

Catholic Church Endowment Society Inc.

**Special Purpose Consolidated
Financial Report**

For the year ended 31 December 2020

**Special Purpose Consolidated Financial Report
for the Financial Year Ended
31 December 2020**

Chair's Report.....	2
Finance Council Report to Members.....	4
Independent Auditor's Report.....	5
Auditor's Independence Declaration.....	8
Finance Council Declaration.....	9
Statement of Profit or Loss and Other Comprehensive Income.....	10
Statement of Financial Position.....	11
Statement of Changes in Equity.....	12
Statement of Cash Flows.....	13
Notes to the Financial Statements.....	14

Chair's Report

The Catholic Church Endowment Society Inc. (Association) recorded a gain of \$66,303,590 for the year ended 31 December 2020. The principal reason for the result is an increase in the market value of Investment Properties of \$52,690,000, as revalued at 31 December 2020. During the year there was a distribution of \$3,300,000 from reserves for the establishment of a new school in the North of Adelaide. A capital contribution from schools in the Pt Pirie Diocese to Catholic Education Office of \$11,250,100 was received as income. An actuarial review of the National Redress and Abuse Provision resulted in an increase in the provision of \$136,239. The gain in market value of Listed Equity Investments of \$2,596,149 was offset by a reduction in the market value of Unlisted Equity Investments of \$3,228,895. The Association recorded an underlying profit of \$7,160,241 (2019: profit of \$191,865). A reconciliation of the recorded gain to the underlying income is set out below:

	2020	2019
	\$	\$
Total comprehensive income/(loss) for the year	66,303,590	9,721,370
Loss on Derivative Liabilities	727,766	1,759,599
Distribution for Northern School Development Project	3,300,000	-
Contribution from Schools in Pt Pirie Diocese	(11,250,100)	-
Gain on Investment Properties at fair value	(52,690,000)	-
Net value (gain)/loss on Equity Investments	632,746	(10,791,706)
National Redress and Abuse Provision recognised	136,239	(497,398)
Total underlying comprehensive income for the year	7,160,241	191,865

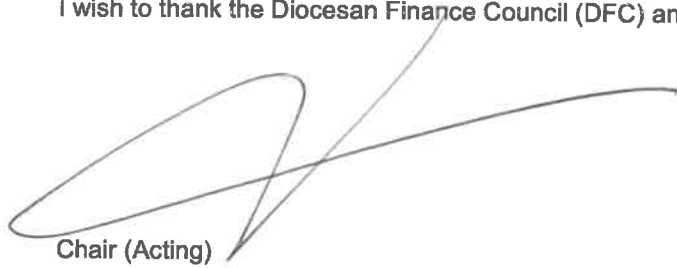
Agencies of the Association have contributed as follows:

- 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 \$4,719,163 (2019: \$1,762,866).
- Catholic Education Office, (CEO) income from grants and levies increased in 2020, assisting to further provide services to the education sector within the Archdiocese of Adelaide. The CEO produced an underlying surplus of \$3,792,350 for 2020 (2019: \$387,862).
- Catholic Church Early Years Inc. commenced operations of early learning centres during 2019. Fee income continued to be lower than operating expenditure during 2020 largely as a result of the COVID-19 impact. Catholic Church Early Years Inc. operating result was a loss of \$1,001,049 (2019: \$935,858).
- The Diocesan Presbytery Fund's gain of \$78,816 (2019: \$693,090 loss) resulted from Job-Keeper being received which replaced lost donation income as a result of church operating restrictions. Expenditure was also reduced due to COVID-19 impacts.

Catholic Church Endowment Society Inc.

- 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.
- 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 significantly from 2019. Cash and Cash Equivalents have increased as well as Due from Other Financial Institutions increasing to \$138,915,424. Loans and Advances have increased to \$148,678,523 and Equity Investments have increased to \$95,134,850. The value of Investment Properties has also increased significantly due to its revaluation. Deposits liability held by the CDF has increased to \$426,636,682. Borrowings have been reduced to \$nil. Derivative Liabilities have increased and Provisions also increased due to increasing employee benefits.
- Net Assets increase has been in part due to the funds received from diocesan schools within both the Adelaide Archdiocese (\$57,081,212) and the Pt Pirie Diocese (\$11,250,100). The Federal Government's Job-Keeper scheme enabled schools in 2020 to provide significant fee relief for families in need whilst meeting all legislative criteria for keeping staff employed. Surplus untied funds has been returned to the Catholic Education Office for strategic allocation to schools in coming years.

