



# Baptist Financial Services

**2023  
Annual Report**

**Enabling Christian ministry to thrive**

## **It is with great delight I welcome you to the Baptist Financial Services (BFS) 2023 Annual Report.**

This year has underscored the importance of our collaborative efforts and the ministry of BFS. I am filled with gratitude for the continued support and trust from our community—our supporters and partners in ministry.

The work of BFS extends beyond financial support, reflecting our deep commitment to fostering growth and enabling ministries to reach their full potential so more people can come to know Christ. The partnerships we've nurtured embody our belief in the power of working together, amplifying our impact and demonstrating the transformative power of unity.

Looking forward, we remain dedicated to our values: reflecting Jesus in our actions, fostering relationships and collaboration, and upholding effective stewardship. These principles guide us as we navigate the opportunities and challenges ahead, ready to meet the evolving needs of Christian ministries across Australia.




A handwritten signature in black ink that reads "Ross Langford". The signature is written in a cursive, flowing style.

**Ross Langford**

Board Chair

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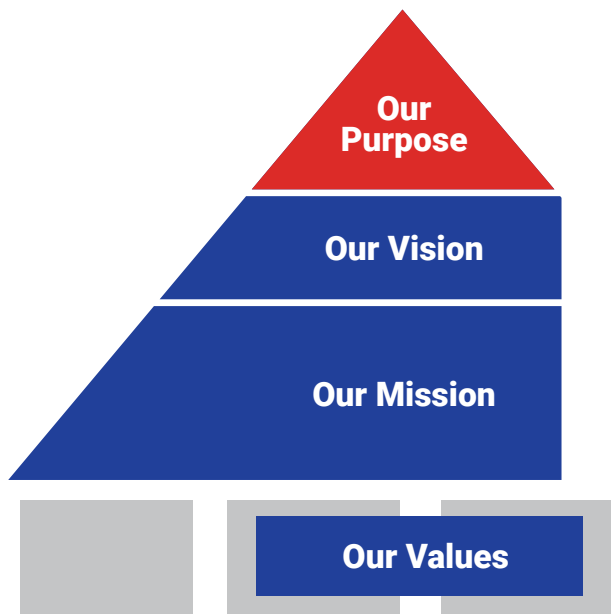
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A wooden cross is centered in the frame, set against a bright blue sky filled with soft, white clouds. The cross is made of two weathered wooden beams. A semi-transparent dark blue rectangular box is overlaid on the cross, containing white text.

**“And we know that  
in all things God  
works for the good  
of those who love  
him, who have been  
called according to  
his purpose.”**

**Romans 8:28**

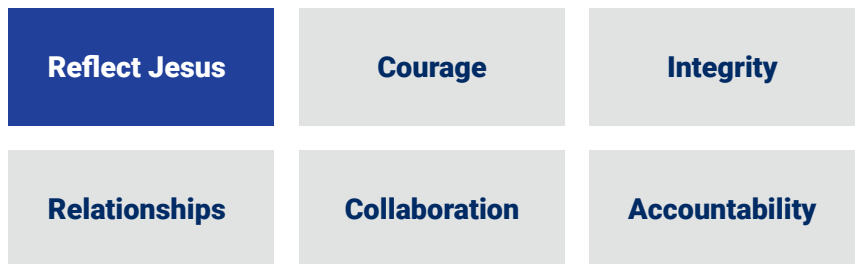
# About us



## 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



**We're passionate about Christian ministry.**

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

For over 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 Letter



A handwritten signature in black ink, appearing to read 'D. Slinn', with a stylized flourish at the end.

**David Slinn**

Chief Executive Officer

Reflecting on our journey through 2023, it's clear that our efforts, grounded in faith and dedication, have borne significant fruit. My deep appreciation goes to all our supporters and investors. Your unwavering commitment and generosity are the bedrock of our ability to support Christian ministry across Australia.

This year, we've experienced significant growth, with loans to our clients increasing by approximately 10%, and overall lending reaching over \$305 million as we closed the year. Praise God for the growth in Christian activity and these many wonderful ministries!

BFS's financial foundation remains strong, with capital exceeding \$45 million. Our total assets exceed \$520 million as of the end of December 2023.

Through numerous key sponsorships and partnerships, we've been able to support a broad mix of ministry events and activities across Australia, touching the lives of thousands of individuals and church leaders. We are pleased to have contributed over \$2.5 million in grants and sponsorships throughout 2023.

I commend our dedicated team—both our staff and directors—for their invaluable contributions over the past year. Their expertise, commitment, and passion for faithful service are integral to BFS's success and our broader mission.

Looking forward, we are excited about the many opportunities that lie ahead. We are well positioned to continue being a vital support pillar for Christian ministries for years to come.

Together, we are making significant strides continuing on our mission of enabling Christian ministry to thrive.

**“Each of you should  
use whatever gift  
you have received  
to serve others, as  
faithful stewards of  
God’s grace in its  
various forms.”**

**1 Peter 4:10**

# Enabling Christian ministry to thrive across Australia

## BFS Supporting Key Ministry Activities through Sponsorship

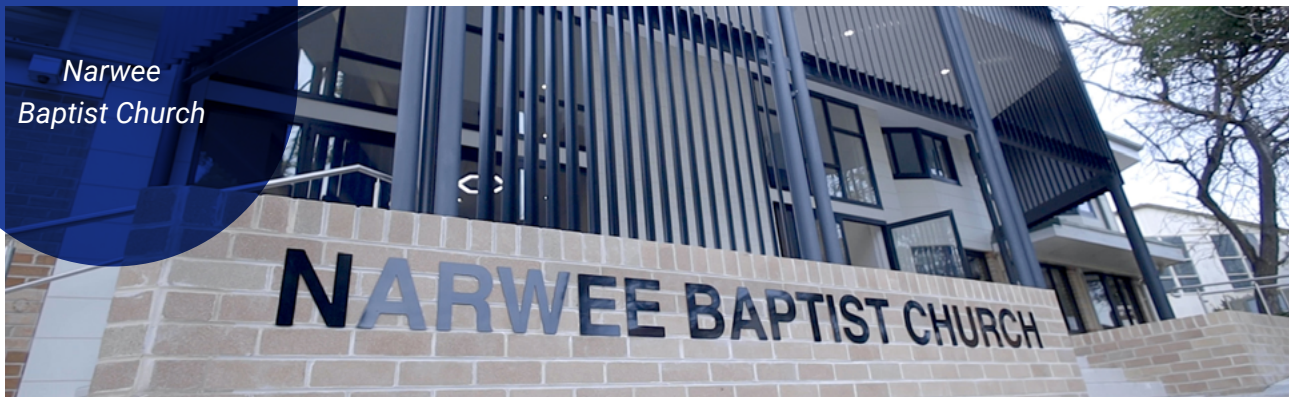
In 2023, BFS provided significant sponsorship to support ministry events and activities around Australia.

