Diocese of Sandhurst Development Fund

Special Purpose Financial Report

For the year ended 30 June 2017

Table of Contents

Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue			
Interest revenue	4(a)	5,400,483	4,393,149
Less Interest expense	4(b)	2,338,726	2,352,197
Net interest revenue		3,061,757	2,040,952
Other revenue	4(c)	-	51
Total Revenue		**3,061,757**	**2,041,003**
Expenses			
Contracted services	4(d)	161,733	158,865
Other expenses from ordinary activities	4(e)	32,368	30,166
Total Expenses		**194,101**	**189,031**
Operating profit for the year		**2,867,656**	**1,851,972**
Total comprehensive income for the year		**2,867,656**	**1,851,972**

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and liquid assets	5	560,999	972,345
Receivables	6	1,140,856	1,620,782
Net loans and advances	7	7,601,811	7,700,187
Investment securities	8	99,001,330	97,762,328
Other assets	9	4,583	4,612
Total current assets		**108,309,579**	**108,060,254**
Non-current assets			
Net loans and advances	7	38,016,351	35,671,626
Total non-current assets		**38,016,351**	**35,671,626**
Total assets		**146,325,930**	**143,731,880**
Liabilities			
Current liabilities			
Deposits	10	122,008,659	120,797,071
Other liabilities	11	497,973	483,167
Total current liabilities		**122,506,632**	**121,280,238**
Total liabilities		**122,506,632**	**121,280,238**
Net assets		**23,819,298**	**22,451,642**
Equity			
Retained earnings	12	23,819,298	22,451,642
Total equity		**23,819,298**	**22,451,642**

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the Year Ended 30 June 2017

	Retained Earnings $	Total Equity $
Balance at 1 October 2015	21,724,670	21,724,670
Net profit for the year	1,851,972	1,851,972
Less appropriations	(1,125,000)	(1,125,000)
Balance at 30 June 2016	**22,451,642**	**22,451,642**
Balance at 1 June 2016	22,451,642	22,451,642
Net profit for the year	2,867,656	2,867,656
Less appropriations	(1,500,000)	(1,500,000)
Balance at 30 June 2017	**23,819,298**	**23,819,298**

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Interest received from loans		1,896,499	1,509,405
Interest received from Investments		3,983,966	1,998,578
Other income		-	51
Interest paid on deposits		(2,321,835)	(2,281,857)
Payment to suppliers		(196,213)	(187,727)
Net cash inflow from operating activities	5(a)	**3,362,417**	**1,038,450**
Cash flows from investing activities			
Net movement in investments		(1,239,002)	8,029,782
Net movement in loans		(2,246,349)	(7,384,240)
Net cash (outflow)/inflow from investing activities		**(3,485,351)**	**645,542**
Cash flows from financing activities			
Net movement in deposits		1,211,588	2,216,304
Distributions		(1,500,000)	(1,125,000)
Net cash (outflow)/inflow from financing activities		**(288,412)**	**1,091,304**
Net (decrease)/increase in cash and cash equivalents		(411,346)	2,775,296
Cash and cash equivalents at the beginning of the year		972,345	(1,802,951)
Cash and cash equivalents at the end of the year	5	**560,999**	**972,345**

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 Bishop of Sandhurst has also established other offices and bodies ("entities") to assist with the pastoral governance of the Diocese. These entities include the Catholic Education Office, Feathertop Chalet Ltd, Aspire Cultural and Charitable Foundation, and CatholicCare Sandhurst. These entities are required to prepare separate finance reports that are independently audited for and behalf of the Bishop of Sandhurst.

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. The requirements of the Australian Accounting Standards do not have mandatory application to the DDF in relation to the year ended 30 June 2017 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 101 Presentation of Financial Statements
AASB 107 Statement of Cash Flows
AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
AASB 139 Financial Instruments: Recognition and Measurement
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.

