CATHOLIC DEVELOPMENT FUND
DIOCESE OF BROKEN BAY

ANNUAL REPORT

General Purpose Financial Statements for the year ended 30 June 2022

CONTENTS

Catholic Development Fund - Diocese of Broken Bay

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
REVENUE			
Interest income using the effective interest rate method		5,361,286	5,563,702
Interest expense using the effective interest rate method		(529,710)	(682,596)
NET INTEREST INCOME	2	4,831,576	4,881,106
NET NON - INTEREST INCOME		2,000	834
TOTAL REVENUE		4,833,576	4,881,940
EXPENSES			
Management fees and services		(401,000)	(376,978)
Depreciation expense		(36,566)	(26,177)
Occupancy expenses		(86,873)	(79,129)
Client chequing expenses		(18,451)	(22,301)
Computer support		(88,555)	(82,103)
Professional fees		(43,283)	(44,471)
Other expenses		(14,091)	(8,880)
TOTAL EXPENSES		(688,819)	(640,039)
REVERSAL OF LOAN IMPAIRMENT		5,532	310,150
SURPLUS FOR THE YEAR		4,150,289	4,552,051

The notes on pages 5 to 23 are an integral part of these financial statements.

Catholic Development Fund - Diocese of Broken Bay

Statement of Financial Position

As at 30 June 2022

	Note	2022	2021
		$	$
ASSETS			
Cash and cash equivalents	4(a)	997,378	4,184,931
Due from financial institutions	5	84,764,380	68,896,351
Loans and advances	6	109,669,229	121,476,023
Plant and equipment	7	57,993	71,746
Prepayments	8	10,150	6,265
TOTAL ASSETS		195,499,130	194,635,316
LIABILITIES			
Trade and other payables	9	67,687	72,286
Deposits	10	181,773,459	180,922,180
Provision for distributions	11(a)	2,466,724	2,599,590
Loan capital	12	2,000,000	2,000,000
TOTAL LIABILITIES		186,307,870	185,594,056
NET ASSETS		9,191,260	9,041,260
EQUITY			
Contributed equity	13	2,000,000	2,000,000
Retained earnings		7,191,260	7,041,260
TOTAL EQUITY		9,191,260	9,041,260

The notes on pages 5 to 23 are an integral part of these financial statements.

Catholic Development Fund - Diocese of Broken Bay

Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Contributed equity $	Retained earnings $	Total equity $
Balance as at 1 July 2020		2,000,000	6,591,260	8,591,260
Surplus for the year		-	4,552,051	4,552,051
Distributions	11(a)	-	(4,102,051)	(4,102,051)
Balance as at 30 June 2021		2,000,000	7,041,260	9,041,260
Balance as at 1 July 2021		2,000,000	7,041,260	9,041,260
Surplus for the year		-	4,150,289	4,150,289
Distributions	11(a)	-	(4,000,289)	(4,000,289)
Balance as at 30 June 2022		2,000,000	7,191,260	9,191,260

The notes on pages 5 to 23 are an integral part of these financial statements.

Catholic Development Fund - Diocese of Broken Bay

Statement of Changes in Cash Flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Interest received on loans and advances		4,993,078	5,270,394
Interest received on amounts due from financial institutions		368,208	293,308
Interest paid on deposits		(529,710)	(682,596)
Net decrease in loans and advances		11,812,326	4,513,119
Net increase/(decrease) in deposits		851,279	(9,512,611)
Other income received		2,000	834
Cash paid to suppliers		(660,737)	(606,299)
Net cash provided by/(used in) operating activities		16,836,444	(723,851)
Cash flows from investing activities			
Payments for plant and equipment		(22,813)	(41,211)
Net increase in amounts due from financial institutions		(15,868,029)	(892,402)
Net cash used in investing activities		(15,890,842)	(933,613)
Cash flows from financing activities			
Distributions to Diocese of Broken Bay		(4,133,155)	(1,502,461)
Net cash used in financing activities	11	(4,133,155)	(1,502,461)
Net decrease in cash held		(3,187,553)	(3,159,925)
Cash at beginning of year		4,184,931	7,344,856
Cash at end of year	4(b)	997,378	4,184,931

