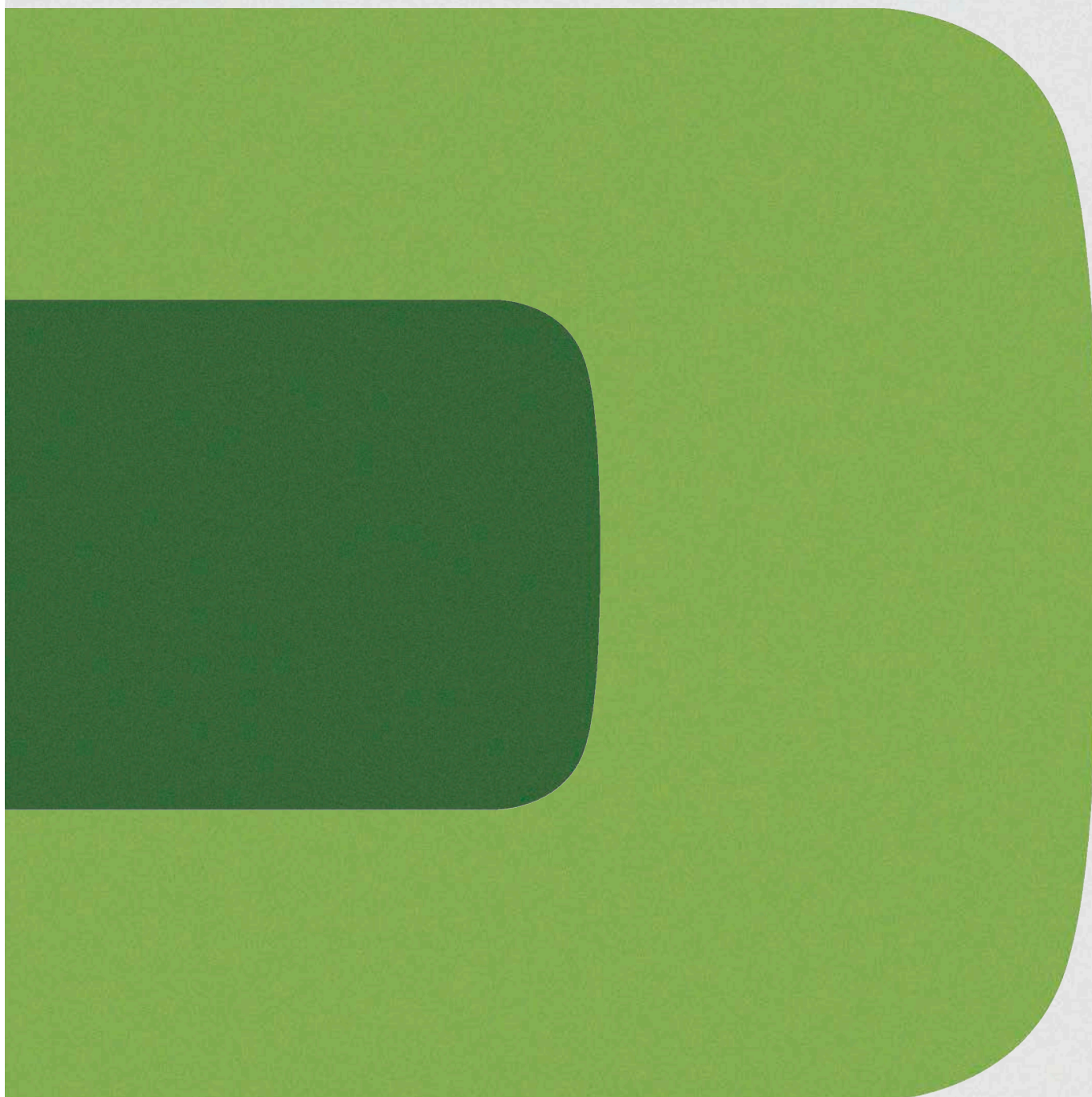




**catholicdevelopmentfund**

ARCHDIOCESE OF SYDNEY

# 2019 ANNUAL REPORT



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## MESSAGE FROM THE ARCHBISHOP

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

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 2019 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.

The 2019 results clearly demonstrate the CDF is prudentially sound and strong. I am delighted to announce a net surplus of \$21.5 million. This is the largest since our inception in 1993. We are very proud of this exceptional result, particularly as margins continue to tighten across

the finance industry. This surplus allowed the CDF to distribute a substantial \$15.1 million to the Archdiocese and the Parishes. The balance of the surplus was added to reserves, which now stand at \$61.5 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.

