



ARCHDIOCESE OF MELBOURNE CDF COMMUNITY FUND

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

**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 year ended 30 June 2020.

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 – Digital Loans, Speckle
- 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 accept client investments from the Catholic Community to fund Catholic Capital Projects principally but not exclusively in the Archdiocese of Melbourne (the "Archdiocese"), the Diocese of Sale and the Diocese of Bunbury to assist in achieving their Catholic Mission.

Operating Results

The net profit for the period ended 30th June 2020 was \$84,746 (30 June 2019: loss of \$37,365) which was commensurate with the Board's expectation for the Fund. No provision for distribution was made to the Catholic Archdiocese of Melbourne, Diocese of Sale or Diocese of Bunbury.

State of Affairs

There were no significant changes in state of affairs for the Fund.

Subsequent events

The Fund is under stage 4 restrictions on account of COVID-19 pandemic in Melbourne, Victoria. The Fund will assess the impact as the situation evolves as the longer-term impacts of the pandemic become clearer.

Review of Operations

The Fund has operated satisfactorily in the financial period ended 30th June 2020 and is positioned to accept client investments and meet borrowing needs of Catholic Organisations in pursuit of its mission.

Board Members' Remuneration

No Board Member of the Fund has 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 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
CDF COMMUNITY FUND**

BOARD MEMBERS' REPORT

Signed in accordance with a resolution of Board Members

.....
Mr. A Ryan

.....
Mr. C. Griss

Dated at Melbourne this 29th day of September, 2020.

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" or the "Fund") which comprises the statement of financial position as at 30 June 2020, 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 30.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Fund's financial position as at 30 June 2020 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

Management is responsible for the other information. The other information comprises the Board Members' report for the period ended 30 June 2020, 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:

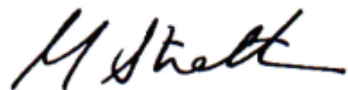
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 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



Mark Stretton
Partner
Chartered Accountants
Melbourne, 29 September 2020

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

DECLARATION BY BOARD MEMBERS

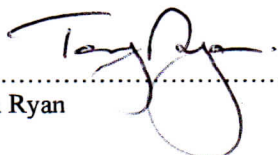
As detailed in Note 1 to the financial statements, the Fund is not a reporting entity because in the opinion of the Board Members there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information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

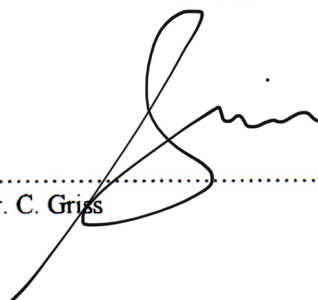
Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board Members' reporting requirements under the applicable accounting standards as outlined in Note 1.

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 2020, and performance of the year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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


.....
Mr. A Ryan


.....
Mr. C. Griss

Dated at Melbourne this 29th day of September 2020.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Interest revenue	3	1,634,762	1,940,104
Interest expense	4(a)	(966,018)	(1,306,652)
Net interest revenue		668,744	633,452
Other revenue	3	107,448	144,455
Other expenses	4(b)	(691,446)	(815,272)
Net profit/(loss) for the year/period		84,746	(37,365)
Total comprehensive income for the year/period		84,746	(37,365)

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 2020**

	Notes	2020 \$	2019 \$
ASSETS			
Cash and cash equivalents	5	16,262,255	26,689,013
Floating rate notes	5	9,814,774	7,020,102
Other financial assets	5	8,900,000	6,500,000
Receivables	6	116,558	234,736
Loans and advances	7	24,963,782	23,936,923
TOTAL ASSETS		60,057,369	64,380,774
LIABILITIES			
Customer investments	8	53,342,899	57,582,735
Payables and other liabilities	9	288,133	456,448
TOTAL LIABILITIES		53,631,032	58,039,183
NET ASSETS		6,426,337	6,341,591
EQUITY			
Reserves	10	124,819	119,685
Retained funds	11	6,301,518	6,221,906
TOTAL EQUITY		6,426,337	6,341,591

