



**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

ABN 15 274 943 760

GENERAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

**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 2023.

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. E. Passaris, B.Ec., FCA, 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 Consultant
Mr. P. Velten, B.Ec., CPA	Joined the Board in December 2013 Director of Catholic Education / Chief Executive Officer of 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 & Moonee Ponds Parishes
Ms. C. Proske, B.Com., PG. Dip. (App.Sc), CPA, M. Environmental Sc., GAICD	Joined the Board in March 2017 Impact Leader and Non-Executive Director
Mr. J Braddon Bcom, CA	Joined the Board in April 2021 Chief Financial Officer, Catholic Archdiocese of Melbourne
Mrs. J Colwell B Ec GAICD FFin	Joined the Board in September 2022 Non Executive Director

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BOARD MEMBERS' REPORT (continued)

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.
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Mr Damian Murphy LLB, LLM, B Ec (Hons)	Joined the Board in September 2021 Director, Firmate Risk and Assurance Solutions Pty Ltd
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Dr Paul Sharkey PhD, MTheol, MEdEvaluation, MEdLead, GradDipPerfArts, GradDipEd, BTheol.	Joined the Board in May 2022 Postgraduate Coordinator, Catholic Theological College Resigned on 16 December 2022
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Principal activity

The principal activity of the Fund in the course of the financial period was to accept client investments from Catholic Organisations, namely educational institutions, aged care providers and hospitals, 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 2023 was \$44,391,693. This compares to the 30 June 2022 financial year when the net surplus was \$30,998,000.

Significant changes in the state of affairs

There was no significant change in the state of affairs of the Fund during the financial year.

**ARCHDIOCESE OF MELBOURNE
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BOARD MEMBERS' REPORT (continued)

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Review of operations

The Fund has provided funding for 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 and has met borrowing needs of Catholic Organisations in pursuit of its mission throughout the financial year.

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.

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.

During or since the end of the financial year the Fund has not indemnified or made a relevant agreement to indemnify an auditor of the Fund against a liability incurred. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

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.

**ARCHDIOCESE OF MELBOURNE
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BOARD MEMBERS' REPORT (continued)

Distributions

During the financial year distributions of \$33,386,786 to the Catholic Archdiocese of Melbourne, \$3,187,637 to the Diocese of Sale and \$1,810,896 to the Diocese of Bunbury were made. During the previous financial year distributions of \$20,792,722 to the Catholic Archdiocese of Melbourne, \$2,013,465 to the Diocese of Sale and \$1,122,497 to the Diocese of Bunbury we made

Rounding of amounts to the nearest thousand dollars

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. Tim O'Leary



.....
Mr. Eric Passaris

Dated this 25th day of October 2023.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

DECLARATION BY BOARD MEMBERS

The Board Members declare that:

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (b) in the board members' opinion, the attached financial statements and notes thereto are in accordance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

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. Tim O'Leary



.....
Mr. Eric Passaris

Dated this 25th day of October 2023.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$'000	2022 \$'000
Interest revenue	2	106,503	47,126
Interest expense	2	(51,290)	(5,917)
Net interest revenue		<u>55,213</u>	<u>41,209</u>
Other revenue	3	4,007	3,667
Net revenue		<u>59,220</u>	<u>44,876</u>
Employee benefits expense	4	(7,131)	(6,810)
Depreciation and amortisation expense	4	(748)	(800)
Other expenses	4	(6,949)	(6,268)
Total expense	4	<u>(14,828)</u>	<u>(13,878)</u>
Net surplus for the year		<u>44,392</u>	<u>30,998</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>44,392</u>	<u>30,998</u>

