



ARCHDIOCESE OF MELBOURNE CATHOLIC DEVELOPMENT FUND

SPECIAL PURPOSE

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

BOARD MEMBERS' REPORT

The Board Members submit their report on the Archdiocese of Melbourne Catholic Development Fund ("the Fund") for the year ended 30 June 2021.

Board Members

The Board Members of the fund in office at any time during or since the end of the financial year are:

Name	Particulars
Most Rev. P.A. Comensoli, DD (Chairperson)	Joined the Board 1 August 2018 Archbishop of Melbourne
Mr T. O’Leary BA (Hons), GradDipPhil (Deputy Chairperson)	Joined the Board in January 2020 Executive Director Stewardship, Catholic Archdiocese of Melbourne
Mr. C. Griss, TFASFA	Resigned 23 June 2021, Joined in December 2003 Former Group CFO, ANZ Banking Group Former CEO, Esanda Finance Corp. Ltd.
Mr. A. Ryan, B. Bus. (Acc), FCPA, GAICD	Joined the Board in August 2008 Former CEO, MyLife MyFinance
Mr. E. Passaris, B.Ec., CA, FCPA, RCA	Joined the Board in December 2009 Partner - Audit, Grant Thornton
Most Rev. A.J. Ireland, E.V., B. Theol., STL, MA, STD, GAICD	Joined the Board in December 2011 Auxiliary Bishop of Melbourne
Dr. J.E. Ballard, BA, MHA, DBA, GAICD	Joined the Board in June 2013 Associate Vice Chancellor, Australian Catholic University
Mr. P. Velten, B.Ec., CPA	Joined the Board in December 2013 Chief Information and Infrastructure Officer Diocese of Sale Catholic Education Limited
Rev. A. Doran, BA(Hons), BTheol, GradDipEd(Sec), MTS, AAICD	Joined the Board in April 2017 Parish Priest Strathmore Parish
Ms. C. Proske, B.Com., PG. Dip. (App.Sc), CPA, M. Environmental Sc.	Joined the Board in March 2017 Chief Executive Officer, Jobscan
Mr. J Miles, BA, B.Com., Grad.Dip.(Ec.), M.Com	Joined the Board in December 2018 Executive Director, Catholic Education Melbourne
Mr J Braddon BCom, CA	Joined the Board in April 2021 Chief Financial Officer, Catholic Archdiocese of Melbourne

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BOARD MEMBERS' REPORT (cont'd)

Ms Francesca Lee B. Com, LLB (Hons), LLM, Grad Dip CSP, GAICD	Joined the Board in June 2021 Former Chief Legal, Risk and Compliance Officer and Company Secretary of Newcrest Mining Ltd.
Mr Andrew Carman BBus CPA MAICD	Joined the Board in August 2021 Chief Financial Officer BankVic
Mr Damian Murphy LLB, LLM, B Ec(Hons)	Joined the Board in September 2021 Director, Firmate Risk and Assurance Solutions Pty Ltd

Principal activity

The principal activity of the Fund in the course of the financial period was to borrow monies from the Catholic Community to fund Catholic Capital Projects principally but not exclusively in the Archdiocese of Melbourne, the Diocese of Sale and the Diocese of Bunbury to assist in achieving their Catholic Mission.

Operating results

The net surplus for the year ended 30 June 2021 was \$30.867m which was before a provision for distribution of \$20.186m to the Catholic Archdiocese of Melbourne, \$2.014m to the Diocese of Sale and \$1.191m to the Diocese of Bunbury. This compares to the 30 June 2020 financial year when the net surplus was \$28.914m before a distribution of \$15.823m to the Catholic Archdiocese of Melbourne, \$1.629m to the Diocese of Sale and \$1.136m to the Diocese of Bunbury.

Significant changes in the state of affairs

The Board members and management have assessed that COVID-19 has not had a material impact on the operations of the Fund for the year ended 30 June 2021. Subsequent to the end of the financial year there continues to be considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 virus and Government actions to reduce the spread of the virus. As the severity and duration of the economic impact of COVID-19 is unknown at the date of signing the financial report, the Fund is unable to determine what financial effects the outbreak of the virus may have on the Fund in the coming financial period. No future financial effects arising from the economic impacts of the virus have been included in the financial results for the year ended 30 June 2021.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

BOARD MEMBERS' REPORT (cont'd)

Subsequent events

There are no material subsequent events to report since the end of the financial year.

Review of operations

The Fund has operated satisfactorily in the financial year ended 30 June 2021 and has met borrowing needs of Catholic Organisations in pursuit of its mission.

