catholicdevelopmentfund
ARCHDIOCESE OF SYDNEY

2022 ANNUAL REPORT

CONTENTS

MESSAGE FROM THE ARCHBISHOP

Dear friends,

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

2021/2022 has been an extremely challenging year with the Covid19 Pandemic still affecting our everyday lives and the broader economy. Increasing inflation and Interest Rates have added to the challenges. Pleasingly, our Catholic Development Fund has safely navigated these conditions to produce a high quality result.

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

I also recognise the CDF's significant assistance to our parish communities made through their annual distributions to parishes.

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

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

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

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

CHAIRMAN'S REPORT

On behalf of the Advisory Board of the CDF, I am proud to present to you the 2022 Annual Report.

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

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

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

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

In his message, Archbishop Fisher describes the challenging year we have all faced. Our Catholic Development Fund has safely navigated these conditions.

The 2021/2022 results clearly demonstrate the CDF is prudentially sound and strong. I am delighted to announce a net surplus of $23.64 million. We are very proud of this exceptional result, particularly due the challenging conditions we are operating in. This surplus allowed the CDF to distribute a substantial $17.73 million to the Archdiocese and the Parishes. The balance of the surplus was added to reserves, which now stand at $78.1 million, clearly indicating the CDF's prudential strength.

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

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

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

We look forward to serving you in the years ahead.

John Flynn
Chairman.

OUR PRODUCTS AND SERVICES INCLUDE

CURRENT AND INVESTMENT ACCOUNTS FOR:

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

LOANS FOR:

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

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

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

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

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

WHAT MAKES US DIFFERENT:

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

WE ARE COMMITTED TO:

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

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BANKERS

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

SOLICITORS

Makinson & d'Apice
135 King Street
Sydney NSW 2000

AUDITORS

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

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ARCHDIOCESE OF SYDNEY

General Purpose Financial Statements for the year ended 30 June 2022

Catholic Development Fund - Archdiocese of Sydney

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
REVENUE			
Interest income using the effective interest rate method		28,962,332	26,917,099
Interest expense using the effective interest rate method		(2,816,811)	(3,482,864)
NET INTEREST INCOME	2	26,145,521	23,434,235
NET NON - INTEREST INCOME	3	976,552	957,385
TOTAL REVENUE		27,122,073	24,391,620
EXPENSES			
Salaries and associated costs	4	(1,529,079)	(1,450,152)
Property expenses	4	(23,868)	(23,226)
Depreciation expense	4	(426,536)	(376,487)
Equipment and technology expenses		(415,669)	(369,845)
General administration expenses		(58,602)	(35,104)
Assurance and professional expenses		(369,173)	(385,012)
Client services expenses		(112,095)	(134,477)
Promotional expenses		(44,195)	(17,948)
Board expenses		(34,827)	(31,325)
TOTAL EXPENSES		(3,014,044)	(2,823,576)
LOAN IMPAIRMENT (EXPENSE)/ REVERSAL		(467,522)	1,239,527
SURPLUS FOR THE YEAR		23,640,507	22,807,571

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

Catholic Development Fund - Archdiocese of Sydney

Statement of Financial Position

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	6	13,367,087	10,765,828
Due from financial institutions	7	258,375,649	223,709,198
Securities at amortised cost	8	88,000,354	88,112,586
Loans and advances	9	736,267,732	756,325,298
Plant and equipment	10	415,979	394,965
Right-of-use assets	11	218,515	437,030
Prepayments		126,634	135,001
Other assets	12	129,005	11,600
TOTAL ASSETS		1,096,900,955	1,079,891,506
LIABILITIES			
Trade and other payables	13	667,209	689,548
Deposits	14	1,008,666,838	997,810,511
Lease liabilities	11	245,207	471,919
Provision for distributions	15	8,601,304	8,204,730
Provision for employee entitlements	16	649,473	553,997
TOTAL LIABILITIES		1,018,830,031	1,007,730,705
NET ASSETS		78,070,924	72,160,801
EQUITY			
Retained earnings		78,070,924	72,160,801
TOTAL EQUITY		78,070,924	72,160,801

