



**CATHOLIC DEVELOPMENT FUND  
DIOCESE OF BROKEN BAY**

**ANNUAL REPORT**

**General Purpose Financial Statements for the year ended 30 June 2023**

**CONTENTS**

<u>Page</u>	<u>Contents</u>
1	Statement of Comprehensive Income
2	Statement of Financial Position
3	Statement of Changes in Equity
4	Statement of Changes in Cash Flows
5 to 23	Notes to and forming part of the Financial Statements
24	Statement by Approved Officers
25 – 27	Independent Auditor's Report

The Catholic Development Fund – Diocese of Broken Bay (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](http://www.bbcatholic.org.au) or by contacting CDF on (02) 9390 5200. CDF does not hold an Australian Financial Services Licence.

# Catholic Development Fund - Diocese of Broken Bay

## Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>REVENUE</b>			
Interest income using the effective interest rate method		10,702,690	5,361,286
Interest expense using the effective interest rate method		(5,150,074)	(529,710)
<b>NET INTEREST INCOME</b>	2	<u>5,552,616</u>	<u>4,831,576</u>
<b>NET NON - INTEREST INCOME</b>		<u>1,167</u>	<u>2,000</u>
<b>TOTAL REVENUE</b>		<u>5,553,783</u>	<u>4,833,576</u>
<b>EXPENSES</b>			
Management fees and services		(418,597)	(401,000)
Depreciation expense		(35,073)	(36,566)
Occupancy expenses		(90,226)	(86,873)
Client chequing expenses		(21,576)	(18,451)
Computer support		(94,675)	(88,555)
Professional fees		(32,657)	(43,283)
Other expenses		(17,026)	(14,091)
<b>TOTAL EXPENSES</b>		<u>(709,830)</u>	<u>(688,819)</u>
<b>REVERSAL OF LOAN IMPAIRMENT</b>		<u>288</u>	<u>5,532</u>
<b>SURPLUS FOR THE YEAR</b>		<u><u>4,844,241</u></u>	<u><u>4,150,289</u></u>

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 2023

	Note	2023 \$	2022 \$
<b>ASSETS</b>			
Cash and cash equivalents	4	2,442,501	997,378
Due from financial institutions	5	56,095,562	84,764,380
Loans and advances	6	115,176,890	109,669,229
Software	7	26,928	57,993
Prepayments	8	9,640	10,150
<b>TOTAL ASSETS</b>		<u>173,751,521</u>	<u>195,499,130</u>
<b>LIABILITIES</b>			
Trade and other payables	9	44,370	67,687
Deposits	10	159,301,329	181,773,459
Provision for distributions	11(a)	3,014,563	2,466,724
Loan capital	12	2,000,000	2,000,000
<b>TOTAL LIABILITIES</b>		<u>164,360,262</u>	<u>186,307,870</u>
<b>NET ASSETS</b>		<u>9,391,259</u>	<u>9,191,260</u>
<b>EQUITY</b>			
Contributed equity	13	2,000,000	2,000,000
Retained earnings		7,391,259	7,191,260
<b>TOTAL EQUITY</b>		<u>9,391,259</u>	<u>9,191,260</u>

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 2023

	Note	Contributed equity \$	Retained earnings \$	Total equity \$
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)
<b>Balance as at 30 June 2022</b>		<b>2,000,000</b>	<b>7,191,260</b>	<b>9,191,260</b>
Balance as at 1 July 2022		2,000,000	7,191,260	9,191,260
Surplus for the year		-	4,844,241	4,844,241
Distributions	11(a)	-	(4,644,242)	(4,644,242)
<b>Balance as at 30 June 2023</b>		<b>2,000,000</b>	<b>7,391,259</b>	<b>9,391,259</b>