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 YEAR ENDED 30 JUNE 2020**

	Notes	Retained Earnings \$	General Reserve for Credit Losses \$	Total \$
Balance at 30 June 2018		6,361,688	-	6,361,688
Additional equity invested	11	17,268	-	17,268
Total comprehensive income for the year		(37,365)	-	(37,365)
Transfer of General Reserve for Credit Losses	10	(119,685)	119,685	-
Balance at 30 June 2019		6,221,906	119,685	6,341,591
Additional equity invested	11	-	-	-
Total comprehensive income for the year		84,746	-	84,746
Transfer of General Reserve for Credit Losses	10	(5,134)	5,134	-
Balance at 30 June 2020		6,301,518	124,819	6,426,337

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

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Customer loans granted		(2,157,606)	(24,645,075)
Customer loans repaid		1,130,747	708,152
Interest and bill discounts received		1,749,135	2,110,618
Interest and other costs of finance paid		(1,128,147)	(1,337,654)
Fees received		107,448	146,601
Fees and rebates paid		(10,948)	(42,391)
Payments to suppliers and employees		(682,879)	(774,088)
Net cash (used in) operating activities	16(c)	<u>(992,250)</u>	<u>(23,833,837)</u>
Cash flows from investing activities			
Redemption/(placement) of term deposits >3 months		(2,400,000)	10,700,000
Investment in floating rate notes		(2,794,672)	(7,020,102)
Net increase/(decrease) in customers' savings investments		(1,525,381)	(2,251,174)
Net increase/(decrease) in customers' fixed term investments		(2,714,455)	(6,309,551)
Net cash (used in) from investing activities		<u>(9,434,508)</u>	<u>(4,880,827)</u>
Cash flows from financing activities			
Equity injection		-	17,268
Net cash provided by from financing activities		-	17,268
Net (decrease) in cash held		(10,426,758)	(28,697,396)
Cash at the beginning of the reporting period		<u>26,689,013</u>	<u>55,386,409</u>
Cash at the end of the reporting period		<u>16,262,255</u>	<u>26,689,013</u>

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 YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies

General Information

Archdiocese of Melbourne CDF Community Fund is an unincorporated activity of the Catholic Archdiocese of Melbourne. The financial report of the Fund for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Board Members on 29 September 2020.

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

Financial Reporting Framework

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

Statement of Compliance

The financial report is a special purpose report which has been prepared in accordance with the recognition and measurement requirements specified by the relevant Accounting Standards and Interpretations, and the disclosure requirements of accounting standards AASB 101: *Presentation of Financial Statements*, AASB 107: *Cash Flow Statements*, AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* AASB 1048: *Interpretation of Standards* 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

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

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Fund's accounting policies, management have made an assessment of the impact of COVID on expected credit losses on loans. The assessment takes account of past trends, current debt servicing capacity and loan security provided. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies

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.

Adoption of new and revised Accounting Standards

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.

The key changes in significant accounting policies and impacts from the transition are summarised below:

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

AASB 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. There has been no effect on accounting for revenue by the Fund as a result of the adoption of the standard.

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

The Fund recognises revenue from the following major sources at a point in time:

Loan interest revenue

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

Investment Interest

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

Fees

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

Donations and Grants

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

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies (continued)

Income Tax

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

Going concern

The directors have 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 directors note that at 30 June 2020, the Fund had a net Asset position of \$6,426,337 (2019: net asset 6,341,591).

Property, Plant and 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.

Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the balance date. Liabilities recognised in respect of long term employee benefits, such as long service leave and annual leave not expected to be taken in 12 months 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.

Superannuation Contributions - Accumulation Fund

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

Financial assets and liabilities

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

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

Financial assets

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

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies (continued)

Classification of financial assets

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

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

Loans and receivables

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

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. 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.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies (continued)

Impairment of financial assets

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

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. During 2020, no impairment of loan and receivables has been recorded (2019: 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.