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

These sponsorships are not merely financial contributions; they are investments in the kingdom of God and support the vital work of Australian Baptist Ministries, State Baptist Associations, NCLS Research, Baptist World Aid, BaptistCare Australia, Baptist Mission Australia, Global Leadership Network Australia, Christian Ministry Advancement (CMA) and many more.







## Narwee Baptist Church celebrates: The Opening of their refreshed ministry space

It was first dreamed about in 2006 but it wasn't until 2012 that Narwee Baptist Church received development consent to completely redevelop their church and ministry centre.

The building had become outdated, exhausted and inefficient and work began to turn it into a substantial ministry space that reflected the needs of the community.

Stage one began in 2014 where the church added a second level adjacent to their hall with multiple meeting spaces, renovated the kitchen and enlarged the creche and playtime spaces.

With COVID-19 and 107 days of lockdown holding things up a little for the commencement of stage two works, the church braved 10 months of full scale construction, while still operating church services and ministry activities from the space. There was even a few weeks during the summer months where the church enjoyed "alfresco church" under the stars as the roof was being replaced.

This recent renovation/rebuild enlarged the foyer into a modern meeting space and built seven offices, as well as smaller ministry spaces.

Church members gave their time to contribute with architects donating their time and teams responding quickly during a number of flooding events that impacted the worksite.

In 1954, with a fellowship of 15 members, Narwee Baptist Church was set up. Today, close to 70 years later, it is one of the larger Baptist churches in NSW.

Steve Welsh, Project Manager from Narwee Baptist Church said, "We simply would not be here to celebrate this achievement without the support of Baptist Financial Services. Thank you for walking alongside us on this project," Steve said.

"Our deepest thanks goes to our God. He is the one who has grown His work and His church here at Narwee. In many ways we have just tried to keep up with him!"



## Making Jesus The Centre: Where having fun in church is encouraged

It's a church that sees 4000 people through its doors every week and is reaching community members from babies right through to those of older age.

The Centre in Dural, New South Wales (36 kilometres north-west of Sydney) is a hub of Church and Sports, a unique faith community where members have "fun" in the church building through sports, recreation, hospitality, charity, and friendship.

It may be a sports centre but Senior Pastor Mitch Levingston and General Manager Craig Glasby say that people come to play at their church rather than church being in a sports centre!

What strikes you during a visit to their amazing facilities is the reach they have into their community. In one side of the building, there is a mums and babies class, kids and adults are on the courts for sports comps, while ladies attend a high tea probus meeting in the café, and on the other side of the building, 160 men across the week attend the men's shed – well, two sheds: one for woodworking enthusiasts and the other for metalworking!

***"If we were to summarise the connection we have with BFS in one word, it would be supportive."***

BFS have supported The Centre to finance a number of their building projects over the years and is encouraged to see this thriving ministry reach their community in such a practical way.

"If we were to summarise the connection we have with BFS in one word, it would be supportive. BFS is supportive of our vision and understands our world. The only way we stayed afloat during the closures of COVID-19 was through the support and understanding of BFS," said Craig.

"This is a place of belonging for so many members of our community and our ability to connect with people from all ages and stages and be the church that they need for where they are at is a real privilege," says Mitch.

Mitch trained as a missionary and understands how business can be used as a meeting point for mission. "This is no different here at The Centre," he says. "We have the ability to really get to know the people who are coming to us and shine the love of Jesus into their world."







## COVID-19 Grew our church!

### Coastlands Church transforms Brighton Fitness Centre to make more room

All churches go through phases of growth and shrinkage but it was a decision that a multisite approach was no longer working for the Coastlands Church community in South Australia that brought them back together and in need of a new building.

In 2017, through a loan from BFS, the church acquired Brighton Fitness Centre, a three-level building with a carpark underneath that was formerly a squash centre. The third floor had enough space to accommodate around 200 people and as the community began to grow, within two years the church building was at capacity.

Pastor Gavin Clark said the church began to dream of developing the whole building to have a large auditorium to bring everyone together on the same floor, so they drew up some designs and contacted the team at BFS.

“Then of course COVID came along! In some ways for us, COVID was a blessing because people had to make decisions about whether they wanted to be there – remember we had to register to attend church?” said Gavin. “Suddenly everybody wanted to be there!”

So that was the impetus for the redevelopment and BFS was able to journey with the Coastlands Church community from planning and inception right through to the end of the project.

The redeveloped space can now seat 550 people comfortably in the auditorium and a lift was installed to ensure everyone can access the space. All the squash courts have now been converted to kid’s rooms, youth spaces, and meeting rooms, and a community outreach centre.

“Now we’ve got space for more growth,” Gavin said.

## From Just Surviving To Thriving Baptist Camping Victoria emerges following challenging COVID season

Geoff Caldwell has been involved in Christian Camping with the Baptist Church for 28 years and was behind the vision that has now seen Baptist Camping Victoria grow to 76 staff, four sites, 23834 annual campers, and thousands more attending ministry camps every year.

Geoff has seen it all in that time but COVID-19 was a particularly tough season for the ministry.

The pandemic and lockdowns hit at a critical time for Baptist Camping Victoria, who had just taken up a new loan and expanded into a new site. "We couldn't put petrol in cars, that's how bad it got for us," said Geoff.

"The relationship with BFS and the Baptist Union of Victoria meant we were able to keep the business afloat. By helping us manage our finances and assisting us with reduced interest payments, they ensured we didn't have to lay off our staff, which was critical to ensure we could rebuild after the pandemic," he said.



***"The relationship with BFS and the Baptist Union of Victoria meant we were able to keep the business afloat. By helping us manage our finances and assisting us with reduced interest payments, they ensured we didn't have to lay off our staff, which was critical to ensure we could rebuild after the pandemic,"***



Port Lincoln  
Baptist Church  
'Living Waters'



## 18 Years In The Making: 'Living Waters' Port Lincoln Baptist Church Opens its new location

In 2023, Port Lincoln Baptist Church formally opened its new church home, now called 'Living Waters Port Lincoln Baptist Church' – in what has been an 18-year journey in the making.

What started as small renovation for Port Lincoln Baptist Church 18 years ago, turned into a journey of faith for the newly minted 'Living Waters' Church.

While the original chapel of 1864 was a lovely place to gather, the church family quickly grew to capacity, and it became harder to accommodate services and community activities as members increased over the years.

After 23 years of being in the church community, Mrs Mavis Gibbes spoke to the heart behind what the new centre represents.

"This is a new start, not just for the church, but for the entire community. We look forward to bringing people in so they can find some serenity and connection. We will be working in partnership with new and other agencies we have previously shared our space with, to benefit the community at large. Our mission is to remind people that life is not hopeless, there is always hope," she said.

