Baptist Financial Services

Annual Report

2022

Welcome

It is my pleasure to welcome you to Baptist Financial Services (BFS)'s 2022 Annual Report.

The BFS team has achieved great strides in the last 12 months, and I am pleased to share this report detailing our results and impact with you.

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

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About us

To enable Christian ministry to thrive

To be the financial service provider of choice for ministries in Australia

1. Engaging, missional relationships
2. Efficient and empathetic services
3. Evolving capability
4. Effective stewardship

Reflect Jesus	**Courage**	**Integrity**
Relationships	**Collaboration**	**Accountability**

Our approach

Every ministry should thrive. That's why they're built, isn't it? To answer the call of the great commission? From Schools to local Churches. From global ministries to the next big thing.

And while it's not easy – We know that it's necessary. Because, if it were easy, anyone could do it.

We get it. We understand how to expand, how to grow and how to build. With a unique insight into what might be missing, and even the bits that are hard to describe. Instead, we're accountable for being both competitive and relevant. With the courage to explore and grow.

Because we believe in enabling Christian ministry to thrive.

We're passionate about Christian ministry.

We want to see it grow and thrive, all over Australia.

For nearly 40 years, we've helped ministries get the funding and support they need to build and expand their ministry operations. And we've done so by walking side-by-side with our clients, understanding their needs and sharing our experience and insight along the way.

And it's not just a baptist thing, either. We firmly believe we're one of the most approachable financial services providers for Christian ministries in Australia.

CEO Report

Jesus described the kingdom of God as a treasure worth investing in. Thank you for your faithfulness and for walking alongside us as we continue sowing resources into God's kingdom.

Thank you to our stakeholders, supporters and investors for their continued trust in us. It is only through this support that BFS can achieve our purpose of enabling Christian ministry to thrive.

During 2022, loans to our clients grew by approximately 2% with overall lending over $280m at year end. Construction loan activity was up over 130% compared to the previous year, indicating recovery in ministry projects post COVID-19 disruptions. Total assets exceeded $500m at 31 December 2022.

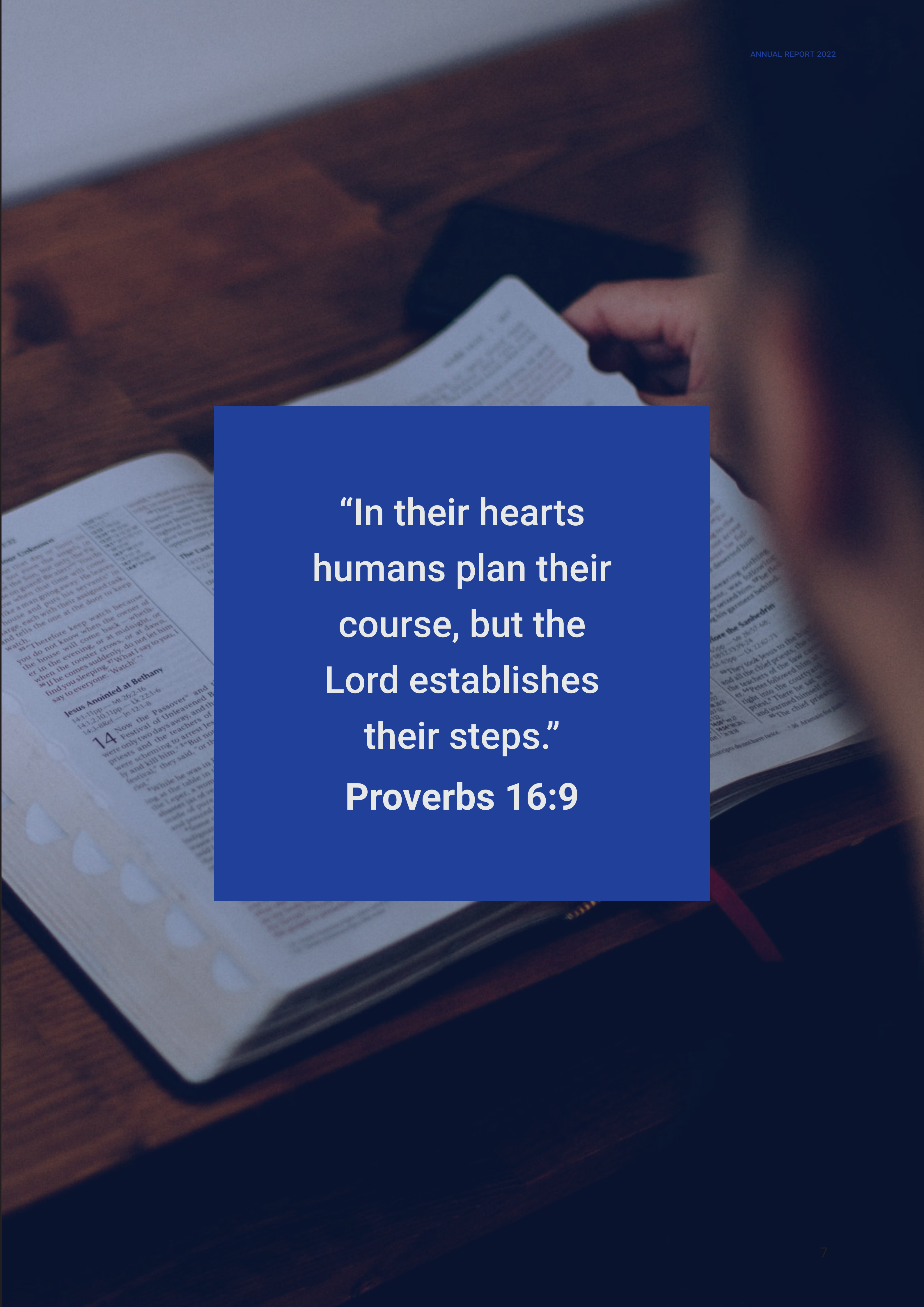
BFS capital remains over $40 million. Over $2 million of grants were made by BFS to Baptist work nationally.

