured at their nominal amount. Employee benefits not expected to be settled within 12 months of the end of the reporting period are stated at present value, using expected settlement timings and discount rates equivalent to government - guaranteed securities of a similar term. Employee benefits consist of annual leave and long service leave.

l) Contributions Reserve

Contributions by State Baptist Unions and Associations to financially support the company are taken to this reserve. In the event of a winding up, these amounts are subordinated to all creditor obligations.

m) Future Grants Reserve

A proportion of the Surplus determined by the Directors is set aside each year to the Future Grants Reserve for Baptist ministry. The allocation of grants is principally in accordance with Memorandums of Understanding entered into between BFS and the Baptist Unions and Associations of New South Wales, Victoria, South Australia, Tasmania, Western Australia and the Baptist Union of Australia Inc. There is no expectation of any refund of these grants from the recipients as these funds will be applied to Baptist ministry (refer Note 23).

n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest earned

Term loans – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to the account on the last day of each month.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to the account on the 1st day of each month.

Non-accrual loan interest – while still legally recoverable, interest is not brought to account as income where the company is informed that the account holder has deceased, or, where a loan is impaired.

Loan origination fees and discounts

Loan establishment fees and discounts, if applicable, are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan as interest revenue.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan, and included as part of interest revenue.

Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

3. Summary of Significant Accounting Policies (continued)

Management fees

Management fees are based on a percentage of the portfolio value of the fund and are calculated in accordance with the Investment Management Agreement or Trust Deed.

Performance fees

Performance fees may be earned from funds. The group's entitlement to a performance fee for any given performance period is dependent on outperforming certain benchmarks.

o) Comparative Figures

Where necessary the comparative figures have been changed to reflect the accounting policies and Accounting Standards applied in the current year.

p) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call or on 31 days' notice with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

q) Goods and Services Tax (GST)

Where relevant, 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 as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

r) Significant Management Judgement in Applying Accounting Policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Expected Credit Losses

In assessing Expected Credit Losses management assesses the expected recovery rate to determine Loss Given Default. The assumed recovery rate is a matter of judgement based upon a number of factors including the nature of the security, current and expected economic conditions, the outlook for property prices and estimates of the costs of recovery. Management also assesses the probability of default applying judgement based upon internal credit risk categories. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Baptist Financial Services Australia Limited
ABN 56 002 861 789
For the year ended 31 December 2021

3. Summary of Significant Accounting Policies (continued)

Long service leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Fair value of financial instruments

AASB 9 provides a framework for management to assess fair value of financial instruments in the following hierarchy reflecting the varying degree of management judgement that may be required in making the assessment. The levels are specified as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. Cash and Cash Equivalents

Cash and cash equivalents, consists of the following:

	2021 $	2020 $
Cash and cash equivalents at call	37,123,070	32,123,545
Cash and cash equivalents at 31 days' notice	-	-
Total	**37,123,070**	**32,123,545**

5. Loans and Advances – interest bearing

	2021 $	2020 $
Secured Loans (see below)	270,432,170	287,518,250
Other interest bearing loans (unsecured)	328,017	426,754
Secured Loans to related entities (Note 26)	4,916,792	2,241,592
Less: Allowance for Impairment of loans (see below)	(3,154,515)	(3,432,810)
Total Net Loans	**272,522,464**	**286,753,786**

Mortgage securities over land and buildings, offset arrangements, an undertaking from the Baptist Churches of New South Wales Property Trust to enter into a Mortgage or guarantees, are held for secured loans and certain loans to related entities.

The average of the total security value held against all secured loans (Loan to Value Ratio - LVR) at 31 December 2021 was 33% (2020: 35%) with a median ratio of 32% (2020: 35%). The current policy of the group is that loans to Baptist entities are not to exceed 75% of the security valuation and loans to other entities are not to exceed 67% of security valuation. This loan to value ratio can be varied by the provision of other appropriate security at the discretion of the Directors.

Loan to Valuation Ratio (LVR) analysis of secured loans

	2021 $	2020 $
LVR bands		
0 - 50%	161,903,217	167,831,893
51 - 75%	105,359,089	115,082,415
76 - 80%	7,589,392	-
81 - 100%	-	6,337,510
100%+	497,264	508,024
Total	**275,348,962**	**289,759,842**

The amount shown in 2020 (81-100%) and 2021 (76-80%) bands relates to a single exposure where the BFS is funding a program of construction works. Subsequent to balance date, a valuation of the property security was obtained following completion of construction. Based on the revised security value this exposure would now be presented in the 51-75% band. The loan with LVR 100%+ relates to a church premises in a remote area where property values are impacted by local mining activity which explains the deterioration of LVR since the loan was written. The loan facility is fully performing and not in arrears.

