

Catholic Church Endowment Society Inc.

**Special Purpose Consolidated
Financial Report**

For the year ended 31 December 2021

**Special Purpose Consolidated Financial Report
for the Financial Year Ended
31 December 2021**

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Chair's Report

The Catholic Church Endowment Society Inc. (Association) recorded a gain of \$33,872,251 for the year ended 31 December 2021. The principal reason for the result is an increase in the market value of Investment Properties of \$21,500,000, as revalued at 31 December 2021. During the year there was a distribution of \$2,209,553 from reserves for the continued establishment of a new school in the north of Adelaide. An actuarial review of the National Redress and Abuse Provision resulted in an increase in the provision of \$125,312. A gain of \$749,329 was made on the payout of the Derivative during the year. There was a gain in market value of Listed Equity Investments of \$9,990,754. The Association recorded an underlying profit of \$3,967,033 (2020: profit of \$7,160,241). A reconciliation of the recorded gain to the underlying income is set out below:

	2021	2020
	\$	\$
Total comprehensive income/(loss) for the year	33,872,251	66,303,590
(Gain)/loss on Derivative Liabilities	(749,329)	727,766
Distribution for Northern School Development Project	2,209,553	3,300,000
Contribution from Schools in Pt Pirie Diocese	-	(11,250,100)
Gain on Investment Properties at fair value	(21,500,000)	(52,690,000)
Net value (gain)/loss on Equity Investments	(9,990,754)	632,746
National Redress and Abuse Provision recognised	125,312	136,239
Total underlying comprehensive income for the year	3,967,033	7,160,241

Agencies of the Association have contributed as follows:

- The Diocesan Centre supports the operations of parishes, schools and the Archbishop's office. The Diocesan Centre also incorporates the Archdiocese of Adelaide's treasury function (the Catholic Development Fund, CDF). The CDF maintains appropriate capital reserves in accordance with its prudential policies and seeks to deliver sustainable investment returns. The final operating result for the Diocesan Centre was a gain of \$4,757,313 (2020: \$4,719,163).
- Catholic Education Office, (CEO) income from grants and levies increased in 2021, assisting to further provide services to the education sector within the Archdiocese of Adelaide. The CEO produced an underlying surplus of \$755,853 for 2021 (2020: \$3,792,350).
- Catholic Church Early Years Inc. commenced operations of early learning centres during 2019. Fee income continued to be lower than operating expenditure during 2021 largely as a result of the COVID-19 impact. Catholic Church Early Years Inc. operating result was a loss of \$981,530 (2020: \$1,001,049 loss).
- The Diocesan Presbytery Fund's loss of \$725,589 (2020: \$78,816 gain) results from income from donations remaining constant whilst costs to support the ageing clergy in the Diocese continue to rise.
- Catholic Diocesan Charities Appeal receives donations to continue the support of the charitable works in the Archdiocese of Adelaide. Distributions from the Appeal are consistent with that of previous years.
- The Priest Retirement Foundation was launched in late 2020 and commenced collecting donations for the benefit of retired priests. No distributions were made from this fund in the first year of operation.

Catholic Church Endowment Society Inc.

- Ecumenical Endeavours Pty Ltd has been consolidated into the Association since 2017 due to majority shareholder ownership. It operates an investment property valued at \$3,080,000, collecting rental income from a commercial tenant and supporting the pastoral work of Seaford Christian Churches.
- The Net Assets of the Association have increased from 2020. Cash and Cash Equivalents have increased however investment Due from Other Financial Institutions have reduced to \$100,936,463. Loans and Advances have increased to \$155,568,196 and Equity Investments have increased to \$141,421,379. The value of Investment Properties have also increased due to revaluation. Deposits liability held by the CDF has increased to \$469,236,610. Borrowings have remained at Nil. Derivative Liabilities have reduced to Nil and Provisions have decreased from 2020.

I wish to thank the Diocesan Finance Council (DFC) and staff for their stewardship over the past year.



Chair

Diocesan Finance Council
Catholic Archdiocese of Adelaide

Finance Council Report to Members

In accordance with Section 35(5) of the Associations Incorporation Act 1985, the Diocesan Finance Council (the Council) of the Catholic Church Endowment Society Inc. (Association) hereby states that during the year ended 31 December 2021:

- a)
- i) no officer of the Association;
 - ii) no firm of which an officer is a member; and
 - iii) no body corporate in which an officer has a substantial financial interest;

has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and the Association.

- b) No officer of the Association has received directly or indirectly from the Association any payment or benefit of a pecuniary value.

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


Chair


Archbishop of Adelaide

Adelaide, 26th APRIL 2022



Independent Auditor's Report

To the members of Catholic Church Endowment Society Inc.

Opinion

We have audited the **Financial Report**, of the Catholic Church Endowment Society Inc. (the Association).

In our opinion, the accompanying Financial Report of the Association is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2021, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* to the extent described in Note 2 and 3 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNCR)*.

The **Financial Report** comprises:

- i. Consolidated Statement of Financial Position as at 31 December 2021;
- ii. Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- iii. Notes including a summary of significant accounting policies; and
- iv. Finance Council declaration of the Association.

The **Group** consists of the Association and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 and 3 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared for the purpose of fulfilling the Finance Council members' financial reporting responsibilities under the *ACNC Act 2012*. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of the Association and should not be used by any other party. We disclaim any assumption of responsibility for any reliance on this Auditor's Report, or on the Financial Report to which it relates to any person other than the members of the Association and ACNC.



Other information

Other Information is financial and non-financial information in the Association's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Finance Council members are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Finance Council members for the Financial Report

The Finance Council Members are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC and ACNCR;
- ii. Determining that the basis of preparation described in Note 2 and 3 to the Financial Report is appropriate to meet the requirements of the ACNC. The basis of preparation is also appropriate to meet the needs of the members;
- iii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iv. Assessing the Group and Association's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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. They 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 skepticism throughout the audit.



We also:

- i. 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;
- ii. 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 Group's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Finance Council members;
- iv. Conclude on the appropriateness of the Finance Council 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 registered Group and Association'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 Group and Association to cease to continue as a going concern; and
- v. 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 Finance Council members of the registered Association 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.



Paul Cenko
Partner

Adelaide

26 April 2022



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Finance Council of Catholic Church Endowment Society Inc

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2021 there have been:

- i. No contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.