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

**ARCHDIOCESE OF MELBOURNE
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	2023 \$'000	2022 \$'000
ASSETS			
Cash and cash equivalents	5	174,736	87,224
Floating rate notes	5	299,934	295,868
Other financial assets	5	285,500	419,000
Trade and other receivables	6	6,820	2,264
Loans and advances	7	1,453,299	1,187,185
Property plant and equipment	8	635	1,089
Right-of-use assets	9	2,043	2,285
Intangible Assets	10	345	668
TOTAL ASSETS		<u>2,223,312</u>	<u>1,995,583</u>
LIABILITIES			
Customer Investments	11	1,976,233	1,772,077
Trade and other payables	12	23,327	3,554
Provisions for employee entitlements	13	1,033	1,171
Provision for distribution to Archdiocese/Diocese	14	2,065	465
Lease liabilities	15	<u>2,353</u>	<u>2,528</u>
TOTAL LIABILITIES		<u>2,005,011</u>	<u>1,779,795</u>
NET ASSETS		<u>218,301</u>	<u>215,788</u>
EQUITY			
Reserves	16	-	-
Retained earnings	17	<u>218,301</u>	<u>215,788</u>
TOTAL EQUITY		<u>218,301</u>	<u>215,788</u>

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

**ARCHDIOCESE OF MELBOURNE
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Retained earnings \$'000	General Reserve \$'000	Total \$'000
Balance at 1 July 2021		204,064	6,124	210,188
Net surplus for the year		30,998	-	30,998
Other comprehensive income for the year		-	-	-
Distribution to Archdiocese of Melbourne		(20,793)	-	(20,793)
Distribution to Diocese of Sale		(2,013)	-	(2,013)
Distribution to Diocese of Bunbury		(1,122)	-	(1,122)
Equity Withdrawal by Diocese of Bunbury		(1,469)	-	(1,469)
Release of general reserve to retained earnings	16	6,124	(6,124)	-
Balance at 30 June 2022	16, 17	215,788	-	215,788
Balance at 1 July 2022		215,788		215,788
Net surplus for the year		44,392		44,392
Other Comprehensive income		-		-
Distribution to Archdiocese of Melbourne		(33,387)		(33,387)
Distribution to Diocese of Sale		(3,188)		(3,188)
Distribution to Diocese of Bunbury		(1,811)		(1,811)
Equity Withdrawal by Diocese of Bunbury		(3,493)		(3,493)
Balance at 30 June 2023	16, 17	218,301	-	218,301

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 2023**

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Customer loans granted		(463,019)	(234,377)
Customer loans repaid		196,905	271,855
Interest and bill discounts received		101,947	47,126
Interest and other costs of finance paid		(31,517)	(5,917)
Fees and commissions received		4,007	4,226
Fees and commissions paid		-	-
Net increase/(decrease) in customers' savings investments		(81,642)	85,820
Net increase/(decrease) in customers' fixed term investments		285,798	(292,444)
Payments to suppliers for goods and services and employees		(14,218)	(12,365)
Net cash generated by/ (used in) by operating activities	24(b)	(1,739)	(136,076)
Cash flows from investing activities			
(Investment)/Redemption of term deposits		133,500	(339,000)
Redemption floating rate notes		(4,066)	(46,466)
Payments for property, plant, and equipment		271	(135)
Payments for intangible software		-	(774)
Net cash generated by / (used in) by investing activities		129,705	(486,375)
Cash flows from financing activities			
Payments to lease liabilities		(175)	(169)
Repayment of Equity		(3,494)	(1,469)
Distributions paid		(36,785)	(24,573)
Net cash used in financing activities		(40,454)	(26,211)
Net increase / (decrease) in cash held		87,512	(548,662)
Cash and cash equivalents at the beginning of the year		87,224	635,886
Cash and cash equivalents at the end of the year	24(a)	174,736	87,224

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 2023**

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 2023 was authorised for issue in accordance with a resolution of the Board Members on 25 October 2023.

Registered office

The registered office of the Fund is Level 4, 486 Albert Street, East Melbourne, Victoria 3000.

Principal place of business

The principal place of business of the Fund is Level 4, 486 Albert Street, East Melbourne, Victoria 3000.

The principal activities of the Fund during the year were 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.

Comparative information

Except when AASB 1060 permits or requires otherwise, an entity discloses comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity includes comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Materiality

AASB 1060 specifies information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure if the information resulting from that disclosure, is not material. This is the case even if AASB 1060 contains a list of specific requirements or describes them as minimum requirements.