The notes on pages 5 to 23 are an integral part of these financial statements.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2022

1. Statement of accounting policies

Fund information
The Catholic Development Fund – Diocese of Broken Bay (CDF) is a special fund created under a Charter on 1 November 1997 (as amended 2017). Under the Charter, CDF is controlled and managed by the Bishop of the Catholic Diocese of Broken Bay with the assistance of an Advisory Board (the Board) and the Financial Administrator.

The financial statements are general purpose financial statements prepared by the Board of the CDF in order to meet the needs of the Bishop of the Catholic Diocese of Broken Bay. The Board has determined that CDF is not publically accountable 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 statements were authorised for issue by the Board on 14 September 2022.

Statement of compliance
These financial statements are general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards – Simplified Disclosures* made by the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements are the first general purpose financial statements prepared in accordance with *Australian Accounting Standards – Simplified Disclosures*. These financial statements comply with *Australian Accounting Standards – Simplified Disclosures* adopted by the Australian Accounting Standards Board.

In the prior year, special purpose financial statements were prepared by CDF. There was no impact on the recognition and measurement of amounts recognised in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of changes in cash flows of CDF as a result of the change in basis of preparation.

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

Basis of measurement
The financial statements have been prepared on an accruals basis of accounting. The financial statements are also based on historical cost.

Functional and presentation currency
The financial statements are presented in Australian dollars, which is CDF's functional and presentation currency.

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

Going concern
The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business for a period of 12 months from the date of this report.

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

For the year ended 30 June 2022

1. Statement of accounting policies (ctd.)

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.

Accounting policies

Accounting policies are selected and applied in a manner that 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. CDF has consistently applied the accounting policies to all periods presented in the financial statements, except as otherwise stated.

The following specific accounting policies have been adopted in the preparation of these financial 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. As at 30 June 2022 there were no quoted investments or listed securities held.

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.

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 and loans and advances.

Loans and advances issued 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.

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 deposits, trade and other payables and loan capital. 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.

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 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.

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.

Refer to note 15(iv).

Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to CDF.

1. Statement of accounting policies (ctd.)

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. All assets are depreciated at 33% of cost.

Plant and equipment (ctd.)

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

Provision for distributions

The Board has adopted a policy based on distributing the budgeted operating surplus less $150,000 to the Diocese of Broken Bay. Actual distributions will be reviewed by the Board before payment to confirm that the financial performance, capital adequacy, liquidity requirements and current circumstances warrant continuing with the proposed distributions. The distributions were unfranked.

A provision is maintained for any distributions approved but unpaid - see Note 11.

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 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.

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.

	2022	2021
	$	$

2. Net interest income

	2022	2021
	$	$
Interest income using the effective interest rate method		
Due from financial institutions		
Current accounts	180	905
At call investments	168,626	21,495
Term deposits	199,402	270,908
	368,208	293,308
Loans and advances		
Loans to Diocesan entities	3,816,581	4,239,902
Loans to Non-Diocesan entities	1,176,497	1,030,492
	4,993,078	5,270,394
	5,361,286	5,563,702
Interest expense using the effective interest rate method		
Deposits		
At call deposits	30,173	32,371
Fixed term deposits	477,108	628,898
	507,281	661,269
Loan capital		
Perpetual subordinated debt	21,740	21,182
Overdrawn interest charge	689	145
	22,429	21,327
	529,710	682,596
	4,831,576	4,881,106

3. Auditors' remuneration

	2022	2021
	$	$
Audit services – current year	41,235	40,284
Audit services – prior year	-	2,487
Other services	4,504	3,360
	45,739	46,131

