

Catholic Church Endowment Society

Special Purpose Consolidated Financial Report

For the year ended 31 December 2022

**Special Purpose Consolidated Financial Report
for the Financial Year Ended
31 December 2022**

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Chair's Report

The Catholic Church Endowment Society (Association) recorded a loss of \$23,075,874 for the year ended 31 December 2022. The principal reasons for the result are a decrease in the market value of Investment Properties of \$15,000,000, and a decrease in the value of Equity Investments of \$16,812,515. An actuarial review of the National Redress and Abuse Provision resulted in an increase in the provision of \$1,312,638. The Association recorded an underlying profit of \$13,582,919 (2021: profit of \$3,967,033). A reconciliation of the recorded gain to the underlying income is set out below:

	2022	2021
	\$	\$
Total comprehensive income/(loss) for the year	(23,075,874)	33,872,251
(Gain) on Derivative Liabilities	-	(749,329)
Distribution for Northern School Development Project	-	2,209,553
Loss/(gain) on Investment Properties at fair value	15,000,000	(21,500,000)
Net value (gain)/loss on Equity Investments	20,346,155	(9,990,754)
National Redress and Abuse Provision recognised	1,312,638	125,312
Total underlying comprehensive income for the year	13,582,919	3,967,033

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 \$14,031,808 (2021: \$4,757,313).
- Catholic Education Office, (CEO) income from grants and levies increased in 2022, assisting to further provide services to the education sector within the Archdiocese of Adelaide. The CEO produced an underlying surplus of \$1,716,192 for 2022 (2021: \$755,853).
- Catholic Church Early Years Inc. commenced operations of early learning centres during 2019. Fee income continued to be lower than operating expenditure during 2022. Catholic Church Early Years Inc. operating result was a loss of \$502,798 (2021: \$981,530 loss).
- The Diocesan Presbytery Fund's loss of \$1,520,205 (2021: \$725,589 loss) 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 during the year.
- 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.

Catholic Church Endowment Society Inc.

- The Net Assets of the Association have decreased from 2021. Cash and Cash Equivalents have decreased while the investments Due from Other Financial Institutions have increased to \$122,160,320. Loans and Advances have continued to increase to \$206,994,062. The value of Equity Investments has decreased to \$134,165,863. The value of Investment Properties has also decreased due to revaluation. Deposits liability held by the CDF has increased to \$513,968,824. Borrowings have remained at Nil. Provisions have increased from 2021.

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

A handwritten signature in black ink, consisting of several loops and a long tail, positioned to the left of the text below.

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 2022:

- 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 2023



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 2022, 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 1 and 2 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 2022;
- 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 1 and 2 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 1 and 2 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 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.



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.



A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide

27 April 2023



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 of Catholic Church Endowment Society Inc. for the financial year ended 31 December 2022 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.



KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide

26 April 2023

Finance Council Declaration

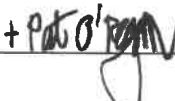
In the opinion of the Diocesan Finance Council of the Catholic Church Endowment Society Inc (Association):

- 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 2022 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 2023