6. Financial Commitments

	2021 $	2020 $
Outstanding Loan Commitments		
Loans approved but not advanced	42,440,495	49,672,497
Loan Redraw Facilities		
Loan redraw facilities available	34,837,429	30,815,074
Undrawn Overdraft Loan Facilities		
Loan facilities available for overdraft loans are as follows:		
Total value of facilities approved	32,793,224	26,263,842
Amounts advanced (included in Secured Loans – Note 5)	(19,215,134)	(18,081,106)
Net undrawn value	**13,578,090**	**8,182,736**

These commitments are contingent on borrowers maintaining credit standards, loan terms & conditions and ongoing repayment terms on amounts drawn.

Computer Software Licensing & Maintenance

The Company has costs committed under contracts for software licensing & maintenance as follows:

	2021 $	2020 $
Not later than one year	221,380	348,473
Later than one year but not later than two years	42,000	154,753
Later than two years but not later than five years	-	38,507
Over five years	-	-
	263,380	**541,733**
Bureau and Settlement Services		
The Company has costs committed under a contract for Bureau & Settlement services as follows:		
Not later than one year	215,280	163,200
Later than one year but not later than two years	215,280	-
Later than two years but not later than five years	376,740	-
Over five years	-	-
	807,300	**163,200**

Analysis of Loans and Advances

	2021 $	2020 $
Debts Receivable:		
Overdrafts	18,776,415	18,240,274
No longer than 3 months	11,590,489	15,961,790
Longer than 3 months and not longer than 12 months	28,553,902	30,729,788
Longer than 1 year and not longer than 5 years	68,911,716	76,393,776
Longer than 5 years	147,844,458	148,860,968
Allowance for Impairment of Loans	(3,154,515)	(3,432,810)
	272,522,465	**286,753,786**

7. Impairment of Financial Assets

	2021 $	2020 $
Expected credit loss on loans:		
Opening balance	3,432,810	3,341,009
Charge for the year	(278,295)	91,802
Amount written off	-	-
Closing balance	**3,154,515**	**3,432,810**

The expected credit loss breakdown is as follows:

	Stage 1 12 months ECL Collectively assessed	Stage 2 Lifetime ECL Individually assessed	Stage 3 Lifetime ECL Individually assessed	Total
2021				
Secured lending	1,020,119	2,091,059	-	**3,111,178**
Unsecured lending	32,357	10,980	-	**43,337**
Total	**1,052,476**	**2,102,039**	**-**	**3,154,515**
2020				
Secured lending	1,449,420	1,927,537	-	3,376,957
Unsecured lending	39,818	16,035	-	55,853
Total	**1,489,238**	**1,943,572**	**-**	**3,432,810**

'12-month expected credit losses' are recognised for the Stage 1 category while 'lifetime expected credit losses' are recognised for the Stage 2 and Stage 3 category. Measurement of the expected credit losses ("ECL") is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. Management exercise judgment in making key assumptions about the probability of default in the respective timeframe. For Stage 1 this assumption is made on a portfolio basis and for Stage 2 is assessed for each individual exposure. Expected losses in the event of default are a function of the amount of security (LVR) and the assumed rate of recovery. The recovery rate is a matter of judgment that depends upon a number of factors including the nature of the security, current and expected economic conditions, the outlook for property prices and estimates of the costs of recovery.

These key assumptions have not been changed in the period other than in reviewing probability of default assumptions for Stage 2 exposures. As outlined below there are no significant movements between the Stages. Therefore, the movement in ECL is principally explained by the decline in loans.

Measures to support loan clients impacted by COVID-19 were implemented during 2020. At their peak these measures applied to approximately 15% of the loan book. However, by the end of 2020 the majority of these clients no longer required this temporary support, with measures remaining in place for approximately 3% of the loan book. During 2021 the remaining clients returned to normal loan terms and there were no clients requiring COVID support measures at year end.

During 2020 one loan clients moved from Stage 1 to Stage 2 following the onset of COVID-19 due to a combination of COVID related and other factors and has since moved back to Stage 1.

During 2021 one loan client moved from Stage 1 to Stage 2. The loan balance is less than $200k and is not in arrears. As mentioned above one loan client moved from Stage 2 to Stage 1 in the period.

8. Other Receivables & Prepayments

	2021 $	2020 $
Interest Accrued	271,544	289,874
Other Receivables	1,736,467	1,241,656
	2,008,011	**1,531,530**

9. Investments

	2021 $	2020 $
Investments held at fair value through other comprehensive income by credit rating (S&P)		
AAA	74,077,476	56,546,305
AA	108,506,801	101,081,108
A	17,703,903	8,406,500
BBB	16,835,925	13,694,615
BB	2,892,835	6,111,512
Not rated	1,216,000	1,216,000
	221,232,940	**187,056,041**

Reconciliation of fair value movement during the year:	2021 $	2020 $
Opening Balance	565,137	500,486
Fair value adjustments during the year	51,813	64,651
Closing Balance	**616,950**	**565,137**

Fair value of Investment Securities is assessed on a Level 2 basis in both 2021 and 2020 as the relevant securities are traded in over the counter ("OTC") markets.