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.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Summary of significant accounting policies (continued)

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.

Customer Investments

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

Goods and 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.

Comparative Figures

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

Standards and Interpretations in issue not yet in effect

At the date of authorisation of the financial statements, there were no Standards and Interpretations in issue but not yet effective, that would have a material impact on the Fund.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. INTEREST REVENUE AND EXPENSE

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

1 July 2019 to 30 June 2020

	Average Balance	Interest	Average Rate Per Annum
	\$	\$	%
Interest earning assets			
Deposits with other financial institutions	38,927,398	707,278	1.82%
Loans and advances	24,009,834	927,484	3.86%
	62,937,232	1,634,762	2.60%
Interest incurring liabilities			
Customer investments	54,948,191	966,018	1.76%

1 July 2018 to 30 June 2019

	Average Balance	Interest	Average Rate Per Annum
	\$	\$	%
Interest earning assets			
Deposits with other financial institutions	56,125,038	1,448,225	2.58%
Loans and advances	11,910,284	491,879	4.13%
	68,035,322	1,940,104	2.85%
Interest incurring liabilities			
Customer investments	59,655,560	1,306,652	2.19%

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

3. REVENUE AND OTHER INCOME

	2020	2019
	\$	\$
Interest revenue	1,634,762	1,940,104
Donation received	-	368
Other income	107,448	144,087
Total other revenue	107,448	144,455
	1,742,210	2,084,559

4. PROFIT BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense has been determined after:

(a) Expenses:

	2020	2019
	\$	\$
Interest expense	966,018	1,306,652

(b) Other expenses:

Rebates to participating Dioceses	2,637	38,674
Other expenses (Inclusive of insurance, bank charges, consultancy and IT maintenance)	688,809	776,598
Total other expenses	691,446	815,272

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

5. CASH, CASH EQUIVALENT AND INVESTMENTS

	2020	2019
	\$	\$
Cash on hand and at banks	412,255	689,013
Deposits at call	1,650,000	2,000,000
Term deposits <3 months	14,200,000	24,000,000
	16,262,255	26,689,013
 Floating rate notes	 9,814,774	 7,020,102
	26,077,029	33,709,115
 Term deposits >3 months	 8,900,000	 6,500,000
	34,977,029	40,209,115

6. RECEIVABLES

	2020	2019
	\$	\$
Interest receivable	63,786	178,159
Prepayments	52,772	56,577
	116,558	234,736

7. LOANS AND ADVANCES

	2020	2019
	\$	\$
Term loans	24,963,782	23,936,923
Gross loans and advances	24,963,782	23,936,923
Credit losses	-	-
Net loans and advances	24,963,782	23,936,923

Maturity Analysis

	2020	2019
	\$	\$
Not longer than 3 months	381,385	240,863
Longer than 3 and not longer than 12 months	528,714	724,356
Longer than 1 and not longer than 5 years	2,935,793	3,896,198
Longer than 5 years	21,117,890	19,075,506
	24,963,782	23,936,923

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

8. CUSTOMER INVESTMENTS

	2020	2019
	\$	\$
Customers' savings investments	16,663,397	18,188,778
Customers' fixed term investments	36,679,502	39,393,957
	53,342,899	57,582,735

Maturity analysis

	2020	2019
	\$	\$
Less than 1 day	16,663,397	18,188,778
1 day - 3 months	14,116,853	13,436,115
3 months - 12 months	17,381,104	20,931,160
1 year - 5 years	5,181,544	5,026,682
	53,342,899	57,582,735

9. PAYABLES AND OTHER LIABILITIES

	2020	2019
	\$	\$
Interest payable	263,031	425,160
Other liabilities	25,102	31,288
	288,133	456,448