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

Catholic Development Fund - Archdiocese of Sydney

Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Retained earnings $	Total equity $
Balance as at 1 July 2020		66,458,906	66,458,906
Surplus for the year		22,807,571	22,807,571
Distributions	15	(17,105,676)	(17,105,676)
Balance as at 30 June 2021		72,160,801	72,160,801
Balance as at 1 July 2021		72,160,801	72,160,801
Surplus for the year		23,640,507	23,640,507
Distributions	15	(17,730,384)	(17,730,384)
Balance as at 30 June 2022		78,070,924	78,070,924

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

Catholic Development Fund - Archdiocese of Sydney

Statement of Changes in Cash Flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Interest received on loans and advances		25,879,039	23,189,470
Interest received on securities at amortised cost		1,546,600	2,392,691
Interest received on amounts due from financial institutions		1,536,693	1,334,938
Net decrease/(increase) in loans and advances		19,590,043	(165,422,310)
Net increase in deposits		10,856,327	61,046,480
Other income received		976,552	957,385
Interest paid on deposits		(2,800,251)	(3,455,959)
Interest paid on lease liabilities		(16,560)	(26,905)
Cash paid to suppliers and employees		(2,646,804)	(2,479,728)
Net cash flows provided by/(used in) operating activities		54,921,639	(82,463,938)
Cash flows from investing activities			
Net (increase)/decrease in amounts due from financial institutions		(34,666,451)	72,792,085
Net decrease in securities at amortised cost		112,232	17,303,784
Payments for plant and equipment	10	(230,639)	(224,660)
Proceeds from sale of equipment		25,000	26,136
Net cash (used in)/provided by investing activities		(34,759,858)	89,897,345
Cash flows from financing activities			
Distributions to Archdiocese of Sydney	15	(16,653,340)	(14,449,985)
Distributions to Parishes	15	(680,470)	(598,288)
Payment of lease liabilities	11	(226,712)	(209,282)
Net cash used in financing activities		(17,560,522)	(15,257,555)
Net increase/(decrease) in cash and cash equivalents		2,601,259	(7,824,148)
Cash at beginning of year		10,765,828	18,589,976
Cash at end of year	6(a)	13,367,087	10,765,828

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2022

1. Statement of accounting policies

Fund information

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

The financial statements are general purpose financial statements prepared by the Board of CDF in order to meet the needs of the Archbishop of the Archdiocese of Sydney. 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 29 September 2022.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with *Australian Accounting Standards – Simplified Disclosures* made by the Australian Accounting Standards Board.

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

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

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

Basis of measurement

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

Functional and presentation currency

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

Rounding

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

Going concern

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

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.

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

1. Statement of accounting policies (ctd.)

Financial Instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

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

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

Business model assessment

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

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

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

1. Statement of accounting policies (ctd.)

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

Classification and subsequent measurement (ctd.)

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

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

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

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

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

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

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

Subsequent measurement and gains and losses

Financial assets

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

1. Statement of accounting policies (ctd.)

Financial Instruments **(ctd.)**

Derecognition

Financial assets

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

Financial liabilities

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

Offsetting

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

Impairment

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

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

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

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

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

Plant and equipment

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

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

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

Depreciation is used to write off the cost of plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognised in profit or loss. Motor vehicles are depreciated at 20% of cost; all other assets are depreciated at 33.33% of cost.

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

1. Statement of accounting policies (ctd.)

Leases

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

As a lessee

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

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

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

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

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

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

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

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

1. Statement of accounting policies (ctd.)

Leases (ctd.)

As a lessee (ctd.)

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

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

Short-term leases and leases of low-value assets

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

Provision for distributions

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

The Archbishop has ratified and approved the policy.

A provision is maintained for any distributions approved but unpaid - see Note 15.

Provision for employee entitlements

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

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

Long service leave has been provided on a pro-rata basis for all employees and is accrued from the date of employment, including associated on-costs. Long service leave is valued as 100% of the liability amount as at 30 June 2022 and is not discounted to reflect the time value of money.