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



Chair (Acting)
Diocesan Finance Council
Catholic Archdiocese of Adelaide

27/4/21

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 2020:

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 (Acting)

Archbishop of Adelaide

Adelaide, 27/4/21



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 2020, 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 Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Consolidated Statement of Financial Position as at 31 December 2020;
- (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 the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 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 ACNC 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.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Report and the Finance Council Report to the Members.

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;
- (ii) determining that the basis of preparation described in Note 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's 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 scepticism 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 Association'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's 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.



A handwritten signature in black ink, appearing to read 'Paul Cenko', written in a cursive, flowing style.

Paul Cenko
Partner

Adelaide

27 April 2021



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 the financial year ended 31 December 2020 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

27 April 2021

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 2020 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 2; and
 - (ii) complying with Australian Accounting Standards to the extent described in Note 2, 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 (Acting)



Archbishop of Adelaide

Adelaide, 27/4/21

Catholic Church Endowment Society Inc.
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Income			
Interest Income		7,535,125	7,601,312
Interest Expense		(5,970,899)	(6,955,121)
Net Interest Income	8	1,564,226	646,191
Income from SA Commission for Catholic Schools (SACCS)		15,376,340	13,610,004
Levies and Fees Income		14,770,844	14,172,429
Gain on Investment Properties at fair value		52,690,000	-
Rental Income		15,114,301	14,313,773
Donations		2,857,431	3,589,533
Other Income	9	25,747,028	1,741,011
Total Income		128,120,170	48,072,941
Expenses			
Employee Benefits Expense		(33,419,550)	(27,410,623)
Occupancy Expense		(6,346,307)	(5,967,916)
Depreciation Expense		(3,818,673)	(3,452,595)
Equipment Expense		(4,627,413)	(4,332,245)
Communication Expense		(1,200,576)	(1,164,103)
Community and Education Program Expense		(4,939,343)	(1,712,141)
General Administration Expense		(7,883,655)	(5,950,085)
National Redress and Abuse Provision Adjustment		(136,239)	497,398
Total Expenses		(62,371,756)	(49,492,310)
Operating Profit/(Loss) for the year		65,748,414	(1,419,369)
Finance Income on Equity Investments		3,406,347	3,242,349
Net value gain/(loss) on Equity Investments		(632,746)	10,791,706
Finance Expenses on Borrowings		(1,490,659)	(1,133,717)
Loss on Derivative Liabilities		(727,766)	(1,759,599)
Net Finance Income		555,176	11,140,739
Profit/(Loss) for the year		66,303,590	9,721,370
Attributable to Catholic Church Endowment Society Inc		66,308,699	9,680,258
Attributable to Non-controlling Interest in Controlled Entities	23	(5,109)	41,112
		66,303,590	9,721,370

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 2020

	Note	2020 \$	2019 \$
Assets			
Cash and Cash Equivalents	24	37,985,270	21,074,753
Due from Other Financial Institutions	10	138,915,424	81,619,034
Equity Investments	11	95,134,850	78,642,262
Investment Properties	12	189,610,000	136,920,000
Property, Plant and Equipment	13	43,865,215	40,497,167
Trade and Other Receivables	14	11,717,618	5,807,425
Loans and Advances	15	148,678,523	135,480,090
Total Assets		665,906,900	500,040,731
Liabilities			
Deposits	16	426,636,682	374,251,087
Trade and Other Payables	17	4,478,381	5,502,586
Borrowings	18	-	10,000,000
Derivative Liabilities	19	5,192,329	4,464,562
Provisions	20	11,258,640	10,531,729
Income in Advance		-	334,701
Total liabilities		447,566,032	405,084,665
Net Assets		218,340,868	94,956,066
Equity			
Retained Earnings	21	151,418,404	81,873,149
Reserves	22	66,137,434	12,292,778
Total Parent interest in equity		217,555,838	94,165,927
Non-controlling Interest in Controlled Entities	23	785,030	790,139
Total Equity		218,340,868	94,956,066

