



Diocese of Sandhurst Development Fund

Special Purpose Financial Report

For the year ended 30 June 2018

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Statement of Comprehensive Income
For the year ended 30 June 2018

		2017-18	2016-17
	Note	\$	\$
Revenue			
Interest revenue	4(a)	5,143,539	5,400,483
Less Interest expense	4(b)	2,166,152	2,338,726
Net interest revenue		2,977,387	3,061,757
Other revenue	4(c)	5,688	-
Total Revenue		2,983,075	3,061,757
Expenses			
Contracted services	4(d)	166,938	161,733
Other expenses from ordinary activities	4(e)	29,894	32,368
Total Expenses		196,832	194,101
Operating profit for the year		2,786,243	2,867,656
Total comprehensive income for the year		2,786,243	2,867,656

Statement of Financial Position
As at 30 June 2018

		2017-18	2016-17
	Note	\$	\$
Assets			
Current assets			
Cash and liquid assets	5	-	560,999
Receivables	6	624,144	1,140,856
Net loans and advances	7	10,383,836	7,601,811
Investment securities	8	79,834,715	99,001,330
Other assets	9	2,220	4,583
Total current assets		90,844,915	108,309,579
Non-current assets			
Net loans and advances	7	58,356,880	38,016,351
Total non-current assets		58,356,880	38,016,351
Total assets		149,201,795	146,325,930
Liabilities			
Current liabilities			
Bank overdraft	5	331,248	-
Deposits	10	123,235,375	122,008,659
Other liabilities	11	529,630	497,973
Total current liabilities		124,096,254	122,506,632
Total liabilities		124,096,254	122,506,632
Net assets		25,105,541	23,819,298
Equity			
Retained earnings	12	25,105,541	23,819,298
Total equity		25,105,541	23,819,298

**Statement of Changes in Equity
for the Year Ended 30 June 2018**

	Retained Earnings \$	Total Equity \$
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
 Balance at 1 June 2017	 23,819,298	 23,819,298
Net profit for the year	2,786,243	2,786,243
Less appropriations	(1,500,000)	(1,500,000)
Balance at 30 June 2018	25,105,541	25,105,541

Statement of Cash Flows
For the year ended 30 June 2018

		2017-18	2016-17
	Note	\$	\$
Cash flows from operating activities			
Interest received from loans		2,111,366	1,896,499
Interest received from Investments		3,548,866	3,983,966
Other income		5,688	-
Interest paid on deposits		(2,135,228)	(2,321,835)
Payment to suppliers		(193,716)	(196,213)
Net cash inflow from operating activities	5(a)	3,336,976	3,362,417
Cash flows from investing activities			
Net movement in investments		19,166,615	(1,239,002)
Net movement in loans		(23,122,554)	(2,246,349)
Net cash (outflow)/inflow from investing activities		(3,955,939)	(3,485,351)
Cash flows from financing activities			
Net movement in deposits		1,226,717	1,211,588
Distributions		(1,500,000)	(1,500,000)
Net cash (outflow)/inflow from financing activities		(273,283)	(288,412)
Net (decrease)/increase in cash and cash equivalents		(892,247)	(411,346)
Cash and cash equivalents at the beginning of the year		560,999	972,345
Cash and cash equivalents at the end of the year	5	(331,248)	560,999

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, 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 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 2018 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.

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) 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

(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) 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.

(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

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	2017-18	2016-17
	\$	\$
Interest revenue from borrowers	2,104,671	1,896,499
Interest revenue from investments	3,038,868	3,503,984
	5,143,539	5,400,483
(b) Interest expense	2017-18	2016-17
	\$	\$
Interest expense from deposits at call	1,302,821	1,428,612
Interest expense from deposits at term	863,331	910,114
	2,166,152	2,338,726
(c) Other revenue	2017-18	2016-17
	\$	\$
Other revenue	5,688	-
	5,688	-
(d) Contracted services	2017-18	2016-17
	\$	\$
Secretarial fees	109,889	107,820
IT Support service	55,420	51,760
Contracted services	1,629	2,153
	166,938	161,733
(e) Other expenses from ordinary activities	2017-18	2016-17
	\$	\$
Insurance costs	7,827	7,885
Travel & accommodation costs	2,259	5,799
Audit fees	11,406	8,250
General expenses	8,402	10,434
	29,894	32,368

5. Cash and Cash Equivalents

	2017-18	2016-17
	\$	\$
Cash at bank and in hand ⁽ⁱ⁾	-	560,999
Bank overdraft ⁽ⁱⁱ⁾	(331,248)	-
	(331,248)	560,999

Note:

- (i) Cash at bank earns interest at fixed rates based on daily bank deposits.
- (ii) The DDF went into overdraft on the last day of the financial year due to higher than expected withdrawal of funds by our school clients which was in excess of the daily float. The overdraft position was corrected on the next working day.