4. Cash and cash equivalents

(a) Cash and cash equivalents

	2022 $	2021 $
Cash and cash equivalents	997,378	4,184,931
Cash and cash equivalents in the statement of cash flows	997,378	4,184,931

(b) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	2022 $	2021 $
Cash and cash equivalents	997,378	4,184,931
	997,378	4,184,931

5. Due from financial institutions

At call deposits		
Catholic Development Fund - Archdiocese of Sydney	24,654,994	35,871,389
	24,654,994	35,871,389
Term deposits		
Catholic Development Fund - Archdiocese of Sydney	60,109,386	33,024,962
	60,109,386	33,024,962
	84,764,380	68,896,351
Maturity analysis		
At call	24,654,994	35,871,389
Not longer than 3 months	54,098,799	33,024,962
Longer than 3 months and not longer than 12 months	6,010,587	-
	84,764,380	68,896,351

6. Loans and advances

	2022 $	2021 $
Gross loans and advances		
Diocesan loans	85,883,165	97,822,733
Non-Diocesan loans	24,038,296	23,911,054
	109,921,461	121,733,787
Less: loan loss provision	(252,232)	(257,764)
	109,669,229	121,476,023
Maturity analysis		
Not longer than 3 months	2,869,109	3,533,152
Longer than 3 months and not longer than 12 months	8,360,686	9,652,422
Longer than 1 year and not longer than 5 years	40,487,764	50,371,807
Longer than 5 years	58,203,902	58,176,406
Less: loan loss provision	(252,232)	(257,764)
	109,669,229	121,476,023

7. Plant and equipment

	2022 $	2021 $
Software	134,083	111,270
Less: Accumulated depreciation	(76,090)	(39,524)
	57,993	71,746
	57,993	71,746

(c) Movements in carrying amounts

	Balance at the beginning of year $	Additions $	Disposals $	Depreciation Expense $	Balance at the end of year $
Software	71,746	22,813	-	(36,566)	57,993
	71,746	22,813	-	(36,566)	57,993

8. Prepayments

	2022 $	2021 $
Prepayments	10,149	6,265
GST receivable	1	-
	10,150	6,265

9. Trade and other payables

	2022 $	2021 $
Creditors and accruals	67,687	72,286
	67,687	72,286

10. Deposits

	2022 $	2021 $
At call deposits		
Diocesan entities	40,626,601	33,275,525
Non-Diocesan entities	2,812,243	3,623,249
	43,438,844	36,898,774
Fixed term deposits		
Diocesan entities	138,126,692	143,578,871
Non-Diocesan entities	207,923	444,535
	138,334,615	144,023,406
	181,773,459	180,922,180
Maturity analysis		
At call	43,438,844	36,898,774
Not longer than 3 months	123,851,054	127,175,568
Longer than 3 months and not longer than 12 months	14,483,561	16,847,838
	181,773,459	180,922,180

11. (a) Provision for distributions

	2022 $	2021 $
Opening approved unpaid distribution from previous year	2,599,590	-
Add approved distributions:		
Diocese of Broken Bay	4,000,289	4,102,051
Less distributions paid:		
Diocese of Broken Bay	(4,133,155)	(1,502,461)
Closing unpaid distributions	2,466,724	2,599,590

(b) Distributions

	2022 $	2021 $
Interim distribution paid to Diocese of Broken Bay	1,533,565	1,502,461
Proposed final distribution to Diocese of Broken Bay	2,466,724	2,599,590
Total distribution from the CDF for the Year	4,000,289	4,102,051

12. Loan capital

	2022	2021
	$	$
Perpetual subordinated debt - Diocese of Broken Bay	2,000,000	2,000,000
	2,000,000	2,000,000

Perpetual subordinated debt is subordinated in right of payment to the claims of depositors and all other creditors of the CDF. The perpetual subordinated debt cannot be called by the Diocese of Broken Bay, but it can be retired by the CDF if it is no longer required.