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 2020**

	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 2019	749,027	3,107,633	1,492,312	2,008,382	5,509,553	-	72,446,561	85,313,468
Profit/(Loss) for the year	-	-	-	-	-	-	9,721,370	9,721,370
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	9,721,370	9,721,370
Adjustment on initial application of AASB 16	-	-	-	-	-	-	(78,772)	(78,772)
Profit attributable to Non-controlling Interests	41,112	-	-	-	-	-	(41,112)	-
Transfer from/(to) retained earnings	-	198,289	-	(23,391)	-	-	(174,898)	-
Balance at 31 December 2019	790,139	3,305,922	1,492,312	1,984,991	5,509,553	-	81,873,149	94,956,066
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
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

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 2020

	2020	2019
	\$	\$
<i>Operating Activities</i>		
Receipts from SACCS, Grants, Levies and Fees Income	27,749,791	29,098,078
Donations and Other Income	28,604,459	5,252,335
Interest Received	7,535,125	7,601,312
Interest Paid on Deposits	(5,070,517)	(5,845,372)
Payments to Suppliers, Employees and Others	(59,242,019)	(49,787,938)
Net GST (Paid) / Refunded	(142,673)	71,078
	<u>(565,834)</u>	<u>(13,610,507)</u>
Net (payments)/receipts in Loans and Advances	(13,198,433)	(22,165,958)
Net receipts/(payments) in Deposits	52,385,595	23,807,657
Net (receipts)/payments in Amounts Due from other Financial Institutions	(57,296,390)	(11,092,106)
	<u>(18,109,228)</u>	<u>(9,450,407)</u>
<i>Net Cash Flows from Operating Activities</i>	<u>(18,675,062)</u>	<u>(23,060,914)</u>
<i>Investing Activities</i>		
Net (payments)/receipts in relation to Equity Investments	(17,125,334)	1,828,580
Proceeds from Sale of Property, Plant and Equipment	1,263,621	1,559,799
Payments for Property, Plant and Equipment	(8,058,699)	(8,053,806)
Finance Income	3,406,347	3,242,349
Rental Income	11,409,473	14,313,773
Finance Expenses on Borrowings	(1,490,659)	(1,133,717)
Interest Paid on Borrowings related Investments	(900,382)	(1,109,749)
<i>Net Cash Flows from Investing Activities</i>	<u>(11,495,633)</u>	<u>10,647,229</u>
<i>Cash Flows from Financing Activities</i>		
Drawdown/(Repayments) of Borrowings	(10,000,000)	-
Distribution from schools	57,081,212	-
<i>Net Cash Flows from Financing Activities</i>	<u>47,081,212</u>	<u>-</u>
<i>Net Increase/(Decrease) in Cash Held</i>	<u>16,910,517</u>	<u>(12,413,685)</u>
<i>Cash at the beginning of the Year</i>	<u>21,074,753</u>	<u>33,488,438</u>
<i>Cash at the end of the Year</i>	<u>37,985,270</u>	<u>21,074,753</u>

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 2020

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

AABS 1054 Australian Additional Disclosures.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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 2020.

Note 12: Investment Properties – assessing the fair value of Investment Properties at 31 December 2020.

Note 19: Derivative Liabilities – assessing the value of the Derivative Liabilities at 31 December 2020.

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 Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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 Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

(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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

(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 Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

(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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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 2020.

(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 2021, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Association as set out below. 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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