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:

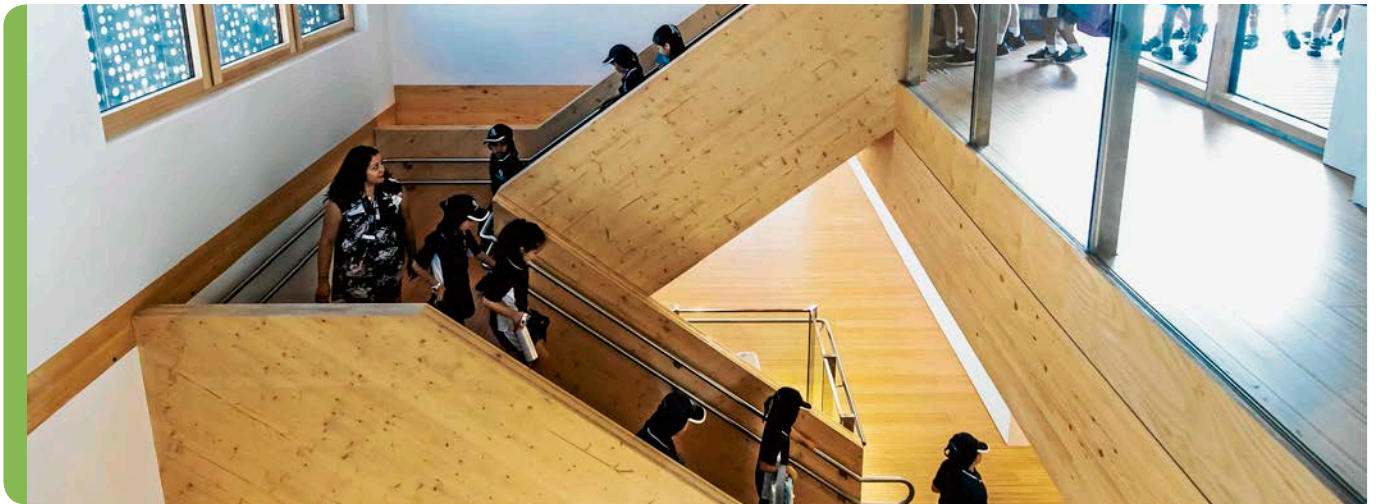
- Parish related initiatives
- Catholic Schools and education related projects
- Aged care accommodation
- Hospitals and related facilities
- Catholic Universities
- Other Church related projects
- Clergy car purchases and approved study courses.

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

- BPay Biller and Payer
- Credit Cards
- Merchant transaction processing through EFTPOS 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 within 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.



## **catholicdevelopmentfund**

**ARCHDIOCESE OF SYDNEY** Level 15, Polding Centre  
133 Liverpool Street, Sydney NSW 2000, Australia

**T:** 02 9390 5200   **F:** 02 9261 1271   **E:** [enquiries@sydneycdf.org.au](mailto:enquiries@sydneycdf.org.au)   **www.**[sydneycdf.org.au](http://www.sydneycdf.org.au)

### **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.

CDF-074/SEP18



**catholicdevelopmentfund**

ARCHDIOCESE OF SYDNEY

**Special Purpose Financial Statements for the year ended  
30 June 2019**



# Catholic Development Fund - Archdiocese of Sydney

## Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
<b>REVENUE</b>			
Interest income using effective interest rate method		40,950,694	38,694,510
Interest expense using effective interest rate method		(17,814,097)	(17,833,735)
<b>NET INTEREST REVENUE</b>	2	<u>23,136,597</u>	<u>20,860,775</u>
<b>NET NON - INTEREST REVENUE</b>	3	<u>1,155,530</u>	<u>1,198,123</u>
<b>TOTAL REVENUE</b>		<u>24,292,127</u>	<u>22,058,898</u>
<b>EXPENSES</b>			
Salaries and associated costs	4	(1,347,276)	(1,256,279)
Property expenses	4	(199,542)	(195,524)
Depreciation expense	4	(50,066)	(29,895)
Equipment and technology expenses		(498,147)	(151,624)
General administration expenses		(60,189)	(52,977)
Assurance and professional expenses		(453,844)	(460,362)
Client services expenses		(101,999)	(90,517)
Promotional expenses		(56,155)	(28,432)
Board expenses		(5,600)	(6,282)
<b>TOTAL EXPENSES</b>		<u>(2,772,818)</u>	<u>(2,271,892)</u>
<b>LOAN IMPAIRMENT EXPENSE</b>		<u>-</u>	<u>-</u>
<b>SURPLUS FOR THE YEAR</b>		<u>21,519,309</u>	<u>19,787,006</u>

The notes on pages 13 to 38 are an integral part of these financial statements.