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.

1. Statement of accounting policies (ctd.)

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.

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

For the year ended 30 June 2022

	2022 $	2021 $
2. Net interest income		
Interest income using the effective interest rate method		
Due from financial institutions		
Cash at bank and at call deposits with Commonwealth Bank of Australia (CBA)	352,659	116,777
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)	1,184,034	1,218,161
	1,536,693	1,334,938
Securities at amortised cost		
Floating Rate Notes (FRNs)	1,546,600	2,392,691
	1,546,600	2,392,691
Loans and advances		
Loans	25,879,039	23,189,470
	25,879,039	23,189,470
	28,962,332	26,917,099
Interest expense using the effective interest rate method		
Deposits		
At call deposits	265,295	173,520
Fixed term deposits	2,534,837	3,282,439
Lease liabilities	16,560	26,905
Overdrawn interest charge	119	-
	2,816,811	3,482,864
	26,145,521	23,434,235

	2022 $	2021 $
3. Net non - interest income		
Facility commitment fees	341,473	308,430
Management fees	521,700	496,526
Establishment fees	55,716	48,864
Other income	57,663	103,565
	976,552	957,385

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

For the year ended 30 June 2022

	2022 $	2021 $
4. Expenses		
Salaries and associated costs		
Salaries and benefits	1,386,546	1,314,134
Superannuation	120,104	112,706
Other staff costs	3,509	4,878
Insurance - workers' compensation	18,920	18,434
	1,529,079	1,450,152
Property expenses		
Insurance - general	8,424	8,056
General property expenses	5,945	5,839
Light and power	9,499	9,331
	23,868	23,226
Depreciation expense		
Computer equipment	-	1,864
Software	183,098	132,591
Motor vehicles	23,638	23,517
Office furniture	1,285	-
ROUA	218,515	218,515
	426,536	376,487
5. Auditor’s remuneration		
Audit services - current year	92,168	87,778
Audit services - prior year	470	(1,656)
Other services	14,828	11,640
	107,466	97,762

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

For the year ended 30 June 2022

6. Cash and cash equivalents

(a) Cash and cash equivalents

	2022 $	2021 $
Cash and cash equivalents	13,367,087	10,765,828
Cash and cash equivalents in the statement of cash flows	13,367,087	10,765,828

(b) Reconciliation of cash

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

	2022 $	2021 $
Cash and cash equivalents	13,367,087	10,765,828
	13,367,087	10,765,828

7. Due from financial institutions

	2022 $	2021 $
At call deposits with CBA	8,816,891	37,516,129
	8,816,891	37,516,129
Term deposits with other ADIs	249,558,758	186,193,069
	249,558,758	186,193,069
	258,375,649	223,709,198
Maturity analysis		
At call	8,816,891	37,516,129
Not longer than 3 months	225,499,166	186,193,069
Longer than 3 months and not longer than 12 months	24,059,592	-
	258,375,649	223,709,198

At call deposits with CBA includes restricted cash of $300K which is held as security for a bank guarantee.

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

For the year ended 30 June 2022

	2022 $	2021 $
8. Securities at amortised cost		
Securities at amortised cost		
FRNs with ADIs	84,992,680	85,106,333
FRNs with APRA regulated insurers	3,007,674	3,006,253
	88,000,354	88,112,586
Maturity analysis		
Securities at amortised cost		
Not longer than 1 year	19,005,498	1,705,500
Longer than 1 year and not longer than 3 years	27,801,658	18,998,337
Longer than 3 years	41,193,198	67,408,749
	88,000,354	88,112,586
9. Loans and advances		
Gross loans and advances	738,155,634	757,745,678
Less: loan loss provision	(1,887,902)	(1,420,380)
	736,267,732	756,325,298
Maturity analysis		
Loans and advances		
Overdrafts	3,757,975	6,147,650
Not longer than 3 months	17,670,254	12,312,351
Longer than 3 months and not longer than 12 months	36,537,406	37,562,146
Longer than 1 year and not longer than 5 years	198,080,620	208,391,550
Longer than 5 years	482,109,379	493,331,981
Less: loan loss provision	(1,887,902)	(1,420,380)
	736,267,732	756,325,298

