catholicdevelopmentfund
ARCHDIOCESE OF SYDNEY

Celebrating 30 Years

2023 ANNUAL REPORT

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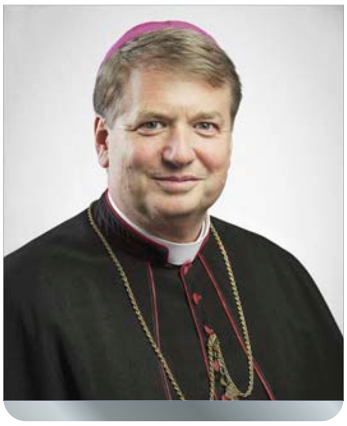


MESSAGE FROM THE ARCHBISHOP

Dear friends,

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

2022/2023 has been a financially challenging year with inflation and cost of living pressures affecting our everyday lives and the broader economy. 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 2023 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 2022/2023 results clearly demonstrate the CDF is prudentially sound and strong.

I am delighted to announce a net surplus of $31.01 million. We are very proud of this exceptional result, particularly due the challenging economic conditions we are operating in. This surplus allowed the CDF to distribute a substantial $23.257 million to the Archdiocese and the Parishes. The balance of the surplus was added to reserves, which now stand at $88.2 million, clearly indicating the CDF's prudential strength.

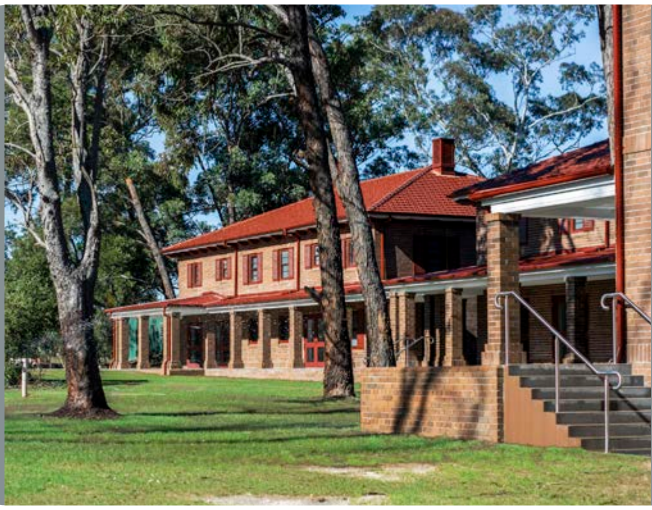
These results do not occur without the ongoing support and loyalty shown by our Parishes, Schools, Archdiocesan Agencies, Religious Congregations and other Church entities .Your continued support as a client of the CDF is vital and greatly appreciated.

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:

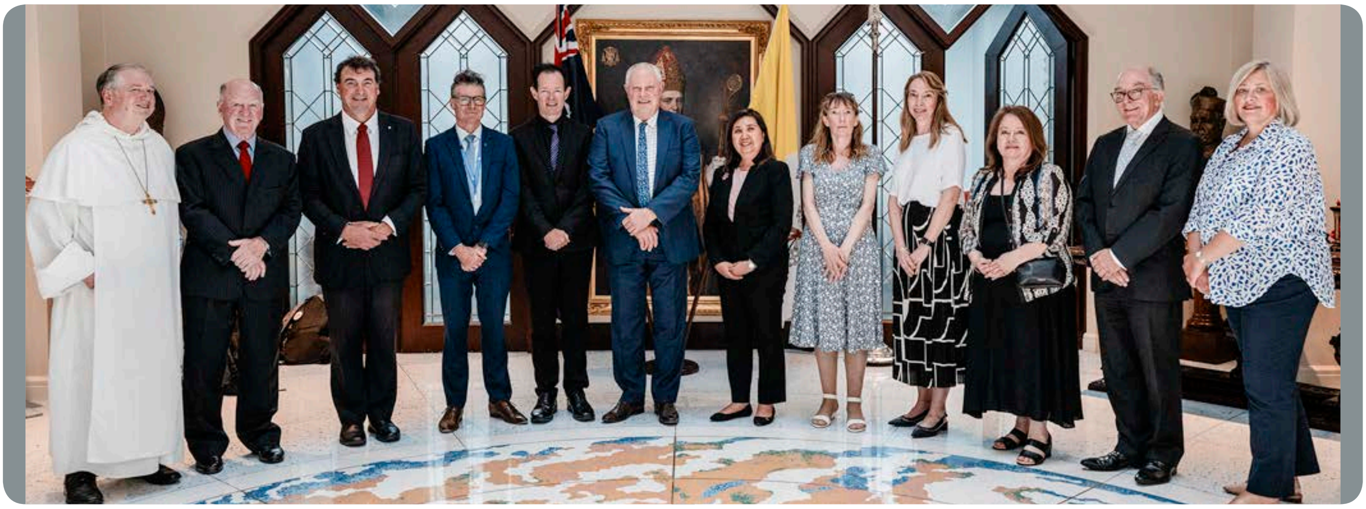
- Parish related initiatives
- Catholic Schools and education related projects
- Aged care accommodation
- Hospitals and related facilities
- Catholic Universities
- Other Church related projects
- Clergy car purchases and approved study courses.