# Catholic Development Fund - Archdiocese of Sydney

## Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
Cash and cash equivalents		14,424,718	6,068,781
Accrued receivables		N/A	4,016,473
Due from financial institutions	6	350,405,181	412,500,000
Securities at amortised cost	7	150,858,665	N/A
Loans and advances	7	501,567,586	N/A
Loans and receivables	7	N/A	569,975,499
Plant and equipment	8	120,932	106,845
Other assets	9	106,597	182,826
<b>TOTAL ASSETS</b>		<u>1,017,483,679</u>	<u>992,850,424</u>
<b>LIABILITIES</b>			
Deposits	10	947,295,629	923,276,467
Trade and other payables	11	596,307	4,098,371
Provision for distributions	12	7,662,401	6,599,204
Provisions	13	422,447	367,507
<b>TOTAL LIABILITIES</b>		<u>955,976,784</u>	<u>934,341,549</u>
<b>NET ASSETS</b>		<u>61,506,895</u>	<u>58,508,875</u>
<b>EQUITY</b>			
Retained earnings		61,506,895	58,508,875
<b>TOTAL EQUITY</b>		<u>61,506,895</u>	<u>58,508,875</u>

The notes on pages 13 to 38 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 2019

	Note	Retained earnings \$	Total equity \$
Balance as at 1 July 2017		53,562,125	53,562,125
Surplus for the year		19,787,006	19,787,006
Distributions		(14,840,256)	(14,840,256)
<b>Balance as at 30 June 2018</b>		<b>58,508,875</b>	<b>58,508,875</b>
Balance as at 30 June 2018		58,508,875	58,508,875
Changes on initial application of AASB 9	1	(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	12	(16,139,479)	(16,139,479)
<b>Balance as at 30 June 2019</b>		<b>61,506,895</b>	<b>61,506,895</b>

The notes on pages 13 to 38 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 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Interest received on loans and advances		23,791,881	19,625,068
Interest received on securities at amortised cost		6,941,968	6,219,859
Interest received on amounts due from financial institutions		14,233,316	13,088,926
Net (increase) in loans and advances		(84,142,935)	(14,026,915)
Net increase in deposits		24,019,162	3,010,480
Other income		1,155,530	1,200,491
Interest paid on deposits		(21,211,560)	(17,936,752)
Cash paid to suppliers and employees		(2,696,182)	(2,243,580)
<b>Net cash flows (used in)/provided by operating activities</b>	17(b)	<u>(37,908,820)</u>	<u>8,937,577</u>
<b>Cash flows from investing activities</b>			
Net decrease in amounts due from financial institutions		62,094,819	(6,500,000)
Net (increase)/decrease in securities at amortised cost		(689,627)	7,653
Payments for plant and equipment		(67,050)	(79,108)
Proceeds from sale of equipment		2,897	11,364
<b>Net cash provided by/(used in) investing activities</b>		<u>61,341,039</u>	<u>(6,560,091)</u>
<b>Cash flows from financing activities</b>			
Distributions to Archdiocese of Sydney		(14,221,162)	(13,461,504)
Distributions to Parishes		(855,120)	(859,660)
<b>Net cash flows used in financing activities</b>		<u>(15,076,282)</u>	<u>(14,321,164)</u>
<b>Net decrease in cash and cash equivalents</b>		8,355,937	(11,943,678)
Cash at beginning of year		6,068,781	18,012,459
<b>Cash at end of year</b>	17(a)	<u>14,424,718</u>	<u>6,068,781</u>

The prior period (2018) has been restated to reclassify terms deposit and at call funds with a maturity of less than three months to Cash flows from investing activities. 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 38 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 2019

### 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 19 September 2019.

#### 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 costs.

#### 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.

#### 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 2019

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

#### Changes in accounting policies

CDF has initially applied AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial instruments* from 1 July 2018. Due to the transition methods chosen by CDF in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

#### AASB 15 *Revenue from contracts with customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. The adoption of AASB 15 did not have a significant impact on CDF's results or financial position.

