

# Annual Financial Reports for the year ended 31 December, 2020

Ballarat Catholic Development Fund  
incorporating:

BDPF Funeral Fund Inc.

# Income Statement

for the year ended 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

	Note	2020 (\$)	2019 (\$)
<b>Income</b>			
Interest on Loans		1,783,110	2,183,043
Return on Investments	2	2,654,730	5,122,766
Other Income		947	7,214
<b>Total Income</b>		<b>4,438,787</b>	<b>7,313,023</b>
<b>Less Cost of Funds</b>			
		<b>2,638,607</b>	<b>3,282,983</b>
<b>GROSS MARGIN</b>		<b>1,800,180</b>	<b>4,030,040</b>
<b>Expenditure</b>			
Salaries and Related Costs		373,718	360,359
Telephone & Postage		6,871	7,188
Printing & Stationery		5,841	3,846
Occupancy		18,698	18,341
Computer Facilities - Maintenance / Software		74,810	123,440
Conferences / Meetings		4,095	9,983
Promotion/Sponsorship		2,743	1,716
Travel		12,689	15,265
Audit		10,490	9,778
Insurance		15,344	10,270
Bank Fees		14,724	20,988
<b>Total Expenditure</b>		<b>540,023</b>	<b>581,174</b>
<b>OPERATING SURPLUS</b>		<b>1,260,157</b>	<b>3,448,866</b>
<b>plus ACCUMULATED SURPLUS brought forward</b>		<b>4,137,272</b>	<b>8,188,406</b>
less Distribution to the Diocese		(1,000,000)	(1,000,000)
less Transfer to the General Reserve		-	(6,500,000)
<b>ACCUMULATED SURPLUS to be carried forward</b>		<b>4,397,429</b>	<b>4,137,272</b>

To be read in conjunction with the attached Notes to the Financial Statements

# Balance Sheet

as at 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

	Note	2020 (\$)	2019 (\$)
<b>Assets</b>			
Cash on Hand		4,170	2,886
Cash at Bank		7,154,670	5,054,854
Investments	3	124,958,832	127,215,327
Loans Advanced	4	49,718,253	49,074,282
Accrued Interest Receivable - Loans		60,953	68,664
- Investments		58,383	219,136
Accrued Income/Prepaid Expenses		89,822	44,333
Motor Vehicle at WDV	5	28,942	33,864
<b>TOTAL ASSETS</b>		<b>182,074,025</b>	<b>181,713,346</b>
<b>Liabilities</b>			
Depositors' Funds	6	159,348,597	159,082,066
Accrued Expenses		25,637	34,796
Accrued Interest Payable		181,900	357,880
Provision for Leave Entitlements	7	120,462	101,332
<b>TOTAL LIABILITIES</b>		<b>159,676,596</b>	<b>159,576,074</b>
<b>NET ASSETS</b>		<b>22,397,429</b>	<b>22,137,272</b>
<b>Equity</b>			
Accumulated Surplus		4,397,429	4,137,272
Retired Priests' Facility Reserve	8	1,500,000	1,500,000
General Reserve	8	16,500,000	16,500,000
<b>TOTAL EQUITY</b>		<b>22,397,429</b>	<b>22,137,272</b>

To be read in conjunction with the attached Notes to the Financial Statements

# Statement of Cash Flows

for the year ended 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

	Note	2020 (\$)	2019 (\$)
Interest received on:			
Loans		1,790,822	2,193,861
Investments		2,348,258	3,739,032
Other Income		947	7,214
Interest paid		(2,814,588)	(3,208,090)
Salaries and Related Costs paid		(354,587)	(343,051)
Payments to suppliers		(166,784)	(188,135)
Net cash flows from operations (before changes to operating assets and liabilities)		804,068	2,200,831
Changes to operating assets and liabilities arising from cash flow movements			
Net (Increase)/Decrease in Operating Assets:			
Loans		(643,972)	5,783,945
Investments		2,678,232	(9,763,208)
Net Increase/(Decrease) in Operating Liabilities			
Depositor Funds		266,530	3,920,226
movements		2,300,790	(59,037)
<b>Net cash flows from operating activities</b>		<b>3,104,858</b>	<b>2,141,794</b>
<b>Cash flows from investing activities</b>			
Transfer (Sale) Motor Vehicle to BCAF		30,984	12,433
Purchase of Motor Vehicle (in 2020 Transfer from BCAF)		(34,742)	(34,583)
<b>Net cash used in investing activities</b>		<b>(3,758)</b>	<b>(22,150)</b>
<b>Cash flows from financing activities</b>			
Distribution to the Diocese		(1,000,000)	(1,000,000)
<b>Net cash used in financing activities</b>		<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,101,100</b>	<b>1,119,644</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>5,057,740</b>	<b>3,938,096</b>
<b>Cash and cash equivalents at end of period</b>		<b>7,158,840</b>	<b>5,057,740</b>