The Fund is also progressively implementing a significant IT Transformation project, including expanded IT capabilities. This has resulted in an increased employee headcount and costs.

Board Members' remuneration

Other than as reported below, no Board Member of the Fund had received or become entitled to a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Board Members shown in these Accounts, or the fixed salary of a full time employee of the Fund) by reason of a contract made by the Fund or a related corporation with the Board Member or with a firm of which they are a member, or with a company in which they have a substantial financial interest. T&S Consulting Pty Ltd, were engaged by the Fund to provide consulting services in relation to a potential acquisition, which did not proceed. T&S Consulting, of which Mr. Anthony Ryan is a director, was paid a fee of \$5.6k.

Indemnification of Officers and Auditors

The Fund maintains a Directors' and Officers' insurance policy which, subject to certain exceptions provides insurance cover to Board members and officers of the Fund. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. In addition the Trustees of the Roman Catholic Trusts Corporation for the Diocese of Melbourne indemnifies Board members of the Fund against a liability arising out of his or her involvement as a member of the Board of the Catholic Development Fund subject to certain exceptions.

No insurance cover has been provided for the benefit of the auditors of the Fund.

Environmental Regulation

The Fund's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

There were no dividends paid during the year.

There were no dividends or distributions recommended or declared for payment to members during the year that have not been paid or credited to the member throughout the year.

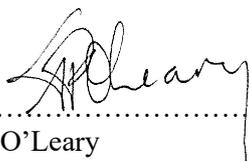
**ARCHDIOCESE OF MELBOURNE
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BOARD MEMBERS' REPORT (cont'd)

Rounding of amounts to the nearest thousand dollars

The Fund is of a kind referred to in ASIC Legislative Instrument 2016/191, and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable), or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of Board Members



.....
Mr. T. O'Leary



.....
Mr. Eric Passaris

Dated at Melbourne this 27th day of October 2021.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

DECLARATION BY BOARD MEMBERS

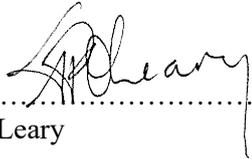
As detailed in Note 1 to the financial statements, the Fund is not a reporting entity because in the opinion of the Board Members there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board Members' reporting requirements under the applicable accounting standards as outlined in Note 1.

The Board Members declare that:

- (a) the attached financial statements and notes thereto are in compliance with applicable accounting standards as outlined in Note 1 and give a true and fair view of the financial position as at 30 June 2021, and performance of the year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board and is signed for and on behalf of the Board Members by:



.....
Mr. T. O'Leary



.....
Mr. Eric Passaris

Dated this 27th day of October 2021.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
Interest revenue	3	48,086	58,233
Interest expense	4	(9,145)	(21,357)
Net interest revenue		<u>38,941</u>	<u>36,876</u>
Other revenue	3	4,059	4,487
Employee benefits expense		(6,323)	(6,447)
Depreciation and amortisation expense	4	(625)	(563)
Other expenses	4	(5,185)	(5,439)
Net surplus for the year		<u>30,867</u>	<u>28,914</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u>30,867</u>	<u>28,914</u>

The accompanying notes should be read in conjunction with these financial statements.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
ASSETS			
Cash and cash equivalents	5	635,886	509,094
Floating rate notes	5	249,402	277,095
Other financial assets	5	80,000	4,000
Receivables	6	2,823	2,940
Loans and advances	7	1,224,663	1,180,143
Property plant and equipment	8	1,161	1,173
Right-of-use assets	8	2,528	2,770
Intangibles	9	245	425
TOTAL ASSETS		2,196,708	1,977,640
LIABILITIES			
Customer Investments	10	1,978,701	1,763,326
Payables and other liabilities	11	2,992	5,799
Provisions for employee entitlements	12	1,020	887
Provision for distribution to Archdiocese/Diocese	13	1,110	255
Lease liabilities	14	2,697	2,862
TOTAL LIABILITIES		1,986,520	1,773,129
NET ASSETS		210,188	204,511
EQUITY			
Reserves	15	6,124	5,586
Retained funds	16	204,064	198,925
TOTAL EQUITY		210,188	204,511

The accompanying notes should be read in conjunction with these financial statements.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Retained earnings \$'000	General Reserve \$'000	Total \$'000
Balance at 1 July 2019	188,990	5,586	194,576
Equity Withdrawal by Diocese of Bunbury	(391)	-	(391)
Distribution to Archdiocese of Melbourne	(15,823)	-	(15,823)
Distribution to Diocese of Sale	(1,629)	-	(1,629)
Distribution to Diocese of Bunbury	(1,136)	-	(1,136)
Net surplus for the year	28,914	-	28,914
Balance at 30 June 2020	198,925	5,586	204,511
Balance at 1 July 2020	198,925	5,586	204,511
Distribution to Archdiocese of Melbourne	(20,186)	-	(20,186)
Distribution to Diocese of Sale	(2,014)	-	(2,014)
Distribution to Diocese of Bunbury	(1,191)	-	(1,191)
Net surplus for the year	30,867	-	30,867
Equity Withdrawal by Diocese of Bunbury	(1,799)	-	(1,799)
Transfer to General Reserve	(538)	538	-
Balance at 30 June 2021	204,064	6,124	210,188

The accompanying notes should be read in conjunction with these financial statements.