#### AASB 9 *Financial instruments*

Effective 1 July 2018, CDF adopted AASB 9 *Financial instruments* which sets out requirements for the recognition, measurement, impairment and derecognition of financial instruments and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortised cost or at fair value as opposed to the multiple classifications which were permitted under AASB 139 *Financial instruments: Recognition and measurement*. This standard also requires the use of a single impairment method as opposed to the multiple methods in AASB 139. The approach in AASB 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under AASB 139 are classified as financial assets measured at amortised cost. There is no change to the initial measurement of CDF's financial assets. Impairment of financial assets is based on an expected credit loss (ECL) model under AASB 9, rather than the incurred loss model under AASB 139. ECLs are a probability-weighted estimate of credit losses. CDF calculated ECLs based on consideration of customer-specific factors and actual credit loss experience. As a percentage of revenue, CDF's actual credit loss experience has not been material.

The adoption of AASB 9 has not had an effect on CDF's accounting policies related to financial liabilities.

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

##### Changes in accounting policies (ctd.)

AASB 9 *Financial Instruments* (Ctd.)

CDF completed a detailed assessment of its financial assets and liabilities as at 1 July 2018.

##### Transition

The following table reconciles the carrying amounts under AASB 139 to the carrying amounts under AASB 9 on transition to AASB 9 on 1 July 2018:

	Carrying amount 30 June 2018 AASB 139 \$	Reclassification for AASB 9 \$	Remeasurement for AASB 9 \$	Reclassification of accrued interest \$	Carrying amount 1 July 2018 AASB 9 \$
Cash and cash equivalent	6,068,781	-	-	13,856	6,082,637
Accrued receivables	4,016,473	-	-	(4,016,473)	N/A
Due from financial institutions <sup>(1)</sup>	412,500,000	-	-	2,111,219	414,611,219
Securities on amortised cost	N/A	150,169,038	-	497,422	150,666,460
Loans and advances	N/A	419,806,461	(2,381,810)	1,393,976	418,818,627
Loans and receivables	569,975,499	(569,975,499)	-	-	N/A
<b>Total</b>	<b>992,560,753</b>	<b>-</b>	<b>(2,381,810)</b>	<b>-</b>	<b>990,178,943</b>
Deposits	923,276,467	-	-	3,397,463	926,673,930
Trade and other payables	4,098,371	-	-	(3,397,463)	700,908
<b>Total</b>	<b>927,374,838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>927,374,838</b>

1. Previously classified as investment securities.

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

##### Changes in accounting policies (ctd.)

AASB 9 *Financial Instruments* (Ctd.)

##### Classification and measurement

The following table shows the original measurement categories in accordance with AASB 139 and the new measurement categories under AASB 9 for CDF's financial assets and financial liabilities as at 1 July 2018:

	Note	Original measurement under AASB 139	Original carrying amount under AASB 139 \$	New carrying amount under AASB 9 \$	New measurement under AASB 9
Cash and cash equivalents		Amortised cost	6,068,781	6,082,637	Amortised cost
Accrued receivables		Amortised cost	4,016,473	N/A	N/A
Due from financial institutions <sup>(1)</sup>	6	Amortised cost	412,500,000	414,611,219	Amortised cost
Securities on amortised cost	7	N/A	N/A	150,666,460	Amortised cost
Loans and advances	7	N/A	N/A	418,818,627	Amortised cost
Loans and receivables	7	Amortised cost	569,975,499	N/A	N/A
<b>Total</b>			<b>992,560,753</b>	<b>990,178,943</b>	
Deposits	10	Amortised cost	923,276,467	926,673,930	Amortised cost
Trade and other payables	11	Amortised cost	4,098,371	700,908	Amortised cost
<b>Total</b>			<b>927,374,838</b>	<b>927,374,838</b>	

1. Previously classified as investment securities.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

#### Changes in accounting policies (ctd.)

AASB 9 *Financial Instruments* (Ctd.)

#### Impairment

As a result of the new AASB 9 impairment requirements, the loan loss provision increased by \$2.4 million.

The following table reconciles:

- The closing impairment allowance for loans and advances as at 30 June 2018
- The opening ECL allowance determined in accordance with AASB 9 as at 1 July 2018.