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.

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

Catholic Development Fund - Archdiocese of Sydney

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $	2022 $
REVENUE			
Interest income using the effective interest rate method		58,679,386	28,962,332
Interest expense using the effective interest rate method		(25,706,135)	(2,816,811)
NET INTEREST INCOME	2	32,973,251	26,145,521
NET NON - INTEREST INCOME	3	1,145,429	976,552
TOTAL REVENUE		34,118,680	27,122,073
EXPENSES			
Salaries and associated costs	4	(1,599,879)	(1,529,079)
Property expenses	4	(24,951)	(23,868)
Depreciation expense	4	(425,578)	(426,536)
Equipment and technology expenses		(415,200)	(415,669)
General administration expenses		(88,845)	(58,602)
Assurance and professional expenses		(383,504)	(369,173)
Client services expenses		(149,233)	(112,095)
Promotional expenses		(62,328)	(44,195)
Board expenses		(40,322)	(34,827)
TOTAL EXPENSES		(3,189,840)	(3,014,044)
LOAN IMPAIRMENT (EXPENSE)/ REVERSAL		80,262	(467,522)
SURPLUS FOR THE YEAR		31,009,102	23,640,507

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 2023

	Note	2023 $	2022 $
ASSETS			
Cash and cash equivalents	6	13,207,131	13,367,087
Due from financial institutions	7	192,932,886	258,375,649
Securities at amortised cost	8	68,931,410	88,000,354
Loans and advances	9	733,260,957	736,267,732
Plant and equipment	10	180,515	415,979
Right-of-use assets	11	-	218,515
Prepayments		84,219	126,634
Other assets	12	173,764	129,005
TOTAL ASSETS		1,008,770,882	1,096,900,955
LIABILITIES			
Trade and other payables	13	495,953	667,209
Deposits	14	907,834,339	1,008,666,838
Lease liabilities	11	-	245,207
Provision for distributions	15	13,917,408	8,601,304
Provision for employee entitlements	16	699,982	649,473
TOTAL LIABILITIES		922,947,682	1,018,830,031
NET ASSETS		85,823,200	78,070,924
EQUITY			
Retained earnings		85,823,200	78,070,924
TOTAL EQUITY		85,823,200	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 Equity

For the year ended 30 June 2023

	Note	Retained earnings $	Total equity $
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
Balance as at 1 July 2022		78,070,924	78,070,924
Surplus for the year		31,009,102	31,009,102
Distributions	15	(23,256,826)	(23,256,826)
Balance as at 30 June 2023		85,823,200	85,823,200