10. Plant and equipment

	2022 $	2021 $
Office furniture	78,178	76,893
Less: Accumulated depreciation	(78,178)	(76,893)
	-	-
Office equipment	68,720	68,720
Less: Accumulated depreciation	(68,720)	(68,720)
	-	-
Computer equipment	51,554	51,554
Less: Accumulated depreciation	(51,554)	(51,554)
	-	-
Software	898,203	804,489
Less: Accumulated depreciation	(611,563)	(446,851)
	286,640	357,638
Motor vehicles	180,395	98,851
Less: Accumulated depreciation	(51,056)	(61,524)
	129,339	37,327
Office partitioning & fittings	132,137	132,137
Less: Accumulated depreciation	(132,137)	(132,137)
	-	-
	415,979	394,965

(a) Movements in carrying amounts

	Balance at the beginning of year $	Additions $	Disposals $	Depreciation Expense $	Balance at the end of year $
Office Furniture	-	1,285	-	(1,285)	-
Software	357,639	112,099	-	(183,098)	286,640
Motor vehicles	37,326	117,255	(1,604)	(23,638)	129,339
	394,965	230,639	(1,604)	(208,021)	415,979

Notes to and forming part of the Financial Statements (ctd.)
For the year ended 30 June 2022

11. Leases

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

(i) Right-of-use assets

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

	ROUA $	Total $
Balance at 1 July 2021	437,030	437,030
Depreciation	(218,515)	(218,515)
Balance at 30 June 2022	218,515	218,515

(ii) Lease liabilities

	2022 $	2021 $
Lease liabilities	245,207	471,919
	245,207	471,919

Terms and conditions of outstanding lease liabilities are as follows:

				30 June 2022		30 June 2021	
	Currency	Nominal interest rate	Year of maturity	Face value $	Carrying amount $	Face value $	Carrying amount $
Lease liabilities	AUD	4.75%	2023	250,570	245,207	493,842	471,919
				250,570	245,207	493,842	471,919

(iii) Amounts recognised in profit or loss

	2022 $	2021 $
Interest on lease liabilities	16,560	26,905

(iv) Amounts recognised in statement of cash flows

Total cash outflow for leases	226,712	209,282

11. Leases (ctd.)

(v) Future lease payments

	2022 $	2021 $
Not later than one year	250,570	243,272
Later than one year but not later than five years	-	250,570
	250,570	493,842

12. Other assets

	2022 $	2021 $
Accrued receivables	111,714	440
GST receivable	17,291	11,160
	129,005	11,600

13. Trade and other payables

	2022 $	2021 $
Creditors and accruals	667,209	689,548
	667,209	689,548

14. Deposits

	2022 $	2021 $
At call deposits		
Archdiocesan entities	103,993,853	122,486,579
Non-Archdiocesan entities	108,703,973	116,297,586
	212,697,826	238,784,165
Fixed term deposits		
Archdiocesan entities	677,164,719	664,785,619
Non-Archdiocesan entities	118,804,293	94,240,727
	795,969,012	759,026,346
	1,008,666,838	997,810,511
Maturity analysis		
At call	212,697,826	238,784,165
Not longer than 3 months	581,729,064	560,986,996
Longer than 3 months and not longer than 12 months	214,239,948	198,039,350
	1,008,666,838	997,810,511

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

For the year ended 30 June 2022

	2022 $	2021 $
15. Provision for distributions		
Opening approved unpaid distribution from previous year	8,204,730	6,147,327
Add approved distributions:		
Archdiocese of Sydney	16,454,603	16,099,007
Parishes	1,275,781	1,006,669
	17,730,384	17,105,676
Less distributions paid:		
Archdiocese of Sydney	(16,653,340)	(14,449,985)
Parishes	(680,470)	(598,288)
	(17,333,810)	(15,048,273)
Closing unpaid distributions	8,601,304	8,204,730

16. Provision for employee entitlements

Provision for long service leave and other entitlements	432,541	384,793
Provision for annual leave	216,932	169,204
	649,473	553,997

Employees

Number of employees at year end	13	13

Superannuation plans

Contributions to defined contribution plans recognised as an expense in Statement of Comprehensive Income during the year ended 30 June 2022 were $120,104 (2021: $112,706).

