CATHOLIC DEVELOPMENT FUND
DIOCESE OF BROKEN BAY

ANNUAL REPORT

General Purpose Financial Statements for the year ended 30 June 2024

CONTENTS

Catholic Development Fund - Diocese of Broken Bay

Statement of Comprehensive Income

For the year ended 30 June 2024

	Note	2024 $	2023 $
REVENUE			
Interest income using the effective interest rate method		12,712,483	10,702,690
Interest expense using the effective interest rate method		(6,889,732)	(5,150,074)
NET INTEREST INCOME	2	5,822,751	5,552,616
NET NON - INTEREST INCOME		-	1,167
TOTAL REVENUE		5,822,751	5,553,783
EXPENSES			
Management fees and services		(449,052)	(418,597)
Amortisation expense		(26,928)	(35,073)
Occupancy expenses		(63,740)	(90,226)
Client chequing expenses		(20,905)	(21,576)
Computer support		(127,255)	(94,675)
Professional fees		(44,958)	(32,657)
Promotional expenses		(124)	-
Other expenses		(14,359)	(17,026)
TOTAL EXPENSES		(747,321)	(709,830)
REVERSAL OF LOAN IMPAIRMENT		17,331	288
SURPLUS FOR THE YEAR		5,092,761	4,844,241

The notes on pages 5 to 24 are an integral part of these financial statements.

Catholic Development Fund - Diocese of Broken Bay

Statement of Financial Position
As at 30 June 2024

	Note	2024	2023
		$	$
ASSETS			
Cash and cash equivalents	4	33,984,981	29,142,694
Due from financial institutions	5	12,146,271	29,395,369
Loans and advances	6	105,982,230	115,176,890
Software	7	-	26,928
Prepayments	8	7,220	9,640
TOTAL ASSETS		152,120,702	173,751,521
LIABILITIES			
Trade and other payables	9	50,160	44,370
Deposits	10	137,559,873	159,301,329
Provision for distributions	11(a)	2,892,762	3,014,563
Loan capital	12	2,026,648	2,000,000
TOTAL LIABILITIES		142,529,443	164,360,262
NET ASSETS		9,591,259	9,391,259
EQUITY			
Contributed equity	13	2,000,000	2,000,000
Retained earnings		7,591,259	7,391,259
TOTAL EQUITY		9,591,259	9,391,259

The notes on pages 5 to 24 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 2024

	Note	Contributed equity $	Retained earnings $	Total equity $
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)
Balance as at 30 June 2023		2,000,000	7,391,259	9,391,259
Balance as at 1 July 2023		2,000,000	7,391,259	9,391,259
Surplus for the year		-	5,092,761	5,092,761
Distributions	11(a)	-	(4,892,761)	(4,892,761)
Balance as at 30 June 2024		2,000,000	7,591,259	9,591,259

The notes on pages 5 to 24 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 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Interest received on loans and advances		8,933,700	7,484,865
Interest received on amounts due from financial institutions		3,778,783	3,217,825
Interest paid on deposits and borrowings		(6,889,732)	(5,150,074)
Net decrease/(increase) in loans and advances		9,211,991	(5,507,373)
Net decrease in deposits		(21,714,808)	(22,472,130)
Other income received		-	1,167
Cash paid to suppliers		(712,183)	(697,564)
Net cash (used in) operating activities		(7,392,249)	(23,123,284)
Cash flows from investing activities			
Payments for software		-	(4,008)
Net decrease in amounts due from financial institutions		17,249,098	30,714,017
Net cash provided by investing activities		17,249,098	30,710,009
Cash flows from financing activities			
Distributions to Diocese of Broken Bay		(5,014,562)	(4,096,403)
Net cash (used in) financing activities	11	(5,014,562)	(4,096,403)
Net increase in cash held		4,842,287	3,490,322
Cash at beginning of year		29,142,694	25,652,372
Cash at end of year	4(a)	33,984,981	29,142,694

The notes on pages 5 to 24 are an integral part of these financial statements.

1. Statement of material 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 publicly 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 11 September 2024.

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.

1. Statement of material 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 climate-related risks and opportunities, and 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 and are consistent with CDF's risk management and climate-related commitments where appropriate. Information about significant areas of estimation uncertainty and critical judgements in applying material 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.