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 2023

	Note	2023	2022
		$	$
Cash flows from operating activities			
Interest received on loans and advances		42,860,102	25,879,039
Interest received on securities at amortised cost		3,757,493	1,546,600
Interest received on amounts due from financial institutions		12,061,791	1,536,693
Net decrease in loans and advances		3,087,037	19,590,043
Net (decrease)/increase in deposits		(100,832,499)	10,856,327
Other income received		1,145,429	976,552
Interest paid on deposits		(25,700,772)	(2,800,251)
Interest paid on lease liabilities		(5,363)	(16,560)
Cash paid to suppliers and employees		(2,896,970)	(2,646,804)
Net cash flows (used in)/provided by operating activities		(66,523,752)	54,921,639
Cash flows from investing activities			
Net decrease/(increase) in amounts due from financial institutions		65,442,763	(34,666,451)
Net decrease in securities at amortised cost		19,068,944	112,232
Payments for plant and equipment	10	(19,673)	(230,639)
Proceeds from sale of equipment		57,691	25,000
Net cash provided by/ (used in) investing activities		84,549,725	(34,759,858)
Cash flows from financing activities			
Distributions to Archdiocese of Sydney	15	(16,682,040)	(16,653,340)
Distributions to Parishes	15	(1,258,682)	(680,470)
Payment of lease liabilities	11	(245,207)	(226,712)
Net cash (used in) financing activities		(18,185,929)	(17,560,522)
Net (decrease)/increase in cash and cash equivalents		(159,956)	2,601,259
Cash at beginning of year		13,367,087	10,765,828
Cash at end of year	6(a)	13,207,131	13,367,087

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 2023

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 2023). 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 25 October 2023.

Statement of compliance

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

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

Basis of measurement

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

Functional and presentation currency

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

Rounding

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

Going concern

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

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

For the year ended 30 June 2023

1. Statement of accounting policies (ctd.)

Critical accounting estimates and judgements

In applying CDF's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on CDF. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management even though actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described below:

Impairment of loans and advances

Considerable judgement is exercised in determining the extent of the expected credit losses (ECLs) for financial assets assessed for impairment both individually and collectively. The ECLs for financial assets is based on assumptions about the risk of default and expected loss rates. CDF uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on CDF's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgements and analysis may lead to changes in the ECLs over time. The key judgement areas are the assumptions used to measure ECLs, including the use of forward-looking and macroeconomic information for individual and collective impairment assessment.

Accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. CDF has consistently applied the accounting policies to all periods presented in the financial statements, except as otherwise stated.

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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 assets.

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

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

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 2023 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.

Catholic Development Fund - Archdiocese of Sydney

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

For the year ended 30 June 2023

	2023 $	2022 $
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)	3,005,027	352,659
Term deposits with other Authorised Deposit-Taking Institutions (ADIs)	9,056,764	1,184,034
	12,061,791	1,536,693
Securities at amortised cost		
Floating Rate Notes (FRNs)	3,757,493	1,546,600
	3,757,493	1,546,600
Loans and advances		
Loans	42,860,102	25,879,039
	42,860,102	25,879,039
	58,679,386	28,962,332
Interest expense using the effective interest rate method		
Deposits		
At call deposits	2,383,755	265,295
Fixed term deposits	23,317,017	2,534,837
Lease liabilities	5,363	16,560
Overdrawn interest charge	-	119
	25,706,135	2,816,811
	32,973,251	26,145,521
3. Net non - interest income		
Facility commitment fees	343,783	341,473
Management fees	546,472	521,700
Establishment fees	196,541	55,716
Other income	58,633	57,663
	1,145,429	976,552

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

For the year ended 30 June 2023

	2023	2022
	$	$
4. Expenses		
Salaries and associated costs		
Salaries and benefits	1,419,689	1,386,546
Superannuation	130,798	120,104
Other staff costs	8,504	3,509
Insurance - workers' compensation	40,888	18,920
	1,599,879	1,529,079
Property expenses		
Insurance - general	9,065	8,424
General property expenses	6,115	5,945
Light and power	9,771	9,499
	24,951	23,868
Depreciation expense		
Software	174,992	183,098
Motor vehicles	32,071	23,638
Office furniture	-	1,285
ROUA	218,515	218,515
	425,578	426,536
5. Auditor's remuneration		
Audit services - current year	97,711	89,052
Other services	12,269	14,828
	109,980	103,880

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

For the year ended 30 June 2023

	2023	2022
	$	$

6. Cash and cash equivalents

(a) Cash and cash equivalents

	2023	2022
Cash and cash equivalents	13,207,131	13,367,087
Cash and cash equivalents in the statement of cash flows	13,207,131	13,367,087