4 Segment Note Income Statement

	CCES *		CEO		DPF		Charities		Priest Retirement Foundation		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income	7,958	7,889	48	70	14	45	17	36	-	-	1	3	1	2	(504)	(444)	7,535	7,601
Interest Income	(6,054)	(7,128)	(85)	(125)	-	-	-	-	-	-	-	-	(336)	(146)	504	444	(5,971)	(6,955)
Net Interest Income	1,904	761	(37)	(55)	14	45	17	36	-	-	1	3	(335)	(144)	-	-	1,564	646
Income from SA Commission for Catholic Schools (SACCS)	-	-	15,376	13,610	-	-	-	-	-	-	-	-	-	-	-	-	15,376	13,610
Levies and Fees Income	2,324	3,308	11,253	10,776	-	739	-	-	-	-	-	-	2,140	321	(946)	(972)	14,771	14,172
Gain/(loss) on Investment Properties at fair value	52,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,690	-
Rental Income	15,014	14,122	-	-	-	-	-	-	-	-	161	192	-	-	(61)	-	15,114	14,314
Donations	568	358	-	-	1,886	2,766	369	466	35	-	-	-	-	-	-	-	2,858	3,590
Other Income	5,498	1,080	17,150	1,060	2,635	13	-	-	-	-	37	14	950	107	(523)	(533)	25,747	1,741
Total Income	77,998	19,629	43,742	25,391	4,535	3,563	386	502	35	-	199	209	2,755	284	(1,530)	(1,505)	128,120	48,073
Expenses	(12,056)	(9,842)	(16,192)	(14,739)	(3,409)	(3,022)	(112)	(108)	-	-	-	-	(2,771)	(582)	1120	882	(33,420)	(27,411)
Employee Benefits Expense	(5,210)	(4,945)	(886)	(890)	(109)	(115)	-	-	-	-	(15)	(17)	(196)	(69)	70	68	(6,346)	(5,968)
Occupancy Expense	(744)	(737)	(2,209)	(2,073)	(514)	(489)	-	-	-	-	(6)	(5)	(346)	(148)	-	-	(3,819)	(3,452)
Depreciation Expense	(546)	(504)	(3,429)	(3,107)	(515)	(669)	-	-	-	-	(101)	(30)	(36)	(22)	-	-	(4,827)	(4,332)
Equipment Expense	(775)	(744)	(216)	(241)	(58)	(71)	(34)	(37)	-	-	-	-	(153)	(106)	35	35	(1,201)	(1,164)
Communication Expense	(3,375)	(150)	(1,118)	(1,114)	-	-	(492)	(494)	-	-	-	-	-	-	46	46	(4,939)	(1,712)
Community and Education Program Expense	(3,360)	(3,374)	(4,650)	(2,840)	148	109	(9)	(9)	-	-	(92)	(34)	(254)	(292)	333	490	(7,884)	(5,950)
General Administration Expense	(136)	497	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(136)	497
National Redress and Abuse Provision Adjustment	(28,202)	(19,799)	(28,700)	(25,004)	(4,457)	(4,257)	(647)	(648)	-	-	(214)	(86)	(3,756)	(1,219)	1,604	1,521	(62,372)	(49,492)
Total Expenses	51,796	(170)	15,042	387	78	(694)	(261)	(146)	35	-	(15)	123	(1,001)	(935)	74	16	65,748	(1,419)
Operating Profit/(Loss) for the year	3,481	3,258	-	-	-	-	-	-	-	-	-	-	-	-	(74)	(16)	3,407	3,242
Finance Income on Equity Investments	(633)	10,792	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(633)	10,792
Net value gain/(loss) on Equity Investments	(1,491)	(1,134)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,491)	(1,134)
Finance Expenses on Borrowings	(728)	(1,760)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(728)	(1,760)
Loss on Derivative Liabilities	629	11,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	629	11,156
Net Finance Income	52,425	10,986	15,042	387	78	(694)	(261)	(146)	35	-	(15)	123	(1,001)	(935)	(74)	(16)	555	11,140
Profit/(Loss) for the year	25,429	11,156	15,042	387	78	(694)	(261)	(146)	35	-	(15)	123	(1,001)	(935)	(74)	(16)	66,303	9,721