Paul Cenko
Partner

Adelaide
26 April 2022

Finance Council Declaration

In the opinion of the Diocesan Finance Council of the Catholic Church Endowment Society Inc (Association):

- a) the Association is not publicly accountable nor a reporting entity;
- b) the consolidated financial statements and notes, set out on pages 10 to 41, are in accordance with the Australian Charities and Not-for profits Commission Act 2012 and the Associations Incorporation Act 1985;
- c) The Consolidated Financial Statements and notes:
 - (i) giving a true and fair view in all material respects of the financial position of the Association as at 31 December 2021 and of its financial performance, as represented by the results of its operations for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1, 2 and 3; and
 - (ii) complying with Australian Accounting Standards to the extent described in Note 1, 2 and 3, and the Australian Charities and Not-for-profits Commission Regulation 2013;
- d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable;
- e) the Association has complied with its Constitution and Rules; and at the date of this declaration
- f) the Association has subsidiaries as detailed in the financial statements at Note 31; and
- g) the Association is not a trustee of a trust.

Signed in accordance with a resolution of the Finance Council:



Chair



Archbishop of Adelaide

Adelaide, 26th APRIL 2022

Catholic Church Endowment Society Inc.
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2021

	Note	2021 \$	2020 \$
Income			
Interest Income		5,890,150	7,535,125
Interest Expense		(4,742,887)	(5,970,899)
Net Interest Income	8	1,147,263	1,564,226
Income from SA Commission for Catholic Schools (SACCS)		16,983,172	15,376,340
Levies and Fees Income		22,783,317	14,770,844
Gain on Investment Properties at fair value		21,500,000	52,690,000
Rental Income		15,168,579	15,114,301
Donations		3,306,723	2,857,431
Other Income	9	2,697,421	25,747,028
Total Income		83,586,475	128,120,170
Expenses			
Employee Benefits Expense		(35,521,166)	(33,419,550)
Occupancy Expense		(6,282,112)	(6,346,307)
Depreciation Expense		(4,712,332)	(3,818,673)
Equipment Expense		(6,769,545)	(4,627,413)
Communication Expense		(1,107,901)	(1,200,576)
Community and Education Program Expense		(3,867,971)	(4,939,343)
General Administration Expense		(6,731,972)	(7,883,655)
National Redress and Abuse Provision Adjustment		(125,312)	(136,239)
Total Expenses		(65,118,311)	(62,371,756)
Operating Profit/(Loss) for the year		18,468,164	65,748,414
Finance Income on Equity Investments		5,131,184	3,406,347
Net value gain/(loss) on Equity Investments		9,990,754	(632,746)
Finance Expenses on Borrowings		(467,180)	(1,490,659)
Gain/(Loss) on Derivative Liabilities		749,329	(727,766)
Net Finance Income		15,404,087	555,176
Profit/(Loss) for the year		33,872,251	66,303,590
Attributable to Catholic Church Endowment Society Inc		33,852,527	66,308,699
Attributable to Non-controlling Interest in Controlled Entities	23	19,724	(5,109)
		33,872,251	66,303,590

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Consolidated Statement of Financial Position
As at 31 December 2021

	Note	2021 \$	2020 \$
Assets			
Cash and Cash Equivalents	24	55,605,858	37,985,270
Due from Other Financial Institutions	10	100,936,463	138,915,424
Equity Investments	11	141,421,379	95,134,850
Investment Properties	12	211,110,000	189,610,000
Property, Plant and Equipment	13	44,779,389	43,865,215
Trade and Other Receivables	14	13,665,144	11,717,618
Loans and Advances	15	155,568,196	148,678,523
Total Assets		723,086,429	665,906,900
Liabilities			
Deposits	16	469,236,610	426,636,682
Trade and Other Payables	17	5,385,697	4,478,381
Derivative Liabilities	19	-	5,192,329
Provisions	20	11,178,910	11,258,640
Total liabilities		485,801,217	447,566,032
Net Assets		237,285,212	218,340,868
Equity			
Retained Earnings	21	181,390,880	151,418,404
Reserves	22	55,089,578	66,137,434
Total Parent interest in equity		236,480,458	217,555,838
Non-controlling Interest in Controlled Entities	23	804,754	785,030
Total Equity		237,285,212	218,340,868

The above statements should be read in conjunction with the accompanying notes

**Catholic Church Endowment Society Inc.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2021**

	Non- Controlling Interest	General reserve	Government funding reserve	Catholic charities reserve	Catholic education capital reserve	Transactions with Owner's Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2020	790,139	3,305,922	1,492,312	1,984,991	5,509,553	-	81,873,149	94,956,066
Profit/(Loss) for the year	-	-	-	-	-	-	66,303,590	66,303,590
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	66,303,590	66,303,590
Non-controlling Interest	-	-	-	-	-	-	-	-
Profit attributable to Non-controlling Interests	(5,109)	-	-	-	-	-	5,109	-
Transfer from/(to) retained earnings	-	173,444	-	(110,000)	(3,300,000)	57,081,212	3,236,556	57,081,212
Balance at 31 December 2020	785,030	3,479,366	1,492,312	1,874,991	2,209,553	57,081,212	151,418,404	218,340,868
Balance at 1 January 2021	785,030	3,479,366	1,492,312	1,874,991	2,209,553	57,081,212	151,418,404	218,340,868
Profit/(Loss) for the year	-	-	-	-	-	-	33,872,251	33,872,251
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	33,872,251	33,872,251
Profit attributable to Non-controlling Interests	19,724	-	-	-	-	-	(19,724)	-
Transfer from/(to) retained earnings	-	512,709	-	(236,559)	(2,209,553)	(9,114,453)	(3,880,051)	(14,927,907)
Balance at 31 December 2021	804,754	3,992,075	1,492,312	1,638,432	-	47,966,759	181,390,880	237,285,212

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	2021	2020
Operating Activities	\$	\$
Receipts from SACCS, Grants, Levies and Fees Income	41,352,323	27,749,791
Donations and Other Income	5,932,672	28,604,459
Interest Received	5,890,150	7,535,125
Interest Paid on Deposits	(4,052,183)	(5,070,517)
Payments to Suppliers, Employees and Others	(62,392,565)	(59,242,019)
Net GST (Paid) / Refunded	2,179,712	(142,673)
	(11,089,891)	(565,834)
Net (payments)/receipts in Loans and Advances	(6,889,673)	(13,198,433)
Net receipts/(payments) in Deposits	42,599,928	52,385,595
Net (receipts)/payments in Amounts Due from other Financial Institutions	37,978,961	(57,296,390)
	73,689,216	(18,109,228)
Net Cash Flows from Operating Activities	62,599,325	(18,675,062)
Investing Activities		
Net (payments)/receipts in relation to Equity Investments	(36,295,775)	(17,125,334)
Proceeds from Sale of Property, Plant and Equipment	1,284,929	1,263,621
Payments for Property, Plant and Equipment	(6,346,759)	(8,058,699)
Finance Income	5,131,184	3,406,347
Rental Income	11,776,475	11,409,473
Finance Expenses on Borrowings	(467,180)	(1,490,659)
Payout of Hedge Derivative	(4,443,000)	-
Interest Paid on Borrowings related Investments	(690,704)	(900,382)
Net Cash Flows from Investing Activities	(30,050,830)	(11,495,633)
Cash Flows from Financing Activities		
Drawdown/(Repayments) of Borrowings	-	(10,000,000)
Distribution to schools	(14,927,907)	57,081,212
Net Cash Flows from Financing Activities	(14,927,907)	47,081,212
Net Increase/(Decrease) in Cash Held	17,620,588	16,910,517
Cash at the beginning of the Year	37,985,270	21,074,753
Cash at the end of the Year	55,605,858	37,985,270

The above statements should be read in conjunction with the accompanying notes

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2021

1 General Information

The Catholic Church Endowment Society Inc. (Association) is an entity incorporated under the Associations Incorporation Act 1985 and operating in South Australia.