Catholic Church Endowment Society
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 \$	2021 \$
Income			
Interest Income		7,756,109	5,890,150
Interest Expense		(1,101,243)	(4,742,887)
Net Interest Income	8	6,654,866	1,147,263
Income from SA Commission for Catholic Schools (SACCS)		23,033,870	16,983,172
Levies and Fees Income		24,978,911	22,783,317
Gain on Investment Properties at fair value		-	21,500,000
Rental Income		15,421,614	15,168,579
Donations		3,455,753	3,306,723
Other Income	9	2,190,613	2,697,421
Total Income		75,735,627	83,586,475
Expenses			
Employee Benefits Expense		(37,895,837)	(35,521,166)
Occupancy Expense		(6,672,254)	(6,282,112)
Depreciation Expense		(4,380,445)	(4,712,332)
Equipment Expense		(9,002,280)	(6,769,545)
Communication Expense		(1,009,661)	(1,107,901)
Community and Education Program Expense		(1,562,207)	(3,867,971)
General Administration Expense		(8,097,948)	(6,731,972)
Loss on Investment Properties at fair value		(15,000,000)	-
National Redress and Abuse Provision Adjustment		(1,312,638)	(125,312)
Total Expenses		(84,933,270)	(65,118,311)
Operating Profit/(Loss) for the year		(9,197,643)	18,468,164
Finance Income on Equity Investments		6,948,437	5,131,184
Net value (loss)/gain on Equity Investments		(20,346,155)	9,990,754
Finance Expenses on Borrowings		(480,513)	(467,180)
Gain on Derivative Liabilities		-	749,329
Net Finance (Expenses)/Income		(13,878,231)	15,404,087
Profit/(Loss) for the year		(23,075,874)	33,872,251
Attributable to Catholic Church Endowment Society Inc		(23,058,816)	33,852,527
Attributable to Non-controlling Interest in Controlled Entities	23	(17,058)	19,724
		(23,075,874)	33,872,251

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

Catholic Church Endowment Society
Consolidated Statement of Financial Position
As at 31 December 2022

Consolidated Statement of Financial Position

	Note	2022 \$	2021 \$
Assets			
Cash and Cash Equivalents	24	24,684,106	55,605,858
Due from Other Financial Institutions	10	122,160,320	100,936,463
Equity Investments	11	134,165,863	141,421,379
Investment Properties	12	197,110,000	211,110,000
Property, Plant and Equipment	13	41,929,285	44,779,389
Trade and Other Receivables	14	17,482,941	13,665,144
Assets Held for Sale	15	1,300,000	-
Loans and Advances	16	206,994,062	155,568,196
Total Assets		745,826,577	723,086,429
Liabilities			
Deposits	17	513,968,824	469,236,610
Trade and Other Payables	18	5,595,494	5,385,697
Borrowings	19	-	-
Provisions	20	11,613,718	11,178,910
Income in Advance		439,203	-
Total Liabilities		531,617,239	485,801,217
Net Assets		214,209,338	237,285,212
Equity			
Retained earnings	21	156,210,799	181,390,880
Reserves	22	57,210,843	55,089,578
Total Parent interest in equity		213,421,642	236,480,458
Non-controlling Interest in Controlled Entities	23	787,696	804,754
Total Equity		214,209,338	237,285,212

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

Catholic Church Endowment Society
Consolidated Statement of Changes in Equity
For the year ended 31 December 2022

Consolidated Statement of Changes in Equity

	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 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
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
Balance at 1 January 2022	804,754	3,992,075	1,492,312	1,638,432	-	47,966,759	181,390,880	237,285,212
Profit/(loss) for the year	-	-	-	-	-	-	(23,075,874)	(23,075,874)
Total comprehensive income for the year	-	-	-	-	-	-	(23,075,874)	(23,075,874)
Profit attributable to Non-controlling Interests	(17,058)	-	-	-	-	-	17,058	-
Transfer from/(to) retained earnings	-	39,823	-	(125,810)	-	2,207,252	(2,121,265)	-
Balance at 31 December 2022	787,696	4,031,898	1,492,312	1,512,622	-	50,174,011	156,210,799	214,209,338

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

Catholic Church Endowment Society
Consolidated Statement of Cash Flows
For the year ended 31 December 2022