***"This is a new start, not just for the church, but for the entire community."***



# **Baptist Financial Services Australia Limited**

ABN 56 002 861 789

Consolidated Financial Report for the year ended 31 December  
2023

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# 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 2023 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 Ministry 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 Ministry Fund) since 28 July 2021 and Director of Baptist Development Australia Pty Ltd from 25 October 2019.

Member of Gynea 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. Council member of the Baptist Union of Victoria. 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 Ministry 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 Crossway Baptist Church, VIC

Over 20 years-experience in corporate business management and over 10 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 2022.

Appointed a Director from 15 September 2022.

Member of NewHope Baptist Church, VIC

Director of NewHope Community Care, 13 years leadership experience within church ministry context, 9 years as an Associate Pastor at NewHope Baptist Church. Current chair of NewHope Baptist Preschool, Committee of Management. Member of the Committee of Management of Jubilee Housing Inc. 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 Secretary**

David Slinn



## Meetings of Directors

During the year, 27 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	14	13			5	4		
Gregory P Holland	WA	14	13	4	2	5	4		
Ross Langford	NSW	14	14			5	5	4	4
Darren L McDonald	SA	14	14	4	4	5	5		
Sally A Mullins	VIC	14	12					4	4
Alan L Soden	NSW	14	14	4	4			4	4
Karen James	NSW	14	10					4	4
Peter Murphy	NSW	14	10	4	4			4	4
Debbie Uy	VIC	14	13			5	5		
Lance Blythe	VIC	14	13			5	5		

**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 \$5,864,101 (2022: \$5,523,058). The Net Operating Surplus includes sponsorship expenditure of \$421,686 (2022: \$267,164). Grants to Baptist entities amounted to \$1,082,892 (2022: \$811,703) and transfers to the Future Grants Reserve to be paid to Baptist entities amounted to \$1,568,043 (2022: \$1,356,946). Taken together (sponsorship and grants) the total funds made available to support Baptist and other Christian ministry was \$3,072,621 (2022: \$2,435,813).

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 22 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.

	2023		2022	
	Actual	Benchmark	Actual	Benchmark
Growth in total client investments	1.3%	7.0%	-5.2%	7.0%
Growth in loans advanced	10.0%	7.0%	1.9%	7.0%
Growth in total assets	2.1%	5.0%	-4.2%	5.0%
Ratio of loans advanced to total client investments	65.1%	65.0%	59.8%	65.0%

### *Likely Future Developments*

BFS has entered into a non-binding Memorandum of Understanding on a prospective merger with Churches of Christ Financial Services Ltd. This remains subject to completion of due diligence, documentation and final board approvals.

## 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 25 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 \$1,000 (2022: \$900).

## Auditors Independence Declaration

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

Signed in accordance with a resolution of the Directors.



Director

Dated at Sydney this 12<sup>th</sup> day of April 2024

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**Grant Thornton Audit Pty Ltd**

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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 2023, 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, 12 April 2024

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 \$	2022 \$
Gross interest revenue	4a	26,461,516	16,851,382
Gross interest expense		(11,829,940)	(5,218,814)
<b>Net interest income</b>		<b>14,631,576</b>	<b>11,632,568</b>
Other income	4b	843,956	326,810
Impairment (expense)/reversal	10	62,943	(670,589)
Employee benefits & costs	5	(4,107,824)	(3,095,395)
Prepaid project costs written off	11	(2,481,450)	-
Other expenses	6	(3,085,100)	(2,670,336)
<b>NET OPERATING SURPLUS</b>		<b>5,864,101</b>	<b>5,523,058</b>
<b>Other Comprehensive Income (OCI)</b>			
Change in derivative liability	13	(120,922)	488,018
Fair value change in investments at fair value through other comprehensive income (FVOCI)	12	103,514	(546,224)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>5,846,693</b>	<b>5,464,852</b>

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



# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Cash and cash equivalents	7	36,755,351	21,679,002
Other receivables and prepayments	11	1,135,236	2,688,433
Investment securities at fair value through other comprehensive income	12	177,202,519	208,314,169
Loans and advances - interest bearing	8	305,645,153	277,828,749
Property, plant and equipment	14	149,329	140,706
Intangibles	15	833,171	43,474
Right-of-use-assets	16(a)	156,346	283,410
Swap derivative asset	13	-	120,922
<b>Total assets</b>		<b>521,877,105</b>	<b>511,098,865</b>
<b>Liabilities</b>			
Payables - interest bearing	17	470,507,574	464,370,211
Trade and other payables	18	2,780,625	1,624,822
Provisions	19	648,115	436,058
Lease liability	16(b)	169,691	303,529
<b>Total liabilities</b>		<b>474,106,005</b>	<b>466,734,620</b>
<b>Net assets</b>		<b>47,771,100</b>	<b>44,364,245</b>
<b>Equity</b>			
Accumulated funds	20	31,078,817	27,865,651
Contributions reserve	21(a)	14,950,000	14,950,000
Future grants reserve	21(b)	1,568,043	1,356,946
Fair value through other comprehensive income reserve	21(c)	174,240	191,648
<b>Total equity</b>		<b>47,771,100</b>	<b>44,364,245</b>

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 2023

	Accumulated Funds \$	Contributions Reserve \$	Future Grants Reserve \$	FVOCI Reserve \$	Total \$
<b>2023</b>					
Balance brought forward	27,865,651	14,950,000	1,356,946	191,648	44,364,245
<b>Net Operating Surplus</b>	<b>5,864,101</b>	-	-	-	<b>5,864,101</b>
Change in derivative liability	-	-	-	(120,922)	(120,922)
Fair value change in investments at FVOCI	-	-	-	103,514	103,514
<b>Total Comprehensive Income</b>	<b>5,864,101</b>	-	-	<b>(17,408)</b>	<b>5,846,693</b>
Grants to Baptist Entities	(1,082,892)	-	(1,356,946)	-	(2,439,838)
Transfer (to)/from reserves	(1,568,043)	-	1,568,043	-	-
<b>Balance at 31 December 2023</b>	<b>31,078,818</b>	<b>14,950,000</b>	<b>1,568,043</b>	<b>174,240</b>	<b>47,771,100</b>
<b>2022</b>					
Balance carried forward	24,511,243	14,950,000	1,181,529	249,854	40,892,626
<b>Net Operating Surplus</b>	<b>5,523,058</b>	-	-	-	<b>5,523,058</b>
Change in derivative liability	-	-	-	488,018	488,018
Fair value change in investments at FVOCI	-	-	-	(546,224)	(546,224)
<b>Total Comprehensive Income</b>	<b>5,523,058</b>	-	-	<b>(58,206)</b>	<b>5,464,852</b>
Grants to Baptist Entities	(811,703)	-	(1,181,530)	-	(1,993,233)
Transfer (to)/from Reserves	(1,356,946)	-	1,356,946	-	-
<b>Balance at 31 December 2022</b>	<b>27,865,651</b>	<b>14,950,000</b>	<b>1,356,946</b>	<b>191,648</b>	<b>44,364,245</b>