Changes in material accounting policies

Material accounting policy information

CDF adopted *Disclosure of Accounting Policies (Amendments to AASB 101 and AASB Practice Statement 2)* from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to the disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The management reviewed the accounting policies and made updates to the information disclosed in Note 1 Statement of material accounting policies (2023: Statement of accounting policies) in certain instances in line with the amendments.

Material accounting policies

Material 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.

Except for the changes mentioned above, CDF has consistently applied the material accounting policies to all periods presented in the financial statements.

1. Statement of material accounting policies (ctd.)

The following specific material 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 2024 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.

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 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).

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 (SPPI) on the principal amount outstanding.

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.

1. Statement of material accounting policies (ctd.)

Financial instruments **(ctd.)**

Classification and subsequent measurement (ctd.)

Business model assessment

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

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

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

The business models of CDF *are as follows:*

Held to collect	CDF holds financial assets which arise from loans and investments.

Assessment whether contractual cash flows are SPPI

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 SPPI, 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).

1. Statement of material accounting policies (ctd.)

***Financial instruments* (ctd.)**

Classification and subsequent measurement (ctd.)

A prepayment feature is consistent with the SPPI 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.

The CDF had no financial assets held outside trading business models that failed the SPPI assessment.

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.

Derecognition

Financial assets

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

Financial liabilities

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

Offsetting

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

Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with AASB 112 *Income Taxes*.

1. Statement of material accounting policies (ctd.)

Impairment

Financial assets

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 asset.

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.

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 2023/2024 year the Board has agreed, at the request of the Diocese, to retain $200,000. The distributions are unfranked.

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

1. Statement of material accounting policies (ctd.)

Finance income and finance costs

CDF's finance income and finance expense includes:

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

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

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 standards and interpretations not yet adopted

A number of new accounting standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted. However, CDF has not early adopted the following new or amended accounting standards in preparing these financial statements. Per CDF's assessment, the following amended standards and interpretations are not expected to have a significant impact on the CDF's financial statements:

- *Non-current Liabilities with Covenants (Amendments IAS 1)*
- *Classification of Liabilities as Current or Non-current (Amendments IAS 1).*

2. Net interest income

	2024 $	2023 $
Interest income using the effective interest rate method		
Due from financial institutions		
Current accounts	13,574	2,183
At call investments	730,656	672,219
Term deposits	3,034,553	2,543,423
	3,778,783	3,217,825
Loans and advances		
Loans to Diocesan entities	7,050,395	5,922,840
Loans to Non-Diocesan entities	1,883,305	1,562,025
	8,933,700	7,484,865
	12,712,483	10,702,690
Interest expense using the effective interest rate method		
Deposits		
At call deposits	890,321	702,645
Fixed term deposits	5,893,072	4,367,277
	6,783,393	5,069,922
Loan capital		
Perpetual subordinated debt	106,339	79,260
Overdrawn interest charge	-	892
	106,339	80,152
	6,889,732	5,150,074
	5,822,751	5,552,616

3. Auditors' remuneration

	2024 $	2023 $
Audit services	40,070	37,797
Audit services – prior year	365	
Other services	4,369	3,748
	44,804	41,545

4. Cash and cash equivalents

(a) Cash and cash equivalents

	2024	2023
	$	$
Cash and cash equivalents	33,984,981	29,142,694
Cash and cash equivalents in the statement of cash flows	33,984,981	29,142,694

(b) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand. Cash at the end of the financial year as shown on the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents		
Cash	2,670,481	2,442,501
At Call Funds	6,177,672	5,652,999
Terms deposits (invested for less than three months)	25,136,828	21,047,194
	33,984,981	29,142,694

5. Due from financial institutions

Term deposits		
Catholic Development Fund - Archdiocese of Sydney	12,146,271	29,395,369
	12,146,271	29,395,369
	12,146,271	29,395,369
Maturity analysis		
Not longer than 3 months	12,146,271	29,395,369
	12,146,271	29,395,369

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

For the year ended 30 June 2024

6. Loans and advances

	2024 $	2023 $
Gross loans and advances		
Diocesan loans	83,071,854	90,865,977
Non-Diocesan loans	23,144,989	24,562,857
	106,216,843	115,428,834
Less: loan loss provision	(234,613)	(251,944)
	105,982,230	115,176,890
Maturity analysis		
Not longer than 3 months	2,302,127	2,387,711
Longer than 3 months and not longer than 12 months	7,138,448	7,416,916
Longer than 1 year and not longer than 5 years	23,116,489	27,211,371
Longer than 5 years	73,659,779	78,412,836
Less: loan loss provision	(234,613)	(251,944)
	105,982,230	115,176,890

