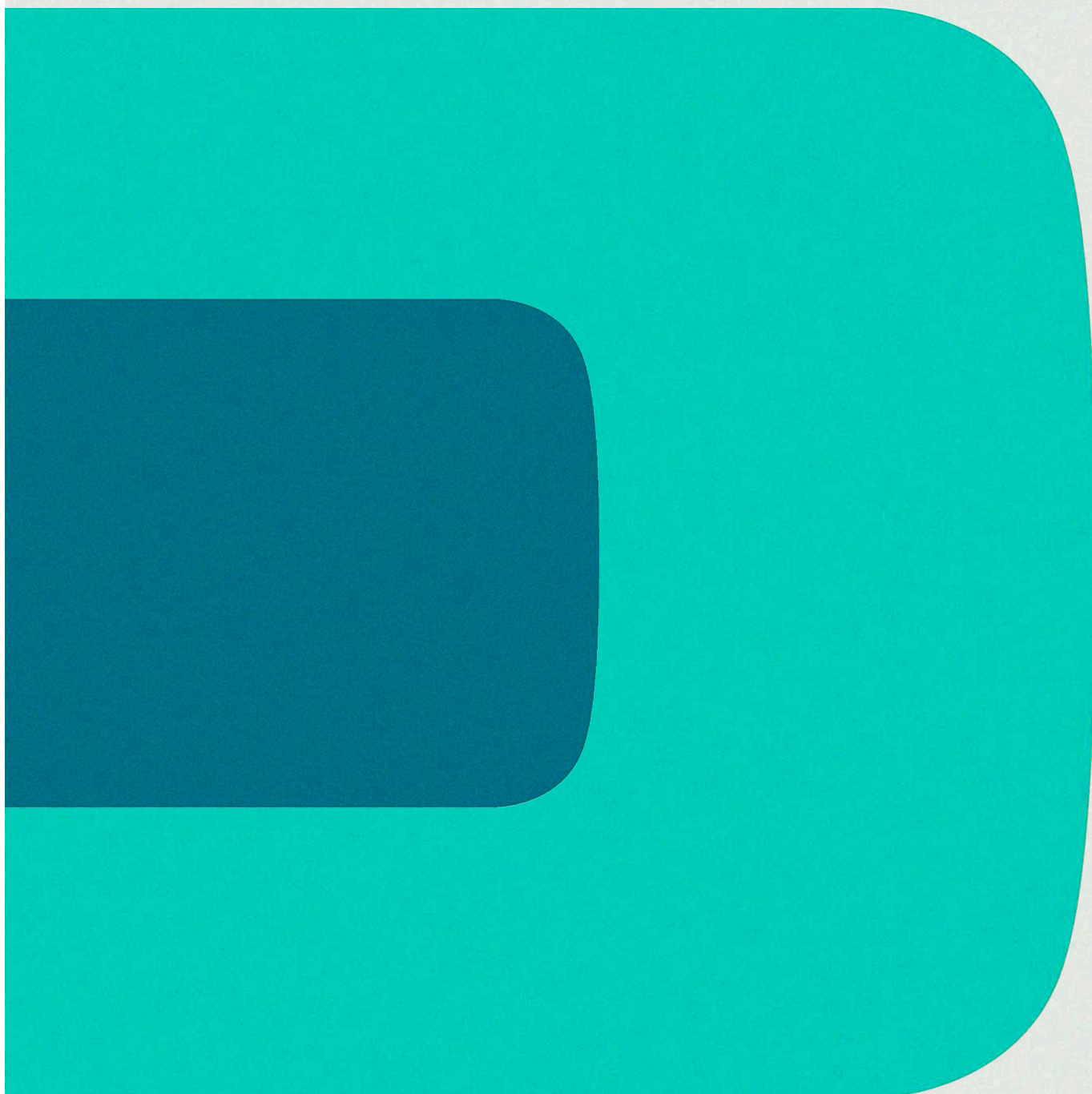




**catholicdevelopmentfund**

ARCHDIOCESE OF SYDNEY

# 2020 ANNUAL REPORT



# CONTENTS

3	Message from the Archbishop
4	Message from the Chairman
5-7	Our products and services
8	Special Purpose Financial Statements for the year ended 30 June 2020
9	Statement of Comprehensive Income
10	Statement of Financial Position
11	Statement of Changes in Equity
12	Statement of Changes in Cash Flows
13-39	Notes to and forming part of the Financial Statements
40	Statement by Approved Officers
41-42	Independent Auditor's Report



## MESSAGE FROM THE ARCHBISHOP

Dear friends,

I would like to invite you to spend a few moments in review of this year's Catholic Development Fund Annual Report.

2019/2020 has been an extremely challenging year with crippling drought, fierce bushfires, flooding rains and the Covid19 Pandemic affecting our everyday lives and the broader economy. Pleasingly, our Catholic Development Fund has safely navigated these conditions to produce a high quality result.

The Catholic Development Fund is a major contributor to the Archdiocese of Sydney. It provides finance for capital and other works of the Church as well as a range of financial products and services for our Parishes, schools and other Catholic agencies. The CDF's financial contribution to the Archdiocese assists in supporting the good works of the Church in areas such as Evangelisation, Liturgy, Justice and Peace, Ecumenism and the Seminary of the Good Shepherd. These are just some examples of the good works made possible by the CDF's ongoing contribution. I also recognise the CDF's significant assistance to our parish communities made through their annual distributions to parishes.

As proud as I am of the CDF's success, I realise it can only come to fruition with the faithful support from our Clergy, our Parishes, our Schools, the Sydney Catholic Schools Office, Religious Congregations, Catholic Entities and Church Agencies, and all who further the mission of Jesus Christ. Your use of the services of the CDF is sure sign of the commitment and trust that you continue to place in the CDF.

I would like to thank all who commit to the work of the CDF, especially the Advisory Board (chaired by Mr John Flynn) and the hard working and loyal staff (led by Mr Peter Bokeyar)

Everyone in the Archdiocese of Sydney can be proud of the results contained in this report and I pray that the CDF continues to uphold the good works of our Church to the Catholic community in Sydney.

**Most Rev. Anthony Fisher OP,**  
DD BA LLB BTheol DPhil  
Archbishop of Sydney.



## CHAIRMAN'S REPORT

On behalf of the Advisory Board of the CDF, I am proud to present to you the 2020 Annual Report.

Firstly, I recognise and offer my thanks to my fellow Advisory Board members for their professionalism, commitment and generous use of their skills and time.

A special thanks to Mr Rob Baker, whose astute chairing of the Audit and Risk Committee has been invaluable to our robustly compliant culture.

On behalf of the Advisory Board, thank you to our hard working CDF staff for their dedication, diligence and sound stewardship. These efforts have contributed significantly to a financially strong CDF that is trusted by all of its stakeholders.

The CDF has always provided exceptional service along with a tailored and flexible range of financial products and services suited to the needs of the Church across the Archdiocese of Sydney. Our Parishes in particular benefit greatly from the advice and guidance provided by the CDF, but all Catholics of the Archdiocese, whether directly or indirectly, benefit from the existence of the CDF in Sydney.

In his message, Archbishop Fisher describes the challenging year we have all faced. Additionally, very low interest rates have added significantly to these challenges. Our Catholic Development Fund has safely navigated these conditions.