* CCES includes the Seminary Fund previously shown separately

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

5 Segment Note Balance Sheet

	CCES		CEO		DPF		Charities		Priest Retirement Foundation		Ecumenical Endeavours		CCEY		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets																		
Cash and Cash Equivalents	38,831	22,405	64,056	3,254	1,636	1,091	1,677	1,926	35	-	289	314	2,355	63	(70,894)	(7,998)	37,985	21,075
Due from Other Financial Institutions	138,915	81,619	-	-	-	-	-	-	-	-	-	-	-	-	-	-	138,915	81,619
Equity Investments	95,135	78,642	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95,135	78,642
Investment Properties	186,530	133,840	-	-	-	-	-	-	-	3,080	3,080	-	-	-	-	-	189,610	136,920
Property, Plant and Equipment	28,357	25,295	7,191	7,329	1,947	2,300	-	-	-	56	50	8,314	5,524	-	-	-	43,865	40,498
Trade and Other Receivables	6,542	2,004	5,089	3,917	849	948	8	1	-	4	1	110	47	(884)	(1,111)	11,718	5,807	
Loans and Advances	154,867	144,747	-	-	-	-	-	-	-	-	-	-	-	-	(6,188)	(9,267)	148,679	135,480
Total Assets	647,177	488,552	76,336	14,500	4,432	4,339	1,685	1,927	35	-	3,429	3,445	10,779	5,654	(77,966)	(18,376)	665,907	500,041
Liabilities																		
Deposits	497,520	382,243	2,447	2,703	-	-	-	-	-	-	-	-	3,741	6,564	(77,071)	(17,259)	426,637	374,251
Trade and Other Payables	1,148	1,038	1,880	3,180	990	984	19	-	-	1,074	1,074	262	343	(895)	(1,117)	4,478	5,502	
Borrowings	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000
Derivative Liabilities	5,192	4,465	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,192	4,465
Provisions	7,245	7,160	3,907	3,303	77	69	-	-	-	-	-	-	30	-	-	-	11,259	10,532
Income in Advance	-	-	-	335	-	-	-	-	-	-	-	-	-	-	-	-	-	335
Total liabilities	511,105	404,906	8,234	9,521	1,067	1,053	19	-	-	-	1,074	1,074	4,033	6,907	(77,966)	(18,376)	447,566	405,085
Net Assets	136,072	83,646	68,102	4,979	3,365	3,286	1,666	1,927	35	-	2,355	2,371	6,746	(1,253)	-	-	218,341	94,956
Equity																		
Retained earnings	128,891	73,338	20,021	4,979	3,365	3,286	(209)	(58)	35	-	1,570	1,581	(2,254)	(1,253)	-	-	151,419	81,873
Reserves	7,181	10,308	48,081	-	-	-	1,875	1,985	-	-	-	-	9,000	-	-	-	66,137	12,293
Non-controlling Interest	-	-	-	-	-	-	-	-	-	-	785	790	-	-	-	-	785	790
Total Equity	136,072	83,646	68,102	4,979	3,365	3,286	1,666	1,927	35	-	2,355	2,371	6,746	(1,253)	-	-	218,341	94,956

* CCES includes the Seminary Fund previously shown separately

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

6 Profit for the Year

	2020	2019
	\$	\$
Includes the following items of income and expense:		
Profit/(Loss) on disposal of property, plant and equipment	<u>394,218</u>	<u>301,793</u>

7 Remuneration of Auditors

	2020	2019
	\$	\$
Audit Services performed by KPMG	153,580	150,880
Other Non-Audit Services performed by KPMG	476,878	93,075
Audit Services for Controlled entities performed by Other Auditors	1,000	1,000
	<u>631,458</u>	<u>244,955</u>

8 Net Interest Income

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

	2020	2019
	\$	\$
<i>Interest Earning Assets</i>		
Interest Income from cash and cash equivalents, cash management funds and term investments	2,273,845	2,436,231
<i>Average Earning rate from cash and cash equivalents, cash management funds and term investments</i>	1.16%	1.84%
Interest Income from loans and advances	5,261,280	5,165,081
<i>Average Earning rate from loans and advances</i>	3.70%	3.90%
<i>Interest Bearing Liabilities</i>		
Interest Paid on deposits	(5,970,899)	(6,955,121)
<i>Average Interest rate paid on deposits</i>	1.35%	1.82%
Net Income	<u>1,564,226</u>	<u>646,191</u>
Net Interest Margin	0.88%	1.05%

9 Other Income

	2020	2019
	\$	\$
Job-Keeper & Government COVID Relief	13,032,891	-
Contributions from Schools in Pt Pirie Diocese	11,250,100	-
Sundry Income	1,464,037	1,741,011
Total Other Income	<u>25,747,028</u>	<u>1,741,011</u>

