

**Catholic Church Endowment Society Inc.**

**Special Purpose Consolidated  
Financial Report**

For the year ended 31 December 2019

**Special Purpose Consolidated Financial Report  
for the Financial Year Ended  
31 December 2019**

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## Chairman's Report

The Catholic Church Endowment Society Inc. (Association) recorded a gain of \$9,721,370 for the year ended 31 December 2019. The principal reason for the gain is an increase in the market value of equity investments of \$10,791,706. This gain was offset by a loss in Derivative Liabilities of \$1,759,599. A reduction in the National Redress and Abuse Provision of \$497,398 was recorded as a result of an Actuarial Review of the provision as at 31 December 2019. There was no change in the estimated fair value of investment properties at 31 December 2019. The Association recorded an underlying profit of \$191,865 (2018: profit of \$1,543,473). The reduction in the underlying profit is principally due to Catholic Church Early Years Inc. operating loss whilst in its start-up phase. A reconciliation of the recorded gain to the underlying profit is set out below:

|   | 2019           | 2018             |
|---|----------------|------------------|
|   | \$             | \$               |
| Total comprehensive income/(loss) for the year            | 9,721,370      | (7,918,096)      |
| Loss on Derivative Liabilities                            | 1,759,599      | 441,280          |
| Insurance recovery  | -              | (1,229,960)      |
| Net value (gain)/loss on Equity Investments               | (10,791,706)   | 4,148,696        |
| National Redress and Abuse Provision recognised           | (497,398)      | 6,101,553        |
| <b>Total underlying comprehensive income for the year</b> | <b>191,865</b> | <b>1,543,473</b> |

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 whilst delivering sustained investment returns in a falling interest rate environment. The final operating result for the Diocesan Centre is a gain of \$1,762,866 (2018: \$3,360,862 gain).
- Catholic Education Office income from grants and levies has increased, assisting to further provide services to the education sector within the Archdiocese of Adelaide. The Catholic Education Office produced a surplus of \$387,862 for 2019 (2018: \$468,336 surplus).
- Catholic Church Early Years Inc. commenced operations of early learning centres during 2019 and fee income was not sufficient to cover operating expenditure during 2019. Catholic Church Early Years Inc. operating result is a loss of \$935,858 (2018: \$317,905 loss).
- The Diocesan Presbytery Fund's loss of \$693,090 (2018: \$385,803 loss) results from income remaining constant whilst costs to support the aging 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.
- Ecumenical Endeavours Pty Ltd has been consolidated into these financial statements since 2017. It operates an investment property valued at \$3,080,000 collecting rental income from a commercial tenant, supporting the pastoral work of the Seaford Christian Churches. The Association is now a majority shareholder of Ecumenical Endeavours Pty Ltd.
- The Net Assets of CCES Inc. have increased compared with 2018. Cash and Cash Equivalents have reduced whilst investments Due from Other Financial Institutions have increased to \$81,619,034. Loans and Advances have increased to \$135,480,090 and Equity Investments have increased due to increased market valuation at year end. Deposits liability held by the CDF has increased to \$374,251,087. Borrowings have remained stable at \$10,000,000. Derivative Liabilities have increased and Provisions reduced due to the actuarial review of the National Redress and Abuse Provision.

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

Hon Greg Crafter, AO  
Chairman  
Diocesan Finance Council  
Catholic Archdiocese of Adelaide

**Catholic Church Endowment Society Inc.**

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**Finance Council Report to Members**

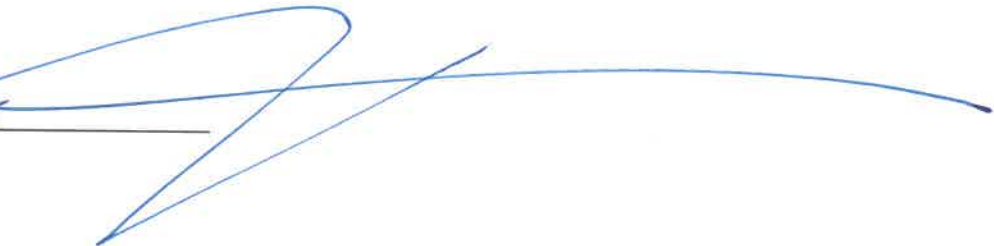
In accordance with Section 35(5) of the Associations Incorporation Act 1985, the Diocesan Finance Council (the Council) of the Catholic Church Endowment Society Inc. (Association) hereby states that during the year ended 31 December 2019:

- 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:

*Member of the DFC*  
  
~~Chairman~~

*+ Pat O'Regan*  
\_\_\_\_\_  
Archbishop of Adelaide

Adelaide, *30<sup>th</sup> JUNE 2020*



# Independent Auditor's Report

To the members of Catholic Church Endowment Society Inc

## Opinion

We have audited the *Financial Report*, of 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 2019, 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 2019;
- (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 (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 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. 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 Association's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Group and Association to cease to continue as a going concern; and
- (v) Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Finance Council members of the registered Association regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Paul Cenko  
Partner

Adelaide

30 June 2020



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

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To: the Finance Council of Catholic Church Endowment Society Inc

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2019 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

Paul Cenko  
Partner

Adelaide

30 June 2020



**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 9 to 40, 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 2019 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:

*Member of the DFC*

~~Chairman~~

*+ Pat O'Connell*

Archbishop of Adelaide

Adelaide, 30 JUNE 2020

**Catholic Church Endowment Society Inc.**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
*For the year ended 31 December 2019*

|  | Note | 2019<br>\$          | 2018<br>\$          |
|--|------|---------------------|---------------------|
| <b>Income</b>  |      |                     |                     |
| Interest Income  |      | 7,601,312           | 6,878,671           |
| Interest Expense                                       |      | (6,955,121)         | (6,584,726)         |
| Net Interest Income                                    | 9    | 646,191             | 293,945             |
| Income from SA Commission for Catholic Schools (SACCS) |      | 13,610,004          | 12,047,635          |
| Levies and Fees Income                                 |      | 14,172,429          | 13,566,563          |
| Rental Income  |      | 14,313,773          | 12,732,761          |
| Donations  |      | 3,589,533           | 3,601,260           |
| Other Income   |      | 1,741,011           | 3,077,778           |
| <b>Total Income</b>                                    |      | <b>48,072,941</b>   | <b>45,319,942</b>   |
| <b>Expenses</b>  |      |                     |                     |
| Employee Benefits Expense                              |      | (27,410,623)        | (26,111,975)        |
| Occupancy Expense                                      |      | (5,967,916)         | (5,870,882)         |
| Depreciation Expense                                   |      | (3,452,595)         | (2,207,487)         |
| Equipment Expense                                      |      | (4,332,245)         | (4,093,085)         |
| Communication Expense                                  |      | (1,164,103)         | (1,192,719)         |
| Community and Education Program Expense                |      | (1,712,141)         | (1,813,314)         |
| General Administration Expense                         |      | (5,950,085)         | (4,847,781)         |
| National Redress and Abuse Provision Adjustment        |      | 497,398             | (6,101,553)         |
| <b>Total Expenses</b>                                  |      | <b>(49,492,310)</b> | <b>(52,238,796)</b> |
| <b>Operating Profit/(Loss) for the year</b>            |      | <b>(1,419,369)</b>  | <b>(6,918,854)</b>  |
| Finance Income on Equity Investments                   |      | 3,242,349           | 4,430,678           |
| Net value gain/(loss) on Equity Investments            |      | 10,791,706          | (4,148,696)         |
| Finance Expenses on Borrowings                         |      | (1,133,717)         | (839,944)           |
| Loss on Derivative Liabilities                         |      | (1,759,599)         | (441,280)           |
| <b>Net Finance Income</b>                              |      | <b>11,140,739</b>   | <b>(999,242)</b>    |
| <b>Profit/(Loss) for the year</b>                      |      | <b>9,721,370</b>    | <b>(7,918,096)</b>  |
| Attributable to Catholic Church Endowment Society Inc  |      | 9,680,258           | (7,963,953)         |
| Attributable to Non-controlling Interests              | 23   | 41,112              | 45,857              |
|  |      | <b>9,721,370</b>    | <b>(7,918,096)</b>  |