Consolidated Statement of Cash Flows

	2022	2021
	\$	\$
Cash Flows from Operating Activities		
Receipts from SACCS, Grants, Levies and Fees Income	46,746,964	41,352,323
Donations and Other Income	5,561,956	5,932,672
Interest Received	7,756,109	5,890,150
Interest Paid on Deposits	(616,978)	(4,052,183)
Payments to Suppliers, Employees and Others	(67,843,538)	(62,392,565)
Net GST (Paid) / Refunded	2,188,368	2,179,712
	(6,207,119)	(11,089,891)
Net (payments)/receipts in Loans and Advances	(51,425,866)	(6,889,673)
Net receipts/(payments) in Deposits	44,732,214	42,599,928
Net (payments)/receipts in Amounts Due from other Financial Institutions	(21,223,857)	37,978,961
	(27,917,509)	73,689,216
Net Cash Flows from Operating Activities	(34,124,628)	62,599,325
Cash Flows from Investing Activities		
Net (payments)/receipts in relation to Equity Investments	(13,090,639)	(36,295,775)
Proceeds from Sale of Property, Plant and Equipment	2,278,610	1,284,929
Payments for Property, Plant and Equipment	(3,320,372)	(6,346,759)
Finance Income	6,948,437	5,131,184
Rental Income	12,351,618	11,776,475
Finance Expenses on Borrowings	(480,513)	(467,180)
Payout of Hedge Derivative	-	(4,443,000)
Purchase of Investment Property	(1,000,000)	-
Interest Paid on Borrowings related Investments	(484,265)	(690,704)
Net Cash Flows from Investing Activities	3,202,876	(30,050,830)
Cash Flows from Financing Activities		
Distribution to schools	-	(14,927,907)
Net Cash Flows from Financing Activities	-	(14,927,907)
Net Increase/(Decrease) in Cash Held	(30,921,752)	17,620,588
Cash at the beginning of the Year	55,605,858	37,985,270
Cash at the end of the Year	24,684,106	55,605,858

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

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

Notes to and forming part of the Consolidated Financial Statements

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 124 Related Party Disclosures

AASB 1048 Interpretation and Application of Standards

AASB 1054 Australian Additional Disclosures.

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

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 12: Investment Properties – assessing the fair value of Investment Properties at 31 December 2022.

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:

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

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.

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

(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
Notes to and forming part of the Consolidated Financial Statements
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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.

Catholic Church Endowment Society
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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 an assessment is made whether the transactions are considered transactions with the owner in their capacity as an owner. Transactions with the owner in their capacity as owner 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.

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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 2022.

(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.

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
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3 New Standards not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2023, 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
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