Investments – Maturity Analysis	2021 $	2020 $
At call	-	-
Not longer than 3 months	69,636,310	67,238,246
Longer than 3 months and not longer than 12 months	53,040,656	37,028,098
Longer than 1 year and not longer than 2 years	34,411,222	28,430,856
Longer than 2 years and not longer than 3 years	40,415,572	26,827,736
Longer than 3 years and not longer than 4 years	10,905,318	20,521,743
Longer than 4 years and not longer than 5 years	12,823,862	6,024,531
Longer than 5 years	-	-
Maturity at discretion of issuer	-	984,830
	221,232,940	**187,056,041**

10. Property, plant and equipment

	2021 $	2020 $
Property, Plant & Equipment		
Leasehold Improvements, Furniture & Computers - at cost (opening)	430,302	283,138
Additions	24,835	147,164
Disposals	(25,562)	-
Leasehold Improvements, Furniture & Computers - at cost (closing)	429,575	430,302
Accumulated Depreciation (opening)	(257,243)	(218,895)
Disposals	25,562	-
Depreciation	(38,679)	(38,348)
Accumulated Depreciation (closing)	(270,360)	(257,243)
	159,215	**173,059**

11. Intangible assets

	2021 $	2020 $
Intangible Assets		
Software & Web Design - at cost (opening)	676,928	566,425
Additions	23,317	110,503
Disposals	(140,242)	-
Software & Web Design - at cost (closing)	560,003	676,928
Accumulated Amortisation (opening)	(421,448)	(304,458)
Amortisation	(136,752)	(116,990)
Disposals	140,242	-
Accumulated Amortisation (closing)	(417,958)	(421,448)
	142,045	**255,480**

12. Right-Of-Use Assets

	2021 $	2020 $
Right-of-use Assets		
Right-of-use assets	703,518	727,308
Less: Accumulated Depreciation	(288,751)	(148,868)
	414,767	**578,440**

No new right-of-use assets and lease liabilities were recognised during 2021. The right-of-use assets related to office premises and items of office equipment. The incremental borrowing rate used as the discount rate to determine lease liabilities on initial recognition was 4.0%. This rate was determined by estimating the discount rate implied by the lease terms compared with outright purchase.

13. Payables

Payables – Interest bearing based on actual maturity date

	2021 $	2020 $
Investments at call	178,297,975	160,046,451
Investments at 31 days' notice	107,577,298	101,014,371
Term Investments	204,053,661	206,048,032
	489,928,934	**467,108,854**

Payables – Interest bearing based on withdrawal experience

Current Liabilities – payable not later than 12 months		
Investments from Baptist & Christian organisations	37,378,358	35,525,352
Loan offset Savings Accounts	7,831,189	6,978,019
Investments from Individuals & other organisations	13,581,925	13,549,691
	58,791,472	**56,053,062**
Non-Current Liabilities - payable later than 12 months		
Investments from Baptist & Christian organisations	274,107,955	260,519,248
Loan offset Savings Accounts	57,428,720	51,172,140
Investments from Individuals & other organisations	99,600,787	99,364,404
	431,137,462	**411,055,792**

Investments are classified according to maturity date and the rollover experience

Term Investments and BFS Borrowings from Clients – Maturity Analysis

At call	178,297,795	160,046,451
Longer than at call and not longer than 3 months	194,382,596	173,880,332
Longer than 3 months and not longer than 12 months	105,318,805	116,032,612
Longer than 1 year and not longer than 2 years	9,039,787	15,539,647
Longer than 2 years and not longer than 5 years	2,889,771	1,609,812
Longer than 5 years	-	-
	489,928,934	**467,108,854**

Concentration of Payables

There were no individuals or organisations which in aggregate represent more than 10% of the liabilities for Payables - Interest Bearing. The majority of the payables are with Baptist Churches in Australia or with individuals or organisations having an association with Baptist Churches in Australia.

14. Trade and Other Payables

	2021 $	2020 $
Accrued term investment interest	1,129,684	1,716,863
Sundry creditors	420,310	589,907
Total trade and other payables	**1,549,994**	**2,306,770**

15. Provisions

	2021 $	2020 $
Employee benefits – annual leave	244,299	232,498
Employee benefits – long service leave	183,329	154,464
Total provisions	**427,628**	**386,962**

16. Lease Liability

	2021 $	2020 $
Lease liability	436,234	595,890
Lease liability	**436,234**	**595,890**

The incremental borrowing rate used as the discount rate to determine lease liabilities on initial recognition was 4.0% (refer to Note 12).