The 2019/2020 results clearly demonstrate the CDF is prudentially sound and strong. I am delighted to announce a net surplus of \$19.8 million. We are very proud of this exceptional result, particularly due the unprecedented economic conditions we are operating in. This surplus allowed the CDF to distribute a substantial \$14.9 million to the Archdiocese and the Parishes. The balance of the surplus was added to reserves, which now stand at \$66.4 million, clearly indicating the CDF's prudential strength.

These results do not occur without the ongoing support and loyalty shown by our Parishes, schools, Archdiocesan agencies, religious congregations and other Church entities. Your continued support as a client of the CDF is vital and greatly appreciated.

The CDF is the financial key to the future growth of the Archdiocese and I am proud to be its Chairman.

I will continue to strive, with our General Manager (Peter Bokeyar), to ensure the CDF's future growth and prosperity in these testing times.

We look forward to serving you in the years ahead.

**John Flynn**  
Chairman.





## OUR PRODUCTS AND SERVICES INCLUDE

### CURRENT AND INVESTMENT ACCOUNTS FOR:

- Parishes
- Catholic Schools
- Clergy
- Religious Congregations
- Church Agencies
- Other Catholic Entities.

### LOANS FOR:

- Parish related initiatives
- Catholic Schools and education related projects
- Aged care accommodation
- Hospitals and related facilities
- Catholic Universities
- Other Church related projects
- Clergy car purchases and approved study courses.

### FINANCIAL SERVICES AND FACILITIES PROVIDED BY THE COMMONWEALTH BANK OF AUSTRALIA:

- BPay Biller and Payer
- Credit Cards
- Merchant transaction processing through EFTPOS, Donation Point terminals and BPoint
- Electronic funds transfer
- Cheque accounts
- Direct Credits and Debits
- International Money Transfers
- Bank Guarantees
- Bank cheques and drafts.

### THE CONVENIENCE OF CDF ONLINE WHICH IS AVAILABLE 24/7 ALLOWING THE CLIENT TO:

- View transaction activity
- Transfer funds between your accounts or to an external party
- Pay regular bills via BPay or by direct transfer
- Pay staff salaries either individually or by batch
- Set up Direct debits for the collection of fees and payments
- Import files to and from an accounting system.

## WHAT MAKES US DIFFERENT:

- Only Catholic entities can be clients of the CDF which allows us to:
  - Have a unique understanding of the needs of our clients; and
  - Provide a high level of personalised service.
- We promote the charitable and educational needs of the Archdiocese:
  - The majority of our surplus is directed toward the pastoral works of the Archdiocese; and
  - We support the Mission of the Church in all aspects of our activities.
- We support our clients by providing advice and expertise to:
  - Utilise products and services to optimal effect; and
  - Fulfil the unique needs of Church clientele.
- We provide products and services at minimal cost by:
  - Negotiating favourable fees for services and facilities provided by the Commonwealth Bank of Australia;
  - Ensuring our operating costs remain low;
  - Absorbing some of the costs charged by the Commonwealth Bank; and
  - Not charging for any service provided directly by the CDF.

## WE ARE COMMITTED TO:

- Maximising the benefit of pooling Church funds rather than directly depositing with the banking system
- Ensuring that any surpluses are retained to fund the good works of the Church rather than being paid to the shareholders of banks
- Managing funds invested in the CDF prudently and profitably
- Ensuring we are able to provide loan funds for the capital needs of the Church especially within the Archdiocese of Sydney
- Providing market competitive deposit and loan products and transaction services.



## catholicdevelopmentfund

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133 Liverpool Street, Sydney NSW 2000, Australia

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### **BANKERS**

Commonwealth Bank of Australia  
48 Martin Place  
Sydney NSW 2000

### **SOLICITORS**

Makinson & d'Apice  
135 King Street  
Sydney NSW 2000

### **AUDITORS**

KPMG  
International Towers Sydney 3  
300 Barangaroo Avenue  
Sydney NSW 2000, Australia

The Catholic Development Fund, Archdiocese of Sydney (the **Fund**) is required by law to make the following disclosure. The Fund is not prudentially supervised by the Australian Prudential Regulation Authority nor has it been examined or approved by the Australian Securities and Investments Commission. An investor in the Fund will not receive the benefit of the financial claims scheme or the depositor protection provisions in the *Banking Act 1959* (Cth). Investments in the Fund are intended to be a means for investors to support the charitable, religious and educational works of the Archdiocese of Sydney and for whom the consideration of profit are not of primary relevance in the investment decision. The investments that the Fund offers are not subject to the usual protections for investors under the *Corporations Act* (Cth) or regulation by Australian Securities and Investments Commission. Investors may be unable to get some or all of their money back when the investor expects or at all and any investment of the Fund are not comparable to investments with banks, finance companies or fund managers. The Fund's identification statement may be viewed at [www.sydneycdf.org.au](http://www.sydneycdf.org.au) or by contacting the Fund. The Fund does not hold an Australian Financial Services Licence.



**catholicdevelopmentfund**

ARCHDIOCESE OF SYDNEY

**Special Purpose Financial Statements for the year ended  
30 June 2020**



# Catholic Development Fund - Archdiocese of Sydney

## Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>REVENUE</b>			
Interest income using effective interest rate method		32,354,778	40,950,694
Interest expense using effective interest rate method		(10,695,082)	(17,814,097)
<b>NET INTEREST REVENUE</b>	2	<u>21,659,696</u>	<u>23,136,597</u>
<b>NET NON - INTEREST REVENUE</b>	3	<u>1,214,958</u>	<u>1,155,530</u>
<b>TOTAL REVENUE</b>		<u>22,874,654</u>	<u>24,292,127</u>
<b>EXPENSES</b>			
Salaries and associated costs	4	(1,484,265)	(1,347,276)
Property expenses	4	(25,266)	(199,542)
Depreciation expense	4	(308,987)	(50,066)
Equipment and technology expenses		(346,082)	(498,147)
General administration expenses		(40,109)	(60,189)
Assurance and professional expenses		(434,121)	(453,844)
Client services expenses		(116,449)	(101,999)
Promotional expenses		(29,043)	(56,155)
Board expenses		(4,191)	(5,600)
<b>TOTAL EXPENSES</b>		<u>(2,788,513)</u>	<u>(2,772,818)</u>
<b>LOAN IMPAIRMENT EXPENSE</b>		<u>(278,097)</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>		<u>19,808,044</u>	<u>21,519,309</u>

The notes on pages 13 to 39 are an integral part of these financial statements.

# Catholic Development Fund - Archdiocese of Sydney

## Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
Cash and cash equivalents		18,589,976	14,424,718
Due from financial institutions	6	296,501,283	350,405,181
Securities at amortised cost	7	105,416,370	150,858,665
Loans and advances	7	589,663,461	501,567,586
Plant and equipment	8	348,929	120,932
Right-of-use assets	9	655,545	-
Other assets	10	137,728	106,597
<b>TOTAL ASSETS</b>		<u>1,011,313,292</u>	<u>1,017,483,679</u>
<b>LIABILITIES</b>			
Lease liabilities	9	681,201	-
Deposits	11	936,764,031	947,295,629
Trade and other payables	12	764,560	596,307
Provision for distributions	13	6,147,327	7,662,401
Provisions	14	497,267	422,447
<b>TOTAL LIABILITIES</b>		<u>944,854,386</u>	<u>955,976,784</u>
<b>NET ASSETS</b>		<u>66,458,906</u>	<u>61,506,895</u>
<b>EQUITY</b>			
Retained earnings		66,458,906	61,506,895
<b>TOTAL EQUITY</b>		<u>66,458,906</u>	<u>61,506,895</u>

The notes on pages 13 to 39 are an integral part of these financial statements.