10. RESERVES

General Reserve for Credit Losses

	2020	2019
	\$	\$
General Reserve for Credit Losses at the beginning of the financial year	119,685	-
Appropriation of retained funds	5,134	119,685
General Reserve for Credit Losses at the end of the financial year	124,819	119,685
Total reserves	124,819	119,685

The General Reserve for Credit Losses (GRCL) refers to a reserve held against potential losses reasonably assessed to be possible (but not certain) to arise from existing loans which are currently satisfying their contractual terms. Such possible losses reflect the credit risk intrinsic in the business which the Fund undertakes. A GRCL must be freely available to meet any credit losses that may subsequently materialise. The Fund's policy for GRCL is to maintain an amount equal to 0.50% of the drawn term loans as at the end of financial year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

11. RETAINED FUNDS

	2020	2019
	\$	\$
Retained funds at the beginning of the financial period	6,221,906	6,361,688
Equity injection	-	17,268
Net profit/(loss)	84,746	(37,365)
Total available for appropriation	6,306,652	6,341,591
Distributions provided for or paid	-	-
Transfer to General Reserve for Credit Losses	(5,134)	(119,685)
Retained funds at the end of the reporting period	6,301,518	6,221,906

12. BOARD MEMBERS' REMUNERATION

	2020	2019
	\$	\$
Amounts received or due and receivable from the Fund by Board Members of the Fund	30,279	23,510
Number of Board Members of the Fund whose income was within the following bands:		
\$0 - \$9,999	5	5

13. 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.

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:

- (a) Credit risk
- (b) Interest rate risk
- (c) Liquidity risk

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

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.

(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.

In response to COVID-19 related events, the Fund has granted repayment relief on loans to various customer segments. Terms of relief include both repayment holidays or interest only repayments for periods of between 6 to 12 months. The Fund notes guidance from regulators indicating that repayment relief does not of itself constitute a period of arrears nor restructuring of the loan.

Management have reviewed COVID-19 impacted economic circumstances in each of the various segments including the effects on customer liquidity balances and the loan security held by the Fund. The outcome of this analysis is that there is sufficient security available to support a 0% LGD assumption across all segments. Therefore, the Fund believes a COVID-19 overlay credit loss provision is not required.

(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 fund 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.

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

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 and floating rate notes of varying maturities.

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

In support of this, the following Interest Rate Sensitivity Analysis shows the net impact of one off 1% change in interest rates, on only those liabilities and assets which would be immediately impacted as at the end of the balance date. Any liabilities or assets as at balance date, with a maturity during the year or beyond are not included in the rate sensitivity calculation unless they were capable of being re-priced as at the end of the relevant reporting period. The following table details the calculations, showing a Net Operating Profit impact of +/- \$362,847 as at 30 June 2020 and +/- \$428,473 as at 30 June 2019.

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

Financial instrument assets	1%+/- VARIANCE			
	2020	2019	2020	2019
	\$	\$	\$	\$
Cash and liquid assets	2,062,255	2,689,013	20,623	26,890
Floating rate notes	9,814,774	7,020,102	98,148	70,201
TOTAL FINANCIAL INSTRUMENTS ASSETS	11,877,029	9,709,115	118,770	97,091
Customer investments	48,161,664	52,556,355	481,617	525,564
TOTAL FINANCIAL INSTRUMENT LIABILITIES	48,161,664	52,556,355	481,617	525,564
NET CHANGE			(362,847)	(428,472)

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 2020.