I am proud of the numerous key sponsorships we provided to support ministry events and activities around Australia, supporting thousands of individuals and church leaders.

Praise God that He has continued to work through the entire team at BFS, both our staff and Directors, as we serve and invest in Christian ministry around Australia.

David Slinn

Chief Executive Officer



“In their hearts humans plan their course, but the Lord establishes their steps.”

Proverbs 16:9

Enabling ministry across Australia and beyond

Supporting key activities through Sponsorship

In 2022, numerous key sponsorships were provided to support ministry events and activities around Australia.

These causes, ministries and resources that BFS supports through our sponsorships and grants program touches the lives of thousands of individuals and church leaders.

This included support toward Australian Baptist Ministries Future Thinking Forum and a partnership with NCLS Research reporting on the health of Australian churches. This research was presented via a series of webinars attended by multi-denominational church leaders around Australia. We also partnered with other national ministries such as Baptist World Aid, BaptistCare Australia and Baptist Mission Australia and supported many local and state-based ministries.

Our team attended dozens of events across Australia to show their support, both at a national level and within local and state-based ministry activity.

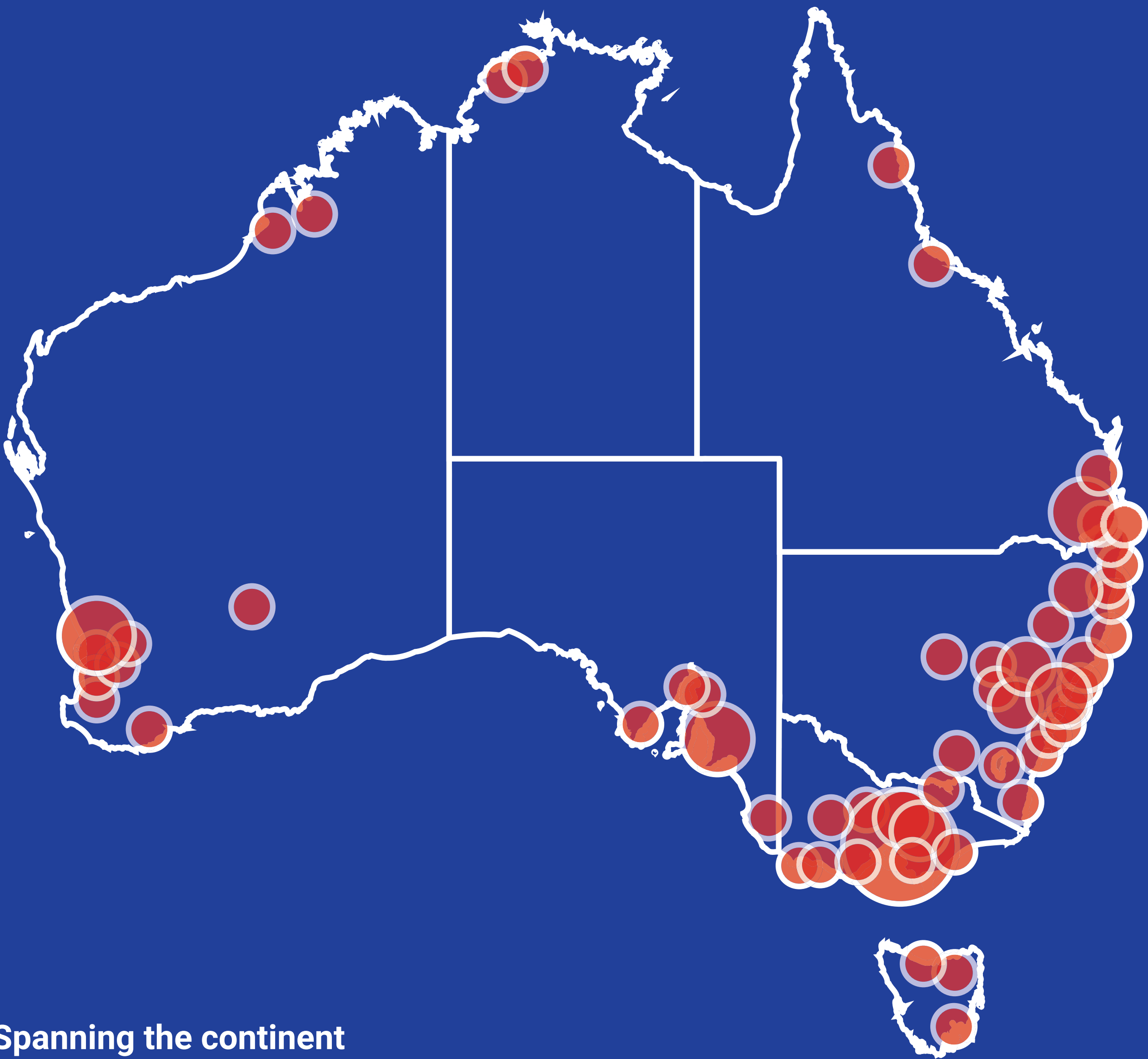
Here to serve

We understand the needs of Christian ministry

BFS continues to make an impact by supporting local churches and Christian ministries across Australia through loans to purchase, renovate and construct property and to develop ministries.