To be read in conjunction with the attached Notes to the Financial Statements

**Reconciliation to Surplus/(Deficit) to cash flow from operating activities**  
for the year ended 31 December, 2020

BALLARAT CATHOLIC DEVELOPMENT FUND

	Note	2020 (\$)	2019 (\$)
<b>Cash flows from operating activities</b>			
Surplus/(Deficit)		1,260,157	3,448,866
<b>Adjustments for non-cash items in Surplus/(Deficit):</b>			
Depreciation		8,680	8,310
Unrealised (Gains)/Losses		(421,736)	(1,803,859)
<b>Working capital changes:</b>			
Assets			
(Increase)/Decrease in Interest Receivable/Accrued Income		122,976	430,943
Liabilities			
Increase/(Decrease) in Leave Entitlements		19,131	17,308
Increase/(Decrease) in Interest Payable		(175,981)	74,893
Increase/(Decrease) in Accrued Expenses		(9,159)	24,370
<b>Cash generated from operations (before changes to operating assets and</b>		<b>804,068</b>	<b>2,200,831</b>
Net (Increase)/Decrease in Operating Assets:			
Loans		(643,972)	5,783,945
Investments		2,678,232	(9,763,208)
Net Increase/(Decrease) in Operating Liabilities:			
Funds on Deposit		266,530	3,920,226
<b>Net cash flows from operating activities</b>		<b>3,104,858</b>	<b>2,141,794</b>

To be read in conjunction with the attached Notes to the Financial Statements

# Statement of Equity Movement

as at 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

<b>2020</b>	Accumulated Surplus	Retired Priests' Facility Reserve	General Reserve	Total Equity
Opening Balance	<b>4,137,272</b>	<b>1,500,000</b>	<b>16,500,000</b>	<b>22,137,272</b>
Current Year Surplus/(Deficit)	1,260,157			<b>1,260,157</b>
Transfer to General Reserve	-		-	-
Distribution to Diocese	(1,000,000)			<b>(1,000,000)</b>
<b>Closing Balance</b>	<b>4,397,429</b>	<b>1,500,000</b>	<b>16,500,000</b>	<b>22,397,429</b>

<b>2019</b>	Accumulated Surplus	Retired Priests' Facility Reserve	General Reserve	Total Equity
Opening Balance	8,188,406	1,500,000	10,000,000	19,688,406
Current Year Surplus/(Deficit)	3,448,866			3,448,866
Transfer to General Reserve	(6,500,000)		6,500,000	-
Distribution to Diocese	(1,000,000)			(1,000,000)
<b>Closing Balance</b>	<b>4,137,272</b>	<b>1,500,000</b>	<b>16,500,000</b>	<b>22,137,272</b>

To be read in conjunction with the attached Notes to the Financial Statements

# Notes to the Financial Statements

for the year ended 31 December, 2020

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## BALLARAT CATHOLIC DEVELOPMENT FUND

These financial statements are special purpose financial statements which have been prepared for the purpose of reporting the financial activities of the Catholic Development Fund (CDF) to the Bishop of the Diocese of Ballarat, the Diocesan Finance Council and CDF Committee. It has been determined that the CDF is not a reporting entity. The CDF is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis. They are based on historical costs and do not take into account the changing value of money or, except where stated specifically, current valuations of non-current assets, financial assets or financial liabilities.

### **NOTE 1 ACCOUNTING POLICIES**

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#### (a) Income Tax

The Catholic Diocese of Ballarat has an exemption from paying income tax. The CDF is exempt from paying income tax because of the Diocese's exemption.

#### (b) Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Australian Listed Equity Securities are subsequently measured at fair value based on current share price. Management regards the current share price to be a reliable and relevant basis to determine fair value. Whilst these share prices are applicable at 31 December 2020, the fair value of shares will continue to be subject to the impacts of COVID-19 and other Economic factors in future accounting periods. The CDF assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### (c) Loans

All loans are valued at their face value (being the amount owed to the CDF), less any Provision for Doubtful Loans.