**ARCHDIOCESE OF MELBOURNE
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Customer loans granted		(229,167)	(295,328)
Customer loans repaid		184,647	297,650
Interest and bill discounts received		48,614	59,021
Interest and other costs of finance paid		(11,936)	(23,957)
Fees and commissions received		4,059	4,128
Fees and commissions paid		-	(1,663)
FRN Repurchase Facility net		-	(50,760)
Payments to suppliers and employees		(11,907)	(11,198)
		<hr/>	<hr/>
Net cash from/(used in) from operating activities	21(c)	(15,690)	(22,107)
Cash flows from investing activities			
		<hr/>	<hr/>
(Investment)/Redemption of term deposits > 3 months		(76,000)	46,000
Redemption floating rate notes		27,798	(24,719)
Net increase/(decrease) in customers' savings investments		119,819	64,765
Net increase in customers' fixed term investments		95,556	266,718
Payments for property, plant and equipment		(188)	(222)
Payments for intangible software		(3)	(531)
		<hr/>	<hr/>
Net cash generated from investing activities		166,982	352,011
Cash flows from financing activities			
Payments to lease liabilities		(165)	(259)
Repayment of Equity	x	(1,799)	-
Distributions paid		(22,536)	(18,979)
		<hr/>	<hr/>
Net cash used in financing activities		(24,500)	(19,238)
Net increase in cash held		206,792	310,666
Cash at the beginning of the year		509,094	198,428
		<hr/>	<hr/>
Cash at the end of the year	21(a)	635,886	509,094

The accompanying notes should be read in conjunction with these financial statements.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The Archdiocese of Melbourne Catholic Development Fund is an unincorporated activity of the Catholic Archdiocese of Melbourne. The financial report of Archdiocese of Melbourne Catholic Development Fund (the 'Fund') for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Board Members on 27 October 2021.

The principal activities of the Fund during the year was to borrow monies from the Catholic Community to fund Catholic Capital Projects principally but not exclusively in the Archdiocese of Melbourne, the Diocese of Sale and the Diocese of Bunbury to assist in achieving their Catholic Mission.

Financial reporting framework

The Fund is not a reporting entity because in the opinion of the Board Members of the Fund, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board's reporting requirements. The Fund is registered with the Australian Charities and Not-For Profits Commission as a Basic Religious Charity. The Fund has applied not-for-profit specific requirements contained in Australian Accounting Standards in the preparation of these financial statements.

Statement of compliance

The financial report is a special purpose report which has been prepared in accordance with the recognition and measurement requirements specified by the relevant Accounting Standards and Interpretations, and the disclosure requirements of accounting standards AASB 101: *Presentation of Financial Statements*, AASB 107: *Cash Flow Statements*, AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*, and AASB 1054: *Australian Additional Disclosures*.

The financial report is for the entity "Archdiocese of Melbourne Catholic Development Fund" which is an agency of the Archdiocese of Melbourne.

Basis of preparation

This financial report has been prepared on an accrual basis and is based on historical costs, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Adoption of new and revised Accounting Standards

In the current year, the Fund has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current annual reporting period save for those identified in the Statement of Compliance. These Standards and Interpretations did not have a material impact on the Fund's financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

These amendments are intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments address these concerns by:

- Replacing the term 'could influence' with 'could reasonably be expected to influence'
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general-purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across Standards and other publications

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

Makes amendments to various Australian Accounting Standards and other pronouncements to support the issue of the revised *Conceptual Framework for Financial Reporting*.

Some Australian Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the *Conceptual Framework*. This Standard updates some of these references and quotations so they refer to the *Conceptual Framework* issued by the AASB In June 2019, and also makes other amendments to clarify which version of the *Conceptual Framework* is referred to in particular documents.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(a) Adoption of new and revised Accounting Standards (continued)

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The amendments affect entities that apply the hedge accounting requirements of AASB 9 *Financial Instruments* or AASB 139 *Financial Instruments: Recognition and Measurement* to hedging relationships directly affected by the interest rate benchmark reform.