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

10 Due from Other Financial Institutions

	2020	2019
	\$	\$
Term Investment with Other Financial Institutions	138,915,424	81,619,034
Total Term Investment with Other Financial Institutions	138,915,424	81,619,034

11 Equity Investments

	2020	2019
	\$	\$
Income Securities at fair value	1,304,853	1,281,831
Overseas Equities at fair value	24,308,495	22,220,392
Listed Shares at fair value	35,582,221	29,617,677
Unlisted Shares at fair value	4,190,211	7,419,106
Units in Trusts at fair value	29,749,070	18,103,256
Total Equity Investments	95,134,850	78,642,262

12 Investment Properties

	2020	2019
	\$	\$
Balance at beginning of Year	136,920,000	136,920,000
Net gain/(loss) from fair value adjustment	52,690,000	-
Balance at the end of the year	189,610,000	136,920,000

Investment properties are measured at fair value based upon an independent valuation performed by both Jones Lang Lasalle (250 Victoria Square, Adelaide) and Knight Frank (49 Wakefield Street, Adelaide) during December 2020 and 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 2020 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 2020 does not differ materially to this valuation.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

13 Property, Plant and Equipment

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

31 December 2019	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	\$ 24,254,577	\$ -	\$ 590,812	\$ 2,815,778	\$ 3,522,702	\$ 4,674,998	\$ 35,858,867
Adjustment on initial application of AASB 16	-	1,295,224	-	-	-	-	1,295,224
Depreciation expense	(359,405)	(215,871)	(140,712)	(1,782,389)	(954,218)	-	(3,452,595)
Disposals	(335,000)	-	-	-	(923,006)	-	(1,258,006)
Additions	3,336,953	-	149,379	2,280,494	2,286,980	-	8,053,806
Transfers	2,012,822	-	-	1,502,221	-	(3,515,043)	-
Other adjustments	(235)	-	1	1,383	(1,278)	-	(129)
Carrying amount at the end of the period	28,909,712	1,079,353	599,480	4,817,487	3,931,180	1,159,955	40,497,167

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

14 Trade and Other Receivables

	2020	2019
	\$	\$
Trade and Other Receivables		
Trade Receivables	878,451	979,440
Other Receivables	4,170,843	2,748,468
Operating Lease Receivable	3,704,828	-
Long Service Leave Receivable	1,964,496	1,826,469
Amounts Receivable from SA Commission for Catholic Schools Inc.	718,813	-
Accrued Interest Receivable	280,187	253,048
Total Trade and Other Receivables	11,717,618	5,807,425

15 Loans and Advances

	2020	2019
	\$	\$
Loans and Advances	148,678,523	135,480,090
<i>By concentration of risk</i>		
Parishes & Trusts	6,324,424	6,606,445
Diocesan Schools	115,352,096	95,583,880
Religious Order Schools	16,638,182	19,845,000
Other Catholic Organisations	10,363,821	13,444,765
Total Loans and Advances	148,678,523	135,480,090
<i>By maturity</i>		
Within 12 months	2,319,001	5,522,225
1-5 years	8,914,036	10,000,167
Over 5 years	137,445,486	119,957,698
Total Loans and Advances	148,678,523	135,480,090

The Provision for Expected Credit Loss on Loans is Nil (2019: Nil)

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

16 Deposits

	2020	2019
	\$	\$
Deposits at amortised cost	426,636,682	374,251,087
<i>Concentration of Deposits</i>		
Parishes	52,326,596	50,438,274
Diocesan Schools	173,254,526	155,145,171
Religious Order Schools	21,752,227	14,205,849
Other Catholic Organisations	160,333,437	135,510,860
Parishioners	18,969,896	18,950,933
Total Deposits	426,636,682	374,251,087
<i>By maturity</i>		
On call	324,060,682	363,498,087
Up to 3 months	35,916,000	3,051,000
3-6 months	61,827,000	1,908,000
Over 6 months	4,833,000	5,794,000
Total Deposits	426,636,682	374,251,087