The Association's registered office and its principal places of business are as follows:

Registered Office:

39 Wakefield Street, Adelaide 5000
(08) 8210 8210

Principal Place of Business for:

Catholic Church Endowment Society Inc.
Catholic Development Fund - Adelaide
Catholic Diocesan Charities Appeal
Priest Retirement Foundation

Catholic Education Office
Catholic Church Early Years Inc.
116 George Street, Thebarton 5031

Ecumenical Endeavours Pty Ltd
Grand Boulevard, Seaford 5169

2 Summary of Accounting Policies

Financial Reporting Framework

The Association is not a reporting entity because in the opinion of the Finance Council (Council) there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Council's reporting requirements under Australian Charities and Not-for-profits Commission Act 2012 and Associations Incorporation Act 1985.

Statement of compliance

The special purpose consolidated financial report has been prepared in accordance with the requirements of the Associations Incorporation Act 1985 and the Australian Charities and Not-for-profits Commission Act 2012 and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB).

The special purpose consolidated financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the Council to meet the needs of users:

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 1048 Interpretation and Application of Standards

AASB 1054 Australian Additional Disclosures.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
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The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the following items:

- Equity Investments measured at fair value through profit and loss;
- Investment Properties measured at fair value through profit and loss; and
- Derivative Liabilities measured at fair value through profit and loss.

Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Association's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the Association's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 11: Equity Investments – determining the fair value of Equity Investments at 31 December 2021.

Note 12: Investment Properties – assessing the fair value of Investment Properties at 31 December 2021.

Note 19: Derivative Liabilities – assessing the value of the Derivative Liabilities at 31 December 2021.

Note 20: Provisions – determining the value of the National Redress Provision.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash with other financial institutions excluding term investments with an original maturity of greater than 3 months.

(b) Financial assets

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.

Other financial assets are classified into the following specified categories:

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Notes to and forming part of the Consolidated Financial Statements
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Loans and Advances

Loans and advances are made to Parishes, Diocesan Schools, Religious Order Schools and Catholic Organisations in accordance with the prudential policy of the Association. These loans are classified as Amortised cost under AASB 9, and are measured at amortised cost less impairment. The Association is the main provider of Loans and Advances to non-laity entities of the Catholic Archdiocese of Adelaide. The lending terms are set by the Association with regard to other Diocese rates, commercial market rates and the cost of funds to the Association. There is no external market for loans to Diocesan entities with the Association able to set the price of both Loans and Deposits. No impairment is included in the valuation of these Loans and Advances as the Association controls the collection of loan repayments and has the ability to implement action for financially challenged borrowers. The cash flows from Loans and Advances comprise of interest and principal only.

Due from Other Financial Institutions

Due from Other Financial Institutions, bills of exchange and debentures are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Due from Other financial institutions are held by the Association under a business model whereby the Association intends to hold until maturity. These investments comprise of principal and interest only cash flows. The Association's business model does not include the trading of these investments. These assets have been classified as Amortised cost under AASB 9.

Receivables

Trade receivables and other receivables are classified as Amortised cost and are recorded at amortised cost less impairment. No impairment has been recognised for trade and other receivables.

Equity Investments

Equity investments represent investments the Association intends to hold for long term purposes. The cash flows include entitlements to profit share through dividends or trust distributions. The Association has categorised these investments under AASB 9 as Fair Value through Profit and Loss (FVTPL) and they are stated at fair value less impairment. The current year fair value movement is recognised in the Profit and loss Statement. The fair value of income securities, listed shares, units in trusts and overseas equities has been determined with reference to the quoted market prices. The fair value of unlisted shares is determined with reference to the respective entity's net assets. Any impairment of these assets will be reflected through the Profit and Loss, as will any subsequent reversal of previous impairment.

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For the year ended 31 December 2021

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and religious sites. Depreciation is calculated on a straight line basis so as to write off the net cost over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful lives used in the calculation of depreciation for the current and comparative period are as follows:

Buildings	20 – 40 years	Leasehold Improvements	5 – 25 years
Plant and equipment	1 – 10 years	Motor Vehicles	5 years

(d) Impairment of Assets

At each reporting date, the Association reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset is categorised as a FVOCI asset any impairment loss is recognised in OCI, for other assets the impairment is recognised in the profit or loss immediately.

(e) Investment Property

Property held to earn rentals and/or for capital appreciation is classified as an investment property and, is initially recognised at cost until the project is completed, including transaction costs. Subsequent to completion, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment are included in profit or loss in the period in which they arise.

(f) Provisions

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Association will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Catholic Church Endowment Society Inc.
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(g) Employee benefits

Leave benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

(h) Payables

Trade payables and other payable are recognised when the Association becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (1) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (2) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(j) Taxation

The Association is a charitable institution exempt from income tax under the current provisions of Section 23(e) of the Income Tax Assessment Act 1997.

(k) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Interest expense is recognised using the effective interest rate method.

Subsequent to initial recognition, borrowings are measured at amortised cost. Borrowing costs are expensed directly to profit and loss.

(l) Deposits

Deposits are recorded at the gross value outstanding to the customer. Interest expense is recognised on an accrual basis.

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(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services – revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Grants – where it has been determined that the grant agreement is enforceable and sufficiently specific performance obligations exist, revenue is recognised over time as the performance obligation is met. Otherwise, revenue is recognised on receipt. If an amount is received in advance of completion of the performance of obligations, a revenue in advance liability is recognised and reduced as performance obligations are met.

If an amount received is in advance of completion of the performance of obligations, a revenue in advance liability is recognised and reduced as performance obligations are met.

Interest – revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Donations – income is recognised when monies are received by the Association.

Rental Income - recognised on a straight line basis over the term of the lease.

(n) Transactions with owner

Where there are transactions with Catholic Church organisations within the Archdiocese of Adelaide they are considered transactions with the owner in their capacity as an owner. These transactions are recognised as either a contribution from or a distribution to the owner and are recognised directly in equity. Transactions with Catholic Church organisations outside the Archdiocese of Adelaide are generally not determined to be transactions with the owner in their capacity as an owner. Where there are transactions with Catholic Church organisations within the Archdiocese of Adelaide that are not considered transactions with the owner in their capacity as an owner, they are recognised in profit or loss.