The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements

This Standard amends AASB 1054 *Australian Additional Disclosures* (May 2011) to add requirements for not-for-profit private sector entities that are required to apply AASB 1054 and are preparing special purpose financial statements to disclose information about those financial statements, including information that enables users of the financial statements to understand whether or not the accounting policies applied in the financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards.

International Financial Reporting Standards Interpretations Committee (IFRIC) final agenda – Software-as-a-Service (SaaS) arrangements

In April 2021, the IFRIC issued a final agenda decision, configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The adoption of this IFRIC agenda decision does not have a material impact on the financial statements of the Fund.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Fund has not early adopted these Standards and Interpretations and is in the process of assessing the impact on the Fund's financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 July 2023	30 June 2024
<i>AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 July 2022	30 June 2023
<i>AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>	1 July 2021	30 June 2022
<i>AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>	1 July 2021	30 June 2022
<i>AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities</i>	1 July 2021	30 June 2022
<i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 July 2023	30 June 2024

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(b) Leases

(i) Right-of-use assets and lease liabilities

The Fund is a party to lease contracts for buildings.

Leases are recognised, measured and presented in line with AASB 16 *Leases*.

The Fund assesses whether a contract is or contains a lease, at inception of the contract. The Fund recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than \$5,000). For these leases, the Fund recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Fund's incremental borrowing rate (IBR). The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

In calculating the IBR, Management has taken account of the baseline reference rate and made adjustments relating to the currency, economic environment and level of indebtedness of each lessee as well as adjustments according to the asset type and term of each lease.

The lease term determined comprises the non-cancellable period of lease contracts, periods covered by an enforceable option to extend the lease if the Fund is reasonably certain to exercise that option. Subsequent to initial measurement, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing it by lease payments made. The lease liability is remeasured when the Fund changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less accumulated depreciation and any accumulated impairment losses, and are adjusted for certain measurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

Right-of-use assets are presented within non-current assets on the face of the balance sheet and lease liabilities are shown separately in current liabilities and non-current liabilities depending on the remaining length of the lease.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(c) Revenue

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Loan interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

The Fund recognises revenue from the following major sources:

Loan interest revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan account on the last day of each monthly or quarterly repayment period as the case may be.

Investment interest revenue

Investment interest revenue from financial assets is recognised on a time-proportionate basis using effective interest method.

Fees

All fees are recognised upon the rendering of the service to the customer.

Donations and grants

Donations and grants are measured at the fair value of consideration received or receivable.

(d) Income tax

No income tax is payable because the Fund is an endorsed Income Tax Exempt Charity.

(e) Going concern

The directors have prepared the fund financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

In preparing the financial statements, the directors note that at 30 June 2021, the Fund had net assets of \$210,187,000 (2020: net assets \$204,511,000).

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(f) Intangible assets

Computer software

Computer software that is not integral to the operation of a related piece of hardware is classified as an intangible asset and is initially recognised at cost. Subsequent to initial recognition, computer software is carried at its cost less accumulated amortisation.

(g) Customer investment

Client investments are brought to account at fair value. Interest on investments is brought to account on an accrual's basis. Interest accrued to balance date is shown as a part of clients' investments.

(h) Employee benefits

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Fund in respect of services provided by employees up to reporting date.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the Fund can no longer withdraw the offer of the termination benefit and when the Fund recognises any related restructuring costs.

Superannuation contributions - accumulation fund

Contributions are made by the Fund to Employee Superannuation Funds and are charged as expenses when incurred.

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(i) Derivative financial instruments

The Fund uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value, with any increase or decrease in value recognised in the profit or loss.

(j) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost

(l) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

(m) Loans and receivables

The Fund's financial assets at amortised cost includes loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

(n) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

(o) Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on loans and receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime expected credit losses (ECL) for loans and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. During 2021, no impairment of loans and receivables has been recorded (2020: nil).

(p) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. Summary of significant accounting policies (continued)

(p) Measurement and recognition of expected credit losses (cont'd)

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(q) Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another Company. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(r) Financial liabilities

Financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. All financial liabilities are measured subsequently at amortised cost using the effective interest method.