17 Trade and Other Payables

	2020	2019
	\$	\$
Trade and Other Payables		
Trade Payables	2,164,500	2,338,190
Other Payables	1,275,327	780,289
Amounts Payable to SA Commission for Catholic Schools Inc.	-	1,098,258
Accrued Interest Payable	73,642	107,703
Lease Liability Current	222,380	208,329
Lease Liability Non-Current	742,532	969,817
Total Trade and Other Payables	4,478,381	5,502,586

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

18 Borrowings

	2020	2019
	\$	\$
Unsecured		
Other Loan (Interstate CDF's) at amortised cost	-	10,000,000
Secured		
Bank Loan (ANZ) at amortised cost (i)	-	-
Bank Loan (NAB) at amortised cost (ii)	-	-
	<u>-</u>	<u>10,000,000</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 \$183,500,000 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

	2020	2019
	\$	\$
Derivatives that are carried at fair value:		
Interest rate Swap	<u>5,192,329</u>	<u>4,464,562</u>

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

20 Provisions

	2020	2019
	\$	\$
National Redress and Abuse Provision	5,240,000	5,400,000
Employee Benefits		
Current	5,693,263	4,813,619
Non-Current	325,377	318,110
Total Employee Benefits	6,018,640	5,131,729
Total Provisions	11,258,640	10,531,729

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 2020, using data provided by the Association and with reference to key assumptions included above and activity under ACRL during 2020. 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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

21 Retained Earnings

	2020	2019
	\$	\$
Balance at the beginning of the financial year	81,873,149	72,446,561
Profit/(loss) for the year	66,303,590	9,721,370
Profit attributable to Non-controlling Interests	5,109	(41,112)
Adjustment on initial application of AASB 16	-	(78,772)
Transfer (to) / from reserves	3,236,556	(174,898)
Balance at end of financial year	151,418,404	81,873,149

22 Reserves

	2020	2019
	\$	\$
Government Funding	1,492,312	1,492,312
General	3,479,366	3,305,922
Catholic Charities	1,874,991	1,984,991
Catholic Education capital	2,209,553	5,509,553
Transactions with Owner's Reserve	57,081,212	-
Total Reserves	66,137,434	12,292,778

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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

23 Non-controlling Interest

	2020	2019
	\$	\$
Non-controlling Interest	785,030	790,139
Total Non-controlling Interest in Controlled Entities	785,030	790,139

The Association's equity interest in Ecumenical Endeavours Pty Ltd is 67% (2019: 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.

	2020	2019
	\$	\$
NCI percentage (%)	33%	33%
Current Assets	305,817	330,519
Non-current Assets	3,136,131	3,129,666
Current Liabilities	(14,289)	(17,200)
Non-current Liabilities	(1,072,568)	(1,072,568)
Net Assets	2,355,091	2,370,417
Net Assets attributable to NCI	785,030	790,141
Revenue	198,684	208,482
Profit / (Loss)	(15,326)	123,337
Profit allocated to NCI	(5,109)	41,112

24 Restricted use of cash balances

	2020	2019
	\$	\$
Included in cash and cash equivalents are the following amounts that are restricted:		
Catholic charities legacy funds donated by bequests	1,641,839	1,874,992
Deductible gift recipient funds for Catholic Diocesan Charities Appeal	34,514	50,703
Seminary Legacy Funds donated by bequests	835,113	1,146,113

25 Commitments for expenditure

As at 31 December 2020 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 \$11,835,149 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.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

27 Cash flow reconciliation

	2020	2019
	\$	\$
Profit/(loss) for the year	66,303,590	9,721,370
Add/Less Non-Cash Items and Cash from Investing or Financing Activities:		
Loss on Derivative Liabilities	727,766	1,759,599
Depreciation Expense	3,818,673	3,452,595
(Gain) on Sale of Fixed Assets	(394,218)	(301,793)
(Gain)/loss on Equity Investments	632,746	(10,791,706)
Finance Income	(3,406,347)	(3,242,349)
Rental Income	(15,114,301)	(14,313,773)
Finance Expenses on Borrowings	1,490,659	1,133,717
Interest paid on Borrowings related Investments	900,382	1,109,749
(Gain) on Investment Properties	(52,690,000)	-
	<u>(64,034,640)</u>	<u>(21,193,961)</u>
Movements in Assets and Liabilities:		
(Increase)/decrease in Trade and Other Receivables	(2,205,365)	1,369,178
(Increase) in Loans and Advances	(13,198,433)	(22,165,958)
(Increase) in amounts Due from Other Financial Institutions	(57,296,390)	(11,092,106)
(Decrease) in Trade and Other Payables	(1,021,629)	(2,654,321)
Increase/(decrease) in Provisions	726,911	(792,109)
Increase in Deposits	52,385,595	23,807,657
(Decrease) in Income in Advance	(334,701)	(60,664)
	<u>(20,944,012)</u>	<u>(11,588,323)</u>
Net Cash Flows from Operating Activities	<u>(18,675,062)</u>	<u>(23,060,914)</u>