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 2019*

|   | Note | 2019<br>\$         | 2018<br>\$         |
|---|------|--------------------|--------------------|
| <b>Assets</b>                                   |      |                    |                    |
| Cash and Cash Equivalents                       | 24   | 21,074,753         | 33,488,438         |
| Due from Other Financial Institutions           | 10   | 81,619,034         | 70,526,928         |
| Equity Investments                              | 11   | 78,642,262         | 69,679,136         |
| Investment Properties                           | 12   | 136,920,000        | 136,920,000        |
| Property, Plant and Equipment                   | 13   | 40,497,167         | 35,858,867         |
| Trade and Other Receivables                     | 14   | 5,807,425          | 7,176,603          |
| Loans and Advances                              | 15   | 135,480,090        | 113,314,132        |
| <b>Total Assets</b>                             |      | <b>500,040,731</b> | <b>466,964,104</b> |
| <b>Liabilities</b>                              |      |                    |                    |
| Deposits  | 16   | 374,251,087        | 350,443,430        |
| Trade and Other Payables                        | 17   | 5,502,586          | 6,783,040          |
| Borrowings                                      | 18   | 10,000,000         | 10,000,000         |
| Derivative Liabilities                          | 19   | 4,464,562          | 2,704,963          |
| Provisions                                      | 20   | 10,531,729         | 11,323,838         |
| Income in Advance                               |      | 334,701            | 395,365            |
| <b>Total liabilities</b>                        |      | <b>405,084,665</b> | <b>381,650,636</b> |
| <b>Net Assets</b>                               |      | <b>94,956,066</b>  | <b>85,313,468</b>  |
| <b>Equity</b>                                   |      |                    |                    |
| Retained earnings                               | 21   | 81,873,149         | 72,446,561         |
| Reserves  | 22   | 12,292,778         | 12,117,880         |
| <b>Total Parent interest in equity</b>          |      | <b>94,165,927</b>  | <b>84,564,441</b>  |
| Non-controlling Interest in Controlled Entities | 23   | 790,139            | 749,027            |
| <b>Total Equity</b>                             |      | <b>94,956,066</b>  | <b>85,313,468</b>  |