(c) Change of reporting period

The comparative information in respect of the preceding period in DDF's financial statements have been presented over a shortened reporting period (of nine months) ending 30 June 2016. This follows a decision by the DDF Advisory Board in 2016 to align the DDF's reporting period with the common reporting date for the Catholic Diocese of Sandhurst. A common reporting date allows the Diocese to more effectively consolidate the financial accounts of its entities for both internal and external reporting, co-ordinate audit requirements and allows for benchmarking with other Catholic services. As a consequence of this change of reporting period, the amounts presented in the financial statement for the current reporting period will not be comparable with those presented for the prior reporting period.

3. Significant Accounting Policies

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

(a) Revenue

(i) Interest income
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) Trade and other receivables

Trade and other receivables are measured at their carrying amount given their short term nature. Trade debtors are generally settled within 30 days.

(e) Investments and other financial assets

(i) Held-to-maturity investments
Term deposits with an original maturity of twelve months or less are recognised as investments and are measured at their face value. Term deposits with an original maturity greater than twelve months are considered held-to-maturity investments and are measured at amortised costs. This cost is calculated as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initially

recognised amount and the maturity amount. Gains or losses on held-to-maturity investments are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets
Investment equities are measured at fair value with gains and losses being recognised as equity. The fair values of investments in equities that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

(iii) Impairment of financial assets
At the end of each reporting period DDF assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an available-for-sale (AFS) financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimate useful life of the assets as follows:

Office furniture & equipment: over 5 years
Computing equipment & software: over 3 years
Buildings: over 40 years

(i) Leasehold improvements
The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is shorter.

(ii) Impairment
The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstance indicate the carrying value may not be recoverable.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the depreciated replacement cost method is applied to certain assets of the DDF.

Where it is not possible to estimate the recoverable amount of the individual asset, the DDF determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

(iii) Derecognition
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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

(g) 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 with-in 30 to 60 days of recognition.

(h) 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.

(i) Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other liabilities.

(j) 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.

(k) Adoption of new and revised accounting standards

During the current year the Fund adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. There are no new and revised standards and interpretations adopted in the financial statements affecting the reporting results or financial position.

4. Revenue and Expenses from continuing operations

(a) Interest revenue	2017 $	2016 $
Interest revenue from borrowers	1,896,499	1,509,405
Interest revenue from investments	3,503,984	2,883,744
	5,400,483	**4,393,149**

(b) Interest expense	2017 $	2016 $
Interest expense from deposits at call	1,428,612	1,623,788
Interest expense from deposits at term	910,114	728,409
	2,338,726	**2,352,197**

(c) Other revenue	2017 $	2016 $
Other revenue	-	51
	-	**51**

(d) Contracted services	2017 $	2016 $
Secretarial fees	107,820	79,307
IT Support service	51,760	45,710
Contracted services	2,153	9,836
Legal costs	-	24,012
	161,733	**158,865**

(e) Other expenses from ordinary activities	2017 $	2016 $
Insurance costs	7,885	6,388
Travel & accommodation costs	5,799	4,491
Audit fees	8,250	8,765
General expenses	10,434	10,247
Depreciation & amortisation	-	275
	32,368	**30,166**

5. Cash and Cash Equivalents

	2017 $	2016 $
Cash at bank and in hand(i)	560,999	972,345

Note:
(i) Cash at bank earns interest at fixed rates based on daily bank deposits.

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

	2017 $	2016 $
Comprehensive income for the period	2,867,656	1,851,972
Adjustments for:		
Depreciation	-	275
Change in assets and liabilities:		
Decrease/(Increase) in receivables	479,983	(885,166)
Decrease/(Increase) in prepayments	211	(1,700)
Increase/(decrease) in other liabilities	(2,085)	2,329
Increase/(decrease) in other liabilities	16,891	70,340
(Increase)/decrease in GST Clearing	(239)	400
	3,362,417	**1,038,450**

6. Receivables

	2017 $	2016 $
Accrued interest revenue from term deposits	1,140,618	1,620,600
Goods and services tax	238	182
	1,140,856	**1,620,782**