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

	2017-18	2016-17
	\$	\$
Comprehensive income for the period	2,786,243	2,867,656
Change in assets and liabilities:		
Decrease/(Increase) in receivables	516,693	479,983
Decrease/(Increase) in prepayments	2,363	211
Increase/(decrease) in accrued expenses	733	(2,085)
Increase/(decrease) in other liabilities	30,924	16,891
(Increase)/decrease in GST Clearing	20	(239)
	3,336,976	3,362,417

6. Receivables

	2017-18	2016-17
	\$	\$
Accrued interest revenue from term deposits	624,050	1,140,618
Goods and services tax	94	238
	624,144	1,140,856

7. Net loans and advances

	2017-18	2016-17
	\$	\$
<i>(a) Amounts due:</i>		
Loans to schools	62,946,011	38,636,754
Loans to parishes	5,646,606	6,835,469
Loans other	148,099	145,939
	68,740,716	45,618,162
<i>(b) Maturity Analysis:</i>		
Less than 1 year	10,383,836	7,601,811
Greater than 1 year	58,356,880	38,016,351
	68,740,716	45,618,162

The loan portfolio comprises of loans predominantly to Catholic Schools operating within the Catholic Diocese of Sandhurst. The average term to maturity was 6.6 years as at 30 June 2018 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.

Diocese of Sandhurst Development Fund
Notes to and forming part of the financial statements for the year ended 30 June 2018

8. Investments

(a) Held-to-maturity investments	2017-18 \$	2016-17 \$
<i>Monetary Investments held with:</i>		
Catholic Archdiocese Development Fund	27,307,145	30,223,174
Westpac	20,733,390	-
National Australia Bank	8,794,180	27,578,156
ME Bank	8,000,000	-
Commonwealth Bank of Australia	5,000,000	17,200,000
AMP	5,000,000	-
Defence Bank	5,000,000	-
Bendigo Bank	-	5,000,000
Bank of Queensland	-	4,000,000
MyState Bank	-	10,000,000
People's Choice Credit Union	-	5,000,000
	79,834,715	99,001,330

9. Other current assets

	2017-18 \$	2016-17 \$
Prepayments	4,542	4,583
Client cheque clearing	(2,322)	-
	2,220	4,583

10. Deposits

	2017-18 \$	2016-17 \$
(a) Deposits at call		
Deposits from schools	61,293,335	64,541,947
Deposits from non-parishioners	11,270,994	16,019,329
Deposits from parishioners	-	346,936
Deposits other	8,037,752	8,581,507
	80,602,081	89,489,719
(b) Deposits at term		
Deposits from schools	10,517,253	7,815,764
Deposits from non-parishioners	32,116,041	24,045,907
Deposits from parishioners	-	657,269
	42,633,294	32,518,940
Total Deposits	123,235,375	122,008,659
(c) Maturity Analysis		
Less than 1 year	123,235,375	122,008,659
Greater than 1 year	-	-
	123,235,375	122,008,659

11. Other liabilities

	2017-18	2016-17
	\$	\$
Accrued interest on deposits	520,309	489,385
Accrued expenses	9,321	8,588
	529,630	497,973

12. Retained earnings

	2017-18	2016-17
	\$	\$
Retained earnings at the beginning of the year	23,819,298	22,451,642
Surplus for the period	2,786,243	2,867,656
Appropriations	(1,500,000)	(1,500,000)
Accumulated surplus at the end of the year	25,105,541	23,819,298

**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 2018 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 10th day of October 2018

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



Bishop Leslie Tomlinson DD
Chairman of the DDF



Mr Cameron Fraser
Secretary of the DDF

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 2018, 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 2018 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.

RSD Audit



P.P Delahunty

Dated: 10 October 2018

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

I declare that to the best of my knowledge and belief, during the year ended 30 June 2018 there has been no contraventions of any applicable code of professional conduct in relation to the audit.

RSD Audit



P.P. Delahunty

Dated: 10 October 2018