(s) Derecognition

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(t) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(u) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

(v) Comparatives

Where necessary, comparative amounts have been adjusted to conform with the changes in presentation in the current year.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Interest revenue and expense

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

1 July 2020 to 30 June 2021

	Average balance \$'000	Interest \$'000	Average rate per annum %
Interest earning assets			
Deposits with other financial institutions	1,116,575	6,364	0.57
Loans and advances	1,201,955	41,722	3.47
	2,318,530	48,086	2.07
Interest incurring liabilities			
Customer investments	2,108,923	9,145	0.43

1 July 2019 to 30 June 2020

	Average balance \$'000	Interest \$'000	Average rate per annum %
Interest earning assets			
Deposits with other financial institutions	892,675	14,121	1.58
Loans and advances	1,173,165	44,112	3.76
	2,065,840	58,233	2.82
Interest incurring liabilities			
Customer investments	1,849,739	21,357	1.15

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. Revenue

	2021	2020
	\$'000	\$'000
Interest revenue	48,086	58,233
Service fees & cost recoveries	3,116	3,560
Management fees	790	910
Other income	153	17
Total other revenue	4,059	4,487
Total revenue	52,145	62,720

4. Surplus for the year

Surplus for the year has been determined after the following items of expense:

	2021	2020
	\$'000	\$'000
Interest expense	9,145	21,357
Depreciation expense		
Plant and equipment	336	304
Buildings and fixtures	106	140
Amortisation expense	183	119
Total depreciation and amortisation expense	625	563
Other expenses (i)	5,185	5,439

(i) Inclusive of insurance, bank charges, consultancy and IT maintenance.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

5. Cash, cash equivalent and investments

	2021	2020
	\$'000	\$'000
Cash on hand and at banks	63,884	19,094
Deposits at call	2	20,000
Term deposits <3 months	572,000	470,000
Cash and cash equivalents	635,886	509,094
Floating rate notes	249,402	277,095
	885,288	786,189
Term deposits >3 months	80,000	4,000
Total cash and cash equivalents & investments	965,288	790,189

6. Receivables

	2021	2020
	\$'000	\$'000
Interest receivable	893	1,527
Other	1,930	1,413
	2,823	2,940

7. Loans and advances

	2021	2020
	\$'000	\$'000
Overdrafts	764	1,324
Term loans	1,223,899	1,178,819
Gross loans and advances	1,224,663	1,180,143
Net loans and advances	1,224,663	1,180,143

	2021	2020
	\$'000	\$'000
Maturity analysis		
Overdrafts	764	1,324
Not longer than 3 months	25,441	27,207
Longer than 3 and not longer than 12 months	73,515	75,564
Longer than 1 and not longer than 5 years	348,312	338,327
Longer than 5 years	776,631	737,721
	1,224,663	1,180,143

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

8. Property plant and equipment, and right-of-use assets

	Buildings and fixtures \$'000	Office furniture & equipment \$'000	Computer equipment \$'000	Tangible computer software \$'000	Motor vehicle \$'000	Right-of-use assets \$'000	Total \$'000
Cost							
Balance at 1 July 2020	1,092	278	99	294	185	3,013	4,961
Additions	-	17	17	136	88	-	258
Disposals	-	-	-	-	(70)	-	(70)
Balance at 30 June 2021	1,092	295	116	430	203	3,013	5,149
Accumulated depreciation							
Accumulated depreciation	(329)	(179)	(81)	(142)	(44)	(243)	(1,018)
Depreciation charge	(106)	(59)	(9)	(25)	(1)	(242)	(442)
Balance at 30 June 2021	(435)	(238)	(90)	(167)	(45)	(485)	(1,460)
Net book value as at 30 June 2021	657	57	26	263	158	2,528	3,689
At 30 June 2021							
Cost	1,092	295	116	430	203	3,013	5,149
Accumulated depreciation	(435)	(238)	(90)	(167)	(45)	(485)	(1,460)
Net book amount	657	57	26	263	158	2,528	3,689

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

9. Intangibles

	Computer software \$'000	Total \$'000
Cost		
Balance at 1 July 2020	684	684
Additions	3	3
Balance at 30 June 2021	687	687
Accumulated amortisation		
Balance at 1 July 2020	(259)	(259)
Amortisation charge	(183)	(183)
Balance at 30 June 2021	(442)	(442)
Net book value as at 30 June 2021	245	245

10. Customer investments

	2021 \$'000	2020 \$'000
Customers' savings investments	719,338	599,519
Customers' fixed term investments	1,259,363	1,163,807
	1,978,701	1,763,326

Maturity analysis

	2021 \$'000	2020 \$'000
Less than 1 day	719,338	599,519
1 day - 3 months	735,926	763,372
3 months - 12 months	500,521	394,447
1 year - 5 years	22,916	5,988
Longer than 5 years	-	-
	1,978,701	1,763,326

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

11. Payables and other liabilities

	2021	2020
	\$'000	\$'000
Interest payable	1,721	4,512
Other liabilities	1,271	1,287
	<u>2,992</u>	<u>5,799</u>