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 \$	2022 \$
<b>Operating activities</b>			
<b>Inflows</b>			
Interest received from loans		13,643,897	10,094,709
Interest from other investments		12,973,137	7,131,316
Donations, subscriptions & sundry income		843,956	326,810
<b>Outflows</b>			
Interest paid to investors		(10,950,192)	(5,083,444)
Cash paid to suppliers and employees		(6,899,207)	(5,409,200)
Sponsorships		(421,686)	(267,164)
<b>Net cash from revenue activities</b>		<b>9,189,905</b>	<b>6,793,027</b>
<b>Inflows (outflows) from other operating activities</b>			
Loans and advances and payables – interest bearing (net)		(27,753,460)	(5,976,874)
Investment portfolio (net)		30,896,326	11,554,101
Client investments (net)		6,137,362	(25,558,723)
<b>Net cash provided by / (used in) operating activities</b>	<b>7</b>	<b>18,470,133</b>	<b>(13,188,469)</b>
<b>Investing activities</b>			
Payments for leasehold improvements, software & web design, furniture & computers		(898,339)	(49,043)
Change in other receivables		(55,607)	(213,325)
<b>Net cash provided by / (used in) investing activities</b>		<b>(953,946)</b>	<b>(262,368)</b>
<b>Financing activities</b>			
Grants paid to Baptist Entities		(2,439,838)	(1,993,231)
<b>Net cash provided by / (used in) financing activities</b>		<b>(2,439,838)</b>	<b>(1,993,231)</b>
Net change in cash and cash equivalents		15,076,349	(15,444,068)
Cash and cash equivalents, beginning of year		21,679,002	37,123,070
<b>Cash and cash equivalents, end of year</b>	<b>7</b>	<b>36,755,351</b>	<b>21,679,002</b>

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

# Notes to the Consolidated Financial Statements

## 1. Basis of preparation

### a) 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 entities Baptist Development Australia Pty Ltd ("BDA") and Kingdom Foundation Ltd trading as Baptist Business Support Services (BBSS) (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 which is the functional currency of the Group.

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 2023 were approved and authorised for issue by the Board of Directors on 12th April 2024. The directors have the power to amend and reissue the financial statements.

### b) Basis of Measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The accounting policies are consistent with the prior year unless otherwise stated.

### c) Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2023. 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. BDA has a reporting date of 31 December and BBSS currently has a reporting date of 30 June.

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.

## 2. Changes in accounting policies

### 2.1 New and amended standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### 2.2 New standards and interpretations not yet adopted

In June 2023, the AASB issued AASB 2023-3, which amends AASB 1060 to clarify the criteria for classifying a liability as current or non-current and improve the information disclosed in financial statements about certain non-current liabilities with covenants. The standard applies to annual periods beginning on or after 1 January 2024, with earlier application permitted. At the date of this report, the impact of the new standard is yet to be assessed.

## 3. Summary of Significant Accounting Policies

The following provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below.

### a) 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.

### b) 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.

### c) 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.

### d) 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.



#### e) Significant Management Judgement in Applying Accounting Policies

When preparing the financial statements, management makes 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.

*Impairment – refer to Note 10*

*Other Receivables and Prepayments – refer to Note 11*

*Valuation of financial instruments – refer to Note 12*

## 4. Revenue

### a. Interest Revenue

	2023 \$	2022 \$
Loans	13,643,897	10,094,709
Investment income	12,817,619	6,756,673
<b>Total interest revenue</b>	<b>26,461,516</b>	<b>16,851,382</b>

### b. Other Income

	2023 \$	2022 \$
Product and service fees	593,264	209,282
Funds management fees	177,255	117,528
Realised gains/(loss) on investments	73,437	-
<b>Total other income</b>	<b>843,956</b>	<b>326,810</b>

All revenue was derived from customers in Australia and all non-current assets were held in Australia.

#### Recognition and measurement

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 last day of each month.

Non-accrual loan interest – while still legally recoverable, interest on impaired loans is not recognised as revenue until received.

#### Loan origination fees and discount

Loan origination 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.

## 5. Employee benefits & costs

	2023 \$	2022 \$
Net movement in provision for annual leave	91,145	(453)
Net movement in provision for long service leave	46,604	8,883
Superannuation	389,727	311,727
Other employee costs	3,580,348	2,775,238
<b>Total Employee benefits &amp; costs</b>	<b>4,107,824</b>	<b>3,095,395</b>

The total number of employees at balance date was 34 (2022: 27) which represented 31.5 (2022: 25.8) full-time equivalent (FTEs).

## 6. Other Expenses

	2023 \$	2022 \$
Website, Software and Computer Systems	519,449	569,958
Occupancy	83,996	79,586
Depreciation and Amortisation	99,050	166,123
Depreciation of Right of Use Assets	155,058	144,147
Sponsorship expense	421,686	267,164
Other General Administration Expenses	1,805,861	1,443,358
<b>Total other expenses</b>	<b>3,085,100</b>	<b>2,670,336</b>

## 7. Cash and Cash Equivalents

	2023 \$	2022 \$
Cash and cash equivalents at call	36,755,351	21,679,002
<b>Total</b>	<b>36,755,351</b>	<b>21,679,002</b>

### Recognition and measurement

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.

Cash and cash equivalents are carried at amortised cost in the statement of financial position. Interest is brought to account using the effective interest method.

It is noted that cash and investments which, if required, are readily realisable within 5 business days amounted to \$187,923,423 (2022: \$212,130,491) at balance date.

### Reconciliation of surplus to net cash from operating activities

	2023 \$	2022 \$
<b>Operating surplus</b>	<b>5,864,101</b>	<b>5,523,058</b>
Amortisation and Depreciation	253,088	310,270
(Decrease)/Increase in accrued term investment interest	932,245	(88,327)
Decrease/(Increase) in sundry debtors and accrued income	1,767,839	205,852
(Decrease)/Increase in trade and other payables	223,518	163,155
(Decrease)/Increase in allowance for Impairment of loans	(62,943)	670,589
Increase /(Decrease) in employee benefits	212,057	8,430
Church & other loans advanced	(59,710,144)	(32,709,508)
Church & other loan payments received	31,956,684	26,732,634
Change in investment portfolio (net)	30,896,326	11,554,101
Change in client investments (net)	6,137,362	(25,558,723)
<b>Net Cash from Operating Activities</b>	<b>18,470,133</b>	<b>(13,188,469)</b>

## 8. Loans and Advances – interest bearing

	2023 \$	2022 \$
Secured Loans	299,772,599	272,383,972
Other interest bearing loans (unsecured)	1,337,484	1,423,942
Secured Loans to related entities (Note 25)	8,297,231	7,845,939
Less: Allowance for Impairment of loans (Note 10)	(3,762,161)	(3,825,104)
<b>Total Net Loans</b>	<b>305,645,153</b>	<b>277,828,749</b>

### Recognition and measurement

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.