4 Segment Note Income Statement

	CCES *		CEO		DPF		Charities		PRF		EE		CCEV		Eliminations		Total		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Income																			
Interest Income	8,018	6,169	140	237	6	6	11	5	-	-	-	-	1	3	(420)	(530)	7,756	5,890	
Interest Expense	(1,260)	(4,996)	(133)	(131)	-	-	-	-	-	-	-	-	(128)	(146)	420	530	(1,101)	(4,743)	
Net Interest Income	6,758	1,173	7	106	6	6	11	5	-	-	-	-	(127)	(143)	-	-	6,655	1,147	
Income from SA Commission for Catholic Schools (SACCS)	-	-	23,034	16,983	-	-	-	-	-	-	-	-	-	-	-	-	23,034	16,983	
Levies and Fees Income	2,893	3,069	15,958	14,929	651	567	-	-	-	-	-	-	6,348	5,214	(871)	(986)	24,979	22,783	
Gain on Investment Properties at fair value	-	21,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,500	
Rental Income	15,304	15,054	-	-	-	-	-	-	-	-	176	173	-	-	(58)	(58)	15,422	15,169	
Donations	641	88	-	-	2,287	2,336	482	867	46	16	-	-	-	-	-	-	3,456	3,307	
Other Income	2,060	1,401	343	1,027	49	556	-	-	-	-	15	15	24	144	(301)	(446)	2,190	2,697	
Total Income	27,656	42,285	39,342	33,045	2,993	3,465	493	872	46	16	191	188	6,245	5,215	(1,230)	(1,500)	75,736	83,586	
Expenses																			
Employee Benefits Expense	(10,183)	(10,256)	(19,624)	(17,992)	(3,295)	(3,161)	(107)	(113)	-	-	-	-	(5,188)	(4,815)	701	816	(37,896)	(35,521)	
Occupancy Expense	(5,248)	(5,143)	(1,036)	(853)	(154)	(108)	-	-	-	-	(13)	(11)	(293)	(237)	72	70	(6,672)	(6,282)	
Depreciation Expense	(812)	(757)	(2,452)	(2,892)	(549)	(508)	-	-	-	-	(7)	(7)	(560)	(547)	-	-	(4,380)	(4,712)	
Equipment Expense	(776)	(571)	(7,676)	(5,752)	(703)	(622)	-	-	-	-	(53)	(62)	(41)	(29)	247	267	(9,002)	(6,769)	
Communication Expense	(600)	(659)	(286)	(280)	(46)	(53)	(31)	(32)	-	-	-	-	(47)	(84)	-	-	(1,010)	(1,108)	
General Administration Expense	(100)	(2,310)	(1,129)	(1,098)	-	-	(333)	(461)	-	-	-	-	-	-	-	-	(1,562)	(3,869)	
Loss on Investment Properties at fair value	(2,632)	(3,408)	(5,223)	(3,422)	234	262	(10)	(9)	-	-	(169)	(49)	(619)	(485)	321	379	(8,098)	(6,732)	
National Redress and Abuse Provision Adjustment	(15,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,000)	-	
	(1,313)	(125)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,313)	(125)	
Total Expenses	(36,664)	(23,229)	(37,626)	(32,289)	(4,513)	(4,191)	(481)	(615)	-	(242)	(129)	(129)	(6,748)	(6,197)	1,341	1,532	(84,933)	(65,118)	
Operating Profit/(Loss) for the year	(9,008)	19,056	1,716	756	(1,520)	(726)	12	257	46	16	(51)	59	(503)	(982)	111	32	(9,197)	18,468	
Finance Income on Equity Investments	7,060	5,163	-	-	-	-	-	-	-	-	-	-	-	-	(111)	(32)	6,949	5,131	
Net value (loss)/gain on Equity Investments	(20,346)	9,991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,346)	9,991	
Finance Expenses on Borrowings	(481)	(467)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(481)	(467)	
Gain on Derivative Liabilities	-	749	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	749	
Net Finance Income	(13,767)	15,436	-	-	-	-	-	-	-	-	-	-	-	-	(111)	(32)	(13,878)	15,404	
Profit/(Loss) for the year	(22,775)	34,492	1,716	756	(1,520)	(726)	12	257	46	16	(51)	59	(503)	(982)	-	-	(23,075)	33,872	

* CCES includes the Seminary Fund

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5 Segment Note Balance Sheet

