



Diocese of Sandhurst Development Fund

Special Purpose Financial Report

For the year ended 30 June 2020

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**Statement of Comprehensive Income
For the year ended 30 June 2020**

	Note	2019-20 \$	2018-19 \$
Revenue			
Interest revenue	4(a)	4,524,109	5,887,764
Less Interest expense	4(b)	1,290,169	2,090,005
Net interest revenue		3,233,940	3,797,759
Other revenue	4(c)	312	971
Total Revenue		3,234,252	3,798,730
Expenses			
Contracted services	4(d)	171,536	186,387
Other expenses from ordinary activities	4(e)	45,033	35,531
Total Expenses		216,569	221,918
Operating profit for the year		3,017,683	3,576,812
Total comprehensive income for the year		3,017,683	3,576,812

Statement of Financial Position
As at 30 June 2020

	Note	2019-20 \$	2018-19 \$
Assets			
Current assets			
Cash and liquid assets	5	33,549,010	40,301,057
Receivables	6	272,019	627,004
Net loans and advances	7	9,332,766	10,613,650
Investments	8	60,548,094	53,428,502
Other assets	9	4,854	778
Total current assets		103,706,743	104,970,991
Non-current assets			
Net loans and advances	7	56,054,365	60,346,825
Property, plant and equipment	10	39,638	27,810
Total non-current assets		56,094,003	60,374,635
Total assets		159,800,746	165,345,626
Liabilities			
Current liabilities			
Deposits	11	130,640,452	137,462,603
Other liabilities	12	460,258	700,670
Total current liabilities		131,100,710	138,163,273
Total liabilities		131,100,710	138,163,273
Net assets		28,700,036	27,182,353
Equity			
Retained earnings	13	28,700,036	27,182,353
Total equity		28,700,036	27,182,353

**Statement of Changes in Equity
for the Year Ended 30 June 2020**

	Retained Earnings \$	Total Equity \$
Balance at 1 July 2018	25,105,541	25,105,541
Net profit for the year	3,576,812	3,576,812
Less appropriations	(1,500,000)	(1,500,000)
Balance at 30 June 2019	27,182,353	27,182,353
Balance at 1 July 2019	27,182,353	27,182,353
Net profit for the year	3,017,683	3,017,683
Less appropriations	(1,500,000)	(1,500,000)
Balance at 30 June 2020	28,700,036	28,700,036

Statement of Cash Flows
For the year ended 30 June 2020

	Note	2019-20 \$	2018-19 \$
Cash flows from operating activities			
Interest received from loans		2,736,080	2,949,237
Interest received from Investments		2,143,369	2,935,614
Other income		312	971
Interest paid on deposits		(1,522,303)	(1,944,678)
Payment to suppliers		(214,824)	(191,472)
Net cash flows from operating activities	5(a)	3,142,634	3,749,672
Cash flows from investing activities			
Net movement in investments		(7,119,592)	(900,933)
Net movement in loans		5,573,344	(2,219,760)
Payment for property, plant and equipment		(26,282)	(31,047)
Net cash flows from/(used in) investing activities		(1,572,530)	(3,151,740)
Cash flows from financing activities			
Net movement in deposits		(6,822,151)	14,227,228
Distributions		(1,500,000)	(1,500,000)
Net cash flows (used in)/from financing activities		(8,322,151)	12,727,228
Net (decrease)/increase in cash and cash equivalents		(6,752,047)	13,325,160
Cash and cash equivalents at the start of the year		40,301,057	26,975,897
Cash and cash equivalents at the end of the year	5	33,549,010	40,301,057

1. Reporting Entity

The Diocese of Sandhurst Development Fund (DDF) is the internal treasury service of the Catholic Diocese of Sandhurst which has been established by the Bishop of Sandhurst. The DDF is responsible for the management of the Diocese's investments & financial assets and provides funding to support various educational, religious and charitable activities across the Diocese.

The DDF is not a reporting entity and as such a special purpose report has been prepared for the Bishop of Sandhurst. This special purpose report presents the financial activities of the DDF and does not consolidate the activities of the abovementioned entities. Likewise the scope of the independent audit is limited to only the activities of the DDF.

2. Basis of preparation

(a) Statement of compliance

The special purpose financial report has been prepared in accordance with the recognition and measurement aspects of applicable Australian Accounting Standards (including the Australian Accounting Interpretations) as detailed below as well as Division 60 of the **Australian Charities and Not-for-profits Commission Act 2012**. The requirements of the Australian Accounting Standards do not have mandatory application to the DDF in relation to the year ended 30 June 2020 as it is a not for profit, non-reporting entity.

In order for the financial report to present fairly the DDF's financial performance and financial position the special purpose report has been prepared using the following standards as a minimum:

AASB 9	Financial Instruments
AASB 101	Presentation of Financial Statements
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1031	Materiality
AASB 1048	Interpretation and Application of Standards
AASB 1054	Australian Additional Disclosures

(b) Basis of Preparation

The special purpose financial report has been prepared on an accrual basis of accounting including the historical cost convention (except for available for sale investments which are recognised at fair value) and the going concern assumption.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. 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.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(a) Revenue

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset in the balance sheet.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(d) Loans and other receivables

Loans and other receivables comprises of loans and advances to clients with fixed or determinable payments. Loans and other receivables are measured at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate.