### Credit quality – security held against loans

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 2023 was 35% (2022: 34%) with a median ratio of 33% (2022: 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

	2023 \$	2022 \$
LVR bands		
0 - 50%	179,646,151	163,744,394
51 - 75%	124,076,649	116,002,132
76 - 100%	4,347,030	-
100%+	-	483,385
<b>Total</b>	<b>308,069,830</b>	<b>280,229,911</b>

The loan with LVR 100%+ in 2022 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 was repaid in full during 2023.

#### Maturity analysis of Loans and Advances

	2023 \$	2022 \$
<i>Debts Receivable:</i>		
Overdrafts	32,879,874	23,542,187
No longer than 3 months	11,923,138	21,345,481
Longer than 3 months and not longer than 12 months	12,715,808	25,272,992
Longer than 1 year and not longer than 5 years	77,930,919	54,451,256
Longer than 5 years	173,957,575	157,041,937
Allowance for Impairment of Loans	(3,762,161)	(3,825,104)
	<b>305,645,153</b>	<b>277,828,749</b>

## 9. Financial Commitments

	2023 \$	2022 \$
<i>Outstanding Loan Commitments</i>		
Loans approved but not advanced	62,193,081	92,874,542
<i>Loan Redraw Facilities</i>		
Loan redraw facilities available	33,611,821	33,877,494
<i>Undrawn Overdraft Loan Facilities</i>		
Loan facilities available for overdraft loans are as follows:		
Total value of facilities approved	49,263,483	38,090,159
Amounts advanced (included in Secured Loans – Note 8)	(34,581,564)	(23,281,063)
<b>Net undrawn value</b>	<b>14,681,919</b>	<b>14,809,096</b>
<b>Total undrawn Loan Commitments</b>	<b>110,486,821</b>	<b>141,561,132</b>

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

	2023	2022
	\$	\$
<b>Computer Software Licensing &amp; Maintenance</b>		
<i>The Company has costs committed under contracts for software licensing &amp; maintenance as follows:</i>		
Not later than one year	475,950	559,600
Later than one year but not later than two years	219,167	-
Later than two years but not later than five years	315,000	-
Over five years	-	-
	<b>1,010,117</b>	<b>559,600</b>
<b>Bureau and Settlement Services</b>		
<i>The Company has costs committed under a contract for Bureau &amp; Settlement services as follows:</i>		
Not later than one year	215,280	215,280
Later than one year but not later than two years	161,460	215,280
Later than two years but not later than five years	-	161,460
Over five years	-	-
	<b>376,740</b>	<b>592,020</b>

## 10. Impairment of Financial Assets

	2023	2022
	\$	\$
<b>Expected credit loss on loans:</b>		
Opening balance	3,825,104	3,154,515
Charge/(reversal) for the year	(62,943)	670,589
<b>Closing balance</b>	<b>3,762,161</b>	<b>3,825,104</b>

An amount of \$16,675 relating to two unsecured loans was written off during the 2022 period and there were no write-offs in 2023.

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
<b>2023</b>				
Secured lending	1,204,587	2,514,343	-	<b>3,718,930</b>
Unsecured lending	43,231	-	-	<b>43,231</b>
<b>Total</b>	<b>1,247,818</b>	<b>2,514,343</b>	<b>-</b>	<b>3,762,161</b>
<b>2022</b>				
Secured lending	2,367,350	1,429,966	-	<b>3,797,316</b>
Unsecured lending	27,788	-	-	<b>27,788</b>
<b>Total</b>	<b>2,395,138</b>	<b>1,429,966</b>	<b>-</b>	<b>3,825,104</b>

## Recognition and measurement

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses ("ECL") - the 'ECL model'. 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.

## Critical accounting estimates and judgements

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. 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.

## 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.

## Credit risk

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.

During 2023 there were six loans clients moved from Stage 1 to Stage 2. Five loan clients moved from Stage 2 to Stage 1 or repayment was received in full.

These key assumptions in the 'ECL model' have not been changed in the period other than in reviewing probability of default assumptions for Stage 2 exposures.

## 11. Other Receivables & Prepayments

	2023	2022
	\$	\$
Interest Accrued	878,666	715,346
Other Receivables	256,570	1,973,087
	<b>1,135,236</b>	<b>2,688,433</b>

Other receivables included approximately \$2.5m (FY22: \$1.8m) prepaid costs relating to an ongoing Baptist Development Australia Pty Ltd project expected to be recovered from future project cashflows. During the year, there was uncertainty over whether the project will proceed and if it does whether the prepaid costs will be recoverable. Due to the uncertainty and no realistic prospect of recovery, the Group made a decision to write off the \$2.5m and recognized the amount in the statement of profit or loss and other comprehensive income.

### Recognition and measurement

Other receivables and prepayments are recognised and accounted for as financial assets classified at amortised cost. Interest is brought to account using the effective interest method.

## 12. Investments

	2023	2022
	\$	\$
<i>Investments held at fair value through other comprehensive income by instrument</i>		
Term deposits	40,216,000	44,216,000
Floating rate notes	9,311,008	11,357,892
Residential mortgage-backed securities	102,290,735	138,296,595
Direct Lending securities (units in discrete mortgage trusts)	25,384,776	14,443,682
	<b>177,202,519</b>	<b>208,314,169</b>

	2023	2022
	\$	\$
<i>Investments held at fair value through other comprehensive income by credit rating (S&amp;P or equivalent)</i>		
AAA	21,793,316	57,548,196
AA	70,570,817	66,528,675
A	56,292,768	61,938,412
BBB	23,968,088	19,729,386
BB	3,361,530	1,353,500
Not rated	1,216,000	1,216,000
	<b>177,202,519</b>	<b>208,314,169</b>

The “Not rated” investment amount is lodged in a term deposit with an ADI without an external credit rating. This is required for security purposes to support settlement service arrangements.

	2023	2022
	\$	\$
<i>Reconciliation of fair value movement during the year:</i>		
Opening Balance	70,726	616,950
Fair value adjustments during the year	103,514	(546,224)
Closing Balance	<b>174,240</b>	<b>70,726</b>

Fair value of Investment Securities is assessed on a Level 2 basis in both 2022 and 2023 as the relevant securities are traded in over the counter (“OTC”) markets.