The CDF pays a credit interest rate of 1.00% above the 90 day BBSW, reviewed quarterly.

13. Contributed equity

	2022	2021
	$	$
In issue 1 July	2,000,000	2,000,000
In issue 30 June	2,000,000	2,000,000

The CDF commenced operating on the 1st July 1997 with a contribution of $2,000,000 from the Catholic Diocese of Broken Bay.

14. Related party transactions

Advisory Board Members
The Advisory Board members who held office during the year ended 30 June 2022 were as follows:

Mr Joe Bracken (Chair – appointed 1 December 2021) (Audit Committee – Ex-Officio Member)
Mr William d'Apice (Chair – retired 24 November 2021)
Rev Robert Borg (Audit Committee – Member)
Mr Adam Bowe (Lending Committee – Member)
Mr Daniel Casey
Mr Michael Lucas (Audit Committee – Chair)
Ms Catherine Manuel (Lending Committee – Member) (Audit Committee – Member)
Ms Emma McDonald - Ex Officio (Lending Committee – Member)

The retired Chairman of the Board, Mr William d'Apice, is a consultant in the firm Makinson d'Apice Lawyers. Makinson d'Apice Lawyers provide legal services to CDF on normal commercial terms and conditions. For details of the transactions with the CDF, refer to Note 14(a). Mr William d'Apice was a member of the Diocesan Finance Committee during 2020/2021 (retired September 2021).

A Board Member, Ms Emma McDonald is the Diocesan Financial Administrator for the Catholic Diocese of Broken Bay, an executive officer of the Diocesan Finance Council, an ex-officio member of the Diocesan Audit & Risk Committee, the Diocesan Investment Committee, CatholicCare Broken Bay Advisory Council, CatholicCare Broken Bay Finance & Risk Committee and the Catholic Schools Broken Bay Finance, Audit and Risk Committee. The Diocese and Catholic Schools Broken Bay conducts various financial transactions with CDF on normal terms and conditions.

A Board Member, Rev Robert Borg is the Parish Priest of the Lakes Catholic Parish, Collaroy Plateau Catholic Diocese of Broken Bay. The Parish conducts various financial transactions with CDF on normal terms and conditions.

14. Related party transactions (ctd.)

A Board Member, Mr Daniel Casey is the Director of Schools for the Catholic Schools Broken Bay. Catholic Schools Broken Bay conducts various financial transactions with CDF on normal terms and conditions.

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
Ms Emma McDonald – Diocesan Financial Administrator and Ex-Officio Member of the Advisory Board

Mr Joe Bracken – Chair of the Advisory Board (appointed 1 December 2021)
Mr William d'Apice - Chair of the Advisory Board (retired 24 November 2021)
Rev Robert Borg - Advisory Board member
Mr Adam Bowe - Advisory Board member
Mr Daniel Casey - Advisory Board member
Mr Michael Lucas- Advisory Board member
Ms Catherine Manuel - Advisory Board member

No key management personnel have received any remuneration from the CDF during the period.

CDF obtains key management personnel services from the Catholic Development Fund – Archdiocese of Sydney under a Services and Facilities Agreement. The Services and Facilities agreement was renewed for 5 years from the 1st July 2021.

Controlling entities
The ultimate controlling body is the Diocese of Broken Bay (Trustees of The Roman Catholic Church for the Diocese of Broken Bay).

Various other Catholic organisations within the Catholic Diocese of Broken Bay and other Catholic bodies have deposits with, and have obtained loans from, CDF under normal commercial terms and conditions. From time to time, various Board Members and/or senior management may hold directorial positions with those organisations. The Board has a policy that requires relevant Board Members to declare any conflicts of interest as a result of their holding such positions and abstain from voting on decisions taken in respect of those organisations.