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 2019**

|   | Non-<br>Controlling<br>Interest | General<br>reserve | Share<br>Investments<br>reserve | Government<br>funding<br>reserve | Catholic<br>charities<br>reserve | Catholic<br>education<br>capital<br>reserve | Retained<br>earnings | Total              |
|---|---------------------------------|--------------------|---------------------------------|----------------------------------|----------------------------------|---|----------------------|--------------------|
|   | \$                              | \$                 | \$                              | \$                               | \$                               | \$  | \$                   | \$                 |
| <b>Balance at 1 January 2018</b>                      | 703,170                         | 2,910,903          | 8,619,248                       | 1,492,312                        | 2,273,847                        | 5,509,553                                   | 71,722,531           | 93,231,564         |
| Profit/(Loss) for the year                            | -                               | -                  | -                               | -                                | -                                | -   | (7,918,096)          | (7,918,096)        |
| Other comprehensive income/(loss) for the year        | -                               | -                  | -                               | -                                | -                                | -   | -                    | -                  |
| <b>Total comprehensive income for the year</b>        | -                               | -                  | -                               | -                                | -                                | -   | <b>(7,918,096)</b>   | <b>(7,918,096)</b> |
| Non-controlling Interest                              | -                               | -                  | -                               | -                                | -                                | -   | -                    | -                  |
| Profit attributable to Non-controlling Interests      | 45,857                          | -                  | -                               | -                                | -                                | -   | (45,857)             | -                  |
| Transfer from/(to) retained earnings                  | -                               | 196,730            | (8,619,248)                     | -                                | (265,465)                        | -   | 8,687,983            | -                  |
| <b>Balance at 31 December 2018</b>                    | <b>749,027</b>                  | <b>3,107,633</b>   | -                               | <b>1,492,312</b>                 | <b>2,008,382</b>                 | <b>5,509,553</b>                            | <b>72,446,561</b>    | <b>85,313,468</b>  |
| <b>Balance at 1 January 2019</b>                      | <b>749,027</b>                  | <b>3,107,633</b>   | -                               | <b>1,492,312</b>                 | <b>2,008,382</b>                 | <b>5,509,553</b>                            | <b>72,446,561</b>    | <b>85,313,468</b>  |
| Profit/(Loss) for the year                            | -                               | -                  | -                               | -                                | -                                | -   | 9,721,370            | 9,721,370          |
| Other comprehensive income/(loss) for the year        | -                               | -                  | -                               | -                                | -                                | -   | -                    | -                  |
| <b>Total comprehensive income/(loss) for the year</b> | -                               | -                  | -                               | -                                | -                                | -   | <b>9,721,370</b>     | <b>9,721,370</b>   |
| 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)            | -                  |
| <b>Balance at 31 December 2019</b>                    | <b>790,139</b>                  | <b>3,305,922</b>   | -                               | <b>1,492,312</b>                 | <b>1,984,991</b>                 | <b>5,509,553</b>                            | <b>81,873,149</b>    | <b>94,956,066</b>  |

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 2019

|  | 2019                | 2018                |
|--|---------------------|---------------------|
|  | \$                  | \$                  |
| <b>Operating Activities</b>  |                     |                     |
| Receipts from SACCS, Grants, Levies and Fees Income                      | 29,098,078          | 29,293,902          |
| Donations and Other Income   | 5,252,335           | 6,679,038           |
| Interest Received  | 7,601,312           | 6,878,671           |
| Interest Paid on Deposits  | (5,845,372)         | (5,543,322)         |
| Payments to Suppliers, Employees and Others                              | (49,787,938)        | (43,591,263)        |
| Net GST (Paid) / Refunded  | 71,078              | (111,358)           |
|  | <u>(13,610,507)</u> | <u>(6,394,332)</u>  |
| Net (payments)/receipts in Loans and Advances                            | (22,165,958)        | (38,134,887)        |
| Net receipts/(payments) in Deposits                                      | 23,807,657          | 37,900,990          |
| Net (receipts)/payments in Amounts Due from other Financial Institutions | (11,092,106)        | 52,920,630          |
|  | <u>(9,450,407)</u>  | <u>52,686,733</u>   |
| <b>Net Cash Flows from Operating Activities</b>                          | <u>(23,060,914)</u> | <u>46,292,401</u>   |
| <b>Investing Activities</b>  |                     |                     |
| Net (payments)/receipts in relation to Equity Investments                | 1,828,580           | (28,814,292)        |
| Proceeds from Sale of Fixed Assets                                       | 1,559,799           | 1,062,260           |
| Payments for Fixed Assets  | (8,053,806)         | (5,304,254)         |
| Finance Income   | 3,242,349           | 4,430,678           |
| Rental Income  | 14,313,773          | 12,732,761          |
| Finance Expenses on Borrowings   | (1,133,717)         | (839,944)           |
| Interest Paid on Borrowings related Investments                          | (1,109,749)         | (1,041,404)         |
| <b>Net Cash Flows from Investing Activities</b>                          | <u>10,647,229</u>   | <u>(17,774,195)</u> |
| <b>Cash Flows from Financing Activities</b>                              |                     |                     |
| Drawdown/(Repayments) of Borrowings                                      | -                   | (27,000,000)        |
| <b>Net Cash Flows from Financing Activities</b>                          | <u>-</u>            | <u>(27,000,000)</u> |
| <b>Net Increase/(Decrease) in Cash Held</b>                              | <u>(12,413,685)</u> | <u>1,518,206</u>    |
| <b>Cash at the beginning of the Year</b>                                 | <u>33,488,438</u>   | <u>31,970,232</u>   |
| <b>Cash at the end of the Year</b>                                       | <u>21,074,753</u>   | <u>33,488,438</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 2019*