(o) Leases

The Association has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4.

At the inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an asset, the Association uses the definition of a lease in AASB 16.

The policy is applied to all contracts entered into, on or after 1 January 2019.

As a lessee:

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site, less any lease incentives received.

Catholic Church Endowment Society Inc.
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The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Association's incremental borrowing rate. Generally, the Association uses its incremental borrowing rate as the discount rate.

The Association determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the amount expected to be payable under a residual value guarantee, if the Association changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. Any revision will create a corresponding adjustment to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Association presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

Short-term leases and leases of low-value assets

The Association has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including residential properties. The Association recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Association recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income' and 'investment income' where the lease relates to investment property.

(p) Derivative financial instruments

The Association enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedging relationship.

The Association has no derivatives designated as hedges as at 31 December 2021.

(q) Consolidation

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Association and its subsidiaries. Control is achieved when the Association:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Association reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 New Standards not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these consolidated financial statements. Management has not assessed the impact of these standards on the Association. The Finance Council does not plan to early adopt these standards.

Catholic Church Endowment Society Inc.
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4 Segment Note Income Statement

	CCES *		GEO		DPF		Charities		Priest Retirement Foundation		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income	6,169	7,958	237	48	6	14	5	17	-	-	-	1	3	1	(530)	(504)	5,890	7,535
Interest Income	(4,996)	(6,054)	(131)	(85)	-	-	-	-	-	-	-	-	(146)	(336)	530	504	(4,743)	(5,971)
Net Interest Income	1,173	1,904	106	(37)	6	14	5	17	-	-	-	1	(143)	(335)	-	-	1,147	1,564
Income from SA Commission for Catholic Schools (SACCS)	-	-	16,983	15,376	-	-	-	-	-	-	-	-	-	-	-	-	16,983	15,376
Levies and Fees Income	3,069	2,324	14,929	11,253	567	-	-	-	-	-	-	-	5,214	2,140	(996)	(946)	22,783	14,771
Gain/(loss) on Investment Properties at fair value	21,500	52,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,500	52,690
Rental Income	15,054	15,014	-	-	-	-	-	-	-	173	161	-	-	-	(58)	(61)	15,169	15,114
Donations	88	568	-	-	2,336	1,886	867	369	16	35	-	-	-	-	-	-	3,307	2,858
Other Income	1,401	5,498	1,027	17,150	556	2,635	-	-	-	15	37	144	950	(446)	(523)	(523)	2,697	25,747
Total Income	42,285	77,998	33,045	43,742	3,465	4,535	872	386	16	35	188	199	5,215	2,755	(1,500)	(1,530)	83,566	128,120
Expenses	(10,256)	(12,056)	(17,992)	(16,192)	(3,161)	(3,409)	(113)	(112)	-	-	-	-	(4,815)	(2,771)	816	1,120	(35,521)	(33,420)
Employee Benefits Expense	(5,143)	(5,210)	(853)	(886)	(108)	(109)	-	-	-	-	(11)	(15)	(237)	(196)	70	70	(6,282)	(6,346)
Occupancy Expense	(757)	(744)	(2,892)	(2,209)	(509)	(514)	-	-	-	-	(7)	(6)	(547)	(346)	-	-	(4,712)	(3,819)
Depreciation Expense	(571)	(546)	(5,752)	(3,428)	(622)	(515)	-	-	-	-	(62)	(101)	(29)	(36)	267	-	(6,769)	(4,627)
Equipment Expense	(659)	(775)	(280)	(216)	(53)	(58)	(32)	(34)	-	-	-	-	(84)	(153)	0	35	(1,108)	(1,201)
Communication Expense	(2,310)	(3,375)	(1,098)	(1,118)	-	-	(461)	(492)	-	-	-	-	-	-	0	46	(3,869)	(4,939)
Community and Education Program Expense	(3,408)	(3,360)	(3,422)	(4,650)	262	148	(9)	(9)	-	-	(49)	(92)	(485)	(254)	379	333	(6,732)	(7,884)
General Administration Expense	(125)	(136)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(125)	(136)
National Redress and Abuse Provision Adjustment	(23,229)	(26,202)	(32,289)	(28,700)	(4,191)	(4,457)	(615)	(647)	-	-	(129)	(214)	(6,197)	(3,756)	1,532	1,604	(65,118)	(62,372)
Total Expenses	19,056	51,796	756	15,042	(726)	78	257	(261)	16	35	59	(15)	(982)	(1,001)	32	74	18,468	65,748
Operating Profit/(Loss) for the year	5,163	3,481	-	-	-	-	-	-	-	-	-	-	-	-	(32)	(74)	5,131	3,407
Finance Income on Equity Investments	9,981	(633)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,991	(633)
Net value gain/(loss) on Equity Investments	(467)	(1,491)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(467)	(1,491)
Finance Expenses on Borrowings	749	(728)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	749	(728)
Gain/(Loss) on Derivative Liabilities	15,436	629	-	-	-	-	-	-	-	-	-	-	-	-	(32)	(74)	15,404	555
Net Finance Income	34,492	52,425	756	15,042	(726)	78	257	(261)	16	35	59	(15)	(982)	(1,001)	-	-	33,872	66,303

* CCES includes the Seminary Fund previously shown separately

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5 Segment Note Balance Sheet

	CCES		CEO		DPF		Charities		Priest Retirement Foundation		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets																		
Cash and Cash Equivalents	56,252	38,831	52,683	64,056	1,268	1,636	1,921	1,677	51	35	355	289	2,204	2,355	(59,128)	(70,894)	55,606	37,985
Due from Other Financial Institutions	100,936	138,915	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,936	138,915
Equity Investments	141,421	95,135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141,421	95,135
Investment Properties	208,030	186,530	-	-	-	-	-	-	-	3,080	3,080	-	-	-	-	-	211,110	189,610
Property, Plant and Equipment	26,481	26,357	8,258	7,191	1,687	1,947	-	-	-	49	56	56	8,304	8,314	-	-	44,779	43,865
Trade and Other Receivables	9,441	6,542	4,269	5,089	682	849	1	8	-	3	4	4	57	110	(787)	(884)	13,666	11,718
Loans and Advances	164,898	154,867	-	-	-	-	-	-	-	-	-	-	-	-	(9,330)	(6,188)	155,568	148,679
Total Assets	707,459	647,177	65,210	76,336	3,637	4,432	1,922	1,665	51	35	3,487	3,429	10,565	10,779	(69,245)	(77,966)	723,086	665,907
Liabilities																		
Deposits	528,364	497,520	-	-	-	-	-	-	-	-	-	-	-	-	(59,127)	(70,883)	469,237	426,637
Trade and Other Payables	1,556	1,148	2,354	1,880	912	990	-	19	-	1,073	1,074	278	262	262	(788)	(895)	5,385	4,478
Borrowings	-	-	4,893	2,447	-	-	-	-	-	-	-	-	4,437	3,741	(9,330)	(6,188)	-	-
Derivative Liabilities	-	5,192	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,192
Provisions	6,975	7,245	4,032	3,907	86	77	-	-	-	-	-	-	86	30	-	-	11,179	11,259
Total Liabilities	536,895	511,105	11,279	8,234	998	1,067	-	19	-	1,073	1,074	4,801	4,033	4,033	(69,245)	(77,966)	485,801	447,566
Net Assets	170,564	136,072	53,931	68,102	2,639	3,365	1,922	1,666	51	35	2,414	2,355	5,764	6,746	-	-	237,285	218,341
Equity																		
Retained earnings	165,080	128,891	5,964	20,021	2,639	3,365	284	(209)	51	35	1,609	1,570	5,764	(2,254)	-	-	181,391	151,419
Reserves	5,484	7,181	47,967	48,081	-	-	1,638	1,875	-	-	-	-	-	9,000	-	-	55,089	66,137
Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	805	785	-	-	-	-	805	785
Total Equity	170,564	136,072	53,931	68,102	2,639	3,365	1,922	1,666	51	35	2,414	2,355	5,764	6,746	-	-	237,285	218,341