17. Swaps Liability

	2021 $	2020 $
Swaps liability	367,096	939,184
Swaps liability	**367,096**	**939,184**

Reconciliation of fair value movement during the year:	2021 $	2020 $
Opening Balance	939,184	899,938
Fair value adjustments during the year	(572,088)	39,246
Closing Balance	**367,096**	**939,184**

Interest rate swaps are used in the normal course of business to hedge exposure to fluctuations in interest rates.

Fair value of Swaps Liability is assessed on a Level 2 basis in both 2021 and 2020 as the relevant securities are traded in over the counter ("OTC") markets.

18. Accumulated Funds

	2021 $	2020 $
Accumulated Funds - Total		
Balance at beginning of year	21,496,543	19,019,154
Operating Surplus	4,974,633	4,399,208
Grants expended to Baptist ministries	(778,404)	(860,095)
Transfer (to)/from Reserves	(1,181,529)	(1,061,725)
Balance at end of year	**24,511,243**	**21,496,543**
Accumulated Funds - New South Wales & ACT		
Balance at beginning of year	12,160,551	10,620,333
Share of Operating Surplus before Grants	2,794,784	2,660,553
Share of Grants expended to Baptist ministries	(416,537)	(460,250)
Transfer (to)/from Reserves	(669,641)	(660,085)
Balance at end of year	**13,869,157**	**12,160,551**
Accumulated Funds - Victoria		
Balance at beginning of year	2,901,787	2,594,306
Share of Operating Surplus before Grants	824,350	626,234
Share of Grants expended to Baptist ministries	(169,218)	(186,977)
Transfer (to)/from Reserves	(184,465)	(131,776)
Balance at end of year	**3,372,454**	**2,901,787**
Accumulated Funds - South Australia		
Balance at beginning of year	2,655,385	2,412,039
Share of Operating Surplus before Grants	469,073	420,989
Share of Grants expended to Baptist ministries	(66,386)	(73,353)
Transfer (to)/from Reserves	(113,384)	(104,290)
Balance at end of year	**2,944,688**	**2,655,385**
Accumulated Funds - Northern Territory		
Balance at beginning of year	67,208	55,644
Share of Operating Surplus before Grants	17,613	16,520
Share of Grants expended to Baptist ministries	-	-
Transfer (to)/from Reserves	(4,959)	(4,956)
Balance at end of year	**79,862**	**67,208**
Accumulated Funds – Tasmania		
Balance at beginning of year	385,415	350,846
Share of Operating Surplus before Grants	75,975	73,835
Share of Grants expended to Baptist ministries	(22,129)	(24,451)
Transfer (to)/from Reserves	(15,162)	(14,815)
Balance at end of year	**424,099**	**385,415**
Accumulated Funds - Western Australia		
Balance at beginning of year	3,095,884	2,777,145
Share of Operating Surplus before Grants	654,281	541,637
Share of Grants expended to Baptist ministries	(78,101)	(86,297)
Transfer (to)/from Reserves	(162,235)	(136,601)
Balance at end of year	**3,509,828**	**3,095,884**
Accumulated Funds - Baptist Union of Australia		
Balance at beginning of year	230,313	208,842
Share of Operating Surplus before Grants	138,557	59,439
Share of Grants expended to Baptist ministries	(26,034)	(28,765)
Transfer (to)/from Reserves	(31,683)	(9,202)
Balance at end of year	**311,153**	**230,313**

In accordance with Memorandums of Understanding entered into between BFS and the Baptist Unions and Associations of New South Wales, Victoria, South Australia, Tasmania, Western Australia and the Baptist Union of Australia Inc, a portion of the surpluses will be allocated in accordance with the directions of those entities.

19. Reserves

a. Contributions Reserve

	2021 $	2020 $
Contributions Reserve - Total		
Balance at beginning of year	14,950,000	14,950,000
Contributions Received	-	-
Balance at end of year	**14,950,000**	**14,950,000**
Contributions Reserve - New South Wales		
Balance at beginning of year	8,000,000	8,000,000
Contribution Received	-	-
Balance at end of year	**8,000,000**	**8,000,000**
Contributions Reserve - Victoria		
Balance at beginning of year	3,250,000	3,250,000
Contribution Received	-	-
Balance at end of year	**3,250,000**	**3,250,000**
Contributions Reserve - South Australia		
Balance at beginning of year	1,275,000	1,275,000
Contribution Received	-	-
Balance at end of year	**1,275,000**	**1,275,000**
Contributions Reserve - Tasmania		
Balance at beginning of year	425,000	425,000
Contribution Received	-	-
Balance at end of year	**425,000**	**425,000**
Contributions Reserve - Western Australia		
Balance at beginning of year	1,500,000	1,500,000
Contribution Received	-	-
Balance at end of year	**1,500,000**	**1,500,000**
Contributions Reserve - Baptist Union of Australia		
Balance at beginning of year	500,000	500,000
Contribution Received	-	-
Balance at end of year	**500,000**	**500,000**