# Catholic Development Fund - Archdiocese of Sydney

## Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Retained earnings \$	Total equity \$
Balance as at 1 July 2018		58,508,875	58,508,875
Changes on initial application of AASB 9		(2,381,810)	(2,381,810)
Restated balance as at 1 July 2018		56,127,065	56,127,065
Surplus for the year		21,519,309	21,519,309
Distributions	13	(16,139,479)	(16,139,479)
<b>Balance as at 30 June 2019</b>		<b>61,506,895</b>	<b>61,506,895</b>
Balance as at 1 July 2019		61,506,895	61,506,895
Surplus for the year		19,808,044	19,808,044
Distributions	13	(14,856,033)	(14,856,033)
<b>Balance as at 30 June 2020</b>		<b>66,458,906</b>	<b>66,458,906</b>

The notes on pages 13 to 39 are an integral part of these financial statements.

# Catholic Development Fund - Archdiocese of Sydney

## Statement of Changes in Cash Flows

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Interest received on loans and advances		22,147,884	23,791,881
Interest received on securities at amortised cost		4,311,012	6,941,968
Interest received on amounts due from financial institutions		5,895,882	14,233,316
Net (increase) in loans and advances		(88,373,972)	(84,142,935)
Net (decrease)/increase in deposits		(10,531,598)	24,019,162
Other income received		1,214,958	1,155,530
Interest paid on deposits		(10,666,617)	(21,211,560)
Interest paid on lease liabilities		(28,465)	-
Cash paid to suppliers and employees		(2,267,584)	(2,696,182)
<b>Net cash flows provided by/(used in) operating activities</b>	18(b)	<u>(78,298,500)</u>	<u>(37,908,820)</u>
<b>Cash flows from investing activities</b>			
Net (increase)/decrease in amounts due from financial institutions		53,903,898	62,094,819
Net decrease/(increase) in securities at amortised cost		45,442,295	(689,627)
Payments for plant and equipment		(318,469)	(67,050)
Proceeds from sale of equipment		-	2,897
Payment of lease liabilities		(192,859)	-
<b>Net cash (used in)/provided by investing activities</b>		<u>98,834,865</u>	<u>61,341,039</u>
<b>Cash flows from financing activities</b>			
Distributions to Archdiocese of Sydney		(15,459,130)	(14,221,162)
Distributions to Parishes		(911,977)	(855,120)
<b>Net cash provided by/(used in) financing activities</b>		<u>(16,371,107)</u>	<u>(15,076,282)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		4,165,258	8,355,937
Cash at beginning of year		14,424,718	6,068,781
<b>Cash at end of year</b>	18(a)	<u>18,589,976</u>	<u>14,424,718</u>

Cash at the end of the year reconciles to cash and cash equivalents as stated on the Statement of Financial Position.

The notes on pages 13 to 39 are an integral part of these financial statements.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

### 1. Statement of accounting policies

#### Summary of significant accounting policies

The Catholic Development Fund - Archdiocese of Sydney (CDF) is a special fund created under a Charter on 1 April 1993 (as amended 2010). Under the Charter, CDF is controlled and managed by the Archbishop of the Archdiocese of Sydney with the assistance of an Advisory Board (the Board) and the Financial Administrator.

The financial statements are a special purpose financial report prepared by the Board in order to meet the needs of the Archbishop of the Archdiocese of Sydney. The Board has determined that CDF is not publically accountable nor a reporting entity and therefore it is not necessary for CDF to comply with all of the requirements of the Australian Accounting Standards and other mandatory financial reporting requirements promulgated by the Australian Accounting Standards Board (AASB).

The financial report was authorised for issue by the Board on 17 September 2020.

#### Statement of compliance

The special purpose financial report has been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the Approved Officers to meet the needs of users:

- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1048 *Interpretations of Standards*
- AASB 1054 *Australian Additional Disclosures.*

The financial report does not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report has been prepared on an accruals basis and going concern basis of accounting. The financial report is also based on historical cost.

#### Basis of preparation

The financial report is presented in Australian dollars.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

This is the first set of CDF's financial statements in which AASB 16 *Leases* (AASB 16) has been applied. Changes to significant accounting policies are described below.

#### Rounding

All amounts have been rounded to the nearest dollar unless stated.



# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### Changes in accounting policies

##### AASB 16 Leases

CDF initially adopted AASB 16 from 1 July 2019 using the modified retrospective approach, under which the cumulative effect of initial application was recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 Leases (AASB 117) and Interpretation 4 *Determining whether an Arrangement contains a Lease* (Interpretation 4). Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information. The details of the changes in accounting policies are disclosed below.

##### Definition of a lease

Previously, CDF determined at contract inception whether an arrangement was or contained a lease under Interpretation 4. CDF now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in the lease accounting policy.

On transition to AASB 16, CDF elected to apply the practical expedient to grandfather the assessment of which transactions are leases. CDF applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

##### Impact on financial statements on transition

On transition to AASB 16, CDF recognised additional ROU asset and additional lease liabilities. There was no impact to retained earnings.

When measuring liabilities for leases that were classified as operating leases, CDF discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 4.75%.

	<b>1 July 2019</b> <b>\$</b>
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in CDF's financial statements	959,335
Discounted using the incremental borrowing rate at 1 July 2019	874,061
Finance lease liabilities recognised as at 30 June 2019	-
Recognition exemption for leases of low value assets (if applicable)	-
Recognition exemption for leases with less than 12 months of lease term at transition (if applicable)	-
Extension options reasonably certain to be exercised (if applicable)	-
<b>Lease liabilities recognised at 1 July 2019</b>	<b>874,061</b>

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### ***New, revised and future Accounting Standards and Interpretations***

AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. These have not been applied in preparing these financial statements and CDF does not plan to adopt these standards early. A summary of these new standards and interpretations is set out below:

- ***AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities***

AASB 2020-2 issued in March 2020 makes amendments to the Standards (via AASB 1057 *Application of Australian Accounting Standards*) and the Conceptual Framework for Financial Reporting (Conceptual Framework) so that they apply explicitly to: (a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards (with the previous limitation to entities with public accountability removed); and (b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021.

This Standard applies to annual reporting periods beginning on or after 1 July 2021, with earlier application permitted. The CDF does not intend to early adopt.

The CDF is still assessing the impact of the above standard on its financial statements on adoption.

- ***AASB 1060 General purpose financial statements – Simplified Disclosures for For-profit and Not-for-Profit Tier 2 Entities***

AASB 1060 issued in March 2020 sets out a new, separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. This Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework.