* CCES includes the Seminary Fund previously shown separately

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6 Profit for the Year

	2021	2020
	\$	\$
Includes the following items of income and expense:		
Profit/(Loss) on disposal of property, plant and equipment	<u>564,676</u>	<u>394,218</u>

7 Remuneration of Auditors

	2021	2020
	\$	\$
Audit Services performed by KPMG	204,307	153,580
Other Non-Audit Services performed by KPMG	312,796	476,878
Audit Services for Controlled entities performed by Other Auditors	1,000	1,000
	<u>518,103</u>	<u>631,458</u>

8 Net Interest Income

The following is the average rate for each major category of interest earning assets and interest bearing liabilities

	2021	2020
	\$	\$
<i>Interest Earning Assets</i>		
Interest Income from cash and cash equivalents, cash management funds and term investments	766,013	2,273,845
<i>Average Earning rate from cash and cash equivalents, cash management funds and term investments</i>	0.46%	1.16%
Interest Income from loans and advances	5,124,137	5,261,280
<i>Average Earning rate from loans and advances</i>	3.37%	3.70%
<i>Interest Bearing Liabilities</i>		
Interest Paid on deposits	(4,742,887)	(5,970,899)
<i>Average Interest rate paid on deposits</i>	1.06%	1.35%
Net Income	<u>1,147,263</u>	<u>1,564,226</u>
Net Interest Margin	0.79%	0.88%

9 Other Income

	2021	2020
	\$	\$
Job-Keeper & Government COVID Relief	1,383,700	13,032,891
Contributions from Schools in Pt Pirie Diocese	-	11,250,100
Sundry Income	1,313,721	1,464,037
Total Other Income	<u>2,697,421</u>	<u>25,747,028</u>

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10 Due from Other Financial Institutions

	2021	2020
	\$	\$
Term Investment with Other Financial Institutions	100,936,463	138,915,424
Total Term Investment with Other Financial Institutions	100,936,463	138,915,424

11 Equity Investments

	2021	2020
	\$	\$
Income Securities at fair value	-	1,304,853
Overseas Equities at fair value	32,819,339	24,308,495
Listed Shares at fair value	48,650,543	35,582,221
Unlisted Shares at fair value	3,698,880	4,190,211
Units in Trusts at fair value	56,252,617	29,749,070
Total Equity Investments	141,421,379	95,134,850

12 Investment Properties

	2021	2020
	\$	\$
Balance at beginning of Year	189,610,000	136,920,000
Net gain/(loss) from fair value adjustment	21,500,000	52,690,000
Balance at the end of the year	211,110,000	189,610,000

Investment properties are measured at fair value based upon an independent valuation performed by Jones Lang Lasalle (250 Victoria Square, Adelaide) in December 2021 and Knight Frank (49 Wakefield Street, Adelaide) during February 2021. The valuations, which conforms to Australian Valuation Standards, was determined by reference to discounted cash flows. The models include assumptions about the future prices of properties and expectations about future interest rates. Management have performed an assessment and do not believe the value at 31 December 2021 differs materially from these valuations.

The investment property held by the controlled entity Ecumenical Endeavours Pty Ltd is measured at fair value based upon an independent valuation by McGees Property in February 2017. Management have performed an assessment and believe the valuation as at 31 December 2021 does not differ materially to this valuation.

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13 Property, Plant and Equipment

31 December 2021	Land and buildings	Right of Use Assets	Leasehold Improvements	Plant and equipment	Motor Vehicles	Work in Progress	Total
Carrying amount at the beginning of the period	\$ 30,138,004	\$ 861,423	\$ 344,943	\$ 4,858,404	\$ 3,565,298	\$ 4,097,143	\$ 43,865,215
Depreciation expense	(614,947)	(221,603)	(90,667)	(2,860,835)	(924,280)	-	(4,712,332)
Disposals	-	-	-	-	(720,253)	-	(720,253)
Additions	21,901	24,991	-	718,918	1,303,597	4,277,352	6,346,759
Transfers	2,882,439	-	9,881	2,765,119	-	(5,657,439)	-
Carrying amount at the end of the period	32,427,397	664,811	264,157	5,481,606	3,224,362	2,717,056	44,779,389

31 December 2020	Land and buildings	Right of Use Assets	Leasehold Improvements	Plant and equipment	Motor Vehicles	Work in Progress	Total
Carrying amount at the beginning of the period	\$ 28,909,712	\$ 1,079,353	\$ 599,480	\$ 4,817,487	\$ 3,931,180	\$ 1,159,955	\$ 40,497,167
Depreciation expense	(506,342)	(215,355)	(99,461)	(2,044,139)	(953,376)	-	(3,818,673)
Disposals	-	-	(155,076)	-	(714,327)	-	(869,403)
Additions	1,471,752	-	-	179,177	1,301,821	5,105,949	8,058,699
Transfers	262,882	-	-	1,905,879	-	(2,168,761)	-
Other adjustments	-	(2,575)	-	-	-	-	(2,575)
Carrying amount at the end of the period	30,138,004	861,423	344,943	4,858,404	3,565,298	4,097,143	43,865,215

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14 Trade and Other Receivables

	2021	2020
	\$	\$
Trade and Other Receivables		
Trade Receivables	919,484	878,451
Allowance for Doubtful Debts	<u>(15,863)</u>	-
	903,621	878,451
Other Receivables	3,150,895	4,170,843
Operating Lease Receivable	7,096,932	3,704,828
Long Service Leave Receivable	2,108,609	1,964,496
Amounts Receivable from SA Commission for Catholic Schools Inc.	267,706	718,813
Accrued Interest Receivable	<u>137,381</u>	<u>280,187</u>
Total Trade and Other Receivables	<u>13,665,144</u>	<u>11,717,618</u>