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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
	2020	2019	2020	2019	
Financial assets					
Due from Other Financial Institutions	138,915,424	81,619,034	138,990,305	81,899,846	Level 1
Equity Investments	95,134,850	78,642,262	95,134,850	78,642,262	Level 1 and 3
Loans and Advances	148,678,523	135,480,090	148,678,523	135,480,090	Level 3
Total	382,728,797	295,741,387	382,803,678	296,022,198	
Financial liabilities					
Deposits	426,636,682	374,251,087	426,636,682	374,251,087	Level 3
Derivative Liabilities	5,192,329	4,464,562	5,192,329	4,464,562	Level 2
Borrowings	-	10,000,000	-	10,000,000	Level 3
Total	431,829,011	388,715,649	431,829,011	388,715,649	

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.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

	Level 1	Level 2	Level 3	Total
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)
2019				
Equity Investments				
Income Securities	1,281,831	-	-	1,281,831
Listed	29,617,677	-	-	29,617,677
Unlisted	-	-	7,419,106	7,419,106
Overseas Equities	22,220,392	-	-	22,220,392
Units in Unit Trusts	18,103,256	-	-	18,103,256
Derivative Liabilities		(4,464,562)	-	(4,464,562)

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.

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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.

(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
- Director of Strategic Finance
- Vicar General
- Director of Catholic Education

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

	2020	2019
	\$	\$
Compensation to Key Management Personnel of the Association	897,329	866,210

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

(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	
	2020	2019	2020	2019	2020	2019	2020	2019
	Income / (Expense)		Payable / (Receivable)					
	2020	2019	2020	2019	2020	2019	2020	2019
Catholic Education Office	1,159,368	944,680	(8,322)	17,403	64,056,219	3,250,099	2,446,711	2,702,678
Diocesan Presbytery Fund	(14,200)	(44,770)	-	-	1,636,252	1,264,182	-	-
Catholic Diocesan Charities Appeal	(17,096)	(36,263)	-	-	1,676,353	1,934,116	-	-
Seminary Fund	191,000	313,000	189,000	313,000	835,113	1,146,113	-	-
Ecumenical Endeavours Pty Ltd	73,768	13,452	-	-	288,636	314,314	-	-
Priest Retirement Foundation	(58)	-	-	-	35,161	-	-	-
Catholic Church Early Years Inc	177,441	43,269	6,241	-	2,355,082	83,208	3,741,459	6,564,272
Total	1,570,223	1,233,368	186,919	330,403	70,882,816	7,992,032	6,188,170	9,266,950

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

(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 from Schools		Deposits held by the Association		Loans made by the Association	
	2020	2019	Payable / (Receivable) 2020	2019	2020	2019	2020	2019	2020	2019
Catholic Parishes	598,131	2,880,603	2,167	(171,685)			52,326,596	50,438,274	1,606,663	1,632,889
Centacare	(85,076)	(61,460)	177,400	455,414			14,228,405	12,118,828	-	2,712,461
Catholic Schools	9,294,104	10,891,170	(597,604)	(699,362)	57,081,212	-	195,006,752	169,351,020	131,990,278	115,428,880
Other Related Catholic Organisations	15,014,041	12,694,652	-	-			132,643,415	121,588,610	5,705,970	5,930,419
Total	24,821,200	26,404,965	(418,037)	(415,633)	57,081,212	-	394,205,168	353,496,732	139,302,911	125,704,649

Catholic Church Endowment Society Inc.
Notes to and forming part of the Consolidated Financial Statements
For the year ended 31 December 2020

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 2020 or in future years.