12. Provisions for employee entitlements

	2021	2020
	\$'000	\$'000
Provision for annual leave	511	410
Provision for long service leave	509	477
	<u>1,020</u>	<u>887</u>

Number of employees FTE at the end of the year	<u>50</u>	<u>48</u>
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13. Provision for distribution to Archdiocese/Diocese

	2021	2020
	\$'000	\$'000
Provision for Melbourne Archdiocese distribution	870	284
Excess payment for Sale Diocese distribution	-	(59)
Provision for Sale Diocese distribution	120	-
Provision for Bunbury Diocese distribution	120	30
	<u>1,110</u>	<u>255</u>

14. Lease liability

	2021	2020
	\$'000	\$'000
Current lease liability	<u>164</u>	<u>164</u>
Non-current lease liability	2,533	2,698
	<u>2,697</u>	<u>2,862</u>

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

15. Reserves

General reserve

	2021	2020
	\$'000	\$'000
General Reserve at the beginning of the financial year	5,586	5,586
Appropriation of retained funds	538	-
General Reserve at the end of the financial year	6,124	5,586
Total Reserves	6,124	5,586

The Fund has had a long standing internal policy of recording a general allocation in reserves at 50bps of the loan balance at the end of each financial year.

16. Retained funds

	2021	2020
	\$'000	\$'000
Retained funds at the beginning of the financial period	198,925	188,990
Net surplus	30,867	28,914
Total available for appropriation	229,792	217,904
Distribution provided for or paid	(23,391)	(18,588)
Equity withdrawal by Diocese of Bunbury	(1,799)	(391)
Transfer to General Reserve	(538)	-
Retained funds at the end of the reporting period	204,064	198,925

17. Related party disclosures

	2021	2020
	\$	\$
Amounts received or due and receivable from the Fund by Board Members and Committee Members of the Fund	248,733	178,714

Number of Board Members and Committee Members of the Fund whose income was within the following bands:

\$0 - \$9,999	2	8
\$10,000 - \$19,999	8	4
\$20,000 - \$29,999	3	2
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	1

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments

The Fund's financial instruments consist of deposits with Australian banks, investment securities, loans to customers, investments from customers, accounts receivable and payable, and derivatives.

The main purpose of non-derivative financial instruments is to provide a source of finance and credit and other expenditures in the work of the Catholic Church within the Archdiocese of Melbourne, Diocese of Sale and Diocese of Bunbury.

Derivatives are used by the Fund for hedging purposes on fixed rate loans. Such instruments include swapping 180 days Bank Bill Swap Reference Rate for fixed rate loans. The Fund does not speculate in the trade of derivative instruments.

Financial risk exposures and management

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

- Credit risk
- Interest rate risk
- Liquidity risk

The Board has overall responsibility for the establishment and oversight of the risk management framework. Towards this end, the Board has established the Audit and Risk Management Committee and the Finance Committee. The committees regularly report on their activities to the Board.

(a) Credit risk

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

Credit Risk in loans receivable is managed by a careful evaluation of lending proposals by the Senior Management, the Chief Executive Officer, Finance Committee and the Board. All loans require ratification by the Board.

The quality of the loan portfolio is monitored by the Finance Committee with regular reports from management on overdrawn accounts, accounts in arrears and loans with larger exposures. Securities on the loans provided by the Fund are as follows:

- i. Loans to Parishes, Parish Primary Schools and Archdiocesan Colleges are secured by title held by the Roman Catholic Trust Corporation.
- ii. Loans to Orders are guaranteed by a letter of guarantee from the Order or by a mortgage on land and/or the business.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments (continued)

(a) Credit risk (continued)

In response to COVID-19 related events, the Fund had granted repayment relief on some loans to various customer segments. Terms of relief include both repayment holidays or interest only repayments were for periods of between 6 to 12 months. As at 30 June 2021 only one customer remained on a repayment relief arrangement.

Management have reviewed COVID-19 impacted economic circumstances in each of the various customer segments including the effects on customer liquidity balances and the loan security held by the Fund.

The Fund has reviewed the loan portfolio including probability of default, loss given default and exposure at default assumptions based on historical data and taking into account forward looking information. Based on this assessment, including security arrangements, the Fund has determined that an expected credit loss provision is not required at 30 June 2021.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Fund is exposed to this risk as it raises deposit and also lends and invest funds.

Market interest rates are monitored daily. The Fund's rates are reviewed at each Finance Committee meeting. Recommended interest rate changes are approved by the Finance Committee.