15 Loans and Advances

	2021	2020
	\$	\$
Loans and Advances	<u>155,568,196</u>	<u>148,678,523</u>
<i>By concentration of risk</i>		
Parishes & Trusts	6,482,812	6,324,424
Diocesan Schools	129,109,781	115,352,096
Religious Order Schools	14,574,302	16,638,182
Other Catholic Organisations	<u>5,401,301</u>	<u>10,363,821</u>
Total Loans and Advances	<u>155,568,196</u>	<u>148,678,523</u>
<i>By maturity</i>		
Within 12 months	545,562	2,319,001
1-5 years	4,656,779	8,914,036
Over 5 years	<u>150,365,855</u>	<u>137,445,486</u>
Total Loans and Advances	<u>155,568,196</u>	<u>148,678,523</u>

The Provision for Expected Credit Loss on Loans is Nil (2020: Nil)

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16 Deposits

	2021	2020
	\$	\$
Deposits at amortised cost	<u>469,236,610</u>	<u>426,636,682</u>
Concentration of Deposits		
Parishes	53,444,690	52,326,596
Diocesan Schools	217,244,990	173,254,526
Religious Order Schools	30,339,674	21,752,227
Other Catholic Organisations	149,797,333	160,333,437
Parishioners	18,409,923	18,969,896
Total Deposits	<u>469,236,610</u>	<u>426,636,682</u>
By maturity		
On call	442,133,610	324,060,682
Up to 3 months	2,879,000	35,916,000
3-6 months	19,351,000	61,827,000
Over 6 months	4,873,000	4,833,000
Total Deposits	<u>469,236,610</u>	<u>426,636,682</u>

17 Trade and Other Payables

	2021	2020
	\$	\$
Trade and Other Payables		
Trade Payables	2,804,461	2,164,500
Other Payables	1,771,519	1,275,327
Accrued Interest Payable	48,735	73,642
Lease Liability Current	241,621	222,380
Lease Liability Non-Current	519,361	742,532
Total Trade and Other Payables	<u>5,385,697</u>	<u>4,478,381</u>

Catholic Church Endowment Society Inc.
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18 Borrowings

	2021	2020
	\$	\$
Unsecured		
Other Loan (Interstate CDF's) at amortised cost	-	-
Secured		
Bank Loan (ANZ) at amortised cost (i)	-	-
Bank Loan (NAB) at amortised cost (ii)	-	-
	<u>-</u>	<u>-</u>

Summary of borrowing arrangements

- i) Secured by a mortgage over the Association's investment property located at 250 Victoria Square with a carrying value of \$205,000,000 with the bank facility maturing in 2025. This facility can be drawn/repaid at any time up to a limit of \$70 million.
- ii) Secured by mortgage over the Association's deposits. This facility can be drawn/repaid at any time up to a limit of \$25 million.

19 Derivative Liabilities

	2021	2020
	\$	\$
Derivatives that are carried at fair value:		
Interest rate Swap	-	<u>5,192,329</u>

Catholic Church Endowment Society Inc.
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20 Provisions

	2021	2020
	\$	\$
National Redress and Abuse Provision	4,926,000	5,240,000
Employee Benefits		
Current	5,761,293	5,693,263
Non-Current	491,617	325,377
Total Employee Benefits	6,252,910	6,018,640
Total Provisions	11,178,910	11,258,640

The Royal Commission into Institutional Responses to Child Sexual Abuse issued its final report, which included the Catholic Church, in December 2017. As part of the Australian Government's response to the Royal Commission, a National Redress Scheme for Institutional Child Sexual Abuse, has been established. The Catholic Church in Australia has joined this Scheme through Australian Catholic Redress Limited (ACRL). Management have determined it is probable the Association, as a participant entity of ACRL, will have obligations arising from participating in this Scheme. The provision has been estimated based on historical claims, expected claims and settlements. The maximum claims under the ACRL is \$150,000 for financial compensation and \$5,000 for counselling fees. Management have calculated an estimate of the future liability for the Association that may arise from being a participant entity.

The key assumptions that have the most significant effect on the provision recognised in the financial statements include:

- The number of claims per year;
- The average amount of each claim; and
- The probability of successful claims.

The Association has obtained an Independent Actuarial Review of management's estimate of the future liability for the Association under the ACRL as at 31 December 2021, using data provided by the Association and with reference to key assumptions included above and activity under ACRL during 2021. The provision has been adjusted to reflect the estimated value of the liability as assessed by the Independent Actuary, as management believe this to be the most accurate assessment of the future liability for the Association.

Actual results may differ from these assumptions.

Catholic Church Endowment Society Inc.
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21 Retained Earnings

	2021 \$	2020 \$
Balance at the beginning of the financial year	151,418,404	81,873,149
Profit/(loss) for the year	33,872,251	66,303,590
Profit attributable to Non-controlling Interests	(19,724)	5,109
Transfer (to) / from reserves	(3,880,051)	3,236,556
Balance at end of financial year	181,390,880	151,418,404

22 Reserves

	2021 \$	2020 \$
Government Funding	1,492,312	1,492,312
General	3,992,075	3,479,366
Catholic Charities	1,638,432	1,874,991
Catholic Education capital	-	2,209,553
Transactions with Owner's Reserve	47,966,759	57,081,212
Total Reserves	55,089,578	66,137,434

Government Funding Reserve

The government funding reserve is equivalent to the value of capital grants contributed by the government for building projects on land owned by the Association and for equipment used, which has been transferred from retained earnings.

General Reserve

The general reserve is equivalent to the value of gifted and trust reserves for special allocations at the discretion of the Archbishop, towards assisting the pastoral objectives of the organisation, which has been transferred from retained earnings.

Catholic Charities Reserve

The catholic charities reserve is equivalent to the value of bequest amounts left to the Archdiocese of Adelaide for charity purposes, which has been transferred from retained earnings.

Catholic Education Capital Reserve

The catholic education capital reserve is funds required in the Archdiocese of Adelaide for building projects in education.

Transaction with Owner's Reserve

The transaction with owner's reserve is funds contributed from Catholic Church organisations within the Archdiocese of Adelaide considered transactions with owners in their capacity as owners. These funds are to be used for schools.

Catholic Church Endowment Society Inc.
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23 Non-controlling Interest

	2021	2020
	\$	\$
Non-controlling Interest	804,754	785,030
Total Non-controlling Interest in Controlled Entities	804,754	785,030

The Association's equity interest in Ecumenical Endeavours Pty Ltd is 67% (2020: 67%). The Association has determined it exercises control over Ecumenical Endeavours Pty Ltd and accordingly has recognised this entity in the Consolidated Group. The following table summarises the information relating to the Non-controlling interest in this subsidiary.