	30 June 2018		1 July 2018
	AASB 139	Remeasurement	AASB 9
	\$	\$	\$
Loans and advances	-	2,381,810	2,381,810
<b>Total</b>	<b>-</b>	<b>2,381,810</b>	<b>2,381,810</b>

The split of ECL to different stages of CDF's loans and advances portfolio is further detailed in the table below:

	Loan loss provision under AASB 139	AASB 9 impairment stages	AASB 9 ECL increase	AASB 9 ECL
	\$		\$	\$
Incurred but not reported	-	Stage 1 - 12 months ECL	2,381,810	2,381,810
<b>Total</b>	<b>-</b>	<b>Total</b>	<b>2,381,810</b>	<b>2,381,810</b>

#### Presentation

AASB 9 resulted in changes to AASB 7 *Financial instrument: Disclosures* for the presentation of interest income for instruments calculated using the effective interest rate method. The revised presentation requires it be shown as a separate line item in the income statement. The presentation of accrued interest in the balance sheet was also changed so that it is no longer separately presented, but included in the corresponding balance sheet item of the host contract. The new interest presentation was applied prospectively together with the other requirements of AASB 9.

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

The 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 16 *Leases*

AASB 16 removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. Organisations will now require a front loaded pattern of expense for most leases, even when they pay constant annual rentals. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The CDF has assessed the impact of AASB 16 on its Financial Statements and will adopt a modified retrospective approach. There will be no restatement of the comparative year, rather a cumulative adjustment of \$32,897 to the CDF's retained earnings as at 1 July 2019.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

### 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 ECL for financial assets assessed for impairment both individually and collectively. The ECL for financial assets is based on assumptions about 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 ECL over time. The key judgement areas are the assumptions used to measure expected credit losses, including the use of forward-looking and macroeconomic information for individual and collective impairment assessment.

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

#### **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.



# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

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

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

##### *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.

##### *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.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

### 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 (ctd.)*

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its 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 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.

Financial liabilities are classified as current liabilities unless CDF has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

##### **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 currently 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.

##### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

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

#### ***Impairment***

CDF recognises loss allowances for ECL 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.

#### ***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 2019 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 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 12.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

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

CDF's finance income and finance expense include:

- 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.

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 fixed assets***

Depreciation is used to write off the cost of fixed assets 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 a current 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 2019

	2019 \$	2018 \$
<b>2. Net interest revenue</b>		
Interest income using effective interest rate method		
Due from financial institutions <sup>(1)</sup>		
Cash at bank and at call deposits with Commonwealth Bank of Australia (CBA)	619,798	595,084
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)	11,488,444	12,107,806
	<u>12,108,242</u>	<u>12,702,890</u>
Securities at amortised cost		
FRNs	6,444,546	6,250,668
	<u>6,444,546</u>	<u>6,250,668</u>
Loans and advances		
Loans	22,397,906	19,740,952
	<u>22,397,906</u>	<u>19,740,952</u>
	<u>40,950,694</u>	<u>38,694,510</u>
1. Previously classified as investment securities.		
Interest expense using effective interest rate method		
Deposits		
At call deposits	1,373,787	1,434,090
Fixed term deposits	16,440,310	16,399,645
	<u>17,814,097</u>	<u>17,833,735</u>
	<u>23,136,597</u>	<u>20,860,775</u>
<b>3. Net non - interest revenue</b>		
Facility commitment fees	628,640	746,165
Management fees	477,695	401,670
Other income	49,195	50,288
	<u>1,155,530</u>	<u>1,198,123</u>



# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

	2019 \$	2018 \$
<b>4. Expenses</b>		
<b>Salaries and associated costs</b>		
Salaries and benefits	1,213,730	1,137,553
Superannuation	105,249	99,702
Other staff costs	6,322	3,989
Insurance - workers' compensation	21,975	15,035
	<u>1,347,276</u>	<u>1,256,279</u>
<b>Property expenses</b>		
Rent - premises	174,986	166,051
Insurance - general	10,072	14,507
General property expenses	5,575	6,041
Light and power	8,909	8,925
	<u>199,542</u>	<u>195,524</u>
<b>Depreciation expense</b>		
Computer equipment	4,250	6,849
Software	11,970	742
Motor vehicles	24,833	18,874
Office equipment	3,818	3,430
Office furniture	5,195	-
	<u>50,066</u>	<u>29,895</u>
<b>5. Auditor's remuneration</b>		
Audit services - current year	80,261	84,990
Other services	11,777	9,630
	<u>92,038</u>	<u>94,620</u>
<b>6. Due from financial institutions <sup>(1)</sup></b>		
At call deposits with Commonwealth Bank of Australia (CBA)	32,022,101	20,000,000
	<u>32,022,101</u>	<u>20,000,000</u>
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)		
	318,383,080	392,500,000
	<u>318,383,080</u>	<u>392,500,000</u>
	<u>350,405,181</u>	<u>412,500,000</u>
<b>Maturity analysis</b>		
At call	32,022,101	20,000,000
Not longer than 3 months	309,368,699	285,500,000
Longer than 3 months and not longer than 12 months	9,014,381	107,000,000
	<u>350,405,181</u>	<u>412,500,000</u>