We assess loan applications using our unique ministry insights, friendly terms and relationship approach, to provide the capital and services required for ministries to operate and grow.

Our reach



Spanning the continent

The map above is an illustration of our current loans to churches and ministries. This illustrates the significant depth of our impact in all corners of church and ministry life in our nation, whether Baptist or non-Baptist we can see that the reach of BFS is widespread and making a tangible difference.

Whether it is helping an African church in Brisbane, a Christian radio station in Adelaide, Christian school in Perth, a Chin or Ethiopian church in Melbourne, or a small rural church in Derby, it all makes a difference and it is supporting Christian ministry to grow and to thrive all across Australia.

Meeting ministry needs

BFS is well received by our clients and our clients say we offer good value for money for our products and services.

97% of clients are satisfied with BFS and 97% of clients say our products meet their needs.

*Source: Nov 2022 Client Survey

Hear from our clients

We're proud to support a diverse mix of churches and ministries, including Christian schools and aged care and community services.

Snowy Mountains Christian School

"This is our 26th year for Snowy Mountains Christian School and BFS have been a source of help with our finances in either loans or accounts or services. We would like to extend our gratitude to BFS for their consistent professionalism, trustworthiness and help during tight spots - from everyone involved! We wish you all the best for the coming years and may God bless you richly."

Lucy Gotts, Financial Administrator
Snowy Mountains Christian School

Syndal Baptist Church

"I started my job in Syndal Baptist Church in September and became involved in a lot of activities with BFS including setting up a new administrator, issuing of Corporate cards, investigating account transactions and payments. I feel that the BFS team are well responsive and their follow ups actions are always up to date to assist me to get problems resolved and the job done. I would like to express my appreciation to the BFS team and wish for another successful year under God's guidance and protection."

Thomas Tan, Finance Manager
Syndal Baptist Church, Victoria

Overflow Church

Scan to watch

Baptist Financial Services Australia Limited

ABN 56 002 861 789
Consolidated Financial Report for the year ended 31 December 2022

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 2022 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

Former 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 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; Member of the Board Governance & Remuneration Committee from 27 June 2019; Chair of Investment Committee (Baptist Impact Fund) since 28 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 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.

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, GAICD

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

Member of New Peninsula 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 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, MAICD

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, 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.

Rev. Lance Blythe
M.Div, B.Pod

Member of Assets and Liabilities Committee from 15 September 2023.

Appointed a Director from 15 September 2023.

Member of NewHope Baptist Church, VIC

12 years leadership experience within church ministry context, 8 years as an Associate Pastor at NewHope Baptist Church. Current chair of NewHope Baptist Preschool, Committee of Management. Former chair and board member of Surrey Hills Baptist Childcare Centre. Graduate of the CMA Board Internship program 2021/22. Practiced Podiatry in the private sector, aged care and public health systems.

Company Secretaries

David Slinn

Alan Soden (resigned 25 May 2022)

Meetings of Directors

During the year, 22 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	
		H	A	H	A	H	A	H	A
Owen H Chew Lee	NSW	9	8			5	5		
Gregory P Holland	WA	9	9	4	4	5	5		
Ross M Langford	NSW	9	9			5	5	4	4
Darren L McDonald	SA	9	9	4	4	5	5		
Sally A Mullins	VIC	9	9					4	4
Alan L Soden	NSW	9	9	4	4			4	4
Karen James	NSW	9	8					4	4
Peter Murphy	NSW	9	7	4	3			4	3
Debbie Uy	VIC	9	8			5	4		
Lance Blythe	VIC	3	2			1	1		

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.

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 $5,523,058 (2021: $4,974,632). The Net Operating Surplus includes sponsorship expenditure of $267,164 (2021: $176,275). Grants to Baptist entities amounted to $811,703 (2021: $778,404) and transfers to the Future Grants Reserve to be paid to Baptist entities during 2023 amounted to $1,356,946 (2021: $1,181,529). Taken together (sponsorship and grants) the total funds made available to support Baptist and other Christian ministry was $2,435,813 (2021: $2,136,208).

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.

	2022		2021	
	Actual	**Benchmark**	Actual	Benchmark
Growth in total client investments	-5.2%	7.0%	4.9%	7.0%
Growth in loans advanced	1.9%	7.0%	-5.0%	7.0%
Growth in total assets	-4.2%	5.0%	4.9%	5.0%
Ratio of loans advanced to total client investments	59.8%	65.0%	55.6%	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.

Directors' Benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the company, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 27 of the Financial Report.

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 $1000 (2021: $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.

Ron Langford

Director
Dated at Sydney this 4th day of April 2023

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

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 2022, 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

Tari Makanda.

Tari Makanda
Partner – Audit & Assurance

Sydney, 4 April 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 $	2021 $
Gross interest revenue	21a	16,851,382	13,439,402
Gross interest expense		(5,218,814)	(4,830,285)
Net interest income		**11,632,568**	**8,609,117**
Other income	21b	326,810	744,303
Impairment expense	7	(670,589)	278,295
Employee benefits & costs	22	(3,095,395)	(2,634,545)
Other expenses	23	(2,670,336)	(2,022,538)
NET OPERATING SURPLUS	**24**	**5,523,058**	**4,974,632**
Other Comprehensive Income (OCI)			
Change in derivative liability	19(c)	488,018	572,088
Fair value change in investments at fair value through other comprehensive income (FVOCI)	9	(546,224)	51,813
TOTAL COMPREHENSIVE INCOME		**5,464,852**	**5,598,533**