Investments – Maturity Analysis	2023	2022
	\$	\$
At call	-	-
Not longer than 3 months	48,911,683	44,131,271
Longer than 3 months and not longer than 12 months	69,956,919	70,806,489
Longer than 1 year and not longer than 2 years	40,135,533	59,888,801
Longer than 2 years and not longer than 3 years	12,487,854	31,136,608
Longer than 3 years and not longer than 4 years	5,710,530	2,351,000
Longer than 4 years and not longer than 5 years	-	-
	<b>177,202,519</b>	<b>208,314,169</b>

### Recognition and measurement

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 as Investment securities classified as Fair Value through Other Comprehensive Income (“FVOCI”).

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 Fair Value through Profit and Loss (“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.

### Critical accounting estimates and judgements

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). 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.

## 13. Swaps Liability / (Asset)

	2023	2022
	\$	\$
Swaps liability / (asset)	-	(120,922)
<b>Swaps liability</b>	<b>-</b>	<b>(120,922)</b>

	2023	2022
	\$	\$
<i>Reconciliation of fair value movement during the year:</i>		
Opening Balance	(120,922)	367,096
Fair value adjustments during the year	120,922	(488,018)
Closing Balance	-	<b>(120,922)</b>

## Recognition and measurement

Interest rate swaps are used in the normal course of business to hedge exposure to fluctuations in interest rates. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or losses are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in Other Comprehensive Income (OCI). Fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

Fair value of Swaps Liability/(Asset) is assessed on a Level 2 basis in both 2023 and 2022 as the relevant securities are traded in over the counter ("OTC") markets.

## 14. Property, plant and equipment

	2023	2022
	\$	\$
<b>Property, Plant &amp; Equipment</b>		
Leasehold Improvements, Furniture & Computers – at cost (opening)	291,864	429,575
Acquisition of BBSS	8,118	-
Additions	59,143	29,243
Disposals	(13,017)	(166,954)
Leasehold Improvements, Furniture & Computers - at cost (closing)	346,108	291,864
Accumulated Depreciation (opening)	(151,158)	(270,360)
Acquisition of BBSS	(969)	-
Disposals	13,017	166,954
Depreciation	(57,669)	(47,752)
Accumulated Depreciation (closing)	(196,779)	(151,158)
	<b>149,329</b>	<b>140,706</b>

## Recognition and measurement

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. 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.

## 15. Intangible assets

	2023	2022
	\$	\$
<b>Intangible Assets</b>		
Software & Web Design - at cost (opening)	346,789	560,003
Additions	831,078	19,800
Disposals	-	(233,014)
Software & Web Design - at cost (closing)	1,177,867	346,789
Accumulated Amortisation (opening)	(303,315)	(417,958)
Amortisation	(41,381)	(118,371)
Disposals	-	233,014
Accumulated Amortisation (closing)	(344,696)	(303,315)
	<b>833,171</b>	<b>43,474</b>

## Recognition and measurement

Items of computer software which are not integral to the computer hardware 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.

## 16. Leases

### a) Right-Of-Use Assets

	2023 \$	2022 \$
<b>Right-of-use Assets</b>		
Right-of-use assets	744,302	716,308
Less: Accumulated Depreciation	(587,956)	(432,898)
	<b>156,346</b>	<b>283,410</b>

### b) Lease Liability

	2023 \$	2022 \$
Lease liability	169,691	303,529
<b>Lease liability</b>	<b>169,691</b>	<b>303,529</b>

## Recognition and measurement

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.

No new right-of-use assets and lease liabilities were recognised during 2023. The right-of-use assets related to office premises and items of office equipment. The small increase lease assets is due to the remeasurement of the office premises lease due to rental escalation. The decline in lease liability reflects implied repayments of principal during the lease term.

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.

## 17. Payables

### Payables – Interest bearing based on actual maturity date

	2023	2022
	\$	\$
Investments at call	198,501,271	204,981,489
Investments at 31 days' notice	139,277,662	107,471,151
Term Investments	132,728,641	151,917,571
	<b>470,507,574</b>	<b>464,370,211</b>

### Payables – Interest bearing based on withdrawal experience

<i>Current Liabilities – payable not later than 12 months</i>		
Investments from Baptist & Christian organisations	35,715,853	33,608,159
Loan offset Savings Accounts	7,666,501	9,234,625
Investments from Individuals & other organisations	13,078,554	12,875,951
	<b>56,460,908</b>	<b>55,718,735</b>
<i>Non-Current Liabilities - payable later than 12 months</i>		
Investments from Baptist & Christian organisations	261,916,259	246,459,835
Loan offset Savings Accounts	56,221,010	67,720,581
Investments from Individuals & other organisations	95,909,397	94,423,640
	<b>414,046,666</b>	<b>408,604,056</b>

*Investments are classified according to maturity date and the rollover experience*

### Term Investments and BFS Borrowings from Clients – Maturity Analysis

At call	198,501,271	204,981,489
Longer than at call and not longer than 3 months	187,394,416	166,649,397
Longer than 3 months and not longer than 12 months	73,941,268	78,968,376
Longer than 1 year and not longer than 2 years	9,594,874	8,234,876
Longer than 2 years and not longer than 5 years	1,075,745	5,536,073
Longer than 5 years	-	-
	<b>470,507,574</b>	<b>464,370,211</b>

### Recognition and measurement

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 FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, 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).

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

### 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.

## 18. Trade and Other Payables

	2023 \$	2022 \$
Accrued term investment interest	1,973,602	1,041,357
Sundry creditors	807,023	583,465
<b>Total trade and other payables</b>	<b>2,780,625</b>	<b>1,624,822</b>

## 19. Provision for Employee Benefits

	2023 \$	2022 \$
Employee benefits – annual leave	369,297	243,846
Employee benefits – long service leave	278,818	192,212
<b>Total provisions</b>	<b>648,115</b>	<b>436,058</b>

### Recognition and measurement

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.