19. Reserves (continued)

b. Future Grants Reserve

	2021 $	2020 $
Future Grants Reserve - Total		
Balance at beginning of year	1,061,725	966,138
Transfer (to)/from accumulated funds (See Note 18)	1,181,529	1,061,725
Expended during current year	(1,061,725)	(966,138)
Balance at end of year	**1,181,529**	**1,061,725**
Future Grants Reserve - New South Wales		
Balance at beginning of year	660,085	571,924
Transfer (to)/from accumulated funds	669,641	660,085
Grants expended to Baptist ministries	(660,085)	(571,924)
Balance at end of year	**669,641**	**660,085**
Future Grants Reserve - Victoria		
Balance at beginning of year	131,776	128,548
Transfer (to)/from accumulated funds	184,465	131,776
Grants expended to Baptist ministries	(131,776)	(128,548)
Balance at end of year	**184,465**	**131,776**
Future Grants Reserve - South Australia		
Balance at beginning of year	104,290	106,656
Transfer (to)/from accumulated funds	113,384	104,290
Grants expended to Baptist ministries	(104,290)	(106,656)
Balance at end of year	**113,384**	**104,290**
Future Grants Reserve - Northern Territory		
Balance at beginning of year	4,956	3,915
Transfer (to)/from accumulated funds	4,959	4,956
Grants expended to Baptist ministries	(4,956)	(3,915)
Balance at end of year	**4,959**	**4,956**
Future Grants Reserve - Tasmania		
Balance at beginning of year	14,815	13,585
Transfer (to)/from accumulated funds	15,162	14,815
Grants expended to Baptist ministries	(14,815)	(13,585)
Balance at end of year	**15,162**	**14,815**
Future Grants Reserve - Western Australia		
Balance at beginning of year	136,601	136,428
Transfer (to)/from accumulated funds	162,235	136,601
Grants expended to Baptist ministries	(136,601)	(136,428)
Balance at end of year	**162,235**	**136,601**
Future Grants Reserve - Baptist Union of Australia		
Balance at beginning of year	9,202	5,082
Transfer (to)/from accumulated funds	31,683	9,202
Grants expended to Baptist ministries	(9,202)	5,082
Balance at end of year	**31,683**	**9,202**

19. Reserves (continued)

c. Fair value through other comprehensive income reserve

	2021 $	2020 $
Balance at beginning of year	(374,047)	(399,452)
Changes in derivative liability (Note 17)	572,088	(39,246)
Fair value change in investments at FVOCI (Note 9)	51,813	64,651
Balance at end of year	**249,854**	**(374,047)**

Fair value of Investments at FVOCI and Swaps Liability are assessed on a Level 2 basis in both 2021 and 2020 as the relevant securities are traded in over the counter ("OTC") markets.

20. Risk Management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. The Board maintains an Audit, Risk & Compliance Committee (ARCCo), an Assets & Liabilities Committee (ALCo), a Board Governance & Remuneration Committee (BGRCo) and a Credit Committee (CCo) to oversee the financial reporting and audit and risk management processes.

The ARCCo's major role, within the BFS risk management organisational structure, is to monitor BFS's approved policies and procedures in relation to:

- Internal Controls & Risk Management
- Statutory and Financial Reporting Requirements
- Auditor Independence & Performance
- Internal Audit
- Compliance with Law, Regulations & Policies
- Review any other matters as determined by the Board from time to time.

The ALCo's major role is to monitor BFS's approved policies and procedures in relation to the management and control of:

- Credit Risk
- Liquidity Risk
- Market Risk
- Balance Sheet Risk
- Capital Management Risk

The BGRCo's major role is to make recommendations to the Board in respect of:

- The Nomination and Roles of New Directors
- The Nomination of Directors to Board Committees
- Annual Board & Committee Assessment
- Professional Development of Directors & Staff
- Conflict of Interest Disclosure & Management
- The Selection, Interview of a CEO, Establish Objectives and Review Performance
- The Selection, Interview of Special Board Appointees and Review Performance in conjunction with the CEO
- the Monitoring of staff performance & salaries, director remuneration, continuous improvement systems and processes with the CEO

The CCo's major role is to approve certain loans or variations to existing loans within delegated limits from the Board and to recommend changes to Loans Policy to the Board. During the period CCo transitioned to a management committee.

20. Risk Management (continued)

BFS has undertaken the following strategies to minimise the risks arising from financial instruments:

Market risk

The company has no exposure to currency risk.

