

ARCHDIOCESE OF MELBOURNE CDF COMMUNITY FUND

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

BOARD MEMBERS' REPORT

The Board Members submit herewith their report on the Archdiocese of Melbourne CDF Community Fund ("the Fund") for the period ended 30 June 2018.

This is the first period of operation of the Fund. Accordingly this report is for the period from 2 December 2017 to 30 June 2018. The Fund is an agency of the Archdiocese of Melbourne.

Board Members

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

- Mr. A. Ryan, B. Bus. (Acc), FCPA, GAICD (Chairperson)
Joined the Board in December 2017
Former CEO, MyLife MyFinance
- Mr. C. Griss, TFASFA
Joined the Board in December 2017
Former Group CFO ANZ Banking Group
Former CEO, Esanda Finance Corp. Ltd.
- Ms. C. Proske, B. Com., PG. Dip. (App. Sc), CPA, M. Environmental Sc..
Joined the Board in December 2017
General Manager, Good Shepherd Microfinance
- Mr. T Sanderson JP EMFIA
Joined the Board in December 2017
General Manager - CDF Wollongong
- Mr. D. Smith BBus MBA FCPA
Joined the Board in December 2017
Financial Administrator, Diocese of Rockhampton

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

BOARD MEMBERS' REPORT

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 the Melbourne (the "Archdiocese"), the Diocese of Sale and the Diocese of Bunbury to assist in achieving their Catholic Mission.

Operating Results

The net loss for the period ended 30th June 2018 was \$138,312 which was commensurate with the Board's expectations for the Fund during the start-up phase of operations. No provision for distribution was made to the Catholic Archdiocese of Melbourne, Diocese of Sale or Diocese of Bunbury.

State of Affairs

The Fund was created by Deed Poll on 17 March 2017 and formally commenced operations on 2nd December 2017. The Fund's creation was the Archdiocese's response to the requirements of the new regulations from Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments (ASIC) for retail non-affiliated / non associated investors. The Fund operates under an Australian Financial Services License via an intermediary arrangement entered into with CDFCF AFSL Ltd since December 2017 and is tasked with retaining and attracting retail customer investment funds for the purposes of supporting the capital developments of the Church in the Archdiocese and in the Dioceses of Sale and Bunbury. Several other Dioceses (Participating Diocese) chose to facilitate the transfer of their remaining retail customer investors to the CDF Community Fund. The Participating Dioceses involved are Ballarat, Hobart, Parramatta, Rockhampton, Sandhurst, Townsville, Wagga Wagga, and Wollongong.

Subsequent events

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

Review of Operations

The Fund has operated satisfactorily in the financial period ended 30th June 2018 and is positioned to accept client investment and meet borrowing needs of Catholic Organisations in pursuit of its mission.

**ARCHDIOCESE OF MELBOURNE
CDF Community Fund**

BOARD MEMBERS' REPORT

Board Members' Remuneration

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.

Indemnification of Officers and Auditors

Insurance premiums have been paid to insure each of the Board Members and officers of the Fund, against any costs and expenses incurred by them in defending any legal proceeding arising of their conduct while acting in their capacity as an officer 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.

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

Environmental Regulations

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

Signed in accordance with a resolution of Board Members.

.....
Mr. A Ryan 

.....
Mr. C. Griss 

Dated at Melbourne this 21st day of November, 2018.

Independent Auditor's Report to the Board Members of the Archdiocese of Melbourne CDF Community Fund

Opinion

We have audited the financial report being a special purpose financial report, of the Archdiocese of Melbourne CDF Community Fund (the "CDF-CF" Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of cash flows for the period 2 December 2017 to 30 June 2018 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Board Members' declaration as set out on page 9.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Fund's financial position as at 30 June 2018 and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards.

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* (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

- (a) Management is responsible for the other information. The other information comprises the Director's report for the period ended 30 June 2018, 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 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 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.



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.

The logo for Deloitte Touche Tohmatsu, featuring the company name in a stylized, cursive script.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "M Stretton".

Mark Stretton
Partner
Chartered Accountants

Melbourne, 21 November 2018

**ARCHDIOCESE OF MELBOURNE
CDF Community Fund**

DECLARATION BY BOARD MEMBERS

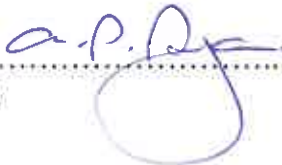
As detailed in Note 1 to the financial statements, the Fund is not a reporting entity because in the opinion of the Board Members there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information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

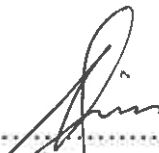
Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board Members' reporting requirements under the applicable accounting standards as outlined in Note 1.