Interest rate sensitivity analysis

The Fund's investment taking, lending and investment policies are all aimed at ensuring its financial position is not materially exposed to interest rate risk through changes in interest rates. To this end the Fund accepts investments 'at call', or with minor exceptions, with short term maturity not beyond 12 months. Similarly, loans (again with minor exceptions) are made at variable interest rates (or where at fixed rates are covered by 180-day bank bill Interest Rate Swap Agreements). Additionally, the Fund has the ability to adjust variable interest rate loans subject to market/competitive forces, to ensure that a satisfactory operating margin is achieved. Investments are principally, cash, fixed rate bank deposits/Bank Bills and floating rate notes of varying maturities not exceeding 12 months as at balance date.

The Fund's Board is of the opinion that these policies and practices together with prudent capital and liquidity management ensure that the Fund's exposure to interest rate movements in any one year are immaterial in the context on annual net operating profit and the net equity of the Fund.

In support of this, the following interest rate sensitivity analysis shows the net impact of one off 1% change in interest rates, on only those liabilities and assets which would be immediately impacted as at the end of the balance date. Any liabilities or assets as at balance date, with a maturity during the year or beyond are not included in the rate sensitivity calculation unless they were capable of being re-priced as at the end of the relevant reporting period. The following table details the calculations, showing a net operating profit impact of +/- \$4,552 thousand as at 30 June 2021 (2020: +/- \$2,973 thousand).

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments (continued)

Financial instrument assets	1%+/- Variance			
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash and liquid assets	13,918	19,093	139	191
Floating rate notes	249,402	277,095	2,494	2,771
Loans and advances	1,259,363	1,163,807	12,594	11,638
Total financial instruments assets	1,522,683	1,459,995	15,227	14,600
Customer Investments	1,977,937	1,757,338	19,779	17,573
Total financial instrument liabilities	1,977,937	1,757,338	19,779	17,573
Net change			4,552	2,973

Net fair values

	2021		2020	
	Carrying amount	Net Fair value	Carrying amount	Net Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash on hand and at banks	63,886	63,886	39,094	39,094
Term deposits	572,000	572,000	470,000	470,071
Other Financial Assets	80,000	80,000	4,000	4,000
Floating rate notes	249,402	252,819	277,095	280,721
Loans and receivable	1,226,721	1,444,873	1,183,083	1,311,002
	2,192,009	2,413,578	1,973,272	2,104,888
Financial Liabilities				
Customer Investments	719,338	719,338	599,519	599,519
Customer Term Investments	1,259,363	1,259,363	1,163,807	1,163,807
	1,978,701	1,978,701	1,763,326	1,763,326

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date. The Fund's operations allow it to re-price interest rates for loan and investment products running variable rates to allow for market movements in interest rates. Loan products on fixed rates have interest rate swap arrangements in place to compensate for market movements. These factors would have ensured that any impact on the surplus and equity of the Fund would be immaterial to the year ended 30 June 2021.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund limits its exposure to liquidity by investing in highly liquid securities which are realisable when the need arises.

The approved Investment Policy regarding credit and liquidity risk is as follows:

Liquid assets management

Liquid assets management is the responsibility of the Fund's Treasury Department.

The investment portfolio, including bank account balances, is monitored daily. Liquid assets are to be managed in a way to ensure that:

- (i) Capital value is preserved;
- (ii) Optimum return is achieved; and
- (iii) Sufficient cash-flow is maintained to cover the Fund's operational commitments.

Liquid assets are managed in accordance with the Fund's Investment Guidelines and Liquidity Management Policy.

Liquidity management

The Fund monitors liquidity on a daily basis in accordance with its liquidity management policy.

The minimum liquidity holding (MLH) target ratio is set at 12%.

Liquidity and interest risk tables

The following tables detail the Fund's remaining contractual maturity for its derivative and non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial assets and liabilities based on the earliest date on which the Fund can be required to pay. The table includes both interest and principal cash flows. Whilst current liabilities exceed current assets; investments held by the Fund are considered non-volatile as clients have a contractual agreement when borrowing to invest surplus funds with the Fund. There has been no change to the risk management policy since the prior year.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments (continued)