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 2023

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Interest received on loans and advances		7,484,865	4,993,078
Interest received on amounts due from financial institutions		3,217,825	368,208
Interest paid on deposits		(5,150,074)	(529,710)
Net (increase)/decrease in loans and advances		(5,507,373)	11,812,326
Net (decrease)/increase in deposits		(22,472,130)	851,279
Other income received		1,167	2,000
Cash paid to suppliers		(697,564)	(660,737)
<b>Net cash (used in)/provided by operating activities</b>		<u>(23,123,284)</u>	<u>16,836,444</u>
<b>Cash flows from investing activities</b>			
Payments for software		(4,008)	(22,813)
Net decrease/(increase) in amounts due from financial institutions		28,668,818	(15,868,029)
<b>Net cash provided by/(used in) investing activities</b>		<u>28,664,810</u>	<u>(15,890,842)</u>
<b>Cash flows from financing activities</b>			
Distributions to Diocese of Broken Bay		(4,096,403)	(4,133,155)
<b>Net cash (used in) financing activities</b>	11	<u>(4,096,403)</u>	<u>(4,133,155)</u>
<b>Net increase/(decrease) in cash held</b>		1,445,123	(3,187,553)
Cash at beginning of year		997,378	4,184,931
<b>Cash at end of year</b>	4(a)	<u><u>2,442,501</u></u>	<u><u>997,378</u></u>

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

# Catholic Development Fund - Diocese of Broken Bay

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2023

### 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 July 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 13 September 2023.

#### **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.

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 otherwise 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.

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 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 2023 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.

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 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.



# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 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.

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 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 assets.

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).

##### **Software**

Software is measured at cost less amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. All other expenditure is recognised in the Profit and Loss as incurred.

Amortisation is calculated to write off the cost of software less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Software is at 33% of cost.

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

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

#### **Software (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. For the 2022/2023 year the Board has agreed, at the request of the Diocese, to retain \$200,000. 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.

#### **New Accounting Standards not yet adopted**

A number of new standards, amendments to standards and interpretations have been issued but are not yet mandatory. CDF has not early adopted any of these standards or amendments in this financial statements.

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 2. Net interest income

	2023	2022
	\$	\$
Interest income using the effective interest rate method		
Due from financial institutions		
Current accounts	2,183	180
At call investments	672,219	168,626
Term deposits	2,543,423	199,402
	<u>3,217,825</u>	<u>368,208</u>
Loans and advances		
Loans to Diocesan entities	5,922,840	3,816,581
Loans to Non-Diocesan entities	1,562,025	1,176,497
	<u>7,484,865</u>	<u>4,993,078</u>
	<u>10,702,690</u>	<u>5,361,286</u>
Interest expense using the effective interest rate method		
Deposits		
At call deposits	702,645	30,173
Fixed term deposits	4,367,277	477,108
	<u>5,069,922</u>	<u>507,281</u>
Loan capital		
Perpetual subordinated debt	79,260	21,740
Overdrawn interest charge	892	689
	<u>80,152</u>	<u>22,429</u>
	<u>5,150,074</u>	<u>529,710</u>
	<u>5,552,616</u>	<u>4,831,576</u>
<b>3. Auditors' remuneration</b>		
Audit services	37,797	*33,615
Other services	3,748	4,504
	<u>41,545</u>	<u>38,119</u>

\*The fee Audit Services for 2022 has been reduced by \$7,620 as the amount was overstated. The amount included a fee for additional services which were not required and therefore not invoiced.