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 2018, and performance of the period 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. A Ryan


.....
Mr. C. Griss

Dated at Melbourne this 21st day of November, 2018.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 2 DECEMBER 2017 TO 30 JUNE 2018

		2018
	Notes	\$
Interest revenue	3	1,095,626
Interest expense	4(a)	(868,792)
Net interest revenue		226,834
Other revenue	3	148,930
Other expenses	4(b)	(514,076)
Net Profit/(Loss) for the Period		(138,312)
Other comprehensive income for the period		
Items that will not be reclassified subsequently to Profit or Loss		-
Total comprehensive income		(138,312)

These financial statements should be read in conjunction with the accompanying notes.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$
ASSETS		
Cash and cash equivalents	5	55,386,409
Other financial assets	5	17,200,000
Receivables	6	407,396
TOTAL ASSETS		72,993,805
LIABILITIES		
Customer Investments	7	66,143,460
Payables and other liabilities	8	488,657
TOTAL LIABILITIES		66,632,117
NET ASSETS		6,361,688
EQUITY		
Reserves	9	-
Retained funds	10	6,361,688
TOTAL EQUITY		6,361,688

These financial statements should be read in conjunction with the accompanying notes.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

	Retained Earnings \$	General Reserve for Credit Losses \$	Total \$
Balance at 2 December 2017	-	-	-
Equity invested by the Archbishop of Melbourne	6,500,000	-	6,500,000
Net Profit/(Loss) for the Period	(138,312)	-	(138,312)
Balance at 30 June 2018	6,361,688	-	6,361,688

These financial statements should be read in conjunction with the accompanying notes.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

STATEMENT OF CASH FLOWS
FOR THE PERIOD 2nd DECEMBER 2017 TO 30 JUNE 2018

	Notes	2018 \$
Cash flows from operating activities		
Interest and bill discounts received		746,953
Interest and other costs of finance paid		(412,630)
Fees received		148,930
Fees & Rebates paid		(44,865)
Payments to suppliers and employees		(495,439)
Net cash provided by/(used in) operating activities	15(c)	(57,051)
Cash flows from investing activities		
Investment in Term deposits > 3 months		(17,200,000)
Net increase in customers' savings investments		20,439,952
Net increase in customers' fixed term investments		45,703,508
Net cash provided by/(used in) investing activities		48,943,460
Cash flows from financing activities		
Equity Transfer by Archdiocese of Melbourne		6,500,000
Net cash provided by financing activities		6,500,000
Net increase in cash held		55,386,409
Cash at the beginning of the reporting period		-
Cash at the end of the reporting period	15(a)	55,386,409

These financial statements should be read in conjunction with the accompanying notes.

**ARCHDIOCESE OF MELBOURNE
CDF Community Fund**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 CDF Community 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 of financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts have been rounded to the nearest Dollars unless otherwise stated.

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.

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.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Adoption of new and revised Accounting Standards

In the current year, the Fund has not adopted any 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.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income Tax

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

(b) Financial Assets and Liabilities

Recognition

Financial assets and liabilities are initially measured at fair value. Subsequent to initial recognition these instruments are measured as follows:

Financial assets and liabilities at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated and effective as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less impairment.

Held-to-maturity investments

These investments have fixed maturities, and it is the Fund's intention to hold these investments to maturity. Any held-to-maturity investments held by the Fund are stated at amortised cost using the effective interest rate method.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Impairment – Loans and Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original interest rate. Impairment losses are recognised in the profit or loss.

In addition, a general reserve for credit losses may be maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are accounted for as appropriations of retained profit.

Bad debts are written off when identified. If an allowance for impairment has been recognised in relation to a loan, write offs for bad debts are made against the allowance. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the profit and loss.

(d) Equity Transfer

The Fund's prudential policy requires the maintenance of a minimum level of capital equity. The Board of the Archdiocese of Melbourne Catholic Development Fund approved the transfer of a commensurate level of capital equity to the CDF Community Fund in line with the level of retail customer investments transferred on 2nd December 2017.

(e) Revenue

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 quarter.

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.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

GST

All revenue is stated net of the amount of goods and services tax (GST).

(f) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. The not-for-profit sector valuation of best use value in AASB 13 is not applied.

(g) Investment & Short Term Borrowings

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

(h) 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.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Standards and Interpretations in issue not yet in effect

At the date of authorization of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (Dec 2010), AASB 2014-1 'Amendments to Australian Accounting Standards [PART E- Financial Instruments] AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 2014).	1-Jan-18	30-Jun-19
AASB 15 'Revenue from Contracts with Customers to Australian Accounting Standards arising from AASB 15'	1-Jan-19	30-Jun-20
AASB 16 Leases will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases - Incentives Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements in their treatment in the financial statements of both lessees and lessors.	1-Jan-19	30-Jun-20

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in December 2013 to include the new requirements for general hedge accounting.