#### (d) Provision for Doubtful Loans

A Provision for Doubtful Loans is raised when there is objective evidence of impairment of a loan, at an amount adequate to cover the assessed losses.

#### (e) Deposits

All deposits held are recorded at their face value, being the amount owed to deposit holders.

# Notes to the Financial Statements

for the year ended 31 December, 2020

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## BALLARAT CATHOLIC DEVELOPMENT FUND

### (f) Fixed Assets

Each class of fixed assets is carried at cost less, where applicable, any accumulated depreciation.

#### Motor Vehicles

Motor Vehicles purchased by the CDF are valued at cost, less accumulated depreciation. They are being depreciated using a 25% straight-line method.

### (g) Employee Entitlements Provision

Liabilities for annual leave and long service leave are recognised in respect of employees' services up to the reporting date. Entitlements expected to be settled within 12 months of the reporting date have been measured at the amounts expected to be paid when the liabilities are settled. Those that are not expected to be settled within 12 months of the reporting date are measured at the present value of the amounts expected to be paid when the liabilities are settled.

### (h) Revenue

Loan interest is calculated and accrued on a daily basis using the daily balance outstanding. Interest is charged to the borrower's account in arrears. Interest from investments is accrued on a daily basis using interest rates applicable to the investments.

### (i) Interest Expense

Interest on deposit accounts held with the CDF is accrued on a daily basis using interest rates applicable at the time.

### (j) GST

As a financial institution, the CDF is input taxed on all revenue. An input taxed supply is not subject to GST collection and similarly the GST paid on related purchases cannot be recovered. There are certain prescribed purchases that are subject to reduced input tax credits ('RITC'), of which 75% of the GST paid is recoverable.

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 the acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown net of GST.

### (k) Subsequent Events

Nil



# Notes to the Financial Statements

for the year ended 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

	2020 (\$)	2019 (\$)
<b>NOTE 2: RETURN ON INVESTMENTS</b>		
Interest	1,482,643	2,346,415
E&P Bond Portfolio		
Realised Income (net of Management Fee)	422,231	389,750
Unrealised Gains/(Losses)	(11,419)	268,513
	<u>410,812</u>	<u>658,263</u>
CCI Asset Management Investment		
Realised Income (incl. Franking Credits)	418,010	667,027
Unrealised Gains/(Losses)	433,155	1,535,346
Management Fee	(89,890)	(84,285)
	<u>761,275</u>	<u>2,118,088</u>
	<u>\$ 2,654,730</u>	<u>\$ 5,122,766</u>

<b>NOTE 3: INVESTMENTS</b>		
Term Deposits	70,850,000	86,550,000
CCI Asset Management IMA	16,928,184	16,213,173
CCI Asset Management CVT	5,277,320	-
Evans & Partners Investment	16,069,075	15,658,263
Catholic Church Investment Service 11a.m. Call	3,834,253	3,793,891
NAB Maximiser	12,000,000	5,000,000
	<u>\$ 124,958,832</u>	<u>\$ 127,215,327</u>

<b>NOTE 4: LOANS</b>		
Loans Advanced	49,718,253	49,074,282
Less Provision for Doubtful Loans	-	-
	<u>\$ 49,718,253</u>	<u>\$ 49,074,282</u>
Loans can be divided into the following segments:		
Diocese and Parishes	10,151,917	5,880,488
Primary Schools	15,703,945	16,386,383
Secondary Schools	19,191,759	22,002,788
Other Catholic Entities	4,670,632	4,804,623
	<u>49,718,253</u>	<u>49,074,282</u>

<b>NOTE 5: MOTOR VEHICLES</b>		
Motor Vehicle at Cost	34,742	34,584
Less Provision for Depreciation	(5,800)	(720)
	<u>\$ 28,942</u>	<u>\$ 33,864</u>

# Notes to the Financial Statements

for the year ended 31 December, 2020

## BALLARAT CATHOLIC DEVELOPMENT FUND

	2020 (\$)	2019 (\$)
<b>NOTE 6: DEPOSITORS' FUNDS</b>		
Depositor funds are divided across the following segments:		
Parishes	20,298,134	20,283,004
Primary Schools	46,684,079	43,139,204
Secondary Schools	57,223,743	48,499,864
Catholic Agencies	29,049,987	40,832,213
Individuals	6,092,654	6,327,781
	<b>\$ 159,348,597</b>	<b>\$ 159,082,066</b>

<b>NOTE 7: EMPLOYEE ENTITLEMENTS</b>		
Provision for Long Service Leave	66,341	53,397
Provision for Annual Leave	54,121	47,935
	<b>\$ 120,462</b>	<b>\$ 101,332</b>

## **NOTE 8: RESERVES**

(i) General Reserve:

The General Reserve is used to maintain prudential standards of capital adequacy.