7. Software

Software	138,091	138,091
Less: Accumulated amortisation	(138,091)	(111,163)
	-	26,928
	-	26,928

(a) Movements in carrying amounts

	Balance at the beginning of year $	Additions $	Disposals $	Amortisation expense $	Balance at the end of year $
Software	26,928	-	-	(26,928)	-
	26,928	-	-	(26,928)	-

8. Prepayments

	2024 $	2023 $
Prepayments	7,220	9,640
GST receivable	-	-
	7,220	9,640

9. Trade and other payables

	2024 $	2023 $
Creditors and accruals	50,160	44,370
	50,160	44,370

10. Deposits

	2024 $	2023 $
At call deposits		
Diocesan entities	26,686,421	33,092,801
Non-Diocesan entities	2,167,037	2,665,359
	28,853,458	35,758,160
Fixed term deposits		
Diocesan entities	108,057,518	123,396,148
Non-Diocesan entities	648,897	147,021
	108,706,415	123,543,169
	137,559,873	159,301,329

Maturity analysis

	2024 $	2023 $
At call	28,853,458	35,758,160
Not longer than 3 months	72,422,163	101,286,067
Longer than 3 months and not longer than 12 months	36,284,252	22,257,102
	137,559,873	159,301,329

11. (a) Provision for distributions

	2024 $	2023 $
Opening approved unpaid distribution from previous year	3,014,563	2,466,724
Add approved distributions:		
Diocese of Broken Bay	4,892,761	4,644,242
Less distributions paid:		
Diocese of Broken Bay	(5,014,562)	(4,096,403)
Closing unpaid distributions	2,892,762	3,014,563

(b) Distributions

	2024 $	2023 $
Interim distribution paid to Diocese of Broken Bay	1,999,999	1,629,679
Proposed final distribution to Diocese of Broken Bay	2,892,762	3,014,563
Total distribution from the CDF for the Year	4,892,761	4,644,242

12. Loan capital

	2024	2023
	$	$
Perpetual subordinated debt - Diocese of Broken Bay	2,026,648	2,000,000
	2,026,648	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

	2024	2023
In issue at 1 July	2,000,000	2,000,000
In issue at 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 2024 were as follows:

Mr Joe Bracken (Chair) (Audit Committee – Ex-Officio Member) (Lending Committee)
Rev Robert Borg (Audit Committee – Member)
Mr Daniel Casey (Ex Officio)
Mr Michael Lucas (Audit Committee – Chair)
Ms Catherine Manuel (Lending Committee – Member) (Audit Committee – Member)
Mr Peter Gunning (appointed 1 February 2024)
Mr Hendrikus Pruyn – Ex Officio (appointed 30 April 2024)
Ms Emma McDonald - Ex Officio (Lending Committee – Member) (Resigned 24 April 2024)

A Board Member, Mr Hendrikus (Henry) Pruyn is the Head of Administration and Finance 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 Dicoesan of Broken Bay Council of Priests and Archdicoese of Sydney Motor Vehicle Plan. These entities all conduct 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, Ex-Offcio 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.

A Board Member, Mr Peter Gunning, is a member of the Catholic Schools Broken Bay Finance Committee.

A Board Member, Ms Catherine Manuel, is a Member of the Diocese of Broken Bay Investment Committee and the Diocese of Broken Bay Finance Council.

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
Mr Hendrikus Pruyn and Ex-Officio Member of the Advisory Board
Mr Joe Bracken – Chair of the Advisory Board
Rev Robert Borg - Advisory Board member
Mr Daniel Casey - Advisory Board member
Mr Michael Lucas- Advisory Board members Catherine Manuel - Advisory Board member
Mr Peter Gunning - Advisory Board member

No key management personnel have received any remuneration from the CDF during the year ended 30 June 2024 (2023: $nil).

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 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 $5,014,562 (2023: $4,096,403) 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.

Amounts were billed based on market rates for such services and were due and payable under normal payment terms. There were no transactions with key management personnel. (2023 – Nil)

(b) Other related party transactions

Loans to related parties				
Diocesan Entities			83,071,854	90,865,977
			83,071,854	90,865,977
Deposits from related parties				
Diocesan Entities			134,743,939	156,488,949
			134,743,939	156,488,949
Transactions with related parties				
- Interest paid on deposits	6,727,257	5,037,193		
- Interest received on loans	7,050,394	5,922,840		

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 2024 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 2024 was 23.34% (2023: 16.17%).