7. Net loans and advances

	2017 $	2016 $
(a) Amounts due:		
Loans to schools	38,636,754	36,899,051
Loans to parishes	6,835,469	3,346,103
Loans other	145,939	3,126,659
	45,618,162	**43,371,813**
(b) Maturity Analysis:		
Less than 1 year	7,601,811	7,700,187
Greater than 1 year	38,016,351	35,671,626
	45,618,162	**43,371,813**

The loan portfolio comprises of loans predominantly to Catholic Schools operating within the Catholic Diocese of Sandhurst. The average term to maturity was 6 years as at 30 June 2017 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 loans to 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) Held-to-maturity investments	2017 $	2016 $
Monetary Investments held with:		
Catholic Archdiocese Development Fund	30,223,174	15,008,660
Commonwealth Bank of Australia	17,200,000	29,000,000
National Australia Bank	27,578,156	18,253,668
Bendigo Bank	5,000,000	27,500,000
Bank of Queensland	4,000,000	-
MyState Bank	10,000,000	-
People's Choice Credit Union	5,000,000	-
ME Bank	-	8,000,000
	99,001,330	**97,762,328**

9. Other current assets

	2017 $	2016 $
Prepayments	4,583	4,612
	4,583	**4,612**

10. Deposits

	2017 $	2016 $
(a) Deposits at call		
Deposits from schools	64,541,947	60,841,471
Deposits from non-parishioners	16,019,329	20,700,032
Deposits from parishioners	346,936	379,445
Deposits other	8,581,507	9,156,136
	89,489,719	**91,077,084**
(b) Deposits at term		
Deposits from schools	7,815,764	7,047,027
Deposits from non-parishioners	24,045,907	21,664,200
Deposits from parishioners	657,269	1,008,760
	32,518,940	**29,719,987**
Total Deposits	**122,008,659**	**120,797,071**
(c) Maturity Analysis		
Less than 1 year	122,008,659	120,797,071
Greater than 1 year	-	-
	122,008,659	**120,797,071**

11. Other liabilities

	2017 $	2016 $
Accrued interest on deposits	489,385	472,494
Accrued expenses	8,588	10,673
	497,973	**483,167**

12. Retained earnings

	2017 $	2016 $
Retained earnings at the beginning of the year	22,451,642	21,724,670
Surplus for the period	2,867,656	1,851,972
Appropriations	(1,500,000)	(1,125,000)
Accumulated surplus at the end of the year	**23,819,298**	**22,451,642**

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 15 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 2017 and its performance as represented by the results of its operations for the year ended on that date; and

(c) at the date of this statement, there are reasonable grounds to believe that that the DDF will be able to pay its debts as and when they fall due.

Dated at Bendigo this 22nd day of September 2017

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

+ L R Tomlinson

Bishop Leslie Tomlinson DD
Chairman of the DDF

Cameron Fraser

Mr Cameron Fraser
Secretary of the DDF

rsd Audit
Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552
Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

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 special purpose financial report of the Diocese of Sandhurst Development Fund (the Development Fund), which comprises the statement of financial position as at 30 June 2017, the statement of 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 the declaration of the Advisory Board of the Diocese of Sandhurst Development Fund.

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 2017 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 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. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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 notes 2 and 3 to the financial statements which describes the basis of accounting. The financial report has been prepared as special purpose financial statements to assist the Diocese of Sandhurst Development Fund meet the needs of its members. As a result, the financial report may not be suitable for other purposes. Our audit opinion is not modified in respect of this matter.

Member's Responsibility for the Financial Report

The Members of the Development Fund are 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 members determine 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 members are 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 members 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 responsibility is to express an opinion on the financial report based on our audit. 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Members' 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 Development 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 entity to cease to continue as a going concern.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the 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.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty

Phil Delahunty
Partner
Bendigo
Dated: 22nd September 2017

rsd Audit
Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 5445 4200
admin@rsdaudit.com.au
www.rsdaudit.com.au

The Members
The Diocese of Sandhurst Development Fund
174 McCrae St
BENDIGO, VIC 3550

To the members of the Diocese of Sandhurst Development Fund

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2017 there has been no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P.P. Delahunty

Dated: 22nd September 2017