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 4. Cash and cash equivalents

##### (a) Cash and cash equivalents

	2023	2022
	\$	\$
Cash and cash equivalents	2,442,501	997,378
<b>Cash and cash equivalents in the statement of cash flows</b>	<u>2,442,501</u>	<u>997,378</u>

##### (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:

Cash and cash equivalents	2,442,501	997,378
	<u>2,442,501</u>	<u>997,378</u>

#### 5. Due from financial institutions

##### At call deposits

Catholic Development Fund - Archdiocese of Sydney	5,652,999	24,654,994
	<u>5,652,999</u>	<u>24,654,994</u>

##### Term deposits

Catholic Development Fund - Archdiocese of Sydney	50,442,563	60,109,386
	<u>50,442,563</u>	<u>60,109,386</u>
	<u>56,095,562</u>	<u>84,764,380</u>

##### *Maturity analysis*

At call	5,652,999	24,654,994
Not longer than 3 months	50,442,563	54,098,799
Longer than 3 months and not longer than 12 months	-	6,010,587
	<u>56,095,562</u>	<u>84,764,380</u>

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 6. Loans and advances

	2023	2022
	\$	\$
Gross loans and advances		
Diocesan loans	90,865,977	85,883,165
Non-Diocesan loans	24,562,857	24,038,296
	<u>115,428,834</u>	<u>109,921,461</u>
Less: loan loss provision	(251,944)	(252,232)
	<u><u>115,176,890</u></u>	<u><u>109,669,229</u></u>
<i>Maturity analysis</i>		
Not longer than 3 months	2,387,711	2,869,109
Longer than 3 months and not longer than 12 months	7,416,916	8,360,686
Longer than 1 year and not longer than 5 years	27,211,371	40,487,764
Longer than 5 years	78,412,836	58,203,902
Less: loan loss provision	(251,944)	(252,232)
	<u><u>115,176,890</u></u>	<u><u>109,669,229</u></u>

#### 7. Software

Software	138,091	134,083
Less: Accumulated Amortisation	(111,163)	(76,090)
	<u>26,928</u>	<u>57,993</u>
	<u><u>26,928</u></u>	<u><u>57,993</u></u>

#### (a) Movements in carrying amounts

	Balance at the beginning of year	Additions	Disposals	Accumulated Amortisation	Balance at the end of year
	\$	\$	\$	\$	\$
Software	57,993	4,008	-	(35,073)	26,928
	<u>57,993</u>	<u>4,008</u>	<u>-</u>	<u>(35,073)</u>	<u>26,928</u>

#### 8. Prepayments

	2023	2022
	\$	\$
Prepayments	9,640	10,149
GST receivable	-	1
	<u>9,640</u>	<u>10,150</u>

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 9. Trade and other payables

	2023	2022
	\$	\$
Creditors and accruals	44,370	67,687
	<u>44,370</u>	<u>67,687</u>

#### 10. Deposits

At call deposits		
Diocesan entities	33,092,801	40,626,601
Non-Diocesan entities	2,665,359	2,812,243
	<u>35,758,160</u>	<u>43,438,844</u>
Fixed term deposits		
Diocesan entities	123,396,148	138,126,692
Non-Diocesan entities	147,021	207,923
	<u>123,543,169</u>	<u>138,334,615</u>
	<u>159,301,329</u>	<u>181,773,459</u>
<i>Maturity analysis</i>		
At call	35,758,160	43,438,844
Not longer than 3 months	101,286,067	123,851,054
Longer than 3 months and not longer than 12 months	22,257,102	14,483,561
	<u>159,301,329</u>	<u>181,773,459</u>

#### 11. (a) Provision for distributions

Opening approved unpaid distribution from previous year	2,466,724	2,599,590
Add approved distributions:		
Diocese of Broken Bay	4,644,242	4,000,289
Less distributions paid:		
Diocese of Broken Bay	(4,096,403)	(4,133,155)
Closing unpaid distributions	<u>3,014,563</u>	<u>2,466,724</u>

#### (b) Distributions

Interim distribution paid to Diocese of Broken Bay	1,629,679	1,533,565
Proposed final distribution to Diocese of Broken Bay	3,014,563	2,466,724
Total distribution from the CDF for the Year	<u>4,644,242</u>	<u>4,000,289</u>

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 12. Loan capital

	2023	2022
	\$	\$
Perpetual subordinated debt - Diocese of Broken Bay	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