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

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 $	2021 $
Assets			
Cash and cash equivalents	4	21,679,002	37,123,070
Other receivables and prepayments	8	2,688,433	2,008,011
Investment securities at fair value through other comprehensive income	9	208,314,169	221,232,940
Loans and advances - interest bearing	5	277,828,749	272,522,464
Property, plant and equipment	10	140,706	159,215
Intangibles	11	43,474	142,045
Right-of-use-assets	12	283,410	414,767
Swap derivative asset	17	120,922	-
Total assets		**511,098,865**	**533,602,512**
Liabilities			
Payables - interest bearing	13	464,370,211	489,928,934
Trade and other payables	14	1,624,822	1,549,994
Provisions	15	436,058	427,628
Lease liability	16	303,529	436,234
Swap derivative liability	17	-	367,096
Total liabilities		**466,734,620**	**492,709,886**
Net assets		**44,364,245**	**40,892,626**
Equity			
Accumulated funds	18	27,865,651	24,511,243
Contributions reserve	19(a), 3(l)	14,950,000	14,950,000
Future grants reserve	19(b), 3(m)	1,356,946	1,181,529
Fair value through other comprehensive income reserve	19(c)	191,648	249,854
Total equity		**44,364,245**	**40,892,626**

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 2022

	Accumulated Funds	Contributions Reserve	Future Grants Reserve	FVOCI Reserve	Total
	$	$	$	$	$
2022					
Balance brought forward	24,511,243	14,950,000	1,181,529	249,854	40,892,626
Net Operating Surplus	**5,523,058**	**-**	**-**	**-**	**5,523,058**
Change in derivative liability	**-**	-	-	488,018	488,018
Fair value change in investments at FVOCI	-	-	-	(546,224)	(546,224)
Total Comprehensive Income	**5,523,058**	**-**	**-**	**(58,206)**	**5,464,852**
Grants to Baptist Entities	(811,703)	-	(1,181,530)	-	(1,993,233)
Transfer (to)/from reserves	(1,356,946)	-	1,356,946	-	-
Balance at 31 December 2022	**27,865,651**	**14,950,000**	**1,356,946**	**191,648**	**44,364,245**
2021					
Balance carried 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**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 $	2021 $
Operating activities			
Inflows			
Interest received from loans		10,094,709	10,299,142
Interest from other investments		7,131,316	3,654,701
Donations, subscriptions & sundry income		326,810	744,303
Outflows			
Interest paid to investors		(5,083,444)	(4,990,174)
Cash paid to suppliers and employees		(5,409,200)	(4,866,483)
Sponsorships		(267,164)	(176,275)
Net cash from revenue activities		**6,793,027**	**4,665,214**
Inflows (outflows) from other operating activities			
Loans and advances and payables – interest bearing (net)		(5,976,874)	14,509,616
Investment portfolio (net)		11,554,101	(34,548,056)
Client investments (net)		(25,558,723)	22,820,080
Net cash provided by operating activities	**25(2)**	**(13,188,469)**	**7,446,854**
Investing activities			
Payments for leasehold improvements, software & web design, furniture & computers		(49,043)	(48,152)
Change in other receivables		(213,325)	(559,050)
Net cash provided by / (used in) investing activities		**(262,368)**	**(607,202)**
Financing activities			
Grants paid to Baptist Entities		(1,993,231)	(1,840,127)
Net cash provided by / (used in) financing activities		**(1,993,231)**	**(1,840,127)**
Net change in cash and cash equivalents		(15,444,068)	4,999,525
Cash and cash equivalents, beginning of year		37,123,070	32,123,545
Cash and cash equivalents, end of year	**4, 25(1)**	**21,679,002**	**37,123,070**

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"). Baptist Financial Services Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia. All amounts are presented in Australian dollars.

These consolidated financial statements are general purpose statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures, 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 consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 4 April 2023. The directors have the power to amend and reissue the financial statements.

2. Changes in accounting policies

2.1 New standards adopted as at 1 January 2022

AASB 1060 - General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

AASB 1060 is applicable to periods commencing on or after 1 July 2021 and establishes disclosure requirements applicable to entities that are preparing general purpose financial statement and elect to apply the Tier 2 reporting requirement under AASB 1053 Application of Tiers of Australian Accounting Standards. Changes in the disclosure requirements have been incorporated in these financial statements.

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 2022 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 2022. 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 on which control commences until the date on which control ceases.

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 10 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 interest expense, interest revenue. other revenue and impairment expense, 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

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 Investment securities are classified as Fair Value through Other Comprehensive Income.

Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group does not have any assets in the categories FVTPL.

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 scope include 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.

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.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term investment. Interest expense on is brought to account on an accrual basis and is recognised on an effective interest basis.

3. Summary of Significant Accounting Policies (continued)

g) Other receivables and prepayments

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

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.

i) Intangible assets

Items of computer software which are not integral to the computer hardware and web design owned by the Group are capitalised 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) Provision for employee benefits

Employee benefits consist of annual leave and long service leave. 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 bonds of a similar term.

k) 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.

l) 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 19).

3. Summary of Significant Accounting Policies (continued)

m) 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 discount

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.

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.

n) Comparative Figures

Certain comparatives in the statement of profit or loss and other comprehensive income, the statement of financial position and notes to the financial statements have been reclassified, where necessary, to be consistent with current year presentation.

o) 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.

3. Summary of Significant Accounting Policies (continued)

p) 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.

q) 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.