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

As detailed in Note 11 to the financial statements, payments out of current year surplus were made to the Diocese of Broken Bay during the year representing distributions of CDF's surplus, less $150,000. Actual payments of $4,133,155 (2021: $1,502,461) were made during the year.

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

14. Related party transactions (ctd.)

(a) Transactions with key management personnel

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's length basis.

		Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
		2022	2021	2022	2021
		$	$	$	$
William d'Apice	Legal Fees	1,700	1,700	-	-

The CDF used the legal services of Makinson d'Apice, of which William d'Apice is a consultant, to review the CDF's compliance with the ASIC Corporation (Charitable Investment Fundraising) Instrument 2016/813. Amounts were billed based on market rates for such services and were due and payable under normal payment terms.

(b) Other related party transactions

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2022	2021	2022	2021
	$	$	$	$
Loans to related parties				
Diocesan Entities			85,883,165	97,822,733
			-	-
			85,883,165	97,822,733
Deposits from related parties				
Diocesan Entities			178,753,293	176,854,396
			-	-
			178,753,293	176,854,396
Transactions with related parties				
- Interest paid on deposits	504,045	656,388		
- Interest received on loans	3,816,581	4,239,902		

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with Non Diocesan Entities on an arm's length basis. In addition, Term and Conditions and current interest rates applicable are the same as those offered to Non Diocesan Entities. The CDF's terms and condition and current interest rates are available on its website. (www.bbcatholic.org.au/agencies/catholic-development-fund).

15. Financial risk management

Overview

CDF's financial instruments consist of cash and cash equivalents, due from financial institutions, loans and advances, deposits, trade and other payables and loan capital.

The main purpose of non-derivative financial instruments is to provide sources of finance and credit, in respect to capital and other expenditures in the work of the church primarily within the Diocese of Broken Bay.

CDF did not utilise derivatives for the financial year ended 30 June 2022 and currently has no plans to utilise derivatives in the foreseeable future.

(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 Members of the Board have overall responsibility for the establishment and oversight of the risk management framework. The Board's role is to assess financial risk arising from CDF's operations and consider the adequacy of measures taken to moderate those risks. The Board has established an Audit Committee to assess the adequacy and effectiveness of CDF's internal controls as well as its operational policies and procedures. The Audit Committee meets when required to review and assess financial risk arising from CDF's operations, including reviewing the Prudential standards, accounting policies, financial reporting and management and internal controls.

(ii) Capital adequacy

CDF has determined that it should maintain capital at a ratio of a minimum of 8% of risk weighted assets as defined in the Prudential Standards Policy. The capital ratio at 30 June 2022 was 17.87% (30 June 2021: 16.68%).

(iii) Liquidity risk

CDF manages liquidity by investing only in liquid securities, which are realisable when the need arises. CDF is only permitted to invest funds in the Catholic Development Fund - Archdiocese of Sydney.

(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.

<u>Counterparty investment credit risk</u>

CDF's Investment Policy specifies that CDF may only invest or deposit funds with the Catholic Development Fund - Archdiocese of Sydney.

The CDF has considered its investments with the Catholic Development Fund – Archdiocese of Sydney and decided that no provision for impairment is required as any loss would not be material.

15. Financial risk management (ctd.)

(iv) Credit risk (ctd.)

Loans and advances credit risk

CDF's maximum exposure to loans and advances credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. Credit risk in loans and advances is managed by a careful evaluation of lending proposals by the manager of CDF and the Board. All loans require ratification by the Diocesan Bishop.

The quality of CDF's loan portfolio is monitored by Management, which provides the Board with reports on overdrawn accounts and loans in arrears

Impairment allowance

Movement in impairment allowances on due from financial institutions and loans and advances was as follows:

	2022 $	2021 $
Balance at 1 July	257,764	567,914
Impairment loss reversed	(5,532)	(310,150)
Balance at 30 June	252,232	257,764

Model Inputs

The key model inputs the CDF uses to measure Expected Credit Losses (ECL) include:

- Probability of Default (PD): The PD is determined at the member type level. When estimating the PD, the CDF considers a client's member type as well as whether they are a Diocesan or Non Diocesan Entity.
- Loss Given Default (LGD): PD is based on the entity's member type as well as whether they are a Diocesan or Non Diocesan Entity. Also taken into consideration are any historical losses, the structure of the loan and whether any security is held.