Net Fair Values

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

	2020		2019	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$	\$	\$	\$
Financial assets				
Cash	2,062,255	2,062,255	2,689,013	2,689,013
Investments	23,100,000	23,100,000	30,500,000	30,500,000
Floating rate notes	9,814,774	9,814,774	7,020,102	7,341,553
Loans and receivable	25,080,340	25,080,340	24,171,659	24,171,659
	60,057,369	60,057,369	64,380,774	64,702,225
Financial liabilities				
Customer investments	16,663,397	16,663,397	18,188,778	18,188,778
Client term investments	36,679,502	36,679,502	39,393,957	39,393,957
	53,342,899	53,342,899	57,582,735	57,582,735

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

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

Liquid Assets Management

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

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

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

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

Liquidity Management

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

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

Liquidity and interest risk tables

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

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

Liquidity and interest risk tables	Weighted average eff. interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
ASSETS	%	\$	\$	\$	\$	\$	\$
2020							
Variable interest rate deposits	1.08%	4,700,000	9,500,000	8,900,000	-	-	23,100,000
Variable interest rate loans	3.70%	196,280	185,105	528,714	2,935,793	21,117,890	24,963,782
Variable FRN's	0.85%			800,000	9,014,000		9,814,774
		<u>4,896,280</u>	<u>9,685,105</u>	<u>10,228,714</u>	<u>11,950,567</u>	<u>21,117,890</u>	<u>57,878,557</u>
2019							
Variable interest rate deposits	2.53%	11,500,000	12,500,000	6,500,000	-	-	30,500,000
Variable FRN's	2.32%	-	-	-	6,019,667	1,000,435	7,020,102
Variable interest rate loans	4.13%	-	240,863	724,356	3,896,198	19,075,506	23,936,923
		<u>11,500,000</u>	<u>12,740,863</u>	<u>7,224,356</u>	<u>9,915,865</u>	<u>20,075,941</u>	<u>61,457,025</u>

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

13. FINANCIAL INSTRUMENTS (continued)

Liquidity and interest risk tables	Weighted average eff. interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
LIABILITIES						
2020						
Variable interest rate investments	0.56%	16,663,397	-	-	-	16,663,397
Fixed interest rate term investments	1.59%	4,727,575	3,810,601	22,959,781	5,181,853	36,679,501
		21,390,972	3,810,601	22,959,781	5,181,853	53,342,588
2019						
Variable interest rate investments	1.05%	18,188,779	-	-	-	18,188,779
Fixed interest rate term investments	2.56%	5,253,007	4,389,252	24,725,017	5,026,682	39,393,958
		23,441,786	4,389,252	24,725,017	5,026,380	57,582,737

**ARCHDIOCESE OF MELBOURNE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

14. AUDITORS' REMUNERATION

	2020	2019
	\$	\$
Amounts received or due and receivable by the auditors for:		
Auditing of the financial report	21,500	21,500
Other services	6,500	-
	28,000	21,500

The auditor of the Fund is Deloitte Touche Tohmatsu.

The auditors did not receive any other benefits.

15. COMMITMENTS FOR EXPENDITURE

	2020	2019
	\$	\$
Loans approved but not disbursed	3,000,000	215,792

16. 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:

	2020	2019
	\$	\$
Cash at bank	412,255	689,013
Deposits at call & term investments	24,750,000	32,500,000
	25,162,255	33,189,013
Less Term deposits >3 months	8,900,000	6,500,000
Cash at the end of the reporting period	16,262,255	26,689,013

**ARCHDIOCESE OF MELBOURNE
CDF COMMUNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS
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16. CASH FLOW INFORMATION (continued)

(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.

(c) Reconciliation of the net cash flow from operating activities to profit/(loss)

	2020	2019
	\$	\$
Operating profit/(loss) before distribution	84,746	(37,365)
Net loans granted	(1,026,859)	(23,936,923)
Increase/(decrease) in interest receivable	114,373	170,514
Increase/(decrease) in other debtors	3,805	2,146
Increase/(decrease) in accrued expenses and commitments	(168,315)	(32,209)
Net cash used in operating activities	(992,250)	(23,833,837)

17. SUBSEQUENT EVENTS

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

18. FUND DETAILS

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

Archdiocese of Melbourne, CDF Community Fund
Level 4, 486 Albert Street
EAST MELBOURNE VIC 3002

Tel: (03) 9926 2200