## 20. Accumulated Funds

	2023	2022
	\$	\$
<b>Accumulated Funds - Total</b>		
Balance at beginning of year	27,865,651	24,511,243
Operating Surplus	5,864,101	5,523,057
Grants expended to Baptist ministries	(1,082,892)	(811,703)
Transfer (to)/from Reserves	(1,568,043)	(1,356,946)
<b>Balance at end of year</b>	<b>31,078,817</b>	<b>27,865,651</b>
<b>Accumulated Funds - New South Wales &amp; ACT</b>		
Balance at beginning of year	15,827,284	13,869,157
Share of Operating Surplus before Grants	3,161,185	3,184,596
Share of Grants expended to Baptist ministries	(579,474)	(434,356)
Transfer (to)/from Reserves	(846,697)	(792,113)
<b>Balance at end of year</b>	<b>17,562,298</b>	<b>15,827,284</b>
<b>Accumulated Funds - Victoria</b>		
Balance at beginning of year	3,874,107	3,372,454
Share of Operating Surplus before Grants	1,040,411	881,042
Share of Grants expended to Baptist ministries	(235,411)	(176,457)
Transfer (to)/from Reserves	(264,007)	(202,932)
<b>Balance at end of year</b>	<b>4,415,100</b>	<b>3,874,107</b>
<b>Accumulated Funds - South Australia</b>		
Balance at beginning of year	3,215,737	2,944,688
Share of Operating Surplus before Grants	472,755	449,922
Share of Grants expended to Baptist ministries	(92,354)	(69,226)
Transfer (to)/from Reserves	(124,756)	(109,647)
<b>Balance at end of year</b>	<b>3,471,382</b>	<b>3,215,737</b>
<b>Accumulated Funds - Northern Territory</b>		
Balance at beginning of year	94,344	79,862
Share of Operating Surplus before Grants	19,235	20,340
Share of Grants expended to Baptist ministries	-	-
Transfer (to)/from Reserves	(6,308)	(5,858)
<b>Balance at end of year</b>	<b>107,271</b>	<b>94,344</b>
<b>Accumulated Funds - Tasmania</b>		
Balance at beginning of year	475,549	424,099
Share of Operating Surplus before Grants	100,397	95,338
Share of Grants expended to Baptist ministries	(30,785)	(23,075)
Transfer (to)/from Reserves	(22,830)	(20,813)
<b>Balance at end of year</b>	<b>522,331</b>	<b>475,549</b>
<b>Accumulated Funds - Western Australia</b>		
Balance at beginning of year	3,959,718	3,509,828
Share of Operating Surplus before Grants	855,883	713,324
Share of Grants expended to Baptist ministries	(108,651)	(81,442)
Transfer (to)/from Reserves	(245,062)	(181,992)
<b>Balance at end of year</b>	<b>4,461,888</b>	<b>3,959,718</b>
<b>Accumulated Funds - Baptist Union of Australia</b>		
Balance at beginning of year	418,910	311,153
Share of Operating Surplus before Grants	214,235	178,495
Share of Grants expended to Baptist ministries	(36,217)	(27,147)
Transfer (to)/from Reserves	(58,383)	(43,591)
<b>Balance at end of year</b>	<b>538,545</b>	<b>418,910</b>

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.

## 21. Reserves

### a. Contributions Reserve

	2023 \$	2022 \$
<b>Contributions Reserve - Total</b>		
Balance at beginning of year	14,950,000	14,950,000
Contributions Received	-	-
<b>Balance at end of year</b>	<b>14,950,000</b>	<b>14,950,000</b>
<b>Contributions Reserve - New South Wales</b>		
Balance at beginning of year	8,000,000	8,000,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>Contributions Reserve - Victoria</b>		
Balance at beginning of year	3,250,000	3,250,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>3,250,000</b>	<b>3,250,000</b>
<b>Contributions Reserve - South Australia</b>		
Balance at beginning of year	1,275,000	1,275,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>1,275,000</b>	<b>1,275,000</b>
<b>Contributions Reserve - Tasmania</b>		
Balance at beginning of year	425,000	425,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>425,000</b>	<b>425,000</b>
<b>Contributions Reserve - Western Australia</b>		
Balance at beginning of year	1,500,000	1,500,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>Contributions Reserve - Baptist Union of Australia</b>		
Balance at beginning of year	500,000	500,000
Contribution Received	-	-
<b>Balance at end of year</b>	<b>500,000</b>	<b>500,000</b>

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.

## 21. Reserves (continued)

### b. Future Grants Reserve

	2023 \$	2022 \$
<b>Future Grants Reserve - Total</b>		
Balance at beginning of year	1,356,946	1,181,529
Transfer (to)/from accumulated funds (See Note 20)	1,568,043	1,356,946
Expended during current year	(1,356,946)	(1,181,529)
<b>Balance at end of year</b>	<b>1,568,043</b>	<b>1,356,946</b>
<b>Future Grants Reserve - New South Wales</b>		
Balance at beginning of year	792,113	669,641
Transfer (to)/from accumulated funds	846,697	792,113
Grants expended to Baptist ministries	(792,113)	(669,641)
<b>Balance at end of year</b>	<b>846,697</b>	<b>792,113</b>
<b>Future Grants Reserve - Victoria</b>		
Balance at beginning of year	202,932	184,465
Transfer (to)/from accumulated funds	264,007	202,932
Grants expended to Baptist ministries	(202,932)	(184,465)
<b>Balance at end of year</b>	<b>264,007</b>	<b>202,932</b>
<b>Future Grants Reserve - South Australia</b>		
Balance at beginning of year	109,647	113,384
Transfer (to)/from accumulated funds	124,756	109,647
Grants expended to Baptist ministries	(109,647)	(113,384)
<b>Balance at end of year</b>	<b>124,756</b>	<b>109,647</b>
<b>Future Grants Reserve - Northern Territory</b>		
Balance at beginning of year	5,858	4,959
Transfer (to)/from accumulated funds	6,308	5,858
Grants expended to Baptist ministries	(5,858)	(4,959)
<b>Balance at end of year</b>	<b>6,308</b>	<b>5,858</b>
<b>Future Grants Reserve - Tasmania</b>		
Balance at beginning of year	20,813	15,162
Transfer (to)/from accumulated funds	22,830	20,813
Grants expended to Baptist ministries	(20,813)	(15,162)
<b>Balance at end of year</b>	<b>22,830</b>	<b>20,813</b>
<b>Future Grants Reserve - Western Australia</b>		
Balance at beginning of year	181,992	162,235
Transfer (to)/from accumulated funds	245,062	181,992
Grants expended to Baptist ministries	(181,992)	(162,235)
<b>Balance at end of year</b>	<b>245,062</b>	<b>181,992</b>
<b>Future Grants Reserve - Baptist Union of Australia</b>		
Balance at beginning of year	43,591	31,683
Transfer (to)/from accumulated funds	58,383	43,591
Grants expended to Baptist ministries	(43,591)	(31,683)
<b>Balance at end of year</b>	<b>58,383</b>	<b>43,591</b>

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.



## 21. Reserves (continued)

### c. Fair value through other comprehensive income reserve

	2023 \$	2022 \$
Balance at beginning of year	191,648	249,854
Changes in derivative liability (Note 13)	(120,922)	488,018
Fair value change in investments at FVOCI (Note 12)	103,514	(546,224)
<b>Balance at end of year</b>	<b>174,240</b>	<b>191,648</b>

Fair value of Investments at FVOCI and Swaps Liability are assessed on a Level 2 basis in both 2023 and 2022 as the relevant securities are traded in over the counter ("OTC") markets.