CDF contributes to employee accumulated superannuation funds for all eligible employees based on various percentages of their gross salary, with a minimum contribution of 10% of gross salary (2021 - 9.50%).

17. Related party transactions

Advisory Board Members

The Advisory Board members who held Office during the year and as at 30 June 2022 were as follows:

Mr John Flynn (Chair) (Nominations Committee - Member) (Loans Committee - Member)
Mr Robert Baker B.Bus, FCA GAICD (Audit Committee - Chair)
Ms Rebecca Davies B.Ec, LLB (Hons) FAICD
Mr Michael Digges (Audit Committee - Member) (Nominations Committee - Member) (Loans Committee - Member)
Very Reverend Dr Gerald Gleeson
Mr Patrick Langrell GAICD (appointed 8 December 2021) (Audit Committee)
Rev Daniel McCaughan (appointed 1 July 2021)
Mr Glenn McLachlan B.Bus, ACA, F.Fin
Mr Neil Schafer (Audit Committee – Member) (Loans Committee - Member)
Ms Barbara Thompson B.Bus, MBA, Certificate in Governance for Not-for-Profits (Audit Committee - Member)
Ms Elizabeth Tydd LL.B, LL.M, Cert. Legal Practice, Grad. Cert. Corporate Governance, GAICD, Dip. Social Welfare

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

Key management personnel

Mr Peter Bokeyar – General Manager

Mr John Flynn (Chair) (Nominations Committee - Member) (Loans Committee - Member)
Mr Robert Baker B.Bus, FCA GAICD (Audit Committee - Chair)
Ms Rebecca Davies B.Ec, LLB (Hons) FAICD
Mr Michael Digges (Audit Committee - Member) (Nominations Committee - Member) (Loans Committee - Member)
Very Reverend Dr Gerald Gleeson
Mr Patrick Langrell GAICD (appointed 8 December 2021) (Audit Committee)
Rev Daniel McCaughan (appointed 1 July 2021)
Mr Glenn McLachlan B.Bus, ACA, F.Fin
Mr Neil Schafer (Audit Committee – Member) (Loans Committee - Member)
Ms Barbara Thompson B.Bus, MBA, Certificate in Governance for Not-for-Profits (Audit Committee - Member)
Ms Elizabeth Tydd LL.B, LL.M, Cert. Legal Practice, Grad. Cert. Corporate Governance, GAICD, Dip. Social Welfare

Mr Michael Belle – Manager, Operations and Technology
Mr David Bower – Manager, Strategic Projects
Ms Giuliana Cianci – Manager, Finance and Administration
Mr Peter Wockner - Manager, Lending and Relationships

Controlling entities

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

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

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

As detailed in Note 15 to the financial statements, payments were made to various Archdiocesan entities during the year representing distribution of CDF's surplus.

CDF paid rent on leased premises at Polding Centre to the Catholic Archdiocese of Sydney. The rent paid is on a commercial basis. Refer to Note 11.

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

(a) Key management personnel compensation

The key management personnel compensation was $888,963 for the year ended 30 June 2022 (2021: $862,181).

(b) Other related party transactions

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2022	2021	2022	2021
	$	$	$	$
Loans to related parties				
Archdiocesan Entities			427,973,145	429,608,447
			427,973,145	429,608,447
Deposits for related parties				
Archdiocesan Entities			781,158,572	787,272,198
			781,158,572	787,272,198
Transactions with related parties				
- Interest paid	2,164,022	2,727,749		
- Interest received	16,519,539	15,115,009		

18. Financial risk management

Overview

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

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

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

(i) Financial risk exposures and management

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

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

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

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

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

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

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

18. Financial risk management (ctd.)

(ii) Capital adequacy

The Board have determined that CDF should maintain Capital of at least 8% of the risk weighted assets as defined in the Prudential Standards Policy. The level of Capital as at 30 June 2022 was 12.29% (30 June 2021 - 11.31%).