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

In issue at 1 July	2,000,000	2,000,000
<b>In issue at 30 June</b>	<u>2,000,000</u>	<u>2,000,000</u>

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 2023 were as follows:

Mr Joe Bracken (Chair) (Audit Committee – Ex-Officio Member) (Lending Committee)

Rev Robert Borg (Audit Committee – Member)

Mr Adam Bowe (Lending Committee – Member) (Retired 7 June 2023)

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)

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 Investment Committee, CatholicCare Broken Bay Advisory Council, CatholicCare Broken Bay Finance, Audit & Risk Subcommittee, Catholic Schools Broken Bay Advisory Committee and the Catholic Schools Broken Bay Finance and Risk Subcommittee. The Diocese, CatholicCare 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, Chair of the Clergy Remuneration, Retirement and Sick Fund, Member of the Diocesan of Broken Bay Council of Priests and Archdiocese of Sydney Motor Vehicle Plan. These entities all conduct various financial transactions with CDF on normal terms and conditions.



## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

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

A Board Member, Mr Daniel Casey is the Director of Schools for the Catholic Schools Broken Bay, Ex-Officio member of Catholic Schools Finance and Audit Subcommittee and Catholic Schools Broken Bay Advisory Committee. 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

Rev Robert Borg - Advisory Board member

Mr Adam Bowe - Advisory Board member (retired 7 June 2023)

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 1<sup>st</sup> 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 \$200,000. Actual payments of \$4,096,403 (2022: \$4,133,155) were made during the year.

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

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 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		Balance outstanding as at	
		year ended 30 June		30 June	
		2023	2022	2023	2022
		\$	\$	\$	\$
William d'Apice	Legal Fees	-	1,700	-	-

In 2022, 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

###### Loans to related parties

Diocesan Entities	90,865,977	85,883,165
	<u>90,865,977</u>	<u>85,883,165</u>

###### Deposits from related parties

Diocesan Entities	156,488,949	178,753,293
	<u>156,488,949</u>	<u>178,753,293</u>

###### Transactions with related parties

- Interest paid on deposits	5,037,193	504,045
- Interest received on loans	5,922,840	3,816,581

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](http://www.bbcatholic.org.au/agencies/catholic-development-fund)).

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 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 2023 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 2023 was 16.17% (30 June 2022: 17.87%).

##### (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.

##### Counterparty investment credit risk

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.

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 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 loans and advances was as follows:

	2023	2022
	\$	\$
Balance at 1 July	252,232	257,764
Impairment loss reversed	(288)	(5,532)
Balance at 30 June	<u>251,944</u>	<u>252,232</u>

No provision has been created against due from financial institutions as any loss would be immaterial.

#### **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 and 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 2023

#### 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:		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest	
	2023	2022	1 year or less		2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>(i) Financial assets</b>										
Cash and cash equivalents	2,442,501	997,378	-	-	-	-	2,442,501	997,378	0.10%	0.01%
Due from financial institutions	5,652,999	24,654,994	50,442,563	60,109,386	-	-	56,095,562	84,764,380	3.15%	0.34%
Loans and advances	115,176,890	109,669,229	-	-	-	-	115,176,890	109,669,229	6.77%	4.30%
<b>Total financial assets</b>	<b>123,272,390</b>	<b>135,321,601</b>	<b>50,442,563</b>	<b>60,109,386</b>	<b>-</b>	<b>-</b>	<b>173,714,953</b>	<b>195,430,987</b>		
<b>(ii) Financial Liabilities</b>										
Trade and other payables	-	-	-	-	44,370	67,687	44,370	67,687		
Deposits	35,758,160	43,438,844	123,543,169	138,334,615	-	-	159,301,329	181,773,459	2.53%	0.24%
Loan capital	-	-	2,000,000	2,000,000	-	-	2,000,000	2,000,000	3.97%	1.09%
<b>Total financial liabilities</b>	<b>35,758,160</b>	<b>43,438,844</b>	<b>125,543,169</b>	<b>140,334,615</b>	<b>44,370</b>	<b>67,687</b>	<b>161,345,699</b>	<b>183,841,146</b>		

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 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.