Forward looking information

Forward looking information is used in the measurement of the ECL takes into account probability weighted scenarios and includes macro and micro economic variables that could influence credit losses. The CDF prepares a base case, downside scenario and upside scenario and applies a weighted average to each model to calculate ECL.

(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 interest rates in at call products and in term deposits at fixed interest rates. The maximum term offered for term deposits is 12 months. Term loans are contracted at variable interest rates only.

Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2022

15. Financial risk management (ctd.)

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

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest	
	2022 $	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**	**2022 %**	**2021 %**
(i) Financial assets										
Cash and cash equivalents	997,378	4,184,931	-	-	-	-	997,378	4,184,931	0.01%	0.03%
Due from financial institutions	24,654,994	35,871,389	60,109,386	33,024,962	-	-	84,764,380	68,896,351	0.34%	0.33%
Loans and advances	109,669,229	121,476,023	-	-	-	-	109,669,229	121,476,023	4.30%	4.20%
Total financial assets	135,321,601	161,532,343	60,109,386	33,024,962	-	-	195,430,987	194,557,305		
(ii) Financial Liabilities										
Trade and other payables	-	-	-	-	67,687	72,286	67,687	72,286		
Deposits	43,438,844	36,898,774	138,334,615	144,023,406	-	-	181,773,459	180,922,180	0.24%	0.32%
Loan capital	-	-	2,000,000	2,000,000	-	-	2,000,000	2,000,000	1.09%	1.06%
Total financial liabilities	43,438,844	36,898,774	140,334,615	146,023,406	67,687	72,286	183,841,146	182,994,466		

15. Financial risk management (ctd.)

(vi) Net fair value

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

	2022		2021	
	Carrying amount	Net fair value	Carrying amount	Net fair value
Financial assets measured at amortised cost				
Cash and cash equivalents	997,378	997,378	4,184,931	4,184,931
Due from financial institutions	84,764,380	84,764,380	68,896,351	68,896,351
Loans and advances	109,669,229	109,669,229	121,476,023	121,476,023
	195,430,987	195,430,987	194,557,305	194,557,305
Financial liabilities measured at amortised cost				
Trade and other payables	67,687	67,687	72,286	72,286
Deposits	181,773,459	181,773,459	180,922,180	180,922,180
Loan capital	2,000,000	2,000,000	2,000,000	2,000,000
	183,841,146	183,841,146	182,994,466	182,994,466

(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 cost 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 2022.

Foreign currency sensitivity analysis
At 30 June 2022 there is no effect on surplus and equity as a result of changes in the value of the Australian Dollar to the any other currency, as instances where CDF operates in foreign currency is occasional and is completed at spot rates for client transactions. Therefore, no sensitivity analysis has been performed.

Price risk sensitivity analysis
At 30 June 2022, the effect on surplus and equity as a result of changes in prices is considered negligible as very few prices of services and commodities effect CDF's operations. Therefore, no sensitivity analysis has been performed.

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

For the year ended 30 June 2022

16. Commitments to extend credit

The following loans approved at 30 June 2022 had not been drawn at that date.

Diocesan loans (including undrawn overdrafts)	8,412	108,412
Non-Diocesan loans	5,342,808	10,342,808
	5,351,220	10,451,220

17. Contingent liabilities

Estimates of material amounts of contingent liabilities not provided for in the financial statements, arising from:

- The commitment to Catholic Development Fund - Archdiocese of Sydney, in respect of client encashment, bank guarantees, payroll and corporate credit card facilities through the Commonwealth Bank of Australia provided to clients of CDF.
- CDF has undertaken to honour facilities up to the limit specified to each client of the fund.