(iii) Liquidity risk

Liquidity risk is the risk that CDF will not be able to meet its financial obligations as they fall due. To limit this risk, management manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. (Refer to Note 14 for the maturity analysis on deposits.)

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

(iv) Credit risk

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

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

(i) General Investments

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

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

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

**The individual issuer limit was temporarily increased from 50% to 75% from the 18th February 2021 to the 31St July 2021. This limit increase was subsequently extended until the 31st January 2022, then to 31st July 2022 and again to 28 February 2023.

Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2022

18. Financial risk management (ctd.)

(iv) Credit risk (ctd.)

(i) General Investments (ctd.)

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

S&P Rating	2022		2021	
	$m	% of Total	$m	% of Total
AA- to AAA	205,242	79%	211,689	95%
BBB- to BBB+	53,134	21%	12,020	5%
Total	258,376	100%	223,709	100%

During the 2021/2022 financial year there were no breaches in policy by rating or at the individual issuer level.

(ii) Other Investments

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

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

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

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

S&P Rating	2022		2021	
	$m	% of Total	$m	% of Total
AA- to AAA	84,985	97%	85,098	97%
BBB- to BBB+	3,015	3%	3,015	3%
Total	88,000	100%	88,113	100%

During the 2021/2022 financial year there were no breaches in policy by rating or at the individual issuer level.

18. Financial risk management (ctd.)

(iv) Credit risk (ctd.)

(iii) Specific exclusions

Property, equities and collateralised debit obligations are specifically excluded.

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

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

(iv) Impairment allowance

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

	2022 $	2021 $
Balance at 1 July	1,420,380	2,659,907
Impairment loss recognised / (reversed)	467,522	(1,239,527)
Balance at 30 June	1,887,902	1,420,380

No provision has been created against due from financial institutions, securities at amortised cost and loans and advances 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 an Archdiocesan or Non Archdiocesan Entity.
- Loss Given Default (LGD): PD is based on the client's member type as well as whether they are an Archdiocesan or Non Archdiocesan 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 and fixed rates with the maximum tenor limited to 12 months. The majority of deposits are fixed rate deposits. Fixed rate deposits with a tenor of 1 to 5 years have been limited to 15% of the total of deposits. On the other hand, the majority of the funds lent are on a variable basis. In the event that funds are lent on a fixed rate basis, the fixed rate may be swapped for a variable rate. These arrangements are in respect to loans maturing between 1 to 5 years, and over 5 years as detailed below.

18. Financial risk management (ctd.)

(v) Interest rate risk (ctd.)

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

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
(i) Financial assets												
Cash and cash equivalents	13,367,087	10,765,828	-	-	-	-	-	-	13,367,087	10,765,828	0.24%	0.15%
Due from financial institutions	8,816,891	37,516,129	249,558,758	186,193,069	-	-	-	-	258,375,649	223,709,198	0.39%	0.41%
Securities at amortised cost	88,000,354	88,112,586	-	-	-	-	-	-	88,000,354	88,112,586	1.58%	2.04%
Loans and advances	736,267,732	756,325,298	-	-	-	-	-	-	736,267,732	756,325,298	3.47%	3.40%
Total financial assets	846,452,064	892,719,841	249,558,758	186,193,069	-	-	-	-	1,096,010,822	1,078,912,910		
(ii) Financial liabilities												
Trade and other payables	-	-	-	-	-	-	667,209	689,548	667,209	689,548	-	-
Deposits	212,697,826	238,784,165	795,969,012	759,026,346	-	-	-	-	1,008,666,838	997,810,511	0.25%	0.34%
Lease liabilities	245,207	471,919	-	-	-	-	-	-	245,207	471,919	-	-
Total financial liabilities	212,943,033	239,256,084	795,969,012	759,026,346	-	-	667,209	689,548	1,009,579,254	998,971,978		