	CCES		CEO		DPF		Charities		Priest Retirement Foundation		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets																		
Cash and Cash Equivalents	25,170	56,252	55,860	52,663	148	1,268	1,933	1,921	97	51	312	355	2,395	2,204	(61,231)	(59,128)	24,684	55,606
Due from Other Financial Institutions	122,160	100,936	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122,160	100,936
Equity Investments	134,166	141,421	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134,166	141,421
Investment Properties	194,030	208,030	-	-	-	-	-	-	-	-	3,080	3,080	-	-	-	-	197,110	211,110
Property, Plant and Equipment	25,946	26,481	7,404	8,258	2,010	1,687	-	-	-	-	42	49	6,527	8,304	-	-	41,929	44,779
Trade and Other Receivables	13,220	9,441	5,017	4,269	691	682	1	1	-	-	3	3	29	57	(1,478)	(787)	17,483	13,666
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	1,300	-	-	-	1,300	-
Loans and Advances	217,012	164,898	-	-	-	-	-	-	-	-	-	-	-	-	(10,018)	(9,330)	206,994	155,568
Total Assets	731,704	707,459	68,281	65,210	2,849	3,637	1,934	1,922	97	51	3,437	3,487	10,251	10,565	(72,727)	(69,245)	745,826	723,086
Liabilities																		
Deposits	575,201	528,364	-	-	-	-	-	-	-	-	-	-	-	-	(61,232)	(59,127)	513,969	469,237
Trade and Other Payables	1,669	1,556	2,419	2,354	1,070	912	-	-	-	-	1,073	1,073	271	278	(907)	(788)	5,595	5,385
Borrowings	-	-	5,395	4,893	570	-	-	-	-	-	-	-	4,623	4,437	(10,586)	(9,330)	-	-
Provisions	7,046	6,975	4,381	4,032	90	86	-	-	-	-	-	-	97	86	-	-	11,614	11,179
Income in Advance	-	-	439	-	-	-	-	-	-	-	-	-	-	-	-	-	439	-
Total Liabilities	583,916	536,895	12,634	11,279	1,730	998	-	-	-	-	1,073	1,073	4,991	4,801	(72,727)	(69,245)	531,617	485,801
Net Assets	147,788	170,564	55,647	53,931	1,119	2,639	1,934	1,922	97	51	2,364	2,414	5,260	5,764	-	-	214,209	237,285
Equity																		
Retained earnings	142,314	165,080	7,606	5,964	1,069	2,639	421	284	97	51	1,576	1,609	3,127	5,764	-	-	156,210	181,391
Reserves	5,474	5,484	48,041	47,967	50	-	1,513	1,638	-	-	-	-	2,133	-	-	-	57,211	55,089
Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	788	805	-	-	-	-	788	805
Total Equity	147,788	170,564	55,647	53,931	1,119	2,639	1,934	1,922	97	51	2,364	2,414	5,260	5,764	-	-	214,209	237,285

* CCES includes the Seminary Fund

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6 Profit for the Year

	2022	2021
	\$	\$
Includes the following items of income and expense:		
Profit/(Loss) on disposal of property, plant and equipment	<u>488,579</u>	<u>564,676</u>

7 Remuneration of Auditors

	2022	2021
	\$	\$
Audit Services performed by KPMG	198,050	204,307
Other Non-Audit Services performed by KPMG	479,230	312,796
Audit Services for Controlled entities performed by Other Auditors	1,000	1,000
	<u>678,280</u>	<u>518,103</u>

8 Net Interest Income

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

	2022	2021
	\$	\$
<i>Interest Earning Assets</i>		
Interest Income from cash and cash equivalents, cash management funds and term investments	3,008,161	766,013
<i>Average Earning rate from cash and cash equivalents, cash management funds and term investments</i>	1.78%	0.46%
Interest Income from loans and advances	4,747,948	5,124,137
<i>Average Earning rate from loans and advances</i>	2.62%	3.37%
<i>Interest Bearing Liabilities</i>		
Interest Paid on deposits	(1,101,243)	(4,742,887)
<i>Average Interest rate paid on deposits</i>	0.22%	1.06%
Net Income	<u>6,654,866</u>	<u>1,147,263</u>
Net Interest Margin	1.99%	0.79%

9 Other Income

	2022	2021
	\$	\$
Job-Keeper & Government COVID Relief	-	1,383,700
Sundry Income	2,190,613	1,313,721
Total Other Income	<u>2,190,613</u>	<u>2,697,421</u>

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10 Due from Other Financial Institutions

	2022	2021
	\$	\$
Term Investment with Other Financial Institutions	122,160,320	100,936,463
Total Term Investment with Other Financial Institutions	122,160,320	100,936,463

11 Equity Investments

	2022	2021
	\$	\$
Overseas Equities at fair value	29,852,301	32,819,339
Listed Shares at fair value	46,878,591	48,650,543
Unlisted Shares at fair value	202,906	3,698,880
Units in Trusts at fair value	57,232,065	56,252,617
Total Equity Investments	134,165,863	141,421,379

12 Investment Properties

	2022	2021
	\$	\$
Balance at beginning of year	211,110,000	189,610,000
Additions for the year	1,000,000	-
Net gain/(loss) from fair value adjustment	(15,000,000)	21,500,000
Balance at end of the year	197,110,000	211,110,000

Investment properties are measured at fair value based upon an independent valuation performed by Knight Frank (250 Victoria Square, Adelaide) in November 2022 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 2022 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 2022 does not differ materially to this valuation.