Definitions and presentation requirements of other Australian Accounting Standards

Except to the extent specifically addressed in AASB 1060, the definitions and presentation requirements of other Australian Accounting Standards continue to apply. Entities are permitted to refer to other Standards for guidance on the requirements in AASB 1060, including:

- AASB 7 Financial Instruments: Disclosures
- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 124 Related Party Disclosures.

In addition to the disclosure requirements of AASB 1060, entities applying Australian Accounting Standards – Simplified Disclosures are therefore required to comply with the presentation requirements and associated guidance of a number of Australian Accounting Standards:

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 15 Revenue from Contracts with Customers – paragraphs 105-109
- AASB 16 Leases – paragraphs 47-50 and 88
- AASB 119 Employee Benefits – paragraphs 131-134
- AASB 132 Financial Instruments: Presentation

In some cases, the presentation requirements outlined above refer to other requirements of Australian Accounting Standards that are not applicable in financial statements prepared in accordance with AASB 1060. For example, many of these presentation requirements refer to AASB 101 Presentation of Financial Statements, even though that Standard does not apply to entities applying Australian Accounting Standards – Simplified Disclosures.

In these cases, we believe that entities applying Australian Accounting Standards – Simplified Disclosures should instead refer to the equivalent requirements in AASB 1060, which the guidance in those other Standards referred to as guidance.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with the Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law.

The presentation currency used in these financial statements is Australian dollars (\$). Amounts in these financial statements are stated in Australian dollars unless otherwise noted.

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 Fund does not have ‘public accountability’ as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and is therefore eligible to apply the ‘Tier 2’ reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060) and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

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

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting

The financial statements have been prepared on the basis of historical cost, except for certain properties and 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. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

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.

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.

The following are the critical judgements, apart from those involving estimations that the board members have made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the 'solely payments of principal and interest' (SPPI) and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Calculation of loss allowance

When measuring ECL the Fund uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

The Fund had \$nil ECL provision for the current financial year based on the internal and historical data.

Fair value measurements and valuation processes

Some of the Fund's assets and liabilities are measured at fair value for financial reporting purposes. The board members of the Fund have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Fund uses market-observable data to the extent it is available.

(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. These Standards and Interpretations did not have a material impact on the Fund's financial statements.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

The adoption of AASB 2020-3 effective 1 January 2022 has not resulted in any transition adjustments apart from a few disclosures note changes.

(b) Pronouncements not yet effective for financial year ending 30 June 2023;

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (effective for annual reporting periods on or after 1 January 2023)

AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (effective for annual reporting periods on or after 1 January 2023)

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

Right-of-use assets are presented on the face of the balance sheet and lease liabilities are shown separately with maturity analysis 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 2023**

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 recognised when the performance obligations have been satisfied to the extent that it is probable that the economic benefits will flow to the entity and that revenue can be reliably measured.

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.

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

Fees

Establishment fees are recognised over the life of the loan on a straight-line basis.

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 Board has prepared the Fund’s 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 Board note that at 30 June 2023, the Fund had net assets of \$218,300,559 (2022: net assets \$215,788,366).

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets

Intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(g) Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(h) 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.

(i) Customer investment

Customer investments are brought to account at transaction value.

(j) Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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.

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 are made to employee nominated 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 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

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.

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 amortised cost.

Classification of financial assets

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

- the financial asset are held 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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. Loans and receivables are carried at amortised cost using the effective interest rate method.

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 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.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

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.

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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. During 2023, no impairment of loans and receivables has been recorded (2022: nil).

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
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement and recognition of expected credit losses (continued)

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.

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.

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.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the 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.

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- For receivables and payables which are recognised inclusive of GST
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Tax Office is classified within operating cash flows.

(m) Property, plant, and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(n) Impairment of tangible and intangible assets

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

2. Interest revenue and Interest 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 interest expense and the average interest rate.