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:

	2022 $	2021 $
Cash and cash equivalents at call	21,679,002	37,123,070
Cash and cash equivalents at 31 days' notice	-	-
Total	**21,679,002**	**37,123,070**

5. Loans and Advances – interest bearing

	2022 $	2021 $
Secured Loans	275,540,703	270,432,170
Other interest bearing loans (unsecured)	1,423,942	328,017
Secured Loans to related entities (Note 27)	4,689,208	4,916,792
Less: Allowance for Impairment of loans (Note 7)	(3,825,104)	(3,154,515)
Total Net Loans	**277,828,749**	**272,522,464**

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 2022 was 34% (2021: 33%) with a median ratio of 32% (2021: 32%). 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

	2022 $	2021 $
LVR bands		
0 - 50%	163,744,394	161,903,217
51 - 75%	116,002,132	105,359,089
76 - 100%	-	7,589,392
100%+	483,385	497,264
Total	**280,229,911**	**275,348,962**

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.

Analysis of Loans and Advances

	2022 $	2021 $
Debts Receivable:		
Overdrafts	23,542,187	18,776,415
No longer than 3 months	21,345,481	11,590,489
Longer than 3 months and not longer than 12 months	25,272,992	28,553,902
Longer than 1 year and not longer than 5 years	54,451,256	68,911,716
Longer than 5 years	157,041,937	147,844,457
Allowance for Impairment of Loans	(3,825,104)	(3,154,515)
	277,828,749	**272,522,464**

6. Financial Commitments

	2022 $	2021 $
Outstanding Loan Commitments		
Loans approved but not advanced	92,874,542	42,440,495
Loan Redraw Facilities		
Loan redraw facilities available	33,877,494	34,837,429
Undrawn Overdraft Loan Facilities		
Loan facilities available for overdraft loans are as follows:		
Total value of facilities approved	38,090,159	32,793,224
Amounts advanced (included in Secured Loans – Note 5)	(23,281,063)	(19,215,134)
Net undrawn value	**14,809,096**	**13,578,090**
Total undrawn Loan Commitments	**141,561,132**	**90,856,014**

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

	2022 $	2021 $
Computer Software Licensing & Maintenance *The Company has costs committed under contracts for software licensing & maintenance as follows:*		
Not later than one year	559,600	221,380
Later than one year but not later than two years	-	42,000
Later than two years but not later than five years	-	-
Over five years	-	-
	559,600	**263,380**
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	215,280
Later than one year but not later than two years	215,280	215,280
Later than two years but not later than five years	161,460	376,740
Over five years	-	-
	592,020	**807,300**

7. Impairment of Financial Assets

	2022 $	2021 $
Expected credit loss on loans:		
Opening balance	3,154,515	3,432,810
Charge/(reversal) for the year	670,589	(278,295)
Closing balance	**3,825,104**	**3,154,515**

An amount of $16,675 relating to two unsecured loans was written off during the period.

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
2022				
Secured lending	2,367,350	1,429,966	-	**3,797,316**
Unsecured lending	27,788	-	-	**27,788**
Total	**2,395,138**	**1,429,966**	**-**	**3,825,104**
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**

‘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 increase in loan commitments.

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

During 2022 there were no loan clients moved from Stage 1 to Stage 2. Four loan clients moved from Stage 2 to Stage 1 in the period, two Stage 2 exposures were written off (unsecured loans) and one Stage 2 exposure was repaid in full.

8. Other Receivables & Prepayments

	2022 $	2021 $
Interest Accrued	715,346	271,544
Other Receivables	1,973,087	1,736,467
	2,688,433	**2,008,011**

9. Investments

	2022 $	2021 $
Investments held at fair value through other comprehensive income by instrument		
Term deposits	44,216,000	75,468,241
Floating rate notes	11,357,892	13,465,130
Residential mortgage-backed securities	138,296,595	110,990,329
Direct Lending securities (units in discrete mortgage trusts)	14,443,682	21,309,240
	208,314,169	**221,232,940**

	2022 $	2021 $
Investments held at fair value through other comprehensive income by credit rating (S&P or equivalent)		
AAA	57,548,196	74,077,476
AA	66,528,675	108,506,801
A	61,938,412	17,703,903
BBB	19,729,386	16,835,925
BB	1,353,500	2,892,835
Not rated	1,216,000	1,216,000
	208,314,169	**221,232,940**

The “Not rated” investment amount is lodged in a term deposit with an ADI without an external credit rating.

Reconciliation of fair value movement during the year:	2022 $	2021 $
Opening Balance	616,950	565,137
Fair value adjustments during the year	(546,224)	51,813
Closing Balance	**70,726**	**616,950**

Fair value of Investment Securities is assessed on a Level 2 basis in both 2021 and 2022 as the relevant securities are traded in over the counter (“OTC”) markets.

Investments – Maturity Analysis	2022 $	2021 $
At call	-	-
Not longer than 3 months	44,131,271	69,636,310
Longer than 3 months and not longer than 12 months	70,806,489	53,040,656
Longer than 1 year and not longer than 2 years	59,888,801	34,411,222
Longer than 2 years and not longer than 3 years	31,136,608	40,415,572
Longer than 3 years and not longer than 4 years	2,351,000	10,905,318
Longer than 4 years and not longer than 5 years	-	12,823,862
Longer than 5 years	-	-
	208,314,169	**221,232,940**

10. Property, plant and equipment

	2022 $	2021 $
Property, Plant & Equipment		
Leasehold Improvements, Furniture & Computers - at cost (opening)	429,575	430,302
Additions	29,243	24,835
Disposals	(166,954)	(25,562)
Leasehold Improvements, Furniture & Computers - at cost (closing)	291,864	429,575
Accumulated Depreciation (opening)	(270,360)	(257,243)
Disposals	166,954	25,562
Depreciation	(47,752)	(38,679)
Accumulated Depreciation (closing)	(151,158)	(270,360)
	140,706	**159,215**