The company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Interest rate exposures are reviewed at least monthly and provided regularly to ALCo and Board meetings. The company uses interest rate swaps in the normal course of business to hedge exposure to fluctuations in interest rates.

Credit risk – Loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Company policy is to maintain no more than $1.5 million in unsecured loans, with the balance of loans secured by mortgage over land and buildings, offset arrangements, an undertaking from the Baptist Churches of New South Wales Property Trust to enter into a Mortgage, or an interest in property or other guarantees.

Credit risk – Investments

The risk of losses from investments is reduced by the limited concentration in any one entity. Company policy is to limit any investments with one investee to a maximum of 10% of total funds under management with the exception that this limit is not applied to investments in the "big four" Australian banks. All securities and other deposits with Institutions must have a credit rating by Standard and Poor's from AAA to BB, or equivalent.

Liquidity risk

The company has undertaken to investors to maintain at least 20% of total investments from clients in readily realisable investments in order to maintain adequate funds for meeting withdrawal requests. This undertaking to investors is incorporated in the Identification Statement lodged with ASIC. The ratio is checked at least monthly by management and is reported regularly to ALCo and the Board.

Operational risks

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the overall Company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency and business continuity plans
- Training and professional development
- Ethical and business standards aligned to stated BFS values
- Risk mitigation, including insurance where this is effective
- Compliance with the company's standards is supported by a program of internal audit using both internal and external resources.

20. Risk Management (continued)

Average Balance Sheet and Interest Rates

The effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

	Average Balance $	Interest (At rates applicable at balance date) $	Average Rate %
2021			
Financial Assets			
Cash and liquid assets	59,334,445	119,601	0.20
Investments with other financial institutions	190,442,028	3,419,584	1.80
Loans and Advances	280,154,418	12,164,074	4.34
	429,930,891	**15,703,259**	**2.96**
Financial Liabilities			
Client Investments	**485,587,605**	**6,327,126**	**1.30**
2020			
Financial Assets			
Cash and liquid assets	32,277,966	191,982	0.59
Investments with other financial institutions	177,975,150	3,618,346	2.03
Loans and Advances	280,201,697	13,567,578	4.84
	490,454,813	**17,377,906**	**3.54**
Financial Liabilities			
Client Investments	**453,212,245**	**8,053,757**	**1.78**

Credit risk

The maximum exposure to credit risk at balance date in relation to loans and advances is the carrying amount.

At balance date this amounted to $272,522,464 (2020: $286,753,786). Loans and advances primarily comprise commercial loans to Baptist and other Christian entities secured by mortgage over freehold property, offset arrangements or an interest in property. The loan portfolio comprises a mix of loan to value ratios, ranging from conservative to high.

The total risk exposure for all unimpaired loans exceeding $2 million at balance date was $153,349,503 representing 37 borrowers (2020: 38 totalling $163,086,453). Each of these loans is fully secured by mortgage over freehold property, offset arrangements or an interest in property.

The total of loans past due are $33,810 at year end (2020: $49,945), of which $11,408 is greater than 90 days

Refer to Note 7 for further explanation of the Allowance for Impairment.

There is no credit risk exposure to any single borrower or group of borrowers under financial instruments entered into by it which in aggregate represents more than 10% of Loans and advances - interest bearing.

21. Employee benefits & costs

	2021 $	2020 $
Net movement in provision for annual leave	11,801	61,194
Net movement in provision for long service leave	28,865	26,009
Other employee costs	2,593,879	2,314,605
Total Employee benefits & costs	**2,634,545**	**2,401,808**

22. Other Expenses

	2021 $	2020 $
Website, Software and Computer Systems	412,664	414,353
Occupancy	86,429	56,389
Depreciation and Amortisation	315,314	301,360
Sponsorship expense	176,275	193,157
Other General Administration Expenses	1,031,856	1,058,467
Total other expenses	**2,022,538**	**2,023,726**

23. Net Operating Surplus

	2021 $	2020 $
Operating surplus	**4,974,632**	**4,399,209**
Is arrived at after including as revenue:		
• Interest earned	13,439,402	15,460,726
And after charging as expenses:		
• Auditor's Remuneration		
▪ Audit Fees – Grant Thornton Audit Pty Ltd	76,065	73,630
(No other benefits were received by the auditor)		
• Amortisation and Depreciation of software, furniture & equipment and leasehold improvements	175,431	155,337
• Depreciation of right-of-use assets	139,883	146,023
• Interest incurred	4,830,285	6,550,336
• Employee benefits and costs	2,634,545	2,401,808
Payment of Grants are shown in the Statement of Changes in Accumulated Funds and Reserves		
• Grants paid from current year result	778,404	860,094
• Grants paid from Future Grants Reserve	1,061,725	966,138

The total number of employees at balance date was 27 (2020: 22) which represented 24.8 (2020: 20.2) full-time equivalent (FTEs).