#### ***New, revised and future Accounting Standards and Interpretations (ctd.)***

- ***AASB 1060 General purpose financial statements – Simplified Disclosures for For-profit and Not-for-Profit Tier 2 Entities (ctd.)***

This Standard does not change:

- which entities are permitted to apply Tier 2 reporting requirements; and
- the recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

While entities that comply with this Standard need to apply the recognition and measurement requirements in other Standards, they are exempt from the disclosure requirements in specified paragraphs in other Standards. Tier 2 entities are also not required to comply with other Standards that deal only with presentation and disclosure.

This Standard applies to annual reporting periods beginning on or after 1 July 2021, with earlier application permitted.

The CDF is still assessing the impact of the above standard on its financial statements on adoption.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### **Voluntary changes in accounting policies**

There have been no voluntary changes in accounting policies made during the year.

#### **Critical accounting estimates and judgements**

In applying CDF's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on CDF. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

#### *Impairment of loans and advances*

- Considerable judgement is exercised in determining the extent of the expected credit losses (ECLs) for financial assets assessed for impairment both individually and collectively. The ECLs for financial assets is based on assumptions about the risk of default and expected loss rates. CDF uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on CDF's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgements and analysis may lead to changes in the ECLs over time. The key judgement areas are the assumptions used to measure ECLs, including the use of forward-looking and macroeconomic information for individual and collective impairment assessment.

As at balance date, the existence of a novel Coronavirus and associated infectious disease known as COVID-19 has become widely known, and begun to rapidly spread throughout the world, including Australia. The CDF considers this to be a non-adjusting post balance sheet event. Since balance date this has caused increasing disruption to populations, and to business and economic activity. As this situation is rapidly developing, it is not yet practicable to estimate the potential impact this may have on the CDF.

#### *Lease term*

Whether CDF is reasonably certain to exercise extension option.

The following specific accounting policies have been adopted in the preparation of these statements.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

For cash and cash equivalents and trade and other payables the carrying value is deemed to be a reasonable approximation of fair value due to their short-term nature.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### *Financial Instruments*

##### **Recognition and initial measurement**

Financial assets of CDF include cash and cash equivalents, due from financial institutions, securities at amortised cost and loans and advances.

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when CDF becomes a party to the contractual provisions of the instrument.

Loans and advances without a significant financing component are initially measured at the transaction price.

##### **Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless CDF changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### *Business model assessment*

CDF makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to CDF's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with CDF's continuing recognition of the assets.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### **Financial Instruments (ctd.)**

##### **Classification and subsequent measurement (ctd.)**

###### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, CDF considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, CDF considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit CDF’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

CDF recognises its financial assets at amortised cost as they meet both of the following conditions and are not designated as at FVTPL:

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

##### **Subsequent measurement and gains and losses**

###### *Financial assets*

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities of CDF include lease liabilities, deposits and trade and other payables. CDF recognises the financial liabilities at amortised cost using the effective interest rate method as they are not classified as held-for-trading, not a derivative or not designated as such on initial recognition. Interest expense and foreign exchange gains and losses are recognised in profit or loss.



# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### **Financial Instruments (ctd.)**

##### **Derecognition**

###### *Financial assets*

CDF derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which CDF neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

###### *Financial liabilities*

CDF derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

##### **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, CDF has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### **Impairment**

CDF recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for financial assets at amortised cost are always measured at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to CDF in accordance with the contract and the cash flows that CDF expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### **Leases**

CDF has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately. The impact of CDF's adoption of AASB 16 from 1 July 2019 is disclosed in Changes in accounting policies.

###### *Policy applicable from 1 July 2019*

At inception of a contract, CDF assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, CDF uses the definition of a lease in AASB 16.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### ***Leases (ctd.)***

This policy is applied to contracts entered into, on or after 1 July 2019.

#### *As a lessee*

At commencement or on modification of a contract that contains a lease component, CDF allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property CDF has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The ROUA is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to CDF by the end of the lease term or the cost of the ROUA reflects that CDF will exercise a purchase option. In that case the ROUA will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROUA is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, CDF's incremental borrowing rate. Generally, CDF uses its incremental borrowing rate as the discount rate.

CDF determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that CDF is reasonably certain to exercise, lease payments in an optional renewal period if CDF is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless CDF is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in CDF's estimate of the amount expected to be payable under a residual value guarantee, if CDF changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 1. Statement of accounting policies (ctd.)

#### ***Leases (ctd.)***

##### *As a lessee (continued)*

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROUA or is recorded in profit or loss if the carrying amount of the ROUA has been reduced to zero.

CDF presents ROUAs and lease liabilities separately on the statement of financial position.

##### *Short-term leases and leases of low-value assets*

CDF has elected not to recognise ROUAs and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. CDF recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### *Policy applicable before 1 July 2019*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### ***Provision for employee entitlements***

The Office of CDF is an agency of the Archdiocese of Sydney and as such Archbishop Anthony Fisher OP, as legal representative of the Archdiocese employs all staff in the Office of CDF.

Provision is made for the employee entitlements of those staff employed in the Office of CDF, for annual leave due at balance date, in accordance with legislative requirements or terms of employment.

Long service leave has been provided on a pro-rata basis for all employees and is accrued from the date of employment, including associated on-costs. Long service leave is valued as 100% of the liability amount as at 30 June 2020 and is not discounted to reflect the time value of money.

#### ***Provision for distributions***

The Board has adopted a policy based on distributing 75% of CDF's annual surplus that determines the amount of the distributions to be paid to the Archdiocese of Sydney and Parishes each year. The policy also prescribes when any payments are to be made.

The Archbishop has ratified and approved the policy.

A provision is maintained for any distributions approved but unpaid - see Note 13.

#### ***Finance income and finance costs***

CDF's finance income and finance expense includes:

- interest income on funds invested and on related party loans; and
- interest expense.

Interest income or expense is recognised using the effective interest rate method.

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 1. Statement of accounting policies (ctd.)

##### ***Finance income and finance costs (ctd.)***

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

##### ***Depreciation of plant and equipment***

Depreciation is used to write off the cost of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.

Motor vehicles are depreciated at 20% of cost; all other remaining assets are depreciated at 33.33% of cost.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

##### ***Income tax***

No provision for income tax is made in the financial statements as CDF is exempt from tax.

##### ***Goods and services tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not fully recoverable from the Australian Taxation Office (ATO). 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 are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to the ATO is included as an asset or liability in the statement of financial position.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

	2020 \$	2019 \$
<b>2. Net interest revenue</b>		
Interest income using effective interest rate method		
Due from financial institutions		
Cash at bank and at call deposits with Commonwealth Bank of Australia (CBA)	331,851	619,798
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)	5,564,031	11,488,444
	<u>5,895,882</u>	<u>12,108,242</u>
Securities at amortised cost		
FRNs	4,311,012	6,444,546
	<u>4,311,012</u>	<u>6,444,546</u>
Loans and advances		
Loans	22,147,884	22,397,906
	<u>22,147,884</u>	<u>22,397,906</u>
	<u>32,354,778</u>	<u>40,950,694</u>
Interest expense using effective interest rate method		
Deposits		
At call deposits	524,075	1,373,787
Fixed term deposits	10,142,542	16,440,310
Lease liabilities	28,465	-
	<u>10,695,082</u>	<u>17,814,097</u>
	<u>21,659,696</u>	<u>23,136,597</u>
<b>3. Net non - interest revenue</b>		
Facility commitment fees	517,555	628,640
Management fees	532,030	477,695
Other income	165,373	49,195
	<u>1,214,958</u>	<u>1,155,530</u>



## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

	2020 \$	2019 \$
<b>4. Expenses</b>		
<b>Salaries and associated costs</b>		
Salaries and benefits	1,345,049	1,213,730
Superannuation	112,568	105,249
Other staff costs	4,674	6,322
Insurance - workers' compensation	21,974	21,975
	<u>1,484,265</u>	<u>1,347,276</u>
<b>Property expenses</b>		
Rent - premises	-	174,986
Insurance - general	10,383	10,072
General property expenses	5,766	5,575
Light and power	9,117	8,909
	<u>25,266</u>	<u>199,542</u>
<b>Depreciation expense</b>		
Computer equipment	12,747	4,250
Software	54,881	11,970
Motor vehicles	22,844	24,833
Office equipment	-	3,818
Office furniture	-	5,195
ROUA	218,515	-
	<u>308,987</u>	<u>50,066</u>
<b>5. Auditor's remuneration</b>		
Audit services - current year	83,103	80,261
Audit services - prior year	770	
Other services	11,938	11,777
	<u>95,811</u>	<u>92,038</u>
<b>6. Due from financial institutions</b>		
At call deposits with Commonwealth Bank of Australia (CBA)	<u>20,005,178</u>	<u>32,022,101</u>
	<u>20,005,178</u>	<u>32,022,101</u>
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)	<u>276,496,105</u>	<u>318,383,080</u>
	<u>276,496,105</u>	<u>318,383,080</u>
	<u>296,501,283</u>	<u>350,405,181</u>
<i>Maturity analysis</i>		
At Call	20,005,178	32,022,101
Not longer than 3 months	243,476,460	309,368,699
Longer than 3 months and not longer than 12 months	33,019,645	9,014,381
	<u>296,501,283</u>	<u>350,405,181</u>

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

	2020 \$	2019 \$
<b>7. Securities at amortised cost and loans and advances</b>		
Securities at amortised cost		
FRNs with ADIs	102,409,226	147,849,751
FRNs with APRA regulated insurers	3,007,144	3,008,914
	<u>105,416,370</u>	<u>150,858,665</u>
Loans and advances		
Gross loans and advances	592,323,368	503,949,396
Less: loan loss provision	(2,659,907)	(2,381,810)
	<u>589,663,461</u>	<u>501,567,586</u>
	<u>695,079,831</u>	<u>652,426,251</u>
<i>Maturity analysis</i>		
Securities at amortised cost		
Not longer than 1 year	69,195,264	47,132,709
Longer than 1 year and not longer than 3 years	15,724,820	71,170,565
Longer than 3 years	20,496,286	32,555,391
	<u>105,416,370</u>	<u>150,858,665</u>
Loans and advances		
Overdrafts	7,489,722	3,589,952
Not longer than 3 months	9,442,525	22,203,963
Longer than 3 months and not longer than 12 months	26,380,464	23,336,930
Longer than 1 year and not longer than 5 years	209,728,668	181,281,395
Longer than 5 years	339,281,989	273,537,156
Less loan loss provision	(2,659,907)	(2,381,810)
	<u>589,663,461</u>	<u>501,567,586</u>
	<u>695,079,831</u>	<u>652,426,251</u>

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

	2020 \$	2019 \$
<b>8. Plant and equipment</b>		
Office furniture	76,893	76,893
Less: Accumulated Depreciation	(76,893)	(76,893)
	-	-
Office equipment	72,615	72,615
Less: Accumulated Depreciation	(72,615)	(72,615)
	-	-
Computer equipment	54,704	63,135
Less: Accumulated Depreciation	(53,619)	(57,755)
	1,085	5,380
Software	611,879	304,022
Less: Accumulated Depreciation	(320,210)	(267,489)
	291,669	36,533
Motor vehicles	113,906	113,906
Less: Accumulated Depreciation	(57,731)	(34,887)
	56,175	79,019
Office partitioning & fittings	132,137	132,137
Less: Accumulated Depreciation	(132,137)	(132,137)
	-	-
	348,929	120,932

#### (a) Movements in carrying amounts

	Balance at beginning of year \$	Additions \$	Disposals \$	Depreciation Expense \$	Balance at the end of Year \$
Computer equipment	5,380	8,452	-	(12,747)	1,085
Software	36,533	310,017	-	(54,881)	291,669
Motor vehicles	79,019	-	-	(22,844)	56,175
Total	120,932	318,469	-	(90,472)	348,929

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 9. Leases

*Leases as a lessee*

Information about leases for which CDF is a lessee is presented below:

#### (i) Right-of-use assets

ROUA related to leased properties that do not meet the definition of investment property are as follows:

	ROUA \$	Total \$
Recognition of ROUA on initial application of AASB 16 at 1 July 2019	874,060	874,060
Additions	-	-
Depreciation	(218,515)	(218,515)
<b>Balance at 30 June 2020</b>	<b>655,545</b>	<b>655,545</b>

#### (ii) Lease liabilities

	2020 \$	2019 \$
Lease liabilities	681,201	-
	<u>681,201</u>	<u>-</u>

Terms and conditions of outstanding lease liabilities are as follows:

	Currency	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
				Face value \$	Carrying amount \$	Face value \$	Carrying amount \$
Lease liabilities	AUD	4.75%	2023	730,028	681,201	-	-
				<u>730,028</u>	<u>681,201</u>	<u>-</u>	<u>-</u>

#### (iii) Amounts recognised in profit or loss

	\$
<b>2020 - Leases under AASB 16</b>	
Interest on lease liabilities	28,465
Expenses relating to short term leases (if applicable)	-
Expenses relating to leases of low value assets (if applicable) excluding short term lease of low value assets	-
<b>2019 - Operating leases under AASB 117</b>	
Lease expense	-
Contingent rent expense (if applicable)	-

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 9. Leases (ctd.)

#### (iv) Amounts recognised in statement of cash flows

		<b>2020</b>
		<b>\$</b>
Total cash outflow for leases		681,201
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>10. Other assets</b>		
Prepayments	127,232	87,438
GST receivable	10,496	19,159
	<u>137,728</u>	<u>106,597</u>
<b>11. Deposits</b>		
At call deposits		
Archdiocesan entities	157,575,440	166,641,022
Non-Archdiocesan entities	88,809,592	58,229,461
	<u>246,385,032</u>	<u>224,870,483</u>
Fixed term deposits		
Archdiocesan entities	560,363,848	568,834,013
Non-Archdiocesan entities	130,015,151	153,591,133
	<u>690,378,999</u>	<u>722,425,146</u>
	<u>936,764,031</u>	<u>947,295,629</u>
<i>Maturity analysis</i>		
At call	246,385,032	224,870,483
Not longer than 3 months	537,488,238	597,259,145
Longer than 3 months and not longer than 12 months	152,890,761	125,166,001
	<u>936,764,031</u>	<u>947,295,629</u>
<b>12. Trade and other payables</b>		
Creditors and accruals	764,560	596,307
	<u>764,560</u>	<u>596,307</u>

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

	2020 \$	2019 \$
<b>13. Provision for distributions</b>		
Opening approved unpaid distribution from previous year:	7,662,401	6,599,204
Add approved distributions:		
Archdiocese of Sydney	13,949,256	15,247,929
Parishes	906,777	891,550
	<u>14,856,033</u>	<u>16,139,479</u>
Less distributions paid:		
Archdiocese of Sydney	(15,459,130)	(14,221,162)
Parishes	(911,977)	(855,120)
	<u>(16,371,107)</u>	<u>(15,076,282)</u>
Closing unpaid distributions:	<u>6,147,327</u>	<u>7,662,401</u>
<b>14. Provisions</b>		
Provision for long service leave and other entitlements	355,507	324,740
Provision for annual leave	141,760	97,707
	<u>497,267</u>	<u>422,447</u>
<b>15. Employees</b>		
Number of employees at year end	<u>13</u>	<u>13</u>

#### Superannuation plans

CDF contributes to employee accumulated superannuation funds for all eligible employees based on various percentages of their gross salary, with a minimum contribution of 9.50% of gross salary (2019 - 9.50%).