	2023		2022	
	Carrying amount	Net fair value	Carrying amount	Net fair value
<i>Financial assets measured at amortised cost</i>				
Cash and cash equivalents	2,442,501	2,442,501	997,378	997,378
Due from financial institutions	56,095,562	56,095,562	84,764,380	84,764,380
Loans and advances	115,176,890	115,176,890	109,669,229	109,669,229
	173,714,953	173,714,953	195,430,987	195,430,987
<i>Financial liabilities measured at amortised cost</i>				
Trade and other payables	44,370	44,370	67,687	67,687
Deposits	159,301,329	159,301,329	181,773,459	181,773,459
Loan capital	2,000,000	2,000,000	2,000,000	2,000,000
	161,345,699	161,345,699	183,841,146	183,841,146

##### (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 2023.

###### *Foreign currency sensitivity analysis*

At 30 June 2023 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 2023, 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.

## Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

#### 16. Commitments to extend credit

The following loans approved at 30 June 2023 had not been drawn at that date.

	2023	2022
	\$	\$
Diocesan loans (including undrawn overdrafts)	-	8,412
Non-Diocesan loans	21,521,400	5,342,808
	<u>21,521,400</u>	<u>5,351,220</u>

#### 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	<u>1,910,262</u>	<u>1,800,062</u>
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#### 18. Commitments

CDF did not have any material capital or other commitments as at 30 June 2023 (2022: Nil).

# Catholic Development Fund - Diocese of Broken Bay

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

For the year ended 30 June 2023

### 19. 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 (APRA) nor has it been examined or approved by the Australian Securities and Investments Commission (ASIC). 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](http://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**

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.

### 20. Subsequent events

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



## Catholic Development Fund - Diocese of Broken Bay

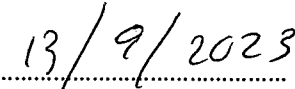
### Statement by Approved Officers

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 2023 and its financial position as at that date.

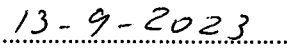
In our opinion there are reasonable grounds to believe that CDF will be able to pay its debts as and when they become payable.

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

  
.....  
Mr Joe Bracken (Chairman)  
On Behalf of Board – Catholic Development Fund – Diocese of Broken Bay

  
.....  
Date

For   
.....  
Mr Peter Bokeyar  
General Manager – Catholic Development Fund – Diocese of Broken Bay

  
.....  
Date



# Independent Auditor's Report

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

## Report on the audit of the Financial Report

### Opinion

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

In our opinion, the accompanying Financial Report of the Broken Bay CDF is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012* including:

- i. giving a true and fair view of the Broken Bay CDF's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNCR)*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2023.
- ii. Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Statement by Approved Officers.

### 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 auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### 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 for the purpose of fulfilling the Approved Officers' financial reporting responsibilities under the *ACNC Act 2012*. 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 Bishop of the Roman Catholic Church of the Diocese of Broken Bay and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Financial Report to which it relates to any person other than the Bishop of the Roman Catholic Church of the Diocese of Broken Bay.

### Other information

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

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

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

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

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

The Approved Officers are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and ACNCR.
- ii. Determining that the basis of preparation described in Note 1 to the Financial Report is appropriate to meet the requirements of the ACNC. The basis of preparation is also appropriate to meet the needs of the user.
- iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iv. Assessing 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 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:

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

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



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

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

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Broken Bay CDF's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Approved Officers.
- iv. Conclude on the appropriateness of the Approved Officers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Broken Bay CDF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Broken Bay CDF to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Approved Officers of the Broken Bay CDF regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Duncan McLennan

*Partner*

Sydney

13 September 2023