(b) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank 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:

	2023	2022
Cash and cash equivalents	13,207,131	13,367,087
	13,207,131	13,367,087

7. Due from financial institutions

	2023	2022
At call deposits with CBA	44,328,203	8,816,891
	44,328,203	8,816,891
Term deposits with other ADIs	148,604,683	249,558,758
	148,604,683	249,558,758
	192,932,886	258,375,649
Maturity analysis		
At call	44,328,203	8,816,891
Not longer than 3 months	148,604,683	225,499,166
Longer than 3 months and not longer than 12 months	-	24,059,592
	192,932,886	258,375,649

At call deposits with CBA includes restricted cash of nil (2022: $300k) which was held as security for a bank guarantee.

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

For the year ended 30 June 2023

	2023	2022
	$	$
8. Securities at amortised cost		
Securities at amortised cost		
FRNs with ADIs	65,921,198	84,992,680
FRNs with APRA regulated insurers	3,010,212	3,007,674
	68,931,410	88,000,354
Maturity analysis		
Securities at amortised cost		
Not longer than 1 year	17,170,723	19,005,498
Longer than 1 year and not longer than 3 years	31,031,373	27,801,658
Longer than 3 years	20,729,314	41,193,198
	68,931,410	88,000,354
9. Loans and advances		
Gross loans and advances	735,068,597	738,155,634
Less: loan loss provision	(1,807,640)	(1,887,902)
	733,260,957	736,267,732
Maturity analysis		
Loans and advances		
Overdrafts	4,810,202	3,757,975
Not longer than 3 months	18,630,620	17,670,254
Longer than 3 months and not longer than 12 months	28,629,554	36,537,406
Longer than 1 year and not longer than 5 years	209,376,115	198,080,620
Longer than 5 years	473,622,106	482,109,379
Less: loan loss provision	(1,807,640)	(1,887,902)
	733,260,957	736,267,732

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

For the year ended 30 June 2023

10. Plant, equipment and software

	2023 $	2022 $
Office furniture	77,764	78,178
Less: Accumulated depreciation	(77,764)	(78,178)
	-	-
Office equipment	57,372	68,720
Less: Accumulated depreciation	(57,372)	(68,720)
	-	-
Computer equipment	50,411	51,554
Less: Accumulated depreciation	(50,411)	(51,554)
	-	-
Software	905,845	898,203
Less: Accumulated depreciation	(774,524)	(611,563)
	131,321	286,640
Motor vehicles	114,607	180,395
Less: Accumulated depreciation	(65,413)	(51,056)
	49,194	129,339
Office partitioning & fittings	132,137	132,137
Less: Accumulated depreciation	(132,137)	(132,137)
	-	-
	180,515	415,979

(a) Movements in carrying amounts

	Balance at the beginning of year $	Additions $	Disposals $	Depreciation Expense $	Balance at the end of year $
Software	286,640	19,673	-	(174,992)	131,321
Motor vehicles	129,339	-	(48,074)	(32,071)	49,194
	415,979	19,673	(48,074)	(207,063)	180,515

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 2022	218,515	218,515
Depreciation	(218,515)	(218,515)
Balance at 30 June 2023	-	-

(ii) Lease liabilities

	2023 $	2022 $
Lease liabilities	-	245,207
	-	245,207

Terms and conditions of outstanding lease liabilities are as follows:

				30 June 2023		30 June 2022	
	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
				-	-	250,570	245,207

(iii) Amounts recognised in profit or loss

	2023 $	2022 $
Interest on lease liabilities	5,363	16,560

(iv) Amounts recognised in statement of cash flows

Total cash outflow for leases	245,207	226,712

11. Leases (ctd.)

(v) Future lease payments

	2023 $	2022 $
Not later than one year	-	250,570
Later than one year but not later than five years	-	-
	-	250,570

12. Other assets

	2023 $	2022 $
Accrued receivables	160,820	111,714
GST receivable	12,944	17,291
	173,764	129,005