1. Previously classified as investment securities.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

	2019 \$	2018 <sup>(1)</sup> \$
<b>7. Securities at amortised cost and loans and advances</b>		
Securities at amortised cost		
FRNs with ADIs	147,849,751	147,163,939
FRNs with APRA regulated insurers	3,008,914	3,005,099
	<u>150,858,665</u>	<u>150,169,038</u>
Loans and advances		
Gross loans and advances	503,949,396	419,806,461
Less: loan loss provision <sup>(2)</sup>	(2,381,810)	-
	<u>501,567,586</u>	<u>419,806,461</u>
	<u>652,426,251</u>	<u>569,975,499</u>
1. Previously classified as loans and receivables.		
2. Adjusted for the application of AASB 9 at 1 July 2018.		
<i>Maturity analysis</i>		
Securities at amortised cost		
Not longer than 1 year	47,132,709	33,981,701
Longer than 1 year and not longer than 3 years	71,170,565	116,187,337
Longer than 3 years	32,555,391	-
	<u>150,858,665</u>	<u>150,169,038</u>
Loans and advances		
Overdrafts	3,589,952	2,331,547
Not longer than 3 months	22,203,963	8,703,304
Longer than 3 months and not longer than 12 months	23,336,930	59,166,019
Longer than 1 year and not longer than 5 years	181,281,395	150,132,012
Longer than 5 years	273,537,156	199,473,579
Less loan loss provision	(2,381,810)	-
	<u>501,567,586</u>	<u>419,806,461</u>
	<u>652,426,251</u>	<u>569,975,499</u>

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

	2019 \$	2018 \$
<b>8. Plant and equipment</b>		
Office furniture	76,893	71,697
Less: Accumulated Depreciation	(76,893)	(71,697)
	-	-
Office equipment	72,615	73,754
Less: Accumulated Depreciation	(72,615)	(69,936)
	-	3,818
Computer equipment	63,135	63,135
Less: Accumulated Depreciation	(57,755)	(53,505)
	5,380	9,630
Software	304,022	256,768
Less: Accumulated Depreciation	(267,489)	(255,520)
	36,533	1,248
Motor vehicles	113,906	130,593
Less: Accumulated Depreciation	(34,887)	(38,444)
	79,019	92,149
Office partitioning & fittings	132,137	132,137
Less: Accumulated Depreciation	(132,137)	(132,137)
	-	-
	120,932	106,845

#### (a) Movements in carrying amounts

	Balance at beginning of year \$	Additions \$	Disposals \$	Depreciation Expense \$	Balance at the end of Year \$
Office furniture	-	5,195	-	(5,195)	-
Office equipment	3,818	-	-	(3,818)	-
Computer equipment	9,630	-	-	(4,250)	5,380
Software	1,248	47,255	-	(11,970)	36,533
Motor vehicles	92,149	14,600	(2,897)	(24,833)	79,019
Total	106,845	67,050	(2,897)	(50,066)	120,932

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

	2019 \$	2018 \$
<b>9. Other assets</b>		
Prepayments	87,438	158,575
GST receivable	19,159	24,251
	<u>106,597</u>	<u>182,826</u>
<b>10. Deposits</b>		
At call deposits		
Archdiocesan entities	166,641,022	226,956,855
Non-Archdiocesan entities	58,229,461	46,094,562
	<u>224,870,483</u>	<u>273,051,417</u>
Fixed term deposits		
Archdiocesan entities	568,834,013	494,120,196
Non-Archdiocesan entities	153,591,133	156,104,854
	<u>722,425,146</u>	<u>650,225,050</u>
	<u>947,295,629</u>	<u>923,276,467</u>
<i>Maturity analysis</i>		
At call	224,870,483	273,051,417
Not longer than 3 months	597,259,145	413,898,987
Longer than 3 months and not longer than 12 months	125,166,001	236,326,063
	<u>947,295,629</u>	<u>923,276,467</u>
<b>11. Trade and other payables</b>		
Creditors and accruals	596,307	700,908
Accrued interest on deposits	N/A	3,397,463
	<u>596,307</u>	<u>4,098,371</u>