## 22. 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 Laws, 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

## 22. 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.

## 22. 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 %
<b>2023</b>			
<b>Financial Assets</b>			
Cash and liquid assets	42,474,548	1,683,621	3.96
Investments with other financial institutions	185,390,379	11,133,998	6.01
Loans and Advances	295,890,714	13,696,079	4.63
	<b>523,755,641</b>	<b>26,513,697</b>	<b>5.06</b>
<b>Financial Liabilities</b>			
Client Investments	<b>471,895,608</b>	<b>11,830,281</b>	<b>2.51</b>
<b>2022</b>			
<b>Financial Assets</b>			
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
	<b>545,712,663</b>	<b>16,851,382</b>	<b>3.09</b>
<b>Financial Liabilities</b>			
Client Investments	<b>500,308,338</b>	<b>5,218,823</b>	<b>1.04</b>

### 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 \$305,645,153 (2022: \$277,828,749). 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 \$208,475,816 representing 40 borrowers (2022: 39 totalling \$177,931,685). 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 \$4,550 at year end (2022: \$7,022), of which \$4,550 is greater than 90 days.

Refer to Note 10 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.

## 23. Remuneration of Auditors

	2023 \$	2022 \$
<b>Auditor's Remuneration</b>		
Audit of Financial Report	109,214	101,163
AFSL audit	9,350	5,500
<b>Total Audit Fees – Grant Thornton Audit Pty Ltd</b>	<b>118,564</b>	<b>106,663</b>
(No other benefits were received by the auditor)		

## 24. Other Information

The Company is a National Affiliated Ministry of Australian Baptist Ministries (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.

During the period Kingdom Foundation trading as Baptist Business Support Services (BBSS) joined the group. BBSS provides financial administration services to churches and other Christian organisations.

## 25. 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. BFS and BDA made payments to a company associated with the Company Secretary. BBSS made payments to BFS for provision of management services.

	2023 \$	2022 \$
Baptist Association of NSW & ACT	226,550	212,761
Baptist Union of Victoria	10,400	7,965
Baptist Churches Western Australia	3,402	5,403
Baptist Business Support Services	1,667	-
Payment made by BFS to a company associated with the Company Secretary	3,600	3,600
Payment made by BDA to a company associated with the Company Secretary	528,886	191,268
Payment made by BBSS to BFS for management services	31,912	-

BFS made a payment of \$100,000 to BBSS by way of grant, effective 30 June 2023, under the terms of a Relationship Agreement between the parties. The grant has been recorded as an expense by BFS. While the grant is repayable under certain circumstances, achievement of these milestones is currently sufficiently uncertain to preclude recording this expenditure as a loan asset. Given BBSS joined the Group during the period (30 June 2023), the BBSS negative retained earnings balance of \$35,106 has been recognised in Other Expenses (Note 6).

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.

	Principal 2023 \$	Principal 2022 \$
<b><i>New South Wales</i></b>		
Investments held:	42,234,508	44,595,937
Loans and Advances:	182,738	199,050
<b><i>Victoria</i></b>		
Investments held:	18,621,832	20,123,385
Loans and Advances:	3,962,161	4,226,709
<b><i>South Australia</i></b>		
Investments held:	16,739,455	8,912,141
<b><i>Northern Territory</i></b>		
Investments held:	227,354	276,712
<b><i>Tasmania</i></b>		
Investments held:	1,417,373	1,315,739
<b><i>Western Australia</i></b>		
Investments held:	3,163,130	1,861,714
Loans and Advances:	256,303	263,449
<b><i>Baptist Union of Australia Inc.</i></b>		
Investments held:	4,657,590	7,807,453
<b><i>Baptist Business Support Services</i></b>		
Investments held:	10,022	93,073
Loans and Advances: (concessional interest rate is currently 0%)	-	-
<b><i>Como Bridge Pty Ltd ATF Como Bridge Unit Trust</i></b>		
Investments held:	-	1,645
Loans and Advances:	3,896,029	3,156,731
<b><i>Totals</i></b>		
<b>Investments held:</b>	<b>87,071,264</b>	<b>84,987,799</b>
<b>Loans and Advances:</b>	<b>8,297,231</b>	<b>7,845,939</b>

BFS is the Trustee, Investment Manager and Custodian of investments for the Baptist Ministry 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:

	2023 \$	2022 \$
<b>Amounts received or receivable from the Baptist Ministry Fund:</b>		
Investment Management Fees	68,802	64,851
Custody & Administration Fees	34,401	32,426
Performance Fees	74,052	20,251
Interest received on overdraft	12,596	9,943
Investments sold on commercial terms	-	-
<b>Amounts paid to the Baptist Ministry Fund:</b>		
Investments purchased on commercial terms	-	-
Interest credited to the Fund on accounts invested with BFS	28,009	26,446

### 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 (2022: 10) Directors of the Company, the Chief Executive Officer and two Executive Staff. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for, but excluding out of pocket expense reimbursements, was as follows:

	2023 \$	2022 \$
Key Management Personnel Compensation	1,067,037	942,090
	<b>1,067,037</b>	<b>942,090</b>

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.

#### Other Transactions between Related Parties including Investments from KMP

	2023 \$	2022 \$
Total value of term and savings investments from KMP	223,493	184,784
Total interest paid on investments to KMP	6,169	688

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.

## 26. Parent Entity Information

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

	2023 \$	2022 \$
<b>Statement of financial position</b>		
Total assets	522,105,440	511,218,580
Total liabilities	473,960,869	466,718,352
Net assets	48,144,571	44,500,228
Accumulated funds	31,452,288	28,001,634
<b>Statement of profit or loss and other comprehensive income</b>		
<b>Surplus for the year</b>	<b>6,101,589</b>	<b>5,568,895</b>
Other comprehensive income	(17,408)	191,648
<b>Total comprehensive income</b>	<b>6,084,181</b>	<b>5,760,543</b>

## 27. 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.

## 28. Contingent Liabilities

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

## 29. Post-reporting Date Events

No matters and circumstances have arisen since 31 December 2023 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's state of affairs in future financial years.

## Directors' Declaration

The Directors of Baptist Financial Services Australia Limited declare that in the Director's opinion:

- 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 2023 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 2022*; and
- b there are reasonable grounds to believe that the registered entity is 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 12th day of April 2024



## 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 entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 has been prepared in accordance with the *Corporations Act 2001* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2023 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* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

##### 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 2023, but does not include the consolidated financial report and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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, and for 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 consolidated 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 consolidated 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 Group'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 Group'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 Group 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, NSW, 12 April 2024

**“Trust in the Lord  
with all your heart  
and lean not  
on your own  
understanding;”**


**Proverbs 3:5**




Baptist Financial Services Australia Limited

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