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13 Property, Plant and Equipment

31 December 2022	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	32,427,397	664,811	264,157	5,481,606	3,224,362	2,717,056	44,779,389
Depreciation expense	(653,462)	(225,506)	(105,867)	(2,439,608)	(956,002)	-	(4,380,445)
Disposals	(1,300,617)	-	-	(6,816)	(482,598)	-	(1,790,031)
Additions	107,576	-	708,146	3,366,109	1,675,250	2,272,584	8,129,665
Transfers	-	11,707	(15,572)	15,572	-	(4,821,000)	(4,809,293)
Carrying amount at the end of the period	30,580,894	451,012	850,864	6,416,863	3,461,012	168,640	41,929,285

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

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14 Trade and Other Receivables

	2022	2021
	\$	\$
Trade and Other Receivables		
Trade Receivables	816,600	919,484
Allowance for Doubtful Debts	(52,084)	(15,863)
	<u>764,516</u>	<u>903,621</u>
Other Receivables	2,671,607	3,150,895
Operating Lease Receivable	10,166,928	7,096,932
Long Service Leave Receivable	2,248,367	2,108,609
Amounts Receivable from SA Commission for Catholic Schools Inc.	641,248	267,706
Accrued Interest Receivable	990,275	137,381
	<u>990,275</u>	<u>137,381</u>
Total Trade and Other Receivables	<u>17,482,941</u>	<u>13,665,144</u>

15 Assets Held for Sale

	2022	2021
	\$	\$
Property, Plant & Equipment	1,300,000	-
Total Assets Held for Sale	<u>1,300,000</u>	<u>-</u>

Operations at the Early Learning Centre at Parafield Gardens will cease with all items of property, plant and equipment being sold to the Holy Family Catholic School. This agreement is dated 1 January 2023 with an agreed value of \$1.3M being payable in two instalments in 2023 and 2024, resulting in a \$7,000 loss on the written-down value of assets to fair value less costs to sell.

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2022

16 Loans and Advances

	2022 \$	2021 \$
Loans and Advances	<u>206,994,062</u>	<u>155,568,196</u>
<i>By concentration of risk</i>		
Parishes & Trusts	5,537,378	6,482,812
Diocesan Schools	184,897,150	129,109,781
Religious Order Schools	11,446,223	14,574,302
Other Catholic Organisations	5,113,311	5,401,301
Total Loans and Advances	<u>206,994,062</u>	<u>155,568,196</u>
<i>By maturity</i>		
Within 12 months	302,800	545,562
1-5 years	5,957,820	4,656,779
Over 5 years	200,733,442	150,365,855
Total Loans and Advances	<u>206,994,062</u>	<u>155,568,196</u>

The Provision for Expected Credit Loss on Loans is Nil (2021: Nil)

17 Deposits

	2022 \$	2021 \$
Deposits at amortised cost	<u>513,968,824</u>	<u>469,236,610</u>
<i>Concentration of Deposits</i>		
Parishes	52,160,472	53,444,690
Diocesan Schools	241,824,041	217,244,990
Religious Order Schools	34,195,180	30,339,674
Other Catholic Organisations	167,983,578	149,797,333
Parishioners	17,805,553	18,409,923
Total Deposits	<u>513,968,824</u>	<u>469,236,610</u>
<i>By maturity</i>		
On call	487,017,824	442,133,610
Up to 3 months	2,211,000	2,879,000
3-6 months	20,350,000	19,351,000
Over 6 months	4,390,000	4,873,000
Total Deposits	<u>513,968,824</u>	<u>469,236,610</u>

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
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18 Trade and Other Payables

	2022	2021
	\$	\$
Trade and Other Payables		
Trade Payables	2,660,395	2,804,461
Other Payables	2,379,972	1,771,519
Accrued Interest Payable	24,805	48,735
Lease Liability Current	257,339	241,621
Lease Liability Non-Current	272,983	519,361
Total Trade and Other Payables	5,595,494	5,385,697

19 Borrowings

	2022	2021
	\$	\$
Unsecured		
Other Loan (Interstate CDF's) at amortised cost	-	-
Secured		
Bank Loan (ANZ) at amortised cost (i)	-	-
Bank Loan (NAB) at amortised cost (ii)	-	-
Total borrowings	-	-

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 \$190,000,000 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.