	2021	2020
	\$	\$
NCI percentage (%)	33%	33%
Current Assets	373,923	305,817
Non-current Assets	3,129,257	3,136,131
Current Liabilities	(16,349)	(14,289)
Non-current Liabilities	(1,072,568)	(1,072,568)
Net Assets	2,414,263	2,355,091
Net Assets attributable to NCI	804,754	785,030
Revenue	187,669	198,684
Profit / (Loss)	59,172	(15,326)
Profit allocated to NCI	19,724	(5,109)

24 Restricted use of cash balances

	2021	2020
	\$	\$
Included in cash and cash equivalents are the following amounts that are restricted:		
Catholic charities legacy funds donated by bequests	1,888,819	1,641,839
Deductible gift recipient funds for Catholic Diocesan Charities Appeal	31,896	34,514
Seminary Legacy Funds donated by bequests	647,113	835,113
Priest Retirement Foundation funds donated for benefit of retired Priests	51,301	35,161

25 Commitments for expenditure

As at 31 December 2021 the Association has no commitments for expenditure.

26 Contingencies

(a) State Government Housing Agreement

The Association has the following housing agreements with the State Government in relation to grants that specifically funded building projects on land owned by the Association.

- (1) The Association has an agreement with the Minister of Housing in relation to the capital grants contribution to the building renovations of the Hutt Street Care Centre managed by the Daughters of Charity on land registered to the Association. Under the terms of the agreement, the grant has been made on the basis that the Association continues to run the facility in accordance with its permitted use and for the term of 20 years (to the year 2024). The grant (\$907,394) will be repayable to the Minister during this time if the above condition is not met by the Association during the term.
- (2) The Association has an agreement with South Australian Community Housing Authority in relation to the capital grants contribution to the construction of Residential Units for the Ain Karim housing project on land at Fitzgerald Avenue, Enfield registered to the Association. Under the terms of the agreement if the Association ceases using the property for the purpose of community housing it will have a liability to repay the grant (\$584,917) on a proportionate basis.

(b) Employee Benefit Contingency

The Association engages a number of employees under contracts which include a Right of School Return Clause which requires the Association to provide a position in a school on completion of the contract with the Association. Should no such position be available a liability may arise to the Association. This contingency is estimated at \$8,083,680 based on existing contracts at the end of the period. This is not included as a liability to the Association as at balance date as it is expected school positions would exist for these employees.

(c) National Redress Contingency

The Association has agreed to participate in the Catholic entity, Australian Catholic Redress Ltd (ACRL), established to administer the Catholic Church's involvement with the National Redress Scheme. The entity provides for cross financial guarantees amongst participants (legislative requirement), with the advantage of a statutory release across participants within the group. Any cross-indemnity required as members of the ACRL would be limited to 5.5% of any unmet liability.

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27 Cash flow reconciliation

	2021	2020
	\$	\$
Profit/(loss) for the year	33,872,251	66,303,590
Add/Less Non-Cash Items and Cash from Investing or Financing Activities:		
(Gain)/loss on Derivative Liabilities	(749,329)	727,766
Depreciation Expense	4,712,332	3,818,673
(Gain) on Sale of Fixed Assets	(564,676)	(394,218)
(Gain)/loss on Equity Investments	(9,990,754)	632,746
Finance Income	(5,131,184)	(3,406,347)
Rental Income	(15,168,579)	(15,114,301)
Finance Expenses on Borrowings	467,180	1,490,659
Interest paid on Borrowings related Investments	690,704	900,382
(Gain) on Investment Properties	(21,500,000)	(52,690,000)
	<u>(47,234,306)</u>	<u>(64,034,640)</u>
Movements in Assets and Liabilities:		
(Increase)/decrease in Trade and Other Receivables	1,444,578	(2,205,365)
(Increase) in Loans and Advances	(6,889,673)	(13,198,433)
Decrease/(increase) in amounts Due from Other Financial Institutions	37,978,961	(57,296,390)
Increase/(decrease) in Trade and Other Payables	907,316	(1,021,629)
(Decrease)/increase in Provisions	(79,730)	726,911
Increase in Deposits	42,599,928	52,385,595
(Decrease) in Income in Advance	-	(334,701)
	<u>75,961,380</u>	<u>(20,944,012)</u>
Net Cash Flows from Operating Activities	<u>62,599,325</u>	<u>(18,675,062)</u>

Catholic Church Endowment Society Inc.
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28 Fair value of financial instruments

(a) Fair values

The aggregate fair value of financial assets and financial liabilities, both recognised and unrecognised at the reporting date of the Association, are as follows:

	Total carrying amount as per Statements of Financial Position		Aggregate net fair value		Fair value hierarchy
	2021	2020	2021	2020	
Financial assets					
Due from Other Financial Institutions	100,936,463	138,915,424	101,170,105	138,990,305	Level 1
Equity Investments	141,421,379	95,134,850	141,421,376	95,134,850	Level 1 and 3
Loans and Advances	155,568,196	148,678,523	155,568,196	148,678,523	Level 3
Total	397,926,038	382,728,797	398,159,677	382,803,678	
Financial liabilities					
Deposits	469,236,610	426,636,682	469,236,610	426,636,682	Level 3
Derivative Liabilities	-	5,192,329	-	5,192,329	Level 2
Total	469,236,610	431,829,011	469,236,610	431,829,011	

Fair value hierarchy levels have not been disclosed for some financial instruments such as cash and cash equivalents, trade receivables, trade receivables and trade and other payables, because their carrying amounts are a reasonable approximation of fair values.

The following methods and assumptions were used to determine the fair values of financial assets and liabilities:

Due from Other Financial Institutions:

These financial assets represent the Association's liquidity portfolio and are comprised of floating-rate note (FRN) investments and term deposits held with Australian Domiciled Australian Deposit-taking Institutions. Where the FRN investments have a residual maturity of greater than twelve months, the fair value of those investments have been reported at their current market values. The fair values of all other investments are reported at their carrying values, as these investments mature in less than 12 months and the rate of returns is the same as the current market rates for term deposits having substantially the same terms and conditions. Therefore, the carrying amount of these investments is a reasonable estimate of fair value.

Equity Investments:

The fair value of income securities and listed shares are determined with reference to the quoted market prices. The fair value of unlisted shares is determined with reference to the respective entity's net assets.

Catholic Church Endowment Society Inc.
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Loans and Advances:

The Association is the main provider of loans and advances to non-laity entities of the Catholic Archdiocese of Adelaide. The lending terms are set by the Association with regard to other Diocese rates, commercial market rates and the cost of funds to the Association. There is no external market for loans to Diocesan entities with the Association able to set the price on both Loans and Deposits. The carrying value is measured as the net realisable value of Loans and Advances and represents their fair value.