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

	2019 \$	2018 \$
<b>12. Provision for distributions</b>		
Opening approved unpaid distribution from previous year:	6,599,204	6,080,112
Add approved distributions:		
Archdiocese	15,247,929	13,986,183
Parishes	891,550	854,073
	<u>16,139,479</u>	<u>14,840,256</u>
Less distributions paid:		
Archdiocese	(14,221,162)	(13,531,504)
Parishes	(855,120)	(789,660)
	<u>(15,076,282)</u>	<u>(14,321,164)</u>
Closing unpaid distributions:	<u>7,662,401</u>	<u>6,599,204</u>
<b>13. Provisions</b>		
Provision for long service leave and other entitlements	324,740	278,478
Provision for annual leave	97,707	89,029
	<u>422,447</u>	<u>367,507</u>
<b>14. Employees</b>		
Number of employees at year end	<u>13</u>	<u>11</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 (2018 - 9.50%).



## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

#### 15. Related party transactions

##### **Advisory Board Members**

The Advisory Board members who held Office during the year and as at 30 June 2019 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, CA, 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 2019

#### 15. 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 12 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 20.

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

#### 16. 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 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:

- Credit risk;
- Interest rate risk;
- Liquidity 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 the 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 2019

### 16. 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 2019 was 10.01% (30 June 2018 - 11.28%).

#### (iii) 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%

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

S&P Rating	2019		2018	
	\$m	% of Total	\$m	% of Total
AA- to AAA	276,993	79%	349,569	84%
A- to A+	-	0%	-	0%
BBB- to BBB+	73,412	21%	69,000	16%
Total	350,405	100%	418,569	100%

During the 2018/2019 financial year there were no breaches in policy b rating or at the individual issuer level.

## Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

##### (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	2019		2018	
	\$m	% of Total	\$m	% of Total
AA- to AAA	143,828	95%	143,000	95%
BBB- to BBB+	7,031	5%	7,000	5%
Total	150,859	100%	150,000	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.

##### (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.

## **Catholic Development Fund - Archdiocese of Sydney**

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

For the year ended 30 June 2019

#### **16. Financial risk management (ctd.)**

##### **(iv) 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 2019

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

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

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

	The following table presents the carrying amounts of interest-bearing assets and liabilities 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		Over 5 years							
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
													%	%
<b>(i) Financial assets</b>														
Cash and cash equivalents	14,424,718	6,068,781	-	-	-	-	-	-	-	-	14,424,718	6,068,781	1.49%	1.50%
Accrued receivables	N/A	-	N/A	-	N/A	-	N/A	-	N/A	4,016,473	N/A	4,016,473	-	-
Due from financial institutions <sup>(1)</sup>	32,022,101	20,000,000	318,383,080	392,500,000	-	-	-	-	-	-	350,405,181	412,500,000	2.57%	2.47%
Securities at amortised cost	147,849,750	N/A	-	N/A	-	-	3,008,915	N/A	-	N/A	150,858,665	N/A	4.07%	N/A
Loans and advances	501,567,586	N/A	-	N/A	-	N/A	-	N/A	-	N/A	501,567,586	N/A	4.72%	N/A
Loans and receivables	N/A	419,806,461	N/A	33,981,701	N/A	116,187,337	N/A	-	N/A	-	N/A	569,975,499	N/A	4.53%
<b>Total financial assets</b>	695,864,155	445,875,242	318,383,080	426,481,701	-	116,187,337	3,008,915	-	-	4,016,473	1,017,256,150	992,560,753		
<b>(ii) Financial liabilities</b>														
Deposits	224,870,483	273,051,417	722,425,146	650,225,050	-	-	-	-	-	-	947,295,629	923,276,467	1.73%	1.73%
Trade and other payables	-	-	-	-	-	-	-	-	596,307	4,098,371	596,307	4,098,371	-	-
<b>Total financial liabilities</b>	224,870,483	273,051,417	722,425,146	650,225,050	-	-	-	-	596,307	4,098,371	947,891,936	927,374,838		