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 16. Related party transactions

##### Advisory Board Members

The Advisory Board members who held Office during the year and as at 30 June 2020 were as follows:

Mr Robert Baker B.Bus, FCA GAICD (Audit Committee - Chair)

Reverend Lawrence Cauchi B.Th

Ms Rebecca Davies B.Ec, LLB (Hons) FAICD

Mr Michael Digges (Audit Committee - Member) (Nominations Committee - Member) (Loans Committee - Member)

Mr John Flynn (Chair) (Nominations Committee - Member) (Loans Committee - Member)

Very Reverend Dr Gerald Gleeson

Mr Glenn McLachlan B.Bus, ACA, F.Fin

Mr Neil Schafer (Audit Committee – Member) (Loans Committee - Member)

Ms Barbara Thompson B.Bus, MBA, Certificate in Governance for Not-for-Profits (Audit Committee - Member)

Ms Elizabeth Tydd LL.B, LL.M, Cert. Legal Practice, Grad. Cert. Corporate Governance, GAICD, Dip. Social Welfare

No remuneration was paid by CDF to any Board member for their services in respect to the office held.

##### Key management personnel

Mr Peter Bokeyar – General Manager

##### Controlling entities

The Catholic Development Fund - Archdiocese of Sydney (CDF) is a special fund vested in the Trustees of the Roman Catholic Church for the Archdiocese of Sydney, which is a body corporate under the provisions of the *Roman Catholic Church Trust Property Act 1936 (NSW)* as amended. The Archbishop exercises the control and management of the Fund with the assistance of the Board and the Financial Administrator.

The Archdiocese of Sydney and various other Catholic organisations within the Catholic Archdiocese of Sydney and other Catholic bodies, including Parishes, have deposits with and have obtained loans from CDF under normal commercial terms and conditions or as otherwise determined by the Board. From time to time, various Board Members and/or senior management may hold directorial positions with those organisations. The Board has a policy which requires relevant Board Members to declare any conflicts of interest as a result of their holding such positions. In the event of a conflict being declared the Board will determine if the member should remain in the meeting when the matter is discussed and/or if the member can participate in the vote.

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 16. Related party transactions (ctd.)

Aggregate amounts due to and from Archdiocesan entities are detailed in the relevant notes to the financial statements.

As detailed in Note 13 to the financial statements, payments were made to various Archdiocesan entities during the year representing distribution of CDF's surplus.

CDF paid rent on premises at Polding Centre to the Catholic Archdiocese of Sydney. The rent paid is on a commercial basis. Refer to Note 21.

From time to time, various agencies of the Archdiocese provide services to CDF and are paid on a commercial basis.

#### 17. Financial risk management

##### Overview

CDF's financial instruments consists of cash and cash equivalents, due from financial institutions, securities at amortised cost, loans and advances, lease liabilities, deposits and trade and other payables.

The main purpose of non-derivative financial instruments is to provide a source of finance and credit for capital and other expenditures in the work of the Church primarily within the Archdiocese of Sydney.

Derivatives may be used by CDF for hedging purposes on fixed rate loans. Such instruments include entering into arrangements to swap fixed interest rate income for variable interest rate income to hedge fixed rate loans.

##### (i) Financial risk exposures and management

CDF's lending, deposit-taking and investing activities expose it to the following risks from its use of financial instruments:

- Liquidity risk;
- Credit risk;
- Interest rate risk; and
- Other (market) price risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework.

To assist the Board in meeting its responsibilities the Board has established an Audit and Risk Committee (ARC). The ARC monitors, and if thought necessary, makes recommendations to the Board on the policies in relation to Balance Sheet Management; lending and credit risk management; investment management; and interest rate risk management.

The ARC also assesses the financial risk arising from CDF's operations and considers the adequacy of the measures taken to moderate those risks.

The ARC meets at least 4 times per year and regularly reports to the Board.

In accordance with Rule 3.2 of the Charter and Rules of CDF the Board has also appointed a Loans Committee (LC) to receive, consider and approve loan applications on behalf of the Board. The Board has also delegated to the General Manager the power to approve certain loans. All loans approved by the LC and the General Manager are subject to ratification by the Board and the Archbishop.



# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 17. Financial risk management (ctd.)

#### (ii) Capital adequacy

The Board have determined that CDF should maintain Capital of at least 8% of the risk weighted assets as defined in the Prudential Standards Policy. The level of Capital as at 30 June 2020 was 11.12% (30 June 2019 - 10.01%).

#### (iii) Liquidity risk

Liquidity risk is the risk that CDF will not be able to meet its financial obligations as they fall due. To limit this risk, management manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. (Refer to Note 11 for the maturity analysis on deposits.)

CDF limits its exposure to liquidity risk by:

- maintaining sufficient funds at call with CBA;
- matching the maturity of funds invested in term deposits with ADIs to known drawings from its major clients; and
- investing in investments that can be realised within a 3 month timeframe.

#### (iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to CDF. CDF has a policy of only dealing with credit worthy counterparties and ensuring CDF has adequate internal controls to mitigate the risk of financial loss to CDF.

CDF's Investment Policy specifies that CDF may only invest in the following:

##### (i) General

- Authorised Deposit-Taking Institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA) that have a Standard and Poors (S&P) (or equivalent) long term rating of BBB- or higher;
- bank bills, promissory notes or certificates of deposits, bonds and floating rate notes issued by an Australian owned bank that has a S&P (or equivalent) long term rating of BBB- or higher; or
- State or Commonwealth Government Bonds or Securities.

Additionally, the following limits have been set with regard to exposure limits to these counterparties and counterparty rating groups:

S&P long term rating		Limit of pools		
Rating range		Individual Issuer	Rating group	
From	To		Minimum	Maximum
AAA	AA-	50%	45%	100%
A+	A-	25%	0%	55%
BBB+	BBB-	15%	0%	30%

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 17. Financial risk management (ctd.)

##### (iv) Credit risk (ctd.)

###### (i) General

CDF's exposure per counterparty rating group for the General Investment pool at balance date was as follows:

S&P Rating	2020		2019	
	\$m	% of Total	\$m	% of Total
AA- to AAA	267,422	90%	276,993	79%
BBB- to BBB+	29,079	10%	73,412	21%
Total	296,501	100%	350,405	100%

During the 2019/2020 financial year there were no breaches in policy by rating or at the individual issuer level.