11. Intangible assets

	2022 $	2021 $
Intangible Assets		
Software & Web Design - at cost (opening)	560,003	676,928
Additions	19,800	23,317
Disposals	(233,014)	(140,242)
Software & Web Design - at cost (closing)	346,789	560,003
Accumulated Amortisation (opening)	(417,958)	(421,448)
Amortisation	(118,371)	(136,752)
Disposals	233,014	140,242
Accumulated Amortisation (closing)	(303,315)	(417,958)
	43,474	**142,045**

12. Right-Of-Use Assets

	2022 $	2021 $
Right-of-use Assets		
Right-of-use assets	716,308	703,518
Less: Accumulated Depreciation	(432,898)	(288,751)
	283,410	**414,767**

No new right-of-use assets and lease liabilities were recognised during 2022. The right-of-use assets related to office premises and items of office equipment. The small increase is due to the remeasurement of the office premises lease due to rental escalation. 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

	2022 $	2021 $
Investments at call	204,981,489	178,297,975
Investments at 31 days' notice	107,471,151	107,577,298
Term Investments	151,917,571	204,053,661
	464,370,211	**489,928,934**

Payables – Interest bearing based on withdrawal experience

Current Liabilities – payable not later than 12 months		
Investments from Baptist & Christian organisations	33,608,159	37,378,358
Loan offset Savings Accounts	9,234,625	7,831,189
Investments from Individuals & other organisations	12,875,951	13,581,925
	55,718,735	**58,791,472**
Non-Current Liabilities - payable later than 12 months		
Investments from Baptist & Christian organisations	246,459,835	274,107,955
Loan offset Savings Accounts	67,720,581	57,428,720
Investments from Individuals & other organisations	94,423,640	99,600,787
	408,604,056	**431,137,462**

Investments are classified according to maturity date and the rollover experience

Term Investments and BFS Borrowings from Clients – Maturity Analysis

At call	204,981,489	178,297,975
Longer than at call and not longer than 3 months	166,649,397	194,382,596
Longer than 3 months and not longer than 12 months	78,968,376	105,318,805
Longer than 1 year and not longer than 2 years	8,234,876	9,039,787
Longer than 2 years and not longer than 5 years	5,536,073	2,889,771
Longer than 5 years	-	-
	464,370,211	**489,928,934**

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

	2022 $	2021 $
Accrued term investment interest	1,041,357	1,129,684
Sundry creditors	583,465	420,310
Total trade and other payables	**1,624,822**	**1,549,994**

15. Provisions

	2022 $	2021 $
Employee benefits – annual leave	243,846	244,299
Employee benefits – long service leave	192,212	183,329
Total provisions	**436,058**	**427,628**

16. Lease Liability

	2022 $	2021 $
Lease liability	303,529	436,234
Lease liability	**303,529**	**436,234**

The incremental borrowing rate used as the discount rate to determine lease liabilities on initial recognition was 4.0% (refer to Note 12). No new right-of-use assets and lease liabilities were recognised during 2022. The decline in lease liability reflects implied repayments of principal during the lease term.

17. Swaps Liability / (Asset)

	2022 $	2021 $
Swaps liability / (asset)	(120,922)	367,096
Swaps liability	**(120,922)**	**367,096**

Reconciliation of fair value movement during the year:	2022 $	2021 $
Opening Balance	367,096	939,184
Fair value adjustments during the year	(488,018)	(572,088)
Closing Balance	**(120,922)**	**367,096**

Interest rate swaps are used in the normal course of business to hedge exposure to fluctuations in interest rates. The instruments are used to hedge loans or investments at fixed rates of interest by entering interest rate swap contracts under which BFS is obliged to received interest at variable rates and pay interest at fixed rates. The cashflows relating to these instruments are expected to occur in 2023 and 2024.

Fair value of Swaps Liability/(Asset) is assessed on a Level 2 basis in both 2022 and 2021 as the relevant securities are traded in over the counter (“OTC”) markets.

18. Accumulated Funds

	2022 $	2021 $
Accumulated Funds - Total		
Balance at beginning of year	24,511,243	21,496,543
Operating Surplus	5,523,057	4,974,633
Grants expended to Baptist ministries	(811,703)	(778,404)
Transfer (to)/from Reserves	(1,356,946)	(1,181,529)
Balance at end of year	**27,865,651**	**24,511,243**
Accumulated Funds - New South Wales & ACT		
Balance at beginning of year	13,869,157	12,160,551
Share of Operating Surplus before Grants	3,184,596	2,794,784
Share of Grants expended to Baptist ministries	(434,356)	(416,537)
Transfer (to)/from Reserves	(792,113)	(669,641)
Balance at end of year	**15,827,284**	**13,869,157**
Accumulated Funds - Victoria		
Balance at beginning of year	3,372,454	2,901,787
Share of Operating Surplus before Grants	881,042	824,350
Share of Grants expended to Baptist ministries	(176,457)	(169,218)
Transfer (to)/from Reserves	(202,932)	(184,465)
Balance at end of year	**3,874,107**	**3,372,454**
Accumulated Funds - South Australia		
Balance at beginning of year	2,944,688	2,655,385
Share of Operating Surplus before Grants	449,922	469,073
Share of Grants expended to Baptist ministries	(69,226)	(66,386)
Transfer (to)/from Reserves	(109,647)	(113,384)
Balance at end of year	**3,215,737**	**2,944,688**
Accumulated Funds - Northern Territory		
Balance at beginning of year	79,862	67,208
Share of Operating Surplus before Grants	20,340	17,613
Share of Grants expended to Baptist ministries	-	-
Transfer (to)/from Reserves	(5,858)	(4,959)
Balance at end of year	**94,344**	**79,862**
Accumulated Funds – Tasmania		
Balance at beginning of year	424,099	385,415
Share of Operating Surplus before Grants	95,338	75,975
Share of Grants expended to Baptist ministries	(23,075)	(22,129)
Transfer (to)/from Reserves	(20,813)	(15,162)
Balance at end of year	**475,549**	**424,099**
Accumulated Funds - Western Australia		
Balance at beginning of year	3,509,828	3,095,884
Share of Operating Surplus before Grants	713,324	654,281
Share of Grants expended to Baptist ministries	(81,442)	(78,101)
Transfer (to)/from Reserves	(181,992)	(162,235)
Balance at end of year	**3,959,718**	**3,509,828**
Accumulated Funds - Baptist Union of Australia		
Balance at beginning of year	311,153	230,313
Share of Operating Surplus before Grants	178,495	138,557
Share of Grants expended to Baptist ministries	(27,147)	(26,034)
Transfer (to)/from Reserves	(43,591)	(31,683)
Balance at end of year	**418,910**	**311,153**