1. Previously classified as investment securities.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

#### (v) 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 10 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.

#### (vi) Net fair value

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

	2019		2018	
	Carrying amount	Net fair value	Carrying amount	Net fair value
<i>Financial assets</i>				
Cash and cash equivalents	14,424,718	14,424,718	6,068,781	6,068,781
Accrued receivables	N/A	N/A	4,016,473	4,016,473
Due from financial institutions <sup>(1)</sup>	350,405,181	350,405,181	412,500,000	412,500,000
Securities at amortised cost	150,858,665	152,557,561	N/A	N/A
Loans and advances	501,567,586	501,567,586	N/A	N/A
Loans and receivables	N/A	N/A	569,975,499	569,975,499
	1,017,256,150	1,018,955,046	992,560,753	992,560,753
<i>Financial liabilities</i>				
Deposits	947,295,629	947,295,629	923,276,467	923,276,467
Trade and other payables	596,307	596,307	4,098,371	4,098,371
	947,891,936	947,891,936	927,374,838	927,374,838

1. Previously classified as investment securities.

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 2019

### 16. 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 2019.

##### *Foreign currency sensitivity analysis*

At 30 June 2019, 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 2019, 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.

### 17. 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:

	2019 \$	2018 \$
Cash and cash equivalents	14,424,718	6,068,781
	<u>14,424,718</u>	<u>6,068,781</u>

1. Previously classified as investment securities.

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

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

	2019 \$	2018 \$
<b>(b) Reconciliation of net cash flows provided by operating activities to operating surplus</b>		
Operating surplus	21,519,309	19,787,006
Decrease in interest receivable	4,016,473	239,343
(Decrease) in interest payable	(3,397,463)	(103,017)
(Increase) in loans and advances	(84,142,935)	(14,026,915)
Increase in deposits	24,019,162	3,010,480
Decrease in other assets	76,229	11,974
(Decrease)/Increase in creditors and accruals	(104,601)	6,611
Increase/(Decrease) in provision for employee entitlements	54,940	(15,793)
Depreciation expense	50,066	29,895
(Profit) adjustment on sale of assets	-	(2,007)
Net cash flows provided by operating activities	<u>(37,908,820)</u>	<u>8,937,577</u>

### 18. Commitments to extend credit

The following loans approved at 30 June 2019 had not been drawn at that date.

Archdiocesan Loans (including undrawn overdrafts)	81,976,671	55,420,332
Non-Archdiocesan Loans (including undrawn overdrafts)	266,131,217	185,132,226
	<u>348,107,888</u>	<u>240,552,558</u>

### 19. 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 the CBA for 2019 is \$13,004,830 (2018 - \$13,551,713).

Within the agreement with the 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 the CBA on its behalf.

Of the maximum exposure on a daily basis reported above \$1,693,689 relates to the Catholic Development Fund Diocese of Broken Bay for 2019. (2018 - \$1,605,639).

### 20. Operating lease commitments

CDF has a lease arrangement with the Catholic Archdiocese of Sydney with the occupancy of the premises at Polding Centre.

Future operating lease commitments not provided in the financial statements and payable:

Not later than one year	229,307	222,628
Later than one year but not later than five years	730,028	959,335
	<u>959,335</u>	<u>1,181,963</u>

# Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2019

### 21. 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 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. The CDF's identification statement may be viewed at [www.sydneycdf.org.au](http://www.sydneycdf.org.au) or by contacting the CDF. The CDF does not hold an Australian Financial Services Licence.

### 22. 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 2017, 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) have 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.

### 23. 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

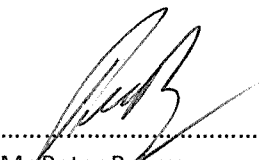
We, state to the best of our knowledge and belief that the attached financial statements for the Catholic Development Fund – Archdiocese of Sydney (CDF) give a true and fair view of the performance of CDF for the year ended 30 June, 2019 and its financial position as at that date.

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

.....  
Date 19/9/2019.

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

.....  
Date 19/9/19

# 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 the 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 2019, 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 2019;
- Statement of comprehensive income, Statement of changes in equity, and Statement of changes in cash flows for the year then ended on 30 June 2019; 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* (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

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 opinions 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 an audit opinion or 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 the 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 the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

A handwritten signature of the KPMG firm in blue ink.

KPMG

A handwritten signature of Duncan McLennan in blue ink.

Duncan McLennan  
Partner

Sydney

19 September 2019