(ii) Retired Priests' Facility Reserve:

The CDF has been making appropriations from the accumulated surplus and setting these aside to assist the Diocese to provide for the capital needs of retired priests. The Diocese may call on all or part of this reserve at any time.

# Notes to the Financial Statements

for the year ended 31 December, 2020

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## BALLARAT CATHOLIC DEVELOPMENT FUND

### **NOTE 9: FINANCIAL RISK MANAGEMENT**

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The main risks the CDF is exposed to through its financial assets and financial liabilities are credit risk, liquidity risk and market risk in relation to interest rate risk.

#### Financial Risk Management Policies

The CDF's overall risk management strategy seeks to assist the organisation in meeting its financial targets whilst minimising potential adverse effects on financial performance. The CDF Committee and Management have primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the organisation. Risk management policies are reviewed on a regular basis. These include credit risk policies and cash flow requirements.

#### (a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the CDF. The CDF has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

#### **Credit risk exposures**

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying value of loans (net of any provisions) as presented in the balance sheet. The CDF minimises its exposure to credit risk by taking appropriate securities and indemnities from borrowers and related organisations. The CDF's outstanding loans are regularly reviewed to ensure compliance with required payments and conditions.

#### **Impairment losses**

A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. The CDF has assessed that it has no impaired loans as at 31 December 2020.

#### (b) Liquidity risk

Liquidity risk is the risk that the CDF will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the reputation of the CDF. The CDF is exposed to the liquidity risk of meeting withdrawals deposit accounts at any time. The CDF manages its liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid investments are held. Of the cash at bank and investment assets that are listed in the balance sheet at 31 December 2020, the majority of these are held with major Australian owned banks which are regulated by the Australian Prudential Regulation Authority. Bankruptcy or insolvency by those banks may cause the CDF's rights with respect to the cash held by those banks to be delayed or limited.

#### (c) Interest rate risk

The CDF has exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The CDF manages its interest rate risk by the constant monitoring of interest rate margins. The CDF Committee reviews interest rates and margins at every meeting.

**BALLARAT CATHOLIC DEVELOPMENT FUND  
STATEMENT BY MEMBERS OF THE COMMITTEE**

The members of the Committee declare that the financial statement:

1. presents a true and fair view of the financial position of the Catholic Development Fund Ballarat as at 31 December 2020 and its performance for the year ended on that date in accordance with the accounting policies outlines in Note 1 to the financial statements, and
2. at the date of this statement, there are reasonable grounds to believe that the Catholic Development Fund Ballarat will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Committee by:



\_\_\_\_\_  
Committee Member



\_\_\_\_\_  
Committee Member

Dated:

9<sup>th</sup> March 2021

**INDEPENDENT AUDIT REPORT FOR THE CATHOLIC DEVELOPMENT FUND**

**Opinion**

We have audited the financial report of Catholic Development Fund, which comprises the balance sheet as at 31 December 2020, the income statement, cash flow statement and summary of significant accounting policies and notes to the financial statements, including a summary of significant accounting policies and statement by the board.

In our opinion, the financial report presents fairly, in all material respects the financial position of the Catholic Development Fund as at 31 December 2020 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

**Basis of 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 Southern Stay Disability Services Inc. 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, and we have 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 is prepared to assist Catholic Development Fund in complying with the responsibility to report the activities of the Fund to the Bishop of the Ballarat Diocese under Canon Law. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Catholic Development Fund and should not be distributed to or used by parties other than the Catholic Development Fund. Our opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Financial Report**

Management is responsible for the preparation of the financial report in accordance with the requirements of the responsibility to report the activities of the Fund to the Bishop of the Ballarat Diocese under Canon Law and for such internal control as management determines is necessary to enable the preparation of a 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 Catholic Development Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Catholic Development Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Catholic Development 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 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 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 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 Catholic Development 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 Catholic 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 Catholic Development 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 those charged with governance 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.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

*McLaren Hunt*  
**MCLAREN HUNT**  
**AUDIT AND ASSURANCE**

*N.L. McLean*  
**N.L. McLEAN**  
**PARTNER**

Dated at Warrnambool: 15 March 2021