24. Other Information

The Company is a National Baptist Ministry, being a Delegated Body of the Baptist Union of Australia Inc, and provides the facilitation of the financing of Baptist entities affiliated with participating Baptist Unions and other Christian Churches & organisations.

The Company holds and operates with an Australian Financial Services Licence - AFSL 311062.

A long term objective of BFS is to assist churches and ministries as they pursue development opportunities and realise increased resources for ministry. These activities are a particular focus of its controlled entity Baptist Development Australia Pty Ltd.

25. Notes to the Statement of Cash Flows

(1) Reconciliation of Cash

	2021 $	2020 $
Cash at call	37,123,070	32,123,545
Cash at 31 days' notice	-	-
	37,123,070	**32,123,545**

Cash includes cash at bank and on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and deposits held at-call or on 31 days' notice. It is noted that cash and investments which, if required, are readily realisable within 5 business days amounted to $164,602,373 (2020: $146,135,334) at balance date.

(2) Reconciliation of surplus to net cash from operating activities

	2021 $	2020 $
Operating surplus	4,974,632	4,399,209
Amortisation and Depreciation	315,314	301,360
(Decrease)/Increase in accrued term investment interest	(587,179)	(328,705)
Decrease/(Increase) in sundry debtors and accrued income	369,673	149,978
(Decrease)/Increase in trade and other payables	(169,596)	119,902
(Decrease)/Increase in allowance for Impairment of loans	(278,295)	91,802
Increase /(Decrease) in employee benefits	40,666	87,292
Net Cash from Operating Activities	**4,665,214**	**4,820,838**

26. Related Parties

Australian Baptist Ministries (The Baptist Union of Australia Inc.) appoints up to 12 Directors of the Company. Australian Baptist Ministries invites each of the Baptist Association of NSW & ACT, Baptist Union of Victoria, Baptist Churches of South Australia Inc., Tasmania Baptists & Western Australia Baptist Churches to nominate Directors taking into consideration directors positions for each 12% or part thereof of client funds held on investment from the relevant States and the availability of suitable candidates, with reference to the company's Director skills matrix.

The Baptist Association of NSW & ACT, the Baptist Union of Victoria and Western Australia Baptist Churches provided office accommodation facilities for the Company during the year and were compensated for this as follows:

	2021 $	2020 $
Baptist Association of NSW & ACT	205,611	320,595
Baptist Union of Victoria	7,768	7,983
Baptist Churches Western Australia	5,418	5,103
Payment made by BFS to a company associated with a Company Secretary	42,100	3,600
Payment made by BDA to a company associated with a Company Secretary	214,222	631,593

BFS holds monies on investment from various ministries of the Baptist Association of NSW & ACT, Baptist Union of Victoria, Baptist Churches of South Australia Inc., Tasmanian Baptist, Western Australia Baptist Churches and Australian Baptist Ministries, all of whom are considered to be related entities. Some of these monies are special purpose funds and some are monies which are held on investment until applied to general purposes. All investments held and loans and advances made are on normal terms and conditions no more favourable than those available to other persons unless otherwise specified below.

BFS is the Trustee, Investment Manager and Custodian of investments for the Baptist Impact Fund ("Fund"). BFS earns an Investment Management fee of 30bp per annum, a Custody & Administration fee of 15bp per annum as well as a Performance Fee of 15% of returns in excess of the target return.

Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

BFS provides an overdraft facility to the Fund at a concessional interest rate of 2.5%.

The following transactions occurred between BFS and the Fund the related parties:

	2021 $	2020 $
Amounts received or receivable from the Baptist Impact Fund:		
Investment Management Fees	42,399	-
Custody & Administration Fees	21,200	-
Performance Fees	59,775	-
Interest received on overdraft	4,772	4,747
Investments sold on commercial terms	2,700,000	1,000,000
Amounts paid to the Baptist Impact Fund:		
Investments purchased on commercial terms	1,527,775	-
Interest credited to the Fund on accounts invested with BFS	5,923	465

26. Related Parties (continued)

	Principal 2021 $	Principal 2020 $
New South Wales		
Investments held:	36,985,939	38,745,864
Loans and Advances:	211,227	221,208
Victoria		
Investments held:	21,216,073	25,371,182
Loans and Advances:	4,431,964	1,736,539
South Australia		
Investments held:	17,758,985	23,736,713
Northern Territory		
Investments held:	276,079	249,610
Tasmania		
Investments held:	2,291,678	1,648,416
Western Australia		
Investments held:	3,763,441	3,733,173
Loans and Advances:	273,601	283,845
Baptist Union of Australia Inc.		
Investments held:	6,635,291	1,014,594
Totals		
Investments held:	**88,927,486**	**94,499,552**
Loans and Advances:	**4,916,792**	**2,241,592**

Disclosures on Key Management Personnel (KMP)

Remuneration of KMP

The key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any Director of the company. Control is the power to govern the financial and operating policies of the company so as to obtain benefits from its activities.