Maximum exposure as at balance date	1,800,062	1,718,189

18. Catholic Development Fund details

Principal activity

The principal activities of the Catholic Development Fund - Diocese of Broken Bay are to provide a source of finance and credit for capital and other expenditures in the work of the Church primarily within the Diocese of Broken Bay.

Principal place of business

Caroline Chisholm Centre
Building 2
423 Pennant Hills Road
PENNANT HILLS NSW 2120

Legal form

The Catholic Development Fund - Diocese of Broken Bay (CDF) is a special Fund created under a Charter on 1 July 1997 (as amended) and is vested in the Trustees of the Roman Catholic Church for the Diocese of Broken Bay, a Body Corporate created under the provisions of the *Roman Catholic Church Trust Property Act 1936 (NSW)* as amended.

CDF is required by law to make the following disclosure. 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 CDF will not receive the benefit of the financial claims scheme or the depositor protection provisions in the Banking Act 1959 (Cth). Investments in CDF are intended to be a means for investors to support the charitable, religious and educational works of the Catholic Diocese of Broken Bay and for whom the consideration of profit are not of primary relevance in the investment decision. The investments that 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 CDF are not comparable to investments with banks, finance companies or fund managers. CDF's identification statement may be viewed at www.bbcatholic.org.au or by contacting CDF on (02) 9390 5200. CDF does not hold an Australian Financial Services Licence.

Banking Act 1959 (Act)

On 14 December 2017 APRA issued an exemption order, Banking exemption No.1 of 2017, which took effect from 1 January 2018. On 24 May 2021 APRA issued a new exemption order, Banking exemption No.1 of 2021, which took effect from 24 May 2021. Under Banking exemption No.1 of 2017 and Banking Exemption No.1 of 2021, 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 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.

At a Board Meeting held in August 2016 CDF resolved to discontinue offering retail investments and all retail investments were repaid by CDF.

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

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

19. Subsequent events

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

Catholic Development Fund - Diocese of Broken Bay

Statement by Approved Officers

We, state to the best of our knowledge and belief that the attached financial statements for Catholic Development Fund – Diocese of Broken Bay (CDF) give a true and fair view of the performance of CDF for the year ended 30 June 2022 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.

....	14/9/2022
Mr Joe Bracken (Chairman)	Date
On Behalf of Board – Catholic Development Fund – Diocese of Broken Bay	

....	14/9/2022
Mr Peter Bokeyar	Date
General Manager – Catholic Development Fund – Diocese of Broken Bay	

KPMG

Independent Auditor's Report

To the Bishop of the Roman Catholic Church of the Diocese of Broken Bay

Opinion

We have audited the ***Financial Report*** of Catholic Development Fund – Diocese of Broken Bay (Broken Bay CDF).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of Broken Bay CDF as at 30 June 2022, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards - Simplified Disclosures Framework*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2022;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended; and
- Notes including a summary of significant accounting policies.

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 the Broken Bay 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 these requirements.

Restriction on use and distribution

The Financial Report has been prepared to assist the Approved Officers of Broken Bay CDF to meet the needs of the Bishop of the Roman Catholic Church of the Diocese of Broken Bay.

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 the Broken Bay CDF and should not be used by or distributed to parties other than the Broken Bay CDF. 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 Broken Bay CDF or for any other purpose than that for which it was prepared.

Responsibilities of Approved Officers for the Financial Report

The Approved Officers are responsible for:

- the preparation and fair presentation of the Financial Report for the purpose of meeting the needs of the Bishop of the Roman Catholic Church of the Diocese of Broken Bay;
- 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 Broken Bay CDF's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Broken Bay 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 [Statements/Report] is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

D McLennan

Duncan McLennan

Partner

Sydney

14 September 2022