Another revised version of AASB 9 was issued in December 2014 mainly to include:

- a) Impairment requirements for financial assets.
- b) Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- i. All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally at FVTOCI. All other debt investments and equity investments are measured at their fair value through profit or loss at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination, to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- ii. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- iii. 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 an entity 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.
- iv. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AASB 9 'Financial instruments' is applicable to the Fund from 1 July 2018, replacing AASB 139. Aside from changes to classification and disclosures, the new standard is expected to impact the measurement of loans and advances, due to changes in the impairment model from an incurred loss model to an expected loss model.

Management is currently in the process of assessing the potential impact of AASB 9.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

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.

2 December 2017 to 30 June 2018

	Average Balance	Interest	Average Rate Per Annum
	\$	\$	%
Interest earning Assets			
Deposits with other financial institutions	78,160,885	1,095,626	2.40%
Interest incurring Liabilities			
Customer Investments	71,525,544	868,792	2.08%

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
OR THE PERIOD ENDED 30 JUNE 2018

3. REVENUE	2018
	\$
Interest revenue	<u>1,095,626</u>
Donations received	499
Other	<u>148,431</u>
Other Revenue	<u>148,930</u>
	<u>1,244,556</u>

4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been determined after:

	2018
	\$
(a) Expenses:	
Interest expense	868,792
(b) Other expenses:	
- Rebates to Participating Dioceses	18,637
- Other expenses	495,439
Inclusive of CDF Management Fees, Insurance, Bank Charges, Consultancy and IT Maintenance	

5. CASH, CASH EQUIVALENT AND INVESTMENTS	2018
	\$
Cash on hand and at banks	386,409
Deposits at call	10,000,000
Term Deposits <3 months	<u>45,000,000</u>
	<u>55,386,409</u>
Term Deposits >3 months	<u>17,200,000</u>
	<u>72,586,409</u>

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

6. RECEIVABLES	2018 \$
Interest receivable	348,673
Other	58,723
	<u>407,396</u>

7. CUSTOMER INVESTMENTS	2018 \$
Customers' savings investments	20,439,952
Term investments	45,703,508
	<u>66,143,460</u>

Maturity Analysis

At call	5,240,649
Not longer than 3 months	28,753,499
Longer than 3 and not longer than 12 months	23,781,285
Longer than 1 and not longer than 5 years	8,368,027
Longer than 5 years	-
	<u>66,143,460</u>

8. PAYABLES AND OTHER LIABILITIES

	2018 \$
Interest payable	456,162
Other liabilities	32,495
	<u>488,657</u>

9. RESERVES

There was no General reserve for credit losses provision for this financial period as there were no loan balances outstanding.

ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 30 JUNE 2018

10. RETAINED FUNDS

	2018
	\$
Retained funds at the beginning of the financial period	-
Net profit / (loss)	(138,312)
Total available for appropriation	(138,312)
Distributions provided for or paid	-
Transfer to General Reserve for Credit Losses	-
Retained funds at the end of the reporting period	<u>(138,312)</u>

11. BOARD MEMBERS' REMUNERATION

	2018
	\$
Amounts received or due and receivable from the Fund by Board Members of the Fund	23,276

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

\$0 - \$9,999	5
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ARCHDIOCESE OF MELBOURNE
CDF Community Fund

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

12. FINANCIAL INSTRUMENTS

Overview

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

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 and Dioceses of Sale and Bunbury.

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 CDF Community Fund Board (CDF-CF) has overall responsibility for the establishment and oversight of the risk management framework. Towards this end, the CDF-CF Board utilises the established Catholic Development Fund Board governance structures including the Audit and Risk Management Committee and the Finance Committee. The committees regularly report on their activities to the CDF-CF Board. The following information describes the committees' responsibilities, terms of reference and authorities.

Title

Audit and Risk Management Committee

Responsibility

The Committee is responsible to the CDF-CF Board for both the internal and external audits, the presentation of the Fund's annual accounts and the monitoring of the Fund's Risk Management Plan.

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NOTES TO THE FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (cont'd)

Authority

The Committee may resolve matters referred or delegated by the CDF-CF Board otherwise the role is that of an advisory Committee. The quorum shall be two Board members. Matters may be resolved outside meeting by use of email, fax, correspondence or telephone and later ratified at the next meeting.

Title

CDF Finance Committee

Responsibility

The CDF Finance Committee is responsible to the CDF-CF Board for the monitoring of its financial performance, approval of loans with the Committee's delegation and the seeking of professional advice with regard to financial, investment, administration and property matters as required.