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20 Provisions

	2022	2021
	\$	\$
National Redress and Abuse Provision	<u>4,888,000</u>	<u>4,926,000</u>
Employee Benefits		
Current	6,135,675	5,761,293
Non-Current	590,043	491,617
Total Employee Benefits	<u>6,725,718</u>	<u>6,252,910</u>
Total Provisions	<u><u>11,613,718</u></u>	<u><u>11,178,910</u></u>

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 2022, using data provided by the Association and with reference to key assumptions included above and activity under ACRL during 2022. 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
Notes to and forming part of the Consolidated Financial Statements
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21 Retained Earnings

	2022	2021
	\$	\$
Balance at the beginning of the financial year	181,390,880	151,418,404
Profit/(loss) for the year	(23,075,874)	33,872,251
Profit attributable to Non-controlling Interests	17,058	(19,724)
Transfer (to) / from reserves	(2,121,265)	(3,880,051)
Balance at end of financial year	156,210,799	181,390,880

22 Reserves

	2022	2021
	\$	\$
Government Funding	1,492,312	1,492,312
General	4,031,898	3,992,075
Catholic Charities	1,512,622	1,638,432
Transactions with Owner's Reserve	50,174,011	47,966,759
Total Reserves	57,210,843	55,089,578

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.

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.

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23 Non-controlling Interest

	2022	2021
	\$	\$
Non-controlling Interest	787,696	804,754
Total Non-controlling Interest in Controlled Entities	787,696	804,754

The Association's equity interest in Ecumenical Endeavours Pty Ltd is 67% (2021: 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.

	2022	2021
	\$	\$
NCI percentage (%)	33%	33%
Current Assets	328,653	373,923
Non-current Assets	3,122,384	3,129,257
Current Liabilities	(15,379)	(16,349)
Non-current Liabilities	(1,072,568)	(1,072,568)
Net Assets	2,363,090	2,414,263
Net assets attributable to NCI	787,696	804,754
Revenue	191,170	187,669
Profit / (Loss)	(51,173)	59,172
Profit allocated to NCI	(17,058)	19,724

24 Restricted use of cash balances

	2022	2021
	\$	\$
Included in cash and cash equivalents are the following amounts that are restricted:		
Catholic charities legacy funds donated by bequests	1,887,143	1,888,819
Deductible gift recipient funds for Catholic Diocesan Charities Appeal	45,803	31,896
Seminary Legacy Funds donated by bequests	475,113	647,113
Priest Retirement Foundation funds donated for benefit of retired Priests	97,035	51,301

25 Commitments for expenditure

As at 31 December 2022 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 \$8,143,649 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

	2022	2021
	\$	\$
Profit/(loss) for the year	(23,075,874)	33,872,251
Add/(Less) Non-Cash Items and Cash from Investing or Financing Activities:		
(Gain) on Derivative Liabilities	-	(749,329)
Depreciation Expense	4,380,445	4,712,332
(Gain) on Sale of Fixed Assets	(488,579)	(564,676)
Loss/(gain) on Equity Investments	20,346,155	(9,990,754)
Finance Income	(6,948,437)	(5,131,184)
Rental Income	(15,421,614)	(15,168,579)
Finance Expenses on Borrowings	480,513	467,180
Interest paid on Borrowings related Investments	484,265	690,704
Loss/(gain) on Investment Properties	15,000,000	(21,500,000)
	17,832,748	(47,234,306)
Movements in Assets and Liabilities:		
(Increase)/decrease in Trade and Other Receivables	(2,047,801)	1,444,578
(Increase) in Loans and Advances	(51,425,866)	(6,889,673)
(Increase)/decrease in amounts due from Other Financial Institutions	(21,223,857)	37,978,961
Increase in Trade and Other Payables	209,797	907,316
Increase/(decrease) in Provisions	434,808	(79,730)
Increase in Deposits	44,732,214	42,599,928
Increase in Income in Advance	439,203	-
	(28,881,502)	75,961,380
Net Cash Flows from Operating Activities	(34,124,628)	62,599,325