(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 loans and advances was as follows:

	2024	2023
	$	$
Balance at 1 July	251,944	252,232
Impairment loss reversed	(17,331)	(288)
Balance at 30 June	234,613	251,944

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 including macro and micro economic variables that could influence credit losses. The CDF prepares a base case, downside 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 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.

15. Financial risk management (ctd.)

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

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest	
	2024 $	2023 $	2024 $	2023 $	2024 $	2023 $	2024 $	2023 $	2024 %	2023 %
(i) Financial assets										
Cash and cash equivalents	33,984,981	29,142,694	-	-	-	-	33,984,981	29,142,694	4.47%	3.89%
Due from financial institutions	-	-	12,146,271	29,395,369	-	-	12,146,271	29,395,369	4.88%	4.34%
Loans and advances	105,982,230	115,176,890	-	-	-	-	105,982,230	115,176,890	8.25%	7.84%
Total financial assets	139,967,211	144,319,584	12,146,271	29,395,369	-	-	152,113,482	173,714,953		
(ii) Financial Liabilities										
Trade and other payables	-	-	-	-	50,160	44,370	50,160	44,370		
Deposits	28,853,458	35,758,160	108,706,415	123,543,169	-	-	137,559,873	159,301,329	3.99%	3.34%
Loan capital	2,026,648	2,000,000	-	-	-	-	2,026,648	2,000,000	5.34%	4.72%
Total financial liabilities	30,880,106	37,758,160	108,706,415	123,543,169	50,160	44,370	139,636,681	161,345,699		

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.

	2024		2023	
	Carrying amount	Net fair value	Carrying amount	Net fair value
Financial assets measured at amortised cost				
Cash and cash equivalents	33,984,981	33,984,981	29,142,694	29,142,694
Due from financial institutions	12,146,271	12,146,271	29,395,369	29,395,369
Loans and advances	105,982,230	105,982,230	115,176,890	115,176,890
	152,113,482	152,113,482	173,714,953	173,714,953
Financial liabilities measured at amortised cost				
Trade and other payables	50,160	50,160	44,370	44,370
Deposits	137,559,873	137,559,873	159,301,329	159,301,329
Loan capital	2,026,648	2,026,648	2,000,000	2,000,000
	139,636,681	139,636,681	161,345,699	161,345,699

(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 2024.

Foreign currency sensitivity analysis

At 30 June 2024, 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 very occasional and is completed at spot rates for client transactions. Therefore, no foreign currency sensitivity analysis has been performed.

Price risk sensitivity analysis

At 30 June 2024, 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 price risk sensitivity analysis has been performed.

16. Commitments to extend credit

The following loans approved at 30 June 2024 had not been drawn at that date.

	2024	2023
	$	$
Diocesan loans (including undrawn overdrafts)	-	-
Non-Diocesan loans (including undrawn overdrafts)	2,500,000	21,521,400
	2,500,000	21,521,400

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	1,381,211	1,910,262

18. Commitments

CDF did not have any material capital or other commitments as at 30 June 2024 (2023: Nil).

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 the CDF will not receive the benefit of the financial claims scheme or the depositor protection provisions in the Banking Act 1959 (Cth). Investments in the CDF are intended to be a means for investors to support the charitable, religious and educational works of the Catholic Diocese of Broken Bay and for whom the consideration of profit are not of primary relevance in the investment decision. The investments that the CDF offers are not subject to the usual protections for investors under the Corporations Act (Cth) or regulation by the Australian Securities and Investments Commission. Investors may be unable to get some or all of their money back when the investor expects or at all and any investment of 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. The CDF does not hold an Australian Financial Services Licence.

19. Catholic Development Fund details (ctd.)

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

As at 30 June 2024 there were $50.6m in unapproved loans. These loans were subsequently approved by the CDF Loans Committee on the 8th July and will be submitted to the September Board meeting for noting.

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 the 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 2024 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.

.... 11/9/24 ....

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

.... 11/9/24 ....

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

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 2024, 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 2024.

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 material 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 Notes 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 the 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

KPMG

Duncan McLennan
Partner

Sydney
11 September 2024