(e) Investments and other financial assets

The DDF applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

(i) Financial assets at amortised costs

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the DDF to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The DDF recognises the following assets in this category:

- cash and deposits;
- receivables; and
- term investments.

(ii) Impairment of investments and other financial assets

The DDF assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or that can be reliably estimated.

An impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Impairment losses when recognised are transferred through profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(f) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the DDF prior to the end of the financial year. These payables are unpaid and arise when the DDF becomes obliged to make further payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 to 60 days of recognition.

(g) Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Deposits

Deposits comprise of term deposits and other at demand deposits which are recognised at fair value. Interest is recognised in the profit or loss on an accrual basis and is recorded as part of other liabilities.

(i) Income tax

No provision has been made for income tax as the income of the DDF is exempt from income tax under section 50-5 of the **Income Tax Assessment Act 1997** as amended.

(j) Adoption of new and revised accounting standards

The DDF has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory for the current year.

The DDF will continue to monitor the Australian Accounting Standards Board's (AASB) work towards the removal of special purpose financial reporting as it applies to private not-for-profit entities. The AASB's overall aim is to remove the self-assessment option that currently exists under our reporting entity concept so that reporting follows a consistent and robust framework as well as allowing for improved comparability. The recent release of:

- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities; and
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

do not at this point in time apply to private not-for-profit entities. For applicable entities these new accounting standards apply from 1 July 2021.

4. Revenue and Expenses from continuing operations

(a) Interest revenue	2019-20	2018-19
	\$	\$
Interest revenue from borrowers	2,722,272	2,955,732
Interest revenue from investments	1,801,837	2,932,032
	4,524,109	5,887,764
(b) Interest expense	2019-20	2018-19
	\$	\$
Interest expense from deposits at call	440,752	813,881
Interest expense from deposits at term	849,417	1,276,124
	1,290,169	2,090,005
(c) Other revenue	2019-20	2018-19
	\$	\$
Other revenue	312	971
	312	971
(d) Contracted services	2019-20	2018-19
	\$	\$
Secretarial fees	115,175	112,361
IT Support service	56,361	74,026
	171,536	186,387
(e) Other expenses from ordinary activities	2019-20	2018-19
	\$	\$
Insurance costs	8,090	7,843
Travel & accommodation costs	4,558	4,185
Audit fees	9,486	9,773
General expenses	8,444	10,493
Depreciation	14,455	3,237
	45,033	35,531

5. Cash and Cash Equivalents

	2019-20	2018-19
	\$	\$
Cash at bank and in hand	946,964	768,813
Deposits at call ⁽ⁱ⁾	32,602,046	39,532,245
	33,549,010	40,301,058

Note:

- (i) Deposits at call relate to funds held with Catholic Church Investment Service (CCIS) which is operated by the Archdiocesan Development Fund of Brisbane. The DDF utilises the CCIS service (together with other Catholic Development Funds) in managing day to day liquidity requirements with funds available effectively at call. The CCIS invests funds on behalf of CDFs in Bank Deposits, Bank Accepted Bills, Managed Funds, Direct Securities and Local/State/Commonwealth Government Bonds. Funds held with CCIS had been previously classified as part of investments.

5(a). Reconciliation of the surplus to the net cash flows from operation

	2019-20	2018-19
	\$	\$
Comprehensive income for the period	3,017,683	3,576,812
Adjustment for:		
Depreciation	14,455	3,237
Change in assets and liabilities:		
Decrease/(Increase) in receivables	355,341	(2,913)
Decrease/(Increase) in prepayments	(4,077)	1,442
Increase/(decrease) in accrued expenses	(8,279)	25,713
Increase/(decrease) in other liabilities	(232,133)	145,327
(Increase)/decrease in GST Clearing	(356)	54
Net cash flows from operating activities	3,142,634	3,749,672

6. Receivables

	2019-20	2018-19
	\$	\$
Accrued interest revenue from term deposits	271,498	626,839
Goods and services tax	521	165
	272,019	627,004

7. Net loans and advances

	2019-20	2018-19
	\$	\$
<i>(a) Amounts due:</i>		
Loans to schools	62,959,852	66,235,749
Loans to parishes	2,294,466	4,535,173
Loans other	132,813	189,553
	65,387,131	70,960,475
<i>(b) Maturity Analysis:</i>		
Less than 1 year	9,332,766	10,613,650
Greater than 1 year	56,054,365	60,346,825
	65,387,131	70,960,475

The loan portfolio comprises of loans predominantly to Catholic Schools operating within the Catholic Diocese of Sandhurst. The average term to maturity was 7 years as at 30 June 2020 and the Fund has no reason to believe that these entities will not be able to meet their respective loan commitments. There has been no allowance provided for the impairment of the loan portfolio. The Fund has had no loan defaults since its establishment which is reflective of the industry sectors it services and its loan approval practices. These loan practices evaluate the client's repayment capacity, available collateral, operational risk and applies LVR principles.

