Catholic Development Fund
Archdiocese of Canberra & Goulburn

Catholic Development Fund Archdiocese of Canberra and Goulburn

Annual Financial Statements

Financial Year Ended 31 December 2018

CATHOLIC DEVELOPMENT FUND ARCHDIOCESE OF CANBERRA AND GOULBURN

CATHOLIC DEVELOPMENT FUND BOARD'S DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2018

The Catholic Development Fund ("CDF" or 'the Fund') is not a reporting entity because in the opinion of the Board there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all their information needs. Accordingly, these 'special purpose financial statements' have been prepared to satisfy the Fund's internal reporting requirements.

The CDF Board declares that:

(a) the attached financial statements and notes thereto comply with Accounting Standards to the extent detailed in Note 1 to the financial statements;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Fund; and

(c) in the CDF Board's opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due.

On behalf of the CDF Board

....	....
Mr Jeff Smart	Mrs Michele Murdock
Chairman	Board member

Date: 2 April 2019

Canberra, ACT

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Board of the Catholic Development Fund Archdiocese of Canberra and Goulburn

Report on the Audit of the Financial Report

Opinion

We have audited the financial report, being a special purpose financial report, of the Catholic Development Fund Archdiocese of Canberra and Goulburn (the "Entity") which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies and the declaration statement by the Board of the Entity (the "Board") as set out on pages 2 to 11.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Entity's financial position as at 31 December 2018 and of its financial performance for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Entity to meet the financial reporting requirements of the Board. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Board and should not be distributed or used by parties other than the Board. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Board for the Financial Report

Management of the Entity is responsible for the preparation and fair presentation of the financial report and has determined that the basis of preparation and accounting policies described in Note 1 to the financial report is appropriate to meet the requirements of the Board and is appropriate to meet the needs of the Board. Management's responsibility also includes such internal control as management determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 the Entity'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 Entity to cease to continue as a going concern.
- 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 management and the Board 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.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Jason Handel.

J J Handel
Partner
Chartered Accountants
Canberra, 2 April 2019

CATHOLIC DEVELOPMENT FUND ARCHDIOCESE OF CANBERRA AND GOULBURN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$	$
Interest on loans		5,387,087	4,986,100
Interest on investments		4,970,479	4,644,773
Other income		36,777	41,530
Total Revenue		10,394,343	9,672,403
Less Interest Expense		3,654,931	3,421,644
Less Customer Cheque Expense		70,211	72,757
		6,669,201	6,178,002
LESS OPERATING EXPENSES			
Accounting & legal expenses	2	100,082	67,974
Administration expenses		44,108	42,031
IT expenses		141,382	96,375
Marketing expenses		13,020	19,111
Office resources		60,000	89,749
Staff resources		290,247	287,251
Total Operating Expenses		648,839	602,491
OPERATING SURPLUS		6,020,362	5,575,511
TOTAL COMPREHENSIVE INCOME		6,020,362	5,575,511

Notes to the financial statements are included on pages 7-10

CATHOLIC DEVELOPMENT FUND ARCHDIOCESE OF CANBERRA AND GOULBURN
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017
ASSETS		**$**	**$**
Cash at bank		17,433,826	12,034,027
Interest receivable on investments and loans		1,937,739	1,659,291
Other receivables		325,424	336,185
Catholic Church Investment Service deposits		23,168,889	36,970,138
ADF Brisbane		19,452,154	8,335,465
Term deposits		115,000,000	87,500,000
Interest bearing loans receivable		128,766,126	127,226,787
Property, plant and equipment		31,927	28,012
TOTAL ASSETS		306,116,085	274,089,905
LIABILITIES			
Other payables		813,337	521,669
Depositor's funds		289,157,173	258,246,778
Provisions	**3**	74,064	71,909
TOTAL LIABILITIES		290,044,574	258,840,356
NET ASSETS		16,071,511	15,249,549
ACCUMULATED FUNDS			
Retained Surplus		16,071,511	15,249,549
TOTAL ACCUMULATED FUNDS		16,071,511	15,249,549

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
RETAINED EARNINGS	**$**	**$**
Balance as at 1 January	15,249,549	14,436,538
Total Comprehensive Income for the period	6,020,362	5,575,511
Distributions of funds:		
• Archdiocese of Canberra & Goulburn	(2,558,400)	(2,460,000)
• Archdiocesan Future Fund	(2,405,000)	(2,040,000)
• Diocese of Wilcannia-Forbes	(235,000)	(262,500)
Balance as at 31 December	16,071,511	15,249,549

Notes to the financial statements are included on pages 7-10

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Catholic Development Fund Archdiocese of Canberra and Goulburn (the "Fund") is not a reporting entity because in the opinion of the Board of the Fund there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these 'special purpose financial statements' have been prepared to satisfy the Fund's internal requirements.