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

	2022 $	2021 $
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

	2022 $	2021 $
Future Grants Reserve - Total		
Balance at beginning of year	1,181,529	1,061,725
Transfer (to)/from accumulated funds (See Note 18)	1,356,946	1,181,529
Expended during current year	(1,181,529)	(1,061,725)
Balance at end of year	**1,356,946**	**1,181,529**
Future Grants Reserve - New South Wales		
Balance at beginning of year	669,641	660,085
Transfer (to)/from accumulated funds	792,113	669,641
Grants expended to Baptist ministries	(669,641)	(660,085)
Balance at end of year	**792,113**	**669,641**
Future Grants Reserve - Victoria		
Balance at beginning of year	184,465	131,776
Transfer (to)/from accumulated funds	202,932	184,465
Grants expended to Baptist ministries	(184,465)	(131,776)
Balance at end of year	**202,932**	**184,465**
Future Grants Reserve - South Australia		
Balance at beginning of year	113,384	104,290
Transfer (to)/from accumulated funds	109,647	113,384
Grants expended to Baptist ministries	(113,384)	(104,290)
Balance at end of year	**109,647**	**113,384**
Future Grants Reserve - Northern Territory		
Balance at beginning of year	4,959	4,956
Transfer (to)/from accumulated funds	5,858	4,959
Grants expended to Baptist ministries	(4,959)	(4,956)
Balance at end of year	**5,858**	**4,959**
Future Grants Reserve - Tasmania		
Balance at beginning of year	15,162	14,815
Transfer (to)/from accumulated funds	20,813	15,162
Grants expended to Baptist ministries	(15,162)	(14,815)
Balance at end of year	**20,813**	**15,162**
Future Grants Reserve - Western Australia		
Balance at beginning of year	162,235	136,601
Transfer (to)/from accumulated funds	181,992	162,235
Grants expended to Baptist ministries	(162,235)	(136,601)
Balance at end of year	**181,992**	**162,235**
Future Grants Reserve - Baptist Union of Australia		
Balance at beginning of year	31,683	9,202
Transfer (to)/from accumulated funds	43,591	31,683
Grants expended to Baptist ministries	(31,683)	(9,202)
Balance at end of year	**43,591**	**31,683**

19. Reserves (continued)

c. Fair value through other comprehensive income reserve

	2022 $	2021 $
Balance at beginning of year	249,854	(374,047)
Changes in derivative liability (Note 17)	488,018	572,088
Fair value change in investments at FVOCI (Note 9)	(546,224)	51,813
Balance at end of year	**191,648**	**249,854**

Fair value of Investments at FVOCI and Swaps Liability are assessed on a Level 2 basis in both 2022 and 2021 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) 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

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 5% of total capital 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 %
2022			
Financial Assets			
Cash and liquid assets	33,565,405	400,884	1.19
Investments with other financial institutions	231,713,251	6,355,789	2.74
Loans and Advances	280.434.007	10,094,709	3.60
	545,712,663	**16,851,382**	**3.09**
Financial Liabilities			
Client Investments	**500,308,338**	**5,218,823**	**1.04**
2021			
Financial Assets			
Cash and liquid assets	59,334,445	122,878	0.21
Investments with other financial institutions	190,442,028	3,017,382	1.58
Loans and Advances	280,154,418	10,299,142	3.68
	529,930,891	**13,439,402**	**2.54**
Financial Liabilities			
Client Investments	**485,587,605**	**4,830,291**	**0.99**

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 $277,828,749 (2021: $272,522,464). 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 $177,931,685 representing 39 borrowers (2021: 37 totalling $153,349,503). 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 $7,022 at year end (2021: $33,810), of which $6,747 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. Revenue

a. Interest Revenue

	2022 $	2021 $
Loans	10,094,709	10,299,142
Investment income	6,756,673	3,140,260
Total interest revenue	**16,851,382**	**13,439,402**

b. Other Income

	2022 $	2021 $
Product and service fees	209,282	282,660
Funds management fees	117,528	,123,375
Realised gains/(loss) on investments	-	338,268
Total other income	**326,810**	**744,303**

22. Employee benefits & costs

	2022 $	2021 $
Net movement in provision for annual leave	(453)	11,801
Net movement in provision for long service leave	8,883	28,865
Superannuation	311,727	234,883
Other employee costs	2,775,238	2,358,996
Total Employee benefits & costs	**3,095,395**	**2,634,545**

The total number of employees at balance date was 28 (2021: 27) which represented 25.8 (2021: 24.8) full-time equivalent (FTEs).