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
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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 Statement of Financial Position		Aggregate net fair value		Fair value hierarchy
	2022 \$	2021 \$	2022 \$	2021 \$	
Financial Assets					
Due from Other Financial Institutions	122,160,320	100,936,463	121,572,547	101,170,105	Level 1
Equity Investments	134,165,863	141,421,379	134,165,863	141,421,376	Level 1 & 3
Loans and Advances	206,994,062	155,568,196	206,994,062	155,568,196	Level 3
Total	463,320,245	397,926,038	462,732,472	398,159,677	
Financial Liabilities					
Deposits	513,968,824	469,236,610	513,968,824	469,236,610	Level 3
Total	513,968,824	469,236,610	513,968,824	469,236,610	

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
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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.

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
2022				
Equity Investments				
Listed	46,878,591	-	-	46,878,591
Unlisted	-	-	202,906	202,906
Overseas Equities	29,852,301	-	-	29,852,301
Units in Unit Trusts	57,232,065	-	-	57,232,065
	<u>133,962,957</u>	-	<u>202,906</u>	<u>134,165,863</u>
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
	<u>137,722,499</u>	-	<u>3,698,880</u>	<u>141,421,379</u>

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
Notes to and forming part of the Consolidated Financial Statements
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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.

	2022	2021
	\$	\$
Compensation to Key Management Personnel of the Association	1,009,652	951,695

Catholic Church Endowment Society
Notes to and forming part of the Consolidated Financial Statements
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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	
	2022	2021	2022	2021	2022	2021	2022	2021
Income / (Expense)	\$	\$	Payable / (Receivable)	\$	\$	\$	\$	\$
Catholic Education Office	947,547	881,207	151,396	17,470	55,860,154	52,682,686	5,394,600	4,892,994
Diocesan Presbytery Fund	(5,637)	(6,392)	-	-	148,337	1,267,527	-	-
Catholic Diocesan Charities Appeal	(11,313)	(4,826)	-	-	1,932,946	1,920,715	-	-
Seminary Fund	149,000	172,000	149,000	172,000	475,113	647,113	-	-
Ecumenical Endeavours Pty Ltd	(201)	(497)	-	-	311,406	355,102	-	-
Priest Retirement Foundation	(425)	(127)	-	-	97,035	51,301	-	-
Catholic Church Early Years Inc	203,389	76,059	-	-	2,395,451	2,202,964	4,623,244	4,436,764
Total	1,282,360	1,117,424	300,396	189,470	61,220,442	59,127,408	10,017,844	9,329,756

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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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Catholic Parishes	2,851,349	2,166,569	123,437	166,131	-	-	52,160,472	53,444,691	872,881	1,380,048			
Centacare	140,956	315,432	(125,196)	38,452	-	-	12,718,603	12,893,341	-	-			
Catholic Schools	17,505,460	14,225,367	296,122	569,594	-	(14,927,913)	276,019,221	247,584,665	196,343,373	143,684,084			
Other related Catholic organisations	22,868,609	16,836,514	-	-	-	-	89,744,964	118,383,126	5,105,158	5,389,739			
Total	43,366,374	33,543,882	294,363	774,177	-	(14,927,913)	430,643,260	432,305,823	202,321,412	150,453,871			

Catholic Church Endowment Society
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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 2022 or in future years.