13. Trade and other payables

	2023 $	2022 $
Creditors and accruals	495,953	667,209
	495,953	667,209

14. Deposits

	2023 $	2022 $
At call deposits		
Archdiocesan entities	112,514,375	103,993,744
Non-Archdiocesan entities	69,077,825	108,703,973
	181,592,200	212,697,717
Fixed term deposits		
Archdiocesan entities	593,685,473	677,164,828
Non-Archdiocesan entities	132,556,666	118,804,293
	726,242,139	795,969,121
	907,834,339	1,008,666,838
Maturity analysis		
At call	181,592,200	212,697,826
Not longer than 3 months	536,885,893	581,729,064
Longer than 3 months and not longer than 12 months	189,356,246	214,239,948
	907,834,339	1,008,666,838

		2023 $	2022 $
15.	**Provision for distributions**		
	Opening approved unpaid distribution from previous year	8,601,304	8,204,730
	Add approved distributions:		
	Archdiocese of Sydney	22,040,512	16,454,603
	Parishes	1,216,314	1,275,781
		23,256,826	17,730,384
	Less distributions paid:		
	Archdiocese of Sydney	(16,682,040)	(16,653,340)
	Parishes	(1,258,682)	(680,470)
		(17,940,722)	(17,333,810)
	Closing unpaid distributions	13,917,408	8,601,304
16.	**Provision for employee entitlements**		
	Provision for long service leave and other entitlements	483,692	432,541
	Provision for annual leave	216,290	216,932
		699,982	649,473
	Employees		
	Number of employees at year end	12	13

Superannuation plans

Contributions to defined contribution plans recognised as an expense in Statement of Comprehensive Income during the year ended 30 June 2023 were $130,798 (2022: $120,104).

CDF contributes to employee accumulated superannuation funds for all eligible employees based on various percentages of their gross salary, with a minimum contribution of 10.5% of gross salary (2022 - 10%).

17. Related party transactions

Advisory Board Members

The Advisory Board members who held Office during the year and as at 30 June 2023 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 (Audit Committee)
Rev Daniel McCaughan
Mr Glenn McLachlan B.Bus, ACA, F.Fin
Mr Neil Schafer (Loans Committee - Member) (Audit Committee – Member resigned 23 February 2023)
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) (Audit Committee)
Rev Daniel McCaughan
Mr Glenn McLachlan B.Bus, ACA, F.Fin
Mr Neil Schafer (Loans Committee - Member) (Audit Committee – Member resigned 23 February 2023)
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 (resigned 26 July 2022)
Ms Giuliana Cianci – Manager, Finance and Administration
Mr Peter Wockner - Manager, Lending and Relationships
Ms Michelle Dempsey – Manager, Strategic Projects

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 $939,922 for the year ended 30 June 2023 (2022: $888,963).

(b) Other related party transactions

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Loans to related parties				
Archdiocesan Entities			440,710,528	427,973,145
			440,710,528	427,973,145
Deposits for related parties				
Archdiocesan Entities			706,199,848	781,158,572
			706,199,848	781,158,572
Transactions with related parties				
- Interest paid	19,799,913	2,164,022		
- Interest received	27,696,914	16,519,539		

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 2023 was 14.53% (30 June 2022 – 12.29%).

(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

- 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, 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-	75%	45%	100%
A+	A-	25%	0%	55%
BBB+	BBB-	15%	0%	30%

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

For the year ended 30 June 2023

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	2023		2022	
	$m	% of Total	$m	% of Total
AA- to AAA	172,834	90%	205,242	79%
BBB- to BBB+	20,099	10%	53,134	21%
Total	192,933	100%	258,376	100%

During the 2022/2023 financial year the CDF was over limit with the CBA from the 3rd to the 20th January 2023. The percentage over limit ranged from 78% to 82%. The CDF was back in limit by the close of business the 20th January. The breach was due to holding additional cash to cover expected payments which did not eventuate. (2021/2022 financial year: No breaches).

(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	2023		2022	
	$m	% of Total	$m	% of Total
AA- to AAA	65,922	96%	84,985	97%
BBB- to BBB+	3,009	4%	3,015	3%
Total	68,931	100%	88,000	100%

During the 2022/2023 financial year there were no breaches in policy by rating or at the individual issuer level (2021/2022 financial year: No breaches).