18. Financial risk management (ctd.)

(vi) Net fair value

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

	2022		2021	
	Carrying amount	**Net fair value**	**Carrying amount**	**Net fair value**
Financial assets measured at amortised cost				
Cash and cash equivalents	13,367,087	13,367,087	10,765,828	10,765,828
Due from financial institutions	258,375,649	258,375,649	223,709,198	223,709,198
Securities at amortised cost	88,000,354	85,629,689	88,112,586	89,117,573
Loans and advances	736,267,732	736,267,732	756,325,298	756,325,298
	1,096,010,822	1,093,640,157	1,078,912,910	1,079,917,897
Financial liabilities measured at amortised cost				
Trade and other payables	667,209	667,209	689,548	689,548
Deposits	1,008,666,838	1,008,666,838	997,810,511	997,810,511
Lease liabilities	245,207	245,207	471,919	471,919
	1,009,579,254	1,009,579,254	998,971,978	998,971,978

Fair values are materially in line with carrying values.

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

18. Financial risk management (ctd.)

(vii) Sensitivity analysis

Interest rate sensitivity analysis

CDF operates a variable book in respect to its assets. In relation to liabilities there is a fixed and variable component, however the majority of term deposits mature within 3 months. CDF is therefore in a position to re-price both its interest rates payable 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 within a relatively short period. Accordingly, the impact on the surplus and equity of CDF for a change in market interest rates would not be material in respect to the year ended 30 June 2022.

Foreign currency sensitivity analysis

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

Price risk sensitivity analysis

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

19. Commitments to extend credit

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

	2022 $	2021 $
Archdiocesan Loans (including undrawn overdrafts)	238,537,944	273,101,232
Non-Archdiocesan Loans (including undrawn overdrafts)	198,065,366	177,162,516
	436,603,310	450,263,748

20. Contingent liabilities

The maximum exposure on a daily basis of contingent liabilities, not provided for in the accounts arising from the conduct of client encashment, bank guarantees, payroll and corporate credit card facilities through CBA for 2022 is $14,698,196 (2021 - $14,217,430).

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

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

Of the maximum exposure on a daily basis reported above $1,800,062 relates to the Catholic Development Fund - Diocese of Broken Bay for 2022. (2021 - $1,718,189).

21. Commitments

CDF did not have any material capital or other commitments as at 30 June 2022 (2021: Nil).

22. Supplementary information

Principal activity

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

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

Principal place of business

Level 15
Polding Centre
133 Liverpool Street
SYDNEY NSW 2000

Legal form

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

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

23. Regulatory exemptions and status

Banking Act 1959 (Act)

On 14 December 2017 APRA issued an exemption order, Banking exemption No.1 of 2017, which took effect from 1 January 2018. On 24 May 2021 APRA issued a new exemption order, Banking exemption No.1 of 2021, which took effect from 24 May 2021. Under Banking exemption No.1 of 2017 and Banking Exemption No.1 of 2021, Sections 7 and 8 of the *Banking Act 1959*, do not apply to CDF provided that CDF complies with the conditions specified in the exemption order.

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

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

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

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

24. Subsequent events

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

Catholic Development Fund - Archdiocese of Sydney

Statement by Approved Officers

We, state to the best of our knowledge and belief that the attached financial statements for the Catholic Development Fund – Archdiocese of Sydney (CDF) give a true and fair view of the performance of CDF for the year ended 30 June 2022 and its financial position as at that date.

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

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

....

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

29/9/2022
....
Date

....

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

29 September 2022
....
Date

Independent Auditor's Report

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

Opinion

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

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

The ***Financial Report*** comprises:

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Restriction on use and distribution

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

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

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

Responsibilities of Approved Officers for the Financial Report

The Approved Officers are responsible for:

- the preparation and fair presentation of the Financial Report for the purpose of meeting the needs of the Archbishop of the Roman Catholic Church of the Archdiocese of Sydney;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Sydney CDF's ability to continue as a going concern 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 Sydney CDF or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

D McLennan

Duncan McLennan

Partner

Sydney

29 September 2022