1 July 2022 to 30 June 2023

	Average balance \$'000	Interest \$'000	Average rate per annum %
Interest earning assets			
Interest from deposits with other financial institutions	1,113,463	39,899	3.58
Interest earned from loans and advances	1,290,816	66,605	5.16
	2,404,279	106,503	4.43
Interest incurring liabilities			
Interest paid on customer investments	2,172,275	51,290	2.36

1 July 2021 to 30 June 2022

	Average balance \$'000	Interest \$'000	Average rate per annum %
Interest earning assets			
Interest from deposits with other financial institutions	1,201,904	6,455	0.54
Interest earned from loans and advances	1,211,849	40,671	3.37
	2,413,753	47,126	1.95
Interest incurring liabilities			
Interest paid on customer investments	2,199,601	5,917	0.27

3. Revenue

	2023 \$'000	2022 \$'000
Interest revenue	106,503	47,126
Service fees & cost recoveries	3,071	2,858
Management fees	909	793
Other income	27	16
Total other revenue	4,007	3,667
Total revenue	110,510	50,793

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

4. Expenses

	2023	2022
	\$'000	\$'000
Employee benefits expense	6,498	6,234
Superannuation	633	576
	<u>7,131</u>	<u>6,810</u>
Depreciation expense		
Plant and equipment	75	101
Buildings and fixtures	108	106
Right-to-use assets	242	243
Amortisation expense – intangible assets	323	350
Total depreciation and amortisation expense	<u>748</u>	<u>800</u>
Other expenses (i)	<u>6,949</u>	<u>6,268</u>
Total expenses	<u>14,828</u>	<u>13,878</u>

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

5. Cash, cash equivalent, investments and other financial assets

	2023	2022
	\$'000	\$'000
Cash on hand and at banks	43,311	47,223
Deposits at call	116,425	20,001
Term deposits	15,000	20,000
Cash and cash equivalents	<u>174,736</u>	<u>87,224</u>
Floating rate notes	299,934	295,868
Other Financial assets*	285,500	419,000
Total cash and cash equivalents, investments and other financial assets	<u>760,170</u>	<u>802,092</u>

* The fund has facilities which provide for the collateralisation of high-quality liquid assets which assists with liquidity management.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

6. Trade and other receivables

	2023	2022
	\$'000	\$'000
Interest receivable		
- Due from related parties	-	-
- Due from other parties	6,264	1,656
Other	556	608
Trade and other receivables at amortised cost	<u>6,820</u>	<u>2,264</u>

7. Loans and advances

	2023	2022
	\$'000	\$'000
Overdrafts	2,022	2,333
Term loans	1,451,277	1,184,852
Expected credit losses (ECL) provisions*	-	-
Total loans and advances	<u>1,453,299</u>	<u>1,187,185</u>

Maturity analysis

	2023	2022
	\$'000	\$'000
Overdrafts	2,022	2,333
Not longer than 3 months	33,883	29,765
Longer than 3 and not longer than 12 months	65,080	87,124
Longer than 1 and not longer than 5 years	364,143	397,314
Longer than 5 years	988,171	670,649
	<u>1,453,299</u>	<u>1,187,185</u>

*Management has assessed the probability of default on relevant loans and advances for the purpose of quantifying a possible credit losses provision. Key evidence considered was the history of past losses, the current performance of the loans, the current and future expected support to restructure loans without losses. In addition, management has considered the structure of related parties including any civil and canonical guarantees. It is on this basis that management has assessed that no expected credit losses provision is required. The Fund had \$nil ECL provision for the current financial year based on the internal and historical data.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

8. Property, plant and equipment

	Buildings and fixtures \$'000	Office furniture & equipment \$'000	Computer equipment \$'000	Computer software \$'000	Motor vehicle \$'000	Total \$'000
Carrying amounts						
At 30 June 2023						
Cost	1,092	318	117	19	263	1,809
Accumulated depreciation	(647)	(289)	(108)	(19)	(111)	(1,174)
Net book amount	445	29	9	0	151	635
Carrying amount						
At 30 June 2022						
Cost	1,092	300	116	495	268	2,271
Accumulated depreciation	(541)	(277)	(100)	(188)	(76)	(1,182)
	551	23	16	307	192	1,089
Balance at 1 July 2022	1,092	300	116	495	268	2,271
Additions	-	18	1		22	41
Disposals	-	-	-	(476)	(27)	(503)
Balance at 30 June 2023	1,092	318	117	19	263	1,809
Accumulated depreciation						
Accumulated depreciation	(541)	(277)	(100)	(188)	(76)	(1,182)
Depreciation in disposals	-	-	-	188	2	190
Depreciation charge	(106)	(12)	(8)	(19)	(38)	(183)
Balance at 30 June 2023	(647)	(289)	(108)	(19)	(112)	(1,175)