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 loans and advances was as follows:

	2023	**2022**
	$	**$**
Balance at 1 July	1,887,902	1,420,380
Impairment loss recognised / (reversed)	(80,262)	467,522
Balance at 30 June	1,807,640	1,887,902

No provision has been created against due from financial institutions and securities at amortised cost 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$	$	$	%	%
(i) Financial assets												
Cash and cash equivalents	13,207,131	13,367,087	-	-	-	-	-	-	13,207,131	13,367,087	3.00%	0.24%
Due from financial institutions	44,328,203	8,816,891	148,604,683	249,558,758	-	-	-	-	192,932,886	258,375,649	3.13%	0.39%
Securities at amortised cost	68,931,410	88,000,354	-	-	-	-	-	-	68,931,410	88,000,354	4.27%	1.58%
Loans and advances	733,260,957	736,267,732	-	-	-	-	-	-	733,260,957	736,267,732	6.15%	3.47%
Total financial assets	859,727,701	846,452,064	148,604,683	249,558,758	-	-	-	-	1,008,332,384	1,096,010,822		
(ii) Financial liabilities												
Trade and other payables	-	-	-	-	-	-	495,953	667,209	495,953	667,209	-	-
Deposits	181,592,200	212,697,826	726,242,139	795,969,012	-	-	-	-	907,834,339	1,008,666,838	2.42%	0.25%
Lease liabilities	-	245,207	-	-	-	-	-	-	-	245,207	-	-
Total financial liabilities	181,592,200	212,943,033	726,242,139	795,969,012	-	-	495,953	667,209	908,330,292	1,009,579,254		

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

For the year ended 30 June 2023

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.

	2023		2022	
	Carrying amount	**Net fair value**	**Carrying amount**	**Net fair value**
Financial assets measured at amortised cost				
Cash and cash equivalents	13,207,131	13,207,131	13,367,087	13,367,087
Due from financial institutions	192,932,886	192,932,886	258,375,649	258,375,649
Securities at amortised cost	68,931,410	68,392,629	88,000,354	85,629,689
Loans and advances	733,260,957	733,260,957	736,267,732	736,267,732
	1,008,332,384	1,007,793,603	1,096,010,822	1,093,640,157
Financial liabilities measured at amortised cost				
Trade and other payables	495,953	495,953	667,209	667,209
Deposits	907,834,339	907,834,339	1,008,666,838	1,008,666,838
Lease liabilities	-	-	245,207	245,207
	908,330,292	908,330,292	1,009,579,254	1,009,579,254

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 2023.

Foreign currency sensitivity analysis
At 30 June 2023, there is no effect on surplus and equity as a result of changes in the value of the Australian Dollar to the 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 2023, 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 2023 had not been drawn at that date.

	2023 $	**2022 $**
Archdiocesan Loans (including undrawn overdrafts)	197,922,587	238,537,944
Non-Archdiocesan Loans (including undrawn overdrafts)	174,298,503	198,065,366
	372,221,090	436,603,310

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 2023 is $13,390,197 (2022 - $14,698,196).

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 $1,910,262 relates to the Catholic Development Fund - Diocese of Broken Bay for 2023. (2022 - $1,800,062).

21. Commitments

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

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 2023 and its financial position as at that date.

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

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

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

25/10/2023
Date

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

25/10/23
Date

Independent Auditor's Report

To the Archbishop of the Roman Catholic Archdiocese of Sydney

Report on the audit of the Financial Report

Opinion

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

In our opinion, the accompanying Financial Report of the Sydney 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 Sydney CDF's financial position as at 30 June 2023, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards* to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNCR).*

The ***Financial Report*** comprises:

i. Statement of financial position as at 30 June 2023.

ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Statement by Approved Officers.

Basis for opinion

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

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

We are independent of the Sydney 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 Archbishop of the Roman Catholic Archdiocese of Sydney 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 Archbishop of the Roman Catholic Archdiocese of Sydney.

Other information

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

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express 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 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:

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 Sydney 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 Sydney 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 Sydney 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 Sydney 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

25 October 2023