8. Investments

(a) Other financial assets at amortised cost	2019-20	2018-19
	\$	\$
Westpac	39,774,454	28,700,000
ME Bank	10,000,000	7,500,000
National Australia Bank	5,742,078	728,502
Macquarie Bank	5,031,562	-
Bank of Queensland	-	7,500,000
CDF Melbourne	-	5,000,000
Defence Bank	-	4,000,000
	60,548,094	53,428,502

9. Other current assets

	2019-20	2018-19
	\$	\$
Prepayments	4,854	4,622
Client cheque clearing	-	(3,844)
	4,854	778

10. Property, plant & equipment

30 June 2020

	Plant & Equipment \$	Total \$
Opening WDV	27,810	27,810
Additions	26,283	26,283
Depreciation	(14,455)	(14,455)
Closing WDV	39,638	39,638
Cost	57,330	57,330
Depreciation	(17,692)	(17,692)
Carrying Value	39,638	39,638

30 June 2019

	Plant & Equipment \$	Total \$
Opening WDV	-	-
Additions	31,047	31,047
Depreciation	(3,237)	(3,237)
Closing WDV	27,810	27,810
Cost	31,047	31,047
Depreciation	(3,237)	(3,237)
Carrying Value	27,810	27,810

11. Deposits

	2019-20	2018-19
	\$	\$
(a) Deposits at call		
Deposits from schools	74,321,094	58,017,103
Deposits from non-parishioners	13,403,233	12,162,023
Deposits other	7,253,736	7,624,335
	94,978,063	77,803,461
(b) Deposits at term		
Deposits from schools	14,315,099	11,822,581
Deposits from non-parishioners	21,347,290	47,807,993
	35,662,389	59,630,574
Total Deposits	130,640,452	137,434,035
	2019-20	2018-19
	\$	\$
(c) Maturity Analysis		
Less than 1 year	130,640,452	137,434,035
Greater than 1 year	-	-
	130,640,452	137,434,035

12. Other liabilities

	2019-20	2018-19
	\$	\$
Accrued interest on deposits	433,503	694,205
Accrued expenses	26,755	35,034
	460,258	729,238

13. Retained earnings

	2019-20	2018-19
	\$	\$
Retained earnings at the beginning of the year	27,182,353	25,105,541
Surplus for the period	3,017,683	3,576,812
Appropriations	(1,500,000)	(1,500,000)
Accumulated surplus at the end of the year	28,700,036	27,182,353

**DECLARATION OF ADVISORY BOARD OF
THE DIOCESE OF SANDHURST DEVELOPMENT FUND**

In the opinion of the members of the Advisory Board of the Diocese of Sandhurst Development Fund (DDF):

- (a) the DDF is not a reporting entity;
- (b) the special purpose financial statements and notes thereto, set out in pages 3 to 14 have been prepared in accordance with the basis of accounting described in notes 2 to 3 so as to present a true and fair view of the financial position of the DDF as at 30 June 2020 and its performance as represented by the results of its operations for the year ended on that date;
- (c) the financial statements and notes satisfy the requirements of the **Australian Charities and Not-for-profits Commission Act 2012**; and
- (d) at the date of this statement, there are reasonable grounds to believe that the DDF will be able to pay its debts as and when they fall due.

Dated at Bendigo this 13th day of OCTOBER 2020

Signed in accordance with a resolution at a duly constituted meeting:



Bishop Shane Mackinlay DD
Chairman of the DDF



Mr Cameron Fraser
Secretary of the DDF



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE DIOCESE OF SANDHURST DEVELOPMENT FUND

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of the Diocese of Sandhurst Development Fund (the Development Fund), which comprises the statement of financial position as at 30 June 2020, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the director's declaration.

In our opinion, the financial report of the Diocese of Sandhurst Development Fund presents fairly, including giving a true and fair view of the financial position as at 30 June 2020 and of its performance for the year then ended in accordance with the accounting policies described in notes 2 and 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared as special purpose financial statements to assist the Development Fund meet the needs of its members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The Advisory Board of the Diocese of Sandhurst Development Fund is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the Advisory Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility 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 registered entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 registered entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

RSD Audit

A handwritten signature in black ink, appearing to read 'P.P. Delahunty', with a stylized flourish at the end.

P.P Delahunty

Dated: 22 October 2020

To the Advisory Board of the Diocese of Sandhurst Development Fund

Auditor's Independence Declaration

I declare that to the best of my knowledge and belief, during the year ended 30 June 2020 there has been no contraventions of any applicable code of professional conduct in relation to the audit.

RSD Audit



P.P. Delahunty

Partner

Dated: 12 October 2020