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

8. Property plant and equipment (continued)

Depreciation

Depreciation of the buildings, fixtures, office and computer equipment, motor vehicles and tangible software is recognised on a straight-line basis in accordance with the accounting policy in Note 1(m).

The following useful lives are used in the calculation of depreciation:

- Buildings and fixtures	10 - 40 years
- Office and computer equipment	4 - 5 years
- Motor vehicles	6.-7 years
- Computer Software	3 years
- ROU lease Assets	15 years

9. Right-of-use lease assets (14 Nov 16 to 14 Nov 2031)

	2023	2022
	\$'000	\$'000
Net Carrying Amounts		
Buildings	2,043	2,285
	<u>2,043</u>	<u>2,285</u>

Movement during the period

	Buildings
	\$'000
Balance at 1 July 2022	2,285
Additions	-
Depreciation	(242)
Other charges	-
Balance at 30 June 2023	<u>2,043</u>

Depreciation

Depreciation of the right of use assets is recognised on a straight-line basis in accordance with the accounting policy in Note 1(c)(i).

10. Intangibles

	Computer software
	\$'000
Net Balance	
Balance at 1 July 2022	
- At cost	1,461
- Accumulated amortisation and impairment	(793)
Net Balance at 30 June 2022	<u>668</u>
Movement during the period	
Balance as at 1 July 2022	668
Additions	-
Depreciation	(323)
Other charges	-
Net Balance at 30 June 2023	<u>345</u>

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

10. Intangibles (continued)

Depreciation

Depreciation of intangibles assets is recognised on a straight-line basis.

The following useful lives are used in the calculation of depreciation:

- Intangibles 3 years

The amortisation expense is recognised in the depreciation and amortisation expenses in the statement of profit and loss.

11. Customer investments

	2023	2022
	\$'000	\$'000
Customers' savings investments	723,516	805,158
Customers' fixed term investments	1,252,717	966,919
	<u>1,976,233</u>	<u>1,772,077</u>

Maturity analysis

	2023	2022
	\$'000	\$'000
Less than 1 month	723,516	805,183
1 - 3 months	717,732	660,889
3 months - 12 months	508,387	274,782
1 year - 5 years	26,598	31,223
Longer than 5 years	-	-
	<u>1,976,233</u>	<u>1,772,077</u>

12. Trade and other payables

	2023	2022
	\$'000	\$'000
Interest payable	22,007	2,011
Payables to related parties	-	-
Other liabilities	1,315	1,543
	<u>23,322</u>	<u>3,554</u>

13. Provisions for employee entitlements

	2023	2022
	\$'000	\$'000
Balance		
Provision for annual leave	550	582
Provision for long service leave	483	589
	<u>1,033</u>	<u>1,171</u>
Current	959	1,081
Non-current	74	90
	<u>1,033</u>	<u>1,171</u>
Number of employees FTE at the end of the year	<u>49</u>	<u>46</u>

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

13. Provisions for employee entitlements (continued)

Movements in provisions

	Annual Leave \$'000	Long Service Leave \$'000
Balance as at 1 July 2022	582	589
Additions	170	73
Amounts charged	(202)	(179)
Unused amounts reversed	-	-
Other	-	-
Balance as at 30 June 2023	550	483

14. Provision for distribution to Archdiocese/Diocese

	2023 \$'000	2022 \$'000
Balance		
Provision for Melbourne Archdiocese distribution	1,683	401
Provision for Sale Diocese distribution	288	48
Provision for Bunbury Diocese distribution	95	16
	2,065	465
Balance as at 1 July 2022		465
Additions		38,385
Amounts charged		(36,785)
Unused amounts reversed		-
Other		-
Balance as at 30 June 2023		2,065

15. Lease liability

	2023 \$'000	2022 \$'000
Secured		
Current lease liability	221	187
Non-current lease liability	2,132	2,341
	2,353	2,528

Lease liabilities are secured by the assets leased and represent the discounted future rentals payable by the entity for its office properties, which was negotiated for 15 years, from 14 Nov 2016 to 14 Nov 2031, and rentals are fixed at the prevailing market rate and increased annually with fixed rate rent increases. The lease is with a Diocesan related party.