Deposits:

The Association is the only holder of Deposits for non-laity entities of the Catholic Archdiocese of Adelaide. There is no external market for Deposits with the Association able to set the interest rate at its discretion. The fair value is therefore set at the carrying value of all Deposits.

Derivative Liabilities:

The fair value of interest rate swaps are determined with reference to the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Borrowings:

The fair value of borrowings is equal to the carrying value due to the short term nature of each drawdown on the facility being 30 days at variable interest rates.

(b) Fair value hierarchy

The table below analyses the Associations financial instruments carried at fair value.

Different levels have been identified as follows:

- Level 1: Quoted Prices in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets and liabilities either directly (i.e.: as prices) or indirectly (i.e.: derived from prices)
- Level 3: Inputs for assets and liabilities that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
2021				
Equity Investments				
Listed	48,650,543	-	-	48,650,543
Unlisted	-	-	3,698,880	3,698,880
Overseas Equities	32,819,339	-	-	32,819,339
Units in Unit Trusts	56,252,617	-	-	56,252,617
2020				
Equity Investments				
Income Securities	1,304,853	-	-	1,304,853
Listed	35,582,221	-	-	35,582,221
Unlisted	-	-	4,190,211	4,190,211
Overseas Equities	24,308,495	-	-	24,308,495
Units in Unit Trusts	29,749,070	-	-	29,749,070
Derivative Liabilities	-	(5,192,329)	-	(5,192,329)

29 Leasing arrangements

Operating leases relate to the investment properties owned by the Association with lease terms of between 5 to 15 years, with an option to extend for a further 5 to 10 years. All operating lease agreements contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The income earned by the Association from its investment properties is shown as investment income and the direct operating expenses arising on the investment properties are included as occupancy expenses in the Statement of Profit or Loss and Other Comprehensive Income.

30 Related Party Disclosures

The Association is a religious structure which is governed by Canon Law and Civil Law as Catholic Church Endowment Society Inc. The Archbishop is the sole member of the Association. Control of government funded agencies of the Archdiocese, for example Centacare and Catholic Schools, is as directed by relevant government bodies, including the Education and Welfare departments of both State and Federal Government. These agencies are therefore not included in the Consolidated Financial Statements of the Association as control over their activities is governed by the funding source.

Canonically, Catholic Parishes of the Diocese are autonomous from the Archdiocese, whilst civilly all assets are owned by the Association as the legal entity. These assets are not recorded within the Consolidated Financial Statements of the Association it has no control over these assets under Canon Law.

Whilst there is no control evident over Catholic Parishes or Schools operating in the Archdiocese, or over the agency Centacare, these are related due to the nature of the religious group. Transactions between these related parties include the following:

- Treasury Functions
- Motor Vehicle Supply
- ICT Services
- Payroll Services
- Property Services
- Parish collections for support of Priests and Archdiocesan operations.

All transactions with related parties are on an arm's length basis.

Catholic Church Endowment Society Inc.
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(a) Key Management Personnel

The following roles within the Association have authority and responsibility for planning, directing and controlling the activities of the Association during the year.

- Archbishop of Adelaide
- Diocesan Financial Administrator
- Vicar General
- Director of Catholic Education

Transactions with key management personnel are limited to remuneration under employment contracts.

	2021	2020
	\$	\$
Compensation to Key Management Personnel of the Association	951,695	897,329

Catholic Church Endowment Society Inc.
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(b) Controlled Entities

The Association entered into transactions with its Controlled Entities. These transactions are carried out under normal commercial terms and are eliminated on consolidation in the financial reports. The following table provides the total amount of transactions that were entered into with controlled entities for the year.

	Amounts included in the accounts of the Association		Amounts included in the accounts of the Association		Deposits held by the Association		Loans made by the Association	
	2021	2020	2021	2020	2021	2020	2021	2020
	Income / (Expense)		Payable / (Receivable)					
Catholic Education Office	881,207	1,159,368	17,470	(8,322)	52,682,686	64,056,219	4,892,994	2,446,711
Diocesan Presbytery Fund	(6,392)	(14,200)	-	-	1,267,527	1,636,252	-	-
Catholic Diocesan Charities Appeal	(4,826)	(17,096)	-	-	1,920,715	1,676,353	-	-
Seminary Fund	172,000	191,000	172,000	189,000	647,113	835,113	-	-
Ecumenical Endeavours Pty Ltd	(497)	73,768	-	-	355,102	288,636	-	-
Priest Retirement Foundation	(127)	(58)	-	-	51,301	35,161	-	-
Catholic Church Early Years Inc	76,059	177,441	-	6,241	2,202,964	2,355,082	4,436,764	3,741,459
Total	1,117,424	1,570,223	189,470	186,919	59,127,408	70,882,816	9,329,758	6,188,170

Catholic Church Endowment Society Inc.
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(c) Other Related Parties

The Association entered into transactions with other non-controlled related parties, including Catholic Parishes and Catholic Schools. These transactions are carried out under normal commercial terms. The following table provides the total amount of transactions that were entered into with non-controlled related parties for the year.

	Amounts included in the accounts of the Association		Amounts included in the accounts of the Association		Distribution (to)/from Schools		Deposits held by the Association		Loans made by the Association		
	Income / (Expense)	2020	Payable / (Receivable)	2020	2021	2020	2021	2021	2020	2021	2020
Catholic Parishes	2,166,509	598,131	166,131	2,167	-	-	53,444,691	52,326,596	1,380,048	1,606,663	
Centacare	315,432	(85,076)	38,452	177,400	-	-	12,893,341	14,228,405	-	-	
Catholic Schools	14,225,367	9,294,104	569,594	(597,604)	(14,927,913)	57,081,212	247,584,665	195,006,752	143,684,084	131,990,278	
Other Related Catholic Organisations	16,836,514	15,014,041	-	-	-	-	118,383,126	132,643,415	5,389,739	5,705,970	
Total	33,543,882	24,821,200	774,177	(418,037)	(14,927,913)	57,081,212	432,305,823	394,205,168	150,453,871	139,302,911	

31 Consolidated Entities

The entities currently controlled by the Association and included in the consolidated financial statements are:

- The Catholic Education Office (*registered charity with ACNC*)
- The Diocesan Presbytery Fund
- The Catholic Diocesan Charities Appeal (*Deductible Gift Recipient registered with ACNC*)
- The Seminary Fund
- Ecumenical Endeavours Pty Ltd (*registered charity with ACNC*)
- Priest Retirement Foundation (*registered charity with ACNC*)
- Catholic Church Early Years Inc. (*registered charity with ACNC*)

32 Subsequent Events

Subsequent to balance date, there have been no events which would have a material effect on the Consolidated Entity and the Association's financial statements as at 31 December 2021 or in future years.