###### (ii) Other Investments

- investing in other than General Investments is only permitted with approval from the Board;
- investments in this category should be capable of being sold in the market within a timeframe of 3 months;
- the accumulated purchase price of investments in this pool cannot exceed the amount of the CDF's capital or \$150 million whichever is greater; or
- where an issuer does not have an S&P or equivalent rating it will be assumed to have a rating of BBB-.

Additionally, the following limits have been set with regard to exposure limits for this investment pool:

S&P long term rating		Limit of pools	
Rating range		Rating group	
From	To	Minimum	Maximum
AAA	A-	65%	100%
BBB+	BBB-	0%	35%

CDF's exposure per counterparty rating group for the other investment pool at balance date was as follows:

S&P Rating	2020		2019	
	\$m	% of Total	\$m	% of Total
AA- to AAA	102,397	97%	143,828	95%
BBB- to BBB+	3,019	3%	7,031	5%
Total	105,416	100%	150,859	100%

The total balance of FRNs is above the CDF's policy limit of \$150m due to the addition of accrued interest plus the net premium paid for these FRNs.

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 17. Financial risk management (ctd.)

##### (iv) Credit risk (ctd.)

###### (iii) Specific exclusions

Property, equities and collateralised debit obligations are specifically excluded.

Credit risk in loans receivable is managed by a careful evaluation of lending proposals by the General Manager, the Loans Committee and the Board. All loans require ratification by the Archbishop of the Archdiocese of Sydney.

The quality of the loan portfolio is monitored by the Board with regular reports from Management on overdrawn accounts, accounts in arrears and loans with larger exposures.

###### (iv) Impairment loss

Movement in impairment allowance on due from financial institutions, securities at amortised cost and loans and advances was as follows:

	2020 \$	2019 \$
Balance at 1 July	2,381,810	2,381,810
Impairment loss recognised	278,097	-
Amounts written off	-	-
Balance at 30 June	<u>2,659,907</u>	<u>2,381,810</u>

##### (v) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CDF is exposed to this risk as it raises deposits and also lends and invests funds.

To mitigate the interest rate risk arising from deposits raised, deposits are priced at variable and fixed rates with the maximum tenor limited to 12 months, for the majority the fixed rate deposits. Fixed rate deposits with a tenor of 1 to 5 years have been limited to 15% of the total of deposits. On the other hand, the majority of the funds lent are on a variable basis. In the event that funds are lent on a fixed rate basis, the fixed rate may be swapped for a variable rate. These arrangements are in respect to loans maturing between 1 to 5 years, and over 5 years as detailed below.

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 17. Financial risk management (ctd.)

##### (v) Interest rate risk (ctd.)

The following is the profile of CDF's exposure to interest rate risk as at balance date:

	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest	
			1 year or less		Over 1 to 5 years							
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
											%	%
<b>(i) Financial assets</b>												
Cash and cash equivalents	18,589,975	14,424,718	-	-	-	-	-	-	18,589,975	14,424,718	0.65%	1.49%
Due from financial institutions	20,005,178	32,022,101	276,496,105	318,383,080	-	-	-	-	296,501,283	350,405,181	1.43%	2.57%
Securities at amortised cost	105,416,370	150,858,665	-	-	-	-	-	-	105,416,370	150,858,665	2.99%	4.07%
Loans and advances	589,663,461	501,567,586	-	-	-	-	-	-	589,663,461	501,567,586	4.03%	4.79%
<b>Total financial assets</b>	<b>733,674,984</b>	<b>698,873,070</b>	<b>276,496,105</b>	<b>318,383,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,010,171,089</b>	<b>1,017,256,150</b>		
<b>(ii) Financial liabilities</b>												
Lease liabilities	681,201	-	-	-	-	-	-	-	681,201	-	-	-
Deposits	246,385,032	224,870,483	690,378,999	722,425,146	-	-	-	-	936,764,031	947,295,629	1.04%	1.73%
Trade and other payables	-	-	-	-	-	-	764,560	596,307	764,560	596,307	-	-
<b>Total financial liabilities</b>	<b>247,066,233</b>	<b>224,870,483</b>	<b>690,378,999</b>	<b>722,425,146</b>	<b>-</b>	<b>-</b>	<b>764,560</b>	<b>596,307</b>	<b>938,209,792</b>	<b>947,891,936</b>		

## Catholic Development Fund - Archdiocese of Sydney

### Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

#### 17. Financial risk management (ctd.)

##### (vi) Net fair value

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	2020		2019	
	Carrying amount	Net fair value	Carrying amount	Net fair value
<i>Financial assets</i>				
Cash and cash equivalents	18,589,975	18,589,975	14,424,718	14,424,718
Due from financial institutions	296,501,283	296,501,283	350,405,181	350,405,181
Securities at amortised cost	105,416,370	105,142,028	150,858,665	152,557,561
Loans and advances	589,663,461	589,663,461	501,567,586	501,567,586
	1,010,171,089	1,009,896,747	1,017,256,150	1,018,955,046
<i>Financial liabilities</i>				
Lease liabilities	681,201	681,201	-	-
Deposits	936,764,031	936,764,031	947,295,629	947,295,629
Trade and other payables	764,560	764,560	596,307	596,307
	938,209,792	938,209,792	947,891,936	947,891,936

Fair values are materially in line with carrying values.

Financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. All financial assets measured at fair value through profit or loss are all measured using Level 2 of the hierarchy, being valuation techniques being the quoted price of unlisted investments at balance date.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 17. Financial risk management (ctd.)

#### (vii) Sensitivity analysis

##### *Interest rate sensitivity analysis*

CDF operates a variable book in respect to its assets. In relation to liabilities there is a fixed and variable component, however the majority of term deposits mature within 3 months. CDF is therefore in a position to re-price both its interest rates payable, within a relatively short period, on deposits and interest rates receivable on loans and advances, amounts due from financial institutions and securities at amortised costs to meet market movements in interest rates. Accordingly, the impact on the surplus and equity of CDF for a change in market interest rates would not be material in respect to the year ended 30 June 2020.

##### *Foreign currency sensitivity analysis*

At 30 June 2020, there is no effect on surplus and equity as a result of changes in the value of the Australian Dollar to the US Dollar or any other currency as instances where CDF operates in foreign currency is very occasional and is completed at spot rates for client transactions. Therefore, no sensitivity analysis has been performed.

##### *Price risk sensitivity analysis*

At 30 June 2020, the effect on surplus and equity as a result of changes in the price risk is considered negligible as very few prices of services and commodities effect CDF's operation. Therefore, no sensitivity analysis has been performed.

### 18. Cash inflow information

#### (a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call and those that mature in less than 3 months, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown on the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020 \$	2019 \$
Cash and cash equivalents	18,589,976	14,424,718
	<u>18,589,976</u>	<u>14,424,718</u>

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 18. Cash inflow information (ctd.)