Any short-term leases entered into by the Fund (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than \$5,000) are recognised as lease payments and disclosed as an operating expense on a straight-line basis over the term of the lease in the statement of profit and loss.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

15. Lease liability (continued)

Future minimum lease payments

	2023	2022
	\$'000	\$'000
Not later than one year	237	283
Later than one year and not later than five years	1,321	1,221
Later than five years	795	1,024
Total lease liabilities	<u>2,353</u>	<u>2,528</u>

16. Reserves

General reserve

	2023	2022
	\$'000	\$'000
General Reserve at the beginning of the financial year	-	6,124
(Release of general reserve to retained earnings)	-	(6,124)
General Reserve at the end of the financial year	<u>-</u>	<u>-</u>

The Fund had a long-standing internal policy of holding a general reserve with an amount equal to 0.50% of the drawn term loans as at the end of the financial year. In the previous year, Management agreed to change this accounting policy by no longer holding this general reserve and the full amount was released to retained earnings, on the basis of the Probability of Default assessment. The general reserve at 30 June 2023 amounted to \$0.0m (2022: \$0.0m).

17. Retained earnings

	2023	2022
	\$'000	\$'000
Retained earnings at the beginning of the financial period	215,788	204,064
Net surplus	44,392	30,998
Total available for appropriation	<u>260,180</u>	<u>235,062</u>
Distribution provided for or paid	(38,385)	(23,929)
Equity withdrawal for Diocese of Bunbury	(3,494)	(1,469)
Release of general reserve to retained earnings	-	6,124
Retained earnings at the end of the reporting period	<u>218,301</u>	<u>215,788</u>

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

18. Remuneration of key management personnel

	2023 \$	2022 \$
Aggregate key management personnel compensation	1,564,516	1,599,028
(a) Short-term employee benefits	1,564,516	1,533,892
(b) Post-employment benefits	-	-
(c) other long-term benefits	-	-
(d) termination benefits	-	65,136

During the year the Fund paid interest to these related parties as well as receiving interest from loans advanced to them. At balance date the Fund has loan receivables and customer investments with these related parties.

19. Related parties

The entity has dealings with related parties. The principal activity of the Fund in the course of the financial period was to accept client investments from Catholic Organisations, namely educational institutions, aged care providers and hospitals, 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. The related parties are defined as those entities that are under the control of the Archbishop of Melbourne and the Bishop of Sale and the Bishop of Bunbury. These entities will be broken down into the following segments: Diocesan entities, Parishes, and Diocesan schools.

Transactions with related parties

	2023 \$'000	2022 \$'000
Interest Revenue:		
Interest on loans – Diocesan entities	7,561	6,170
Interest on loans – Parishes	15,395	9,281
Interest on loans – Diocesan schools	29,405	17,494
Total Interest revenue from related parties	52,361	32,945

Interest Revenue:

Interest Expense:		
Interest on investments – Diocesan entities	15,311	2,298
Interest on investments – Parishes	4,974	628
Interest on investment – Diocesan schools	6,496	808
Interest on savings – Diocesan entities	503	20
Interest on savings – Parishes	3,320	191
Interest on savings – Diocesan schools	6,006	340
Total Interest expense from related parties	36,610	4,285

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
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19. Related Parties (continued)

	2023 \$	2022 \$
Other Revenue:		
Management fees received from related parties	558,108	478,320
Other Expenses:		
Occupancy expenses paid to Diocesan entities	525,869	436,725
Administrative expenses paid to Diocesan entities	147,000	206,791
Total other expenses paid to related parties	672,869	643,516