Liquidity and interest risk tables ASSETS	Weighted average eff. interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000
2021							
Variable interest rate deposits	0.31	177,000	395,000	80,000	-	-	652,000
Variable interest rate FRNs	0.82	-	-	33,811	215,591	-	249,402
Variable interest rate loans	3.40	4,149	21,292	73,515	348,312	776,631	1,223,899
Fixed interest rate loans	-	-	-	-	-	-	-
		<u>181,149</u>	<u>416,292</u>	<u>187,326</u>	<u>563,903</u>	<u>776,631</u>	<u>2,125,301</u>
2020							
Variable interest rate deposits	1.07	-	470,000	4,000	-	-	474,000
Variable interest rate FRNs	1.03	3,000	-	93,000	181,095	-	277,095
Variable interest rate loans	3.76	3,862	23,521	86,328	379,966	686,502	1,180,179
Fixed interest rate loans	-	-	-	-	-	-	-
		<u>6,862</u>	<u>493,521</u>	<u>183,328</u>	<u>561,061</u>	<u>686,502</u>	<u>1,931,274</u>

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

18. Financial instruments (continued)

Liquidity and interest risk tables	Weighted average eff. interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
LIABILITIES	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021							
Variable interest rate investments	0.05	719,338	-	-	-	-	719,338
Fixed interest rate term investments	0.40	303,316	432,610	500,521	22,916	-	1,259,363
		<u>1,022,654</u>	<u>432,610</u>	<u>500,521</u>	<u>22,916</u>	<u>-</u>	<u>1,978,701</u>
2020							
Variable interest rate investments	0.10	599,519	-	-	-	-	599,519
Fixed interest rate term investments	1.20	319,045	445,668	393,126	5,988	-	1,163,827
		<u>918,564</u>	<u>445,668</u>	<u>393,126</u>	<u>5,988</u>	<u>-</u>	<u>1,763,346</u>

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. All Interest Rate Swaps are classified as Level 2 inputs (2020: Level 2).

Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Quoted prices (unadjusted in active markets for identical assets & liabilities that the Fund can access at the time of measurement)	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable.	Inputs that are not based on observable market data. The assumptions used must reflect those that market participants would use, including risk

19. Auditors' remuneration

	2021	2020
Amounts received or due and receivable by the auditors for:		
Auditing the financial report	69,720	68,000
Other services	13,500	13,500
	<u>83,220</u>	<u>81,500</u>

The auditor of the Fund is Deloitte Touche Tohmatsu.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

20. Commitments

	2021	2020
	\$'000	\$'000
Loans approved but not disbursed	450,432	162,500

21. Cash flow information

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand, 'at call' deposits and term deposits with other financial institutions. Cash at the end of the reporting period as shown in the statement cash flows is reconciled to the related items in the statement of financial position as follows:

	2021	2020
	\$'000	\$'000
Cash	63,884	19,094
Deposits at call & Term investments	652,002	494,000
	715,886	513,094
Less Term deposits >3 months	(80,000)	(4,000)
Cash	635,886	509,094

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are on a net basis in the statement of cash flows:

- (i) customer investments in and withdrawals from savings, money market and other deposit accounts;
- (ii) sales and purchases of dealing securities;
- (iii) sales and purchases of maturing certificates of deposit; and
- (iv) short-term borrowings.

(c) Reconciliation of the net cash flow from operating activities to operating surplus

	2021	2020
	\$'000	\$'000
Operating surplus before distribution	30,867	28,914
Net loans granted	(44,520)	(2,322)
Depreciation and amortisation	625	563
Non-cash adjustment for employee benefits	488	-
Increase/(decrease) in interest receivable	739	(788)
Increase/(decrease) in other debtors	(516)	359
Increase/(decrease) in accrued expenses and commitments	(3,506)	(48,887)
Increase/(decrease) in employee entitlements	133	54
Net cash generated by/(used in) operating activities	(15,690)	(22,107)

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

22. Subsequent events

There are no material subsequent events to report since the end of the financial year.

23. Fund details

The registered office of the Fund is:

Archdiocese of Melbourne, Catholic Development Fund
Level 4, 486 Albert Street
EAST MELBOURNE VIC 3002
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Independent Auditor's Report to the Board Members of the Archdiocese of Melbourne Catholic Development Fund

Opinion

We have audited the financial report being a special purpose financial report, of the Archdiocese of Melbourne Catholic Development Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by Board Members' as set out on pages 12 to 36.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Fund's financial position as at 30 June 2021 and of its financial performance and its cash flows for the year then ended in accordance with accounting policies as described in Note 1 in the financial report.

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 Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have 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 Fund to meet the financial reporting requirements of Australian Accounting Standards. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Board Members and should not be distributed or used by parties other than the Board Members. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Director's report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 and, in doing so, 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. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board Members for the Financial Report

Management of the Fund 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 Australian Accounting Standards and is appropriate to meet the needs of the Board Members. 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 Fund 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 Fund or to cease operations, or has no realistic alternative but to do so.

The Board Members are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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.

Deloitte.

We communicate with The Board Members and management 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

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M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 27 October 2021