Authority

The CDF Finance Committee may resolve matters referred or delegated by the CDF-CF Board otherwise the role is that of an advisory Committee. The quorum is three members, including at least two CDF Board Members. Matters may be resolved outside meeting by use of email, fax, correspondence or telephone and later ratified at the next meeting.

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:

Loans to Parishes, Parish Primary Schools and Archdiocesan Colleges are secured by title held by the Roman Catholic Trust Corporation.

Loans to Orders are guaranteed by a letter of guarantee from the Order or by a mortgage on land and/or the business.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (cont'd)

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 invests 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 with no fixed term, or with minor exceptions, with short term maturity not beyond 12 months. Similarly, loans (again with minor exceptions) are made at variable interest rates additionally, the Fund has the ability to adjust variable interest rate loans subject to market/competitive forces, to ensure that satisfactory operating profit is achieved. Investments are principally, cash, fixed rate bank deposits/Bank Bills 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.

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12. FINANCIAL INSTRUMENTS (cont'd)

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 +/- \$473,890 as at 30 June 2018.

Financial instrument assets	2018	1% +/- VARIANCE
	\$	
Cash and liquid assets	10,386,409	103,864
TOTAL FINANCIAL INSTRUMENTS ASSETS	10,386,409	103,864
Client Investments	57,775,433	577,754
TOTAL FINANCIAL INSTRUMENT LIABILITIES	57,775,433	577,754
NET CHANGE		(473,890)

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. These factors would have ensured that any impact on the surplus and equity of the Fund would be immaterial to the period ended 30 June 2018.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

12. FINANCIAL INSTRUMENTS (cont'd)

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%.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

12. FINANCIAL INSTRUMENTS (cont'd)

Liquidity and interest risk tables

The following tables detail the Fund's remaining contractual maturity for its 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.

Liquidity and interest risk tables	Weighted average eff. interest rate	Less than				Total
		1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
ASSETS	%	\$	\$	\$	\$	\$
2018						
Variable interest rate deposits	2.67	17,000,000	28,000,000	17,200,000	-	62,200,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. FINANCIAL INSTRUMENTS (cont'd)

Liquidity and interest risk tables	Weighted average eff. interest rate %	Less than 1		3 months to		1-5 years		Over	
		month	\$	1-3 months	\$	1 year	\$	5 years	\$
LIABILITIES									
2018									
Variable interest rate investments	1.25	20,439,952	-	-	-	-	-	-	20,439,952
Fixed interest rate term investments	2.50	-	2,393,627	11,027,388	32,282,493	-	-	-	45,703,508
		20,439,952	2,393,627	11,027,388	32,282,493	-	-	-	66,143,460

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

12. FINANCIAL INSTRUMENTS (cont'd)

Net Fair Values

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

	<-----2018----->	
	Carrying Amount	Net Fair Value
	\$	\$
Financial Assets		
Cash	10,386,409	10,386,409
Investments	62,200,000	62,200,000
Other Receivable	407,396	407,396
	<u>72,993,805</u>	<u>72,993,805</u>
 Financial Liabilities		
Client Savings Investments	20,439,952	20,439,952
Client Term Investments	45,703,508	45,703,508
	<u>66,143,460</u>	<u>66,143,460</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

13. AUDITORS' REMUNERATION

	2018
	\$
Amounts received or due and receivable by the auditors for:	
Auditing the financial report (external only)	<u>25,000</u>

The auditor of the Fund is Deloitte Touche Tohmatsu.

The auditors did not receive any other benefits.

14. COMMITMENTS FOR EXPENDITURE

Loans approved but not disbursed	<u>505,000</u>
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15. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purpose of the cash flow statement, cash includes cash on hand and deposits readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Cash at the end of the reporting period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2018
	\$
Cash	386,409
Deposits at call & Term Investments	<u>72,200,000</u>
	72,586,409
Less Term Investments > 3 months	<u>17,200,000</u>
Cash	<u>55,386,409</u>

(b) Cash Flows Presented on a Net Basis

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

15. CASH FLOWS INFORMATION (cont'd)

**(c) Reconciliation of Net Cash provided by
Operating Activities to Operating Profit**

	2018
	\$
Operating Profit/(Loss) before distribution	(138,312)
Increase in interest receivable	(348,673)
Increase in other debtors	(58,723)
Increase in accrued expenses	488,657
Net cash provided by operating activities	<u>(57,051)</u>

16. Subsequent Events

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

17. FUND DETAILS

The registered office and principal place of business of the Fund is:

CDF Community Fund
486 Albert Street
EAST MELBOURNE VIC 8002