The following balances are outstanding at the end of 30 June 2023 in relation to transactions with related parties:

2023	Diocesan		Diocesan	
Loans Receivable	Entities	Parishes	Schools	Total
	\$'000	\$'000	\$'000	\$'000
Loans and advances	171,730	28,449	814,532	1,014,711
Interest Receivable	-	-	-	-
Total Receivables from related parties	171,730	28,449	814,532	1,014,711
Customer Investments	Diocesan	Parishes	Diocesan	Total
	Entities		Schools	
	\$'000	\$'000	\$'000	\$'000
Fixed term deposits	451,414	146,642	191,529	789,585
Savings accounts	42,120	278,013	502,898	823,031
Interest Payable	6,499	1,776	7,481	15,756
Total liabilities due to related parties	500,033	426,431	701,908	1,628,372

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
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19. Related Parties (continued)

The following balances are outstanding at the end of 30 June 2022 in relation to transactions with related parties:

2022	Diocesan		Diocesan	
Loans Receivable	Entities	Parishes	Schools	Total
	\$000	\$000	\$000	\$000
Loans and advances	204,782	40,522	649,716	895,020
Interest Receivable	-	-	-	-
Total Receivables from related parties	204,782	40,522	649,716	895,020
Customer Investments	Diocesan	Parishes	Diocesan	Total
	Entities	\$000	Schools	\$000
	\$000	\$000	\$000	\$000
Fixed term deposits	505,140	137,989	177,518	820,647
Savings accounts	29,448	278,982	497,342	805,772
Interest Payable	711	187	464	1,362
Total liabilities due to related parties	535,299	417,158	675,324	1,627,781

The Fund assigns loans to the Community Fund to assist it with generating income in pursuit of its principal activities. During the year ended 30 June 2023, no additional loans were assigned to the Community Fund (2022: \$5,512,238). The balance of assigned loans to the Community Fund is \$26,825,703, (2022: \$29,251,839), which generated interest of \$1,416,999 (2022: \$902,841) for the Community Fund. The principal repayments made to the assigned loans of the Community Fund totalled \$2,426,136 (2022: \$1,771,714).

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
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20. 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.

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.

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 2023.

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
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20. Financial instruments (continued)

(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 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 +/- \$2,371 thousand as at 30 June 2023 (2022: +/- \$2,172 thousand).

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

20. Financial instruments (continued)

(b) Interest rate risk (continued)

Financial instrument assets	1%+/- Variance			
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash and liquid assets	174,736	87,224	1,747	872
Other financial assets	285,500	419,000	2,855	4,190
Floating rate notes	299,934	295,868	2,999	2,959
Loans and advances	1,453,299	1,187,185	14,532	11,872
Total financial instruments assets	2,213,469	1,989,277	22,133	19,893
Customer Investments	1,976,233	1,772,077	19,762	17,721
Total financial instrument liabilities	1,976,233	1,772,077	19,762	17,721
Net change			2,371	2,172

(c) Net fair values

	2023		2022	
	Balance	Net Fair value	Balance	Net Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and liquid assets	174,736	174,736	87,224	87,224
Other Financial Assets	285,500	285,500	419,000	419,000
Floating rate notes	299,934	300,657	295,868	293,533
Loans and receivable	1,453,299	1,556,073	1,187,185	1,463,409
	2,213,469	2,316,966	1,989,277	2,263,166
Financial Liabilities				
Customer Investments	723,516	723,516	805,158	805,158
Customer Term Investments	1,252,717	1,252,717	966,919	966,919
	1,976,233	1,976,233	1,772,077	1,772,077

The Fund's operations allow it to manage interest rate risks by re-pricing interest rates for variable rate loan and investment products. These interest rate risk management options ensure that any impacts on the surplus and equity of the Fund would be immaterial to the year ended 30 June 2023.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

20. Financial instruments (continued)

(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 and is reported to the Finance Committee and Board at each of its meetings.

The Funds liquidity management policy is a consistent standard applied to all catholic development funds, as per the CDPF limited guidance.

Interest rate risk

The Funds exposure to interest rate risk is set out below.