23. Other Expenses

	2022 $	2021 $
Website, Software and Computer Systems	569,958	412,664
Occupancy	79,586	86,429
Depreciation and Amortisation	166,123	175,431
Depreciation of Right of Use Assets	144,147	139,883
Sponsorship expense	267,164	176,275
Other General Administration Expenses	1,443,358	1,031,856
Total other expenses	**2,670,336**	**2,022,538**

24. Remuneration of Auditors

	2022 $	2021 $
Auditor's Remuneration		
Audit Fees – Grant Thornton Audit Pty Ltd	106,663	76,065
(No other benefits were received by the auditor)		

25. 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. The Company's registered office is Level 4, 5 Saunders Close, Macquarie Park 2113.

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.

26. Notes to the Statement of Cash Flows

a. Reconciliation of Cash

	2022 $	2021 $
Cash at call	21,679,002	37,123,070
Cash at 31 days' notice	-	-
	21,679,002	**37,123,070**

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 $212,130,491 (2021: $164,602,373) at balance date.

b. Reconciliation of surplus to net cash from operating activities

	2022 $	2021 $
Operating surplus	**5,523,058**	**4,974,632**
Amortisation and Depreciation	310,270	315,314
(Decrease)/Increase in accrued term investment interest	(88,327)	(587,179)
Decrease/(Increase) in sundry debtors and accrued income	205,852	369,673
(Decrease)/Increase in trade and other payables	163,155	(169,596)
(Decrease)/Increase in allowance for Impairment of loans	670,589	(278,295)
Increase /(Decrease) in employee benefits	8,430	40,666
Church & other loans advanced	(32,709,508)	(37,252,413)
Church & other loan payments received	26,732,634	51,762,029
Change in investment portfolio (net)	11,554,101	(34,548,056)
Change in client investments (net)	(25,558,723)	22,820,080
Net Cash from Operating Activities	**(13,188,469)**	**7,446,854**

27. 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:

	2022 $	2021 $
Baptist Association of NSW & ACT	212,761	205,611
Baptist Union of Victoria	7,965	7,768
Baptist Churches Western Australia	5,403	5,418
Payment made by BFS to a company associated with a Company Secretary	3,600	42,100
Payment made by BDA to a company associated with a Company Secretary	191,268	214,222

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:

	2022 $	2021 $
Amounts received or receivable from the Baptist Impact Fund:		
Investment Management Fees	64,851	42,399
Custody & Administration Fees	32,426	21,200
Performance Fees	20,251	59,775
Interest received on overdraft	9,943	4,772
Investments sold on commercial terms	-	2,700,000
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	26,446	5,923

27. Related Parties (continued)

	Principal 2022 $	Principal 2021 $
New South Wales		
Investments held:	44,595,937	36,985,939
Loans and Advances:	199,050	211,227
Victoria		
Investments held:	20,123,385	21,216,073
Loans and Advances:	4,226,709	4,431,964
South Australia		
Investments held:	8,912,141	17,758,985
Northern Territory		
Investments held:	276,712	276,079
Tasmania		
Investments held:	1,315,739	2,291,678
Western Australia		
Investments held:	1,861,714	3,763,441
Loans and Advances:	263,449	273,601
Baptist Union of Australia Inc.		
Investments held:	7,807,453	6,635,291
Totals		
Investments held:	**84,893,081**	**88,927,486**
Loans and Advances:	**4,689,208**	**4,916,792**

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 10 (2021: 9) 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:

	2022 $	2021 $
Key Management Personnel Compensation	942,090	834,819
	942,090	**834,819**

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.

Loans to Key Management Personnel (KMP)

There are no loans to KMP’s in either the current or prior period.

27. Related Parties (continued)

Other Transactions between Related Parties including Investments from KMP

	2022 $	2021 $
Total value of term and savings investments from KMP	184,784	24,506
Total interest paid on investments to KMP	688	335

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.

28. Parent Entity Information

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

	2022 $	2021 $
Statement of financial position		
Total assets	511,218,580	533,713,834
Total liabilities	466,718,352	492,729,158
Net assets	44,500,228	40,984,676
Accumulated funds	28,001,634	24,601,093
Statement of profit or loss and other comprehensive income		
Surplus for the year	**5,568,895**	**4,995,130**
Other comprehensive income	191,648	623,901
Total comprehensive income	**5,760,543**	**5,619,031**

29. 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.

30. Contingent Liabilities

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

31. 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 of these financial statements.

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 2022 and of its performance for the financial year ended on that date; and

      ii Complying with Australian Accounting Standards – Simplified 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 4th day of April 2023

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Independent Auditor’s Report

To the Members of Baptist Financial Services Australia Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Baptist Financial Services Australia Limited (the Company) and its controlled entity (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accumulated funds & reserves 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 financial report of the Group is in accordance with the *Corporations Act 2001* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), including:

a giving a true and fair view of the Group’s financial position as at 31 December 2022 and of its financial performance for the year then ended on that date; and

b complying with Australian Accounting *Standards AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, the Corporations Regulation 2001,* and Division 60 of the *Australian Charities and Not-for-profits Commission 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 2022, 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 and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities,* the *Corporations Act 2001* 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.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Grant Thornton.

Grant Thornton Audit Pty Ltd
Chartered Accountants

Tari Makanda.

Tari Makanda
Partner – Audit & Assurance

Sydney, 4 April 2023

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