	2020 \$	2019 \$
<b>(b) Reconciliation of net cash flows provided by operating activities to operating surplus</b>		
Operating surplus	19,808,044	21,519,309
(Increase)/decrease in interest receivable	-	4,016,473
Increase/(decrease) in interest payable	-	(3,397,463)
Decrease/(increase) in loans and advances	(88,373,972)	(84,142,935)
(Decrease)/increase in deposits	(10,531,598)	24,019,162
(Increase)/decrease in other assets	(31,131)	76,229
Increase/(decrease) in provision for impairment	278,097	-
Increase/(decrease) in creditors and accruals	168,253	(104,601)
(Decrease)/increase in provision for employee entitlements	74,820	54,940
Depreciation expense	308,987	50,066
Net cash flows provided by/(used in) operating activities	<u>(78,298,500)</u>	<u>(37,908,820)</u>

### 19. Commitments to extend credit

The following loans approved at 30 June 2020 had not been drawn at that date.

Archdiocesan Loans (including undrawn overdrafts)	85,844,914	81,976,671
Non-Archdiocesan Loans (including undrawn overdrafts)	214,131,459	266,131,217
	<u>299,976,373</u>	<u>348,107,888</u>

### 20. Contingent liabilities

The maximum exposure on a daily basis of contingent liabilities, not provided for in the accounts arising from the conduct of client encashment, bank guarantees, payroll and corporate credit card facilities through CBA for 2020 is \$12,229,169 (2019 - \$13,004,830).

Within the agreement with CBA is an undertaking by CDF to honour amounts up to specified limits for facilities provided to clients of the CDF. Separate limits are specified for each facility provided, on a client by client basis.

CDF holds an indemnity from the Catholic Development Fund Diocese of Broken Bay for facilities conducted through CBA on its behalf.

Of the maximum exposure on a daily basis reported above \$1,700,989 relates to the Catholic Development Fund Diocese of Broken Bay for 2020. (2019 - \$1,693,689).

### 21. Commitments

At the end of reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

Not later than one year	236,186	229,307
Later than one year but not later than five years	493,842	730,028
	<u>730,028</u>	<u>959,335</u>

From 1 July 2019, CDF has recognised ROUA for leases, except for short-term leases and low-value leases, see Changes in accounting policies and Note 9.

# Catholic Development Fund - Archdiocese of Sydney

## Notes to and forming part of the Financial Statements (ctd.)

For the year ended 30 June 2020

### 22. Supplementary information

#### Principal activity

The principal activities of the Catholic Development Fund - Archdiocese of Sydney (CDF) are:

- to provide a source of finance and credit for capital and other expenditures in the work of the Catholic Church primarily within the Archdiocese of Sydney;
- to assist in the provision of better financial management of the investments and assets of the Archdiocese, parishes and other Catholic Church entities; and
- to provide a means of promoting the charitable and educational activities of the Archdiocese.

#### Principal place of business

Level 15  
Polding Centre  
133 Liverpool Street  
SYDNEY NSW 2000

#### Legal form

The Catholic Development Fund - Archdiocese of Sydney (CDF) is a special Fund created under a Charter on 1 April 1993 (as amended 2010) and is vested in the Trustees of the Roman Catholic Church for the Archdiocese of Sydney, a Body Corporate created under the provisions of the *Roman Catholic Church Trust Property Act 1936 (NSW)* as amended.

The Catholic Development Fund - Archdiocese of Sydney (CDF) is not prudentially supervised by the Australian Prudential Regulation Authority nor has it been examined or approved by the Australian Securities and Investments Commission. An investor in the CDF will not receive the benefit of the financial claims scheme or the depositor protection provisions in the *Banking Act 1959* (Cth). Investments in the CDF are intended to be a means for investors to support the charitable, religious and educational works of the Archdiocese of Sydney and for whom the consideration of profit are not of primary relevance in the investment decision. The investments that the CDF offers are not subject to the usual protections for investors under the *Corporations Act* (Cth) or regulation by the Australian Securities and Investments Commission. Investors may be unable to get some or all of their money back when the investor expects or at all and any investment of the CDF are not comparable to investments with banks, finance companies or fund managers. CDF's identification statement may be viewed at [www.sydneycdf.org.au](http://www.sydneycdf.org.au) or by contacting CDF on (02) 9390 5200. The CDF does not hold an Australian Financial Services Licence.

### 23. Regulatory exemptions and status

#### *Banking Act 1959 (Act)*

On 14 December 2017 APRA issued a new exemption order, Banking exemption No.1 of 2017, which took effect from 1 January 2018. Under Banking exemption No.1 of 2016, Sections 7 and 8 of the *Banking Act 1959*, do not apply to CDF provided that CDF complies with the conditions specified in the exemption order.

#### *Corporations Act 2001 (Act) - Exemption Instrument 2016/813*

The Australian Securities and Investments Commission (ASIC) has provided an exemption instrument -2016/813 to CDPF Limited (CDPF), a company owned by the Australian Catholic Bishops Conference. CDF has relief from the sections of the Act, as specified in exemption instrument 2016/813, through a Sponsor Deed from CDPF.

#### *Australian Charities and Not-For-Profit Commission (Act)*

CDF is a registered entity under the Act and has the status of a Basic Religious Charity.

### 24. Subsequent events

There were no other subsequent events other than those noted in these financial statements.



## Catholic Development Fund - Archdiocese of Sydney

### Statement by Approved Officers

We, state to the best of our knowledge and belief that the attached financial statements for the Catholic Development Fund – Archdiocese of Sydney (CDF) give a true and fair view of the performance of CDF for the year ended 30 June, 2020 and its financial position as at that date.


In our opinion there are reasonable grounds to believe that CDF will be able to pay its debts as and when they become payable.

This declaration is made in accordance with a resolution of the Board.

  
.....  
Mr John Flynn (Chairman)  
On Behalf of Board – Catholic Development Fund – Archdiocese of Sydney

17 September 2020

.....  
Date

  
.....  
Mr Peter Bokeyar  
General Manager – Catholic Development Fund – Archdiocese of Sydney

17 September 2020

.....  
Date



# Independent Auditor's Report

To the Archbishop of the Roman Catholic Church of the Archdiocese of Sydney

## Opinion

We have audited the **Financial Report** of Catholic Development Fund – Archdiocese of Sydney (Sydney CDF).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of Sydney CDF as at 30 June 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the accounting policies described in Note 1 to the financial statements.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2020;
- Statement of comprehensive income, Statement of changes in equity, and Statement of changes in cash flows for the year then ended on 30 June 2020; and
- Notes to and forming part of the financial statements.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Sydney CDF in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 1 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared to assist the Approved Officers of Sydney CDF to meet the needs of the Archbishop of the Roman Catholic Church of the Archdiocese of Sydney.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for Catholic Development Fund - Archdiocese of Sydney and should not be used by or distributed to parties other than the Catholic Development Fund - Archdiocese of Sydney. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Catholic Development Fund - Archdiocese of Sydney for any other purpose than that for which it was prepared.

## Other Information

Other Information is financial and non-financial information in Sydney CDF's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Approved Officers are responsible for the Other Information.



Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

#### Responsibilities of Approved Officers for the Financial Report

The Approved Officers are responsible for:

- the preparation and fair presentation of the Financial Report and have determined that the basis of preparation described in Note 1 to the Financial Report is appropriate to meet the needs of the Archbishop of the Roman Catholic Church of the Archdiocese of Sydney;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Sydney CDF's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Sydney CDF or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar4\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar4_2020.pdf). This description forms part of our Auditor's Report.

KPMG

Duncan McLennan  
Partner

Sydney  
17 September 2020