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

20. 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
2023							
Fixed interest rate deposits	4.53	155,000	93,000	52,500	-	-	300,500
Variable interest rate FRNs	4.87	-	8,500	22,100	245,105	24,229	299,934
Variable interest rate loans	6.40	23,693	12,212	65,080	364,143	988,171	1,453,299
Fixed interest rate loans		-	-	-	-	-	-
		178,693	113,712	139,680	609,248	1,012,400	2,053,733
2022							
Fixed interest rate deposits	0.68	164,000	275,000	-	-	-	439,000
Variable interest rate FRNs	1.83	5,000	12,000	25,850	228,722	24,296	295,868
Variable interest rate loans	3.37	23,485	8,613	87,124	397,314	670,649	1,187,185
Fixed interest rate loans	-	-	-	-	-	-	-
		192,485	295,613	112,974	626,036	694,945	1,922,053

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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
2023							
Variable interest rate investments	1.81	723,516	-	-	-	-	723,516
Fixed interest rate term investments	4.58	254,986	462,746	508,387	26,598	-	1,252,717
		978,502	462,746	508,387	26,598	-	1,976,233
2022							
Variable interest rate investments	0.08	805,158	-	-	-	-	805,158
Fixed interest rate term investments	1.10	241,712	419,177	274,782	31,248	-	966,919
		1,046,870	419,177	274,782	31,248	-	1,772,077

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

21. Authorisation of the financial statements

The financial statements were approved by the board of directors and authorised for issue on 25 October 2023.

22. Auditors' remuneration

	2023	2022
	\$	\$
Deloitte Touche Tohmatsu		
Audit of the financial statements	72,000	67,360
	<u>72,000</u>	<u>67,360</u>

23. Commitments

	2023	2022
	\$'000	\$'000
Loans approved but not disbursed	<u>988,606</u>	<u>949,822</u>

**ARCHDIOCESE OF MELBOURNE
CATHOLIC DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

24. 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:

	2023	2022
	\$'000	\$'000
Cash	43,311	47,223
Deposits at call & Term investments	131,425	40,001
Cash	<u>174,736</u>	<u>87,224</u>

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

	2023	2022
	\$'000	\$'000
Operating surplus before distribution	44,392	30,998
Net loans granted	(266,114)	37,478
Net customer savings	204,156	(206,624)
Depreciation and amortisation	748	800
Non-cash adjustment for employee benefits	243	245
Increase/(decrease) in lease liability		(169)
Increase/(decrease) in provision and reserves	-	19
(Increase)/decrease in interest receivable	(4,608)	204
(Increase)/decrease in other debtors	52	275
Increase/(decrease) in accrued expenses and commitments	19,773	547
Increase/(decrease) in employee entitlements	(381)	151
Net cash generated by/(used in) operating activities	<u>(1,739)</u>	<u>(136,076)</u>

25. Contingent liabilities

The Company had no contingent liabilities to disclose as at 30 June 2023.

26. Subsequent events

Since the end of the financial year, the board members have not become aware of any matters or circumstances that may significantly affect the operations, results of those operations, or the state of affairs of the Fund.

Independent Auditor's Report to the Board Members of the Archdiocese of Melbourne Catholic Development Fund

Opinion

We have audited the financial report of the Archdiocese of Melbourne Catholic Development Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2023, 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 7 to 41.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Fund's financial position as at 30 June 2023 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Simplified Disclosures.

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 & 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.

Other Information

Management is responsible for the other information. The other information comprises the Board Members' Report for the year ended 30 June 2023 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 of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures and for such internal control as management determine is necessary to enable the preparation 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.

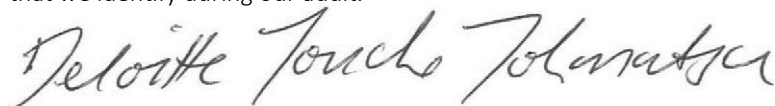
Auditor's Responsibilities for the Audit of the Financial Report

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 management and the Board Members 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



Fiona O'Keefe
Partner
Chartered Accountants

Melbourne, 25 October 2023