Key management personnel (KMP) comprise the 9 (2020: 10) Directors of the Company, the Chief Executive Officer and two Executive Staff. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for, but excluding out of pocket expense reimbursements, was as follows:

	2021 $	2020 $
Key Management Personnel Compensation	834,819	973,811
	834,819	**973,811**

All remuneration to Directors was approved by the Baptist Union of Australia Inc. and by the members at the last Annual General Meeting of the company.

26. Related Parties (continued)

Loans to Key Management Personnel (KMP)

	2021 $	2020 $
Aggregate value of 5 year term loans to KMP at beginning of year	-	3,051
Aggregate value of 5 year term loans to KMP at balance date	-	-
Aggregate value of 5 year term loans disbursed to KMP during the year	-	-
Aggregate value of highest indebtedness of 5 year term loans to KMP during the year	-	3,051
Aggregate of interest earned on 5 year term loans to KMP during the year	-	-
Aggregate of interest earned if 5 year term loans to KMP were made on an arm's length basis	-	-
Number of KMP in the group	-	1

There are no loans which are impaired in relation to the 5 year term loan balances with KMP.
There are no benefits or concessional terms and conditions applicable to the close family members of the KMP.
There are no loans which are impaired in relation to the loan balances with close family relatives of the KMP.

Other Transactions between Related Parties including Investments from KMP

	2021 $	2020 $
Total value of term and savings investments from KMP	24,506	59,424
Total interest paid on investments to KMP	335	855

Loans to Directors and Key Management Personnel

There are no loans that are impaired in relation to the loan balances with staff, the CEO or other Key Management Personnel. Directors may have received interest on investments with BFS during the financial year in relation to personal or related entity investment accounts held with BFS. Interest has been paid on terms and conditions no more favourable than those ordinarily available on similar accounts to clients of BFS. BFS policy for receiving investments from other related parties and in respect of other related party transactions is that all transactions are approved and investments accepted on the same terms and conditions that apply to client investors for each type of investment. There are no service contracts to which Key Management Personnel or their close family members are an interested party, except as otherwise disclosed in this report.

27. Parent Entity Information

Information relating to Baptist Financial Services Australia Limited (the Parent Entity):

	2021 $	2020 $
Statement of financial position		
Total assets	533,713,934	508,492,670
Total liabilities	492,729,158	471,289,097
Net assets	40,984,676	37,203,573
Accumulated funds	24,601,093	21,427,201
Statement of profit or loss and other comprehensive income		
Surplus for the year	**4,995,130**	**4,628,177**
Other comprehensive income	623,901	25,404
Total comprehensive income	**5,619,031**	**4,653,581**

28. Economic Dependency

The Company has an operational dependency on three suppliers of services:

The first supplier is an Approved Deposit Taking Institution registered under the *Corporations Act 2001* and the Banking Act 1959 and:

- Facilitates settlement arrangements for the Company with bankers for direct entry and cheque transactions;
- Provides computer bureau services for the hosting of software and the maintenance of database records.

The second supplier provides and maintains the application software for client account and transaction records, internet account access, BPay and general ledger services used by the Company.

The third supplier provides the application software for the imaging and retrieval of client and Company records.

29. Contingent Liabilities

There are no contingent and unrecorded obligations of a material amount for which provision has not been made.

30. Post-reporting Date Events

There are no adjusting or significant non-adjusting events that have occurred between the reporting date and the date of authorisation.

Directors' Declaration

1 In the opinion of the Directors of Baptist Financial Services Australia Limited:

a The consolidated financial statements and notes of Baptist Financial Services Australia Limited are in accordance with the *Australian Charities and Non-for-profits Commission Act 2012*, including:

i Giving a true and fair view of its financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and

ii Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations), the *Australian Charities and Non-for-profits Commission Regulation 2013*; and

b There are reasonable grounds to believe that Baptist Financial Services Australia Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Director

Dated the 13th day of April 2022

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Baptist Financial Services Australia Limited and its controlled entity

Report on the audit of the financial report

Opinion

We have audited the financial report of Baptist Financial Services Australia Limited and its controlled entity (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profit Commission Act 2012* (ACNC Act), including:

a giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements, Division 60 of the Australian and Not-for-profits Commissions Regulation 2013.

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 Group in accordance with the *Corporations Act 2001* and 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 opinion.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 Directors either intend to liquidate the Group 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 this 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/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 13 April 2022

Baptist Financial Services

Registered Address

Level 4, 5 Saunders Close
Macquarie Park NSW 2113

www.bfs.org.au
ABN 56 002 861 789 AFSL 311 062