The financial statements have been prepared on the basis of historical cost and except where stated, do not take into account changing money values or current valuations of assets. Cost is based on the fair values of the consideration given in exchange for assets.

For the purposes of preparing the financial statements, the Fund is a not-for-profit entity.

The Fund's Board is of the opinion that the Fund is a non-reporting entity. The financial statements have been prepared in accordance with the recognition and measurement requirements specified by accounting standards and interpretations but not the disclosure requirements specified by accounting standards and interpretations with the exception of AASB 108.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Cash and Cash Equivalents

For the purpose of the financial statements, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Bank overdrafts are shown within trade payables in the Statement of Financial Position. Term deposits include amounts on deposit with maturities between 3 and 24 months.

(b) Financial Assets

Classification

In accordance with the adoption of AASB 9: Financial Instruments, from 1 January 2018, the Fund classifies its financial assets at amortised cost or fair value through profit or loss.

Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. The Fund classifies its debt instruments into the following category:

• Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets (continued)

Impairment

The Fund assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Fund applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

- Computer Hardware 3 years
- Office Equipment 3 years
- Motor Vehicles 4 years

(d) Employee Entitlements

A provision is made for the Fund's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables.

(f) Income Tax

The Fund is a not-for-profit entity and is exempt from the payment of income tax under section 50-5 of the Income Tax Assessment Act 1997.

(g) Accounts Payable

Other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

(h) **Depositor's Funds**

Depositor's funds are predominantly owned by church agencies. The Fund is designed for persons who wish to promote the activities of the Catholic community. The Fund is not subject to the normal requirement to have a prospectus and a trust deed under the *Corporations Act 2001* and the Fund has not been examined or approved by the Australian Securities and Investments Commission.

Depositor's funds are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

(i) **Revenue Recognition**

Interest on loans – interest on loans is recognised on an accrual basis as the Fund gains the right to receive the interest.
Interest on investments – interest on investments is recognised on an accrual basis as the Fund gains the right to receive the interest.

(j) **Adoption of new and revised Accounting Standards**

AASB 9 Financial Instruments is a new standard which replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018.

An assessment has been performed by management, and the impact of the credit loss model is not expected to be material to the Fund. The Fund has reviewed and assessed the existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had the following impact on the Fund's financial assets with regards to classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding:

As a result of the above, there was no impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period. The transition provisions of AASB 9 allow an entity not to restate comparatives. As such, the Fund has not elected to restate comparatives in respect of the classification and measurement of financial instruments.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Fund to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Impairment of financial assets (continued)
Specifically, AASB 9 requires the Fund to recognise a loss allowance for expected credit losses ('ECL') on i) trade receivables, ii) debt investments subsequently measured at amortised cost or at FVTOCI, iii) lease receivables, iv) contract assets and v) loan commitments and financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Fund to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Fund is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. AASB 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

As at 1 January 2018, the Fund has reviewed and assessed the existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of AASB 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 January 2018. No further cumulative additional loss allowance was recognised as a result of this assessment.

The application of AASB 9 has had no impact on the financial statements.

New and revised AASB Standards in issue but not yet effective
The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.
New and revised Standards and amendments thereof and Interpretations effective for the future years that are relevant to the Fund include:

- **AASB 15: Revenue from Contracts with Customers**
- **AASB 1058: Income of Not-for-Profit**
- **AASB 16: Leases**

The Fund does not expect that the adoption of the Standard(s) listed above will have a material impact on the financial statements of the Fund in future periods.

(k) Distribution of Funds
Archdiocese of Canberra and Goulburn and Diocese of Wilcannia-Forbes distributions are fixed amounts for the financial year determined at the start of the financial year.

Archdiocesan Future Fund distributions are made by the 15th of every month based on 75% of the previous month's surplus, net of any other distributions.

NOTE 2 – REMUNERATION OF AUDITORS	**2018**	**2017**
	$	**$**
Fees for audit of financial statements	28,325	27,500
Fees for the assurance engagement of ASIC and APRA requirements	3,350	4,500
	31,675	32,000

The auditor of the fund is Deloitte Touche Tohmatsu.
The auditor performed no other services for the Fund.

NOTE 3 – EMPLOYEE PROVISIONS

	2018	**2017**
	$	**$**
Current	31,615	35,514
Non-current	42,449	36,395
	74,064	**71,909**

NOTE 4 – SUBSEQUENT EVENTS
There have been no events since the end of this financial year and up until the date of this report which would have a material impact on the financial statements or operations of the Fund.

NOTE 5 – GOING CONCERN
Management has formed the view that the Fund is a going concern on the basis that it receives financial backing from the Archdiocese of Canberra and Goulburn as well as other Catholic Development Fund's across Australia. The Fund is sponsored by the Catholic Development Provident Fund (CDPF) which provides indemnification of the Fund in relation to claims by depositors/investors. This indemnity is supported by guarantees given by diocesan Trustee corporations in favour of CDPF.