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## **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**

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

**Ecumenical Endeavours Pty Ltd**  
Grand Boulevard, Seaford 5169

## **2 Summary of Accounting Policies**

### **Financial Reporting Framework**

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

### **Statement of compliance**

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

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

*AASB 101 Presentation of Financial Statements*

*AASB 107 Statement of Cash Flows*

*AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

*AASB 1048 Interpretation and Application of Standards*

*AASB 1054 Australian Additional Disclosures.*

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

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
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**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 2019.

Note 12: Investment Properties – assessing the fair value of Investment Properties at 31 December 2019.

Note 19: Derivative Liabilities – assessing the value of the Derivative Liabilities at 31 December 2019.

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.**  
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*Loans and Advances*

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

*Due from Other Financial Institutions*

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

*Receivables*

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

*Equity Investments*

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



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**(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.

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**(g) Employee benefits**

*Leave benefits*

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

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

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

**(h) Payables**

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

**(i) Goods and services tax**

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

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

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

**(j) Taxation**

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

**(k) Borrowings**

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

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

**(l) Deposits**

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

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**(m) Revenue recognition**

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

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

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

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

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

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

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

**(n) 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.

*Policy applicable from 1 January 2019*

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.

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.

**Catholic Church Endowment Society Inc.**  
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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.

*Policy applicable before 1 January 2019*

*As a lessee*

For contracts entered into before 1 January 2019, the Association determined whether the arrangement was a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

In the comparative period, leases that transferred substantially all of the risks and rewards of ownership were classified as finance leases. Where this occurred, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Association's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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**(o) 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 2019.

**(p) 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 Changes in Accounting Policy**

Except for the changes below, the Association has consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated financial statements.

The Association initially applied AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-Profit Entities from 1 January 2019. Revenue is measured based on the consideration specified in a contract with a customer and where it has been determined that there is enforceable and sufficiently specific performance obligations exists, revenue is recognised over time as the performance obligation is met. Otherwise, revenue is recognised on receipt. The Association has applied the new standards using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be reported under AASB 1004 Contributions and AASB 118 Revenue. There has been no material impact on the financial statements from the adoption of these new standards.

The Association initially applied AASB 16 Leases from 1 January 2019. The Association applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, comparative information presented for the year ended 31 December 2018 is not restated, it is presented, as previously reported, under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Association's financial statements

#### **(a) Definition of a lease**

Previously, the Association determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Association now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Association elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Association applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

#### **(b) As a lessee**

As a lessee, the Association leases items of property which were previously classified as operating leases based on the assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Association. Under AASB 16, the Association recognises right-of-use assets and lease liabilities, they are on-balance sheet.

##### *Leases classified as operating leases under AASB 117*

Previously, the Association classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Association's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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The Association used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117, including:

- Relied on its assessment of whether leases are onerous applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

The Association had no leases classified as finance leases previously under AASB 117.

**(c) Impact on financial statements**

*Impact on transition*

On transition to AASB 16, the Association recognised additional right-of-use assets, including property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

|   | <b>1 January 2019</b> |
|---|-----------------------|
|   | \$                    |
| Right-of-use assets – property, plant & equipment | 1,295,224             |
| Lease liabilities                                 | 1,373,995             |
| Retained earnings                                 | 78,772                |

#### **4 New Standards not yet adopted**

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2019, 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.**  
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**5 Segment Note Income Statement**

|  | CCES            |                 | CEO             |                 | DPF            |                | Charities    |              | Seminary Fund |              | Ecumenical Endeavours |             | CCEY           |              | Eliminations   |                | Total           |                 |        |
|--|-----------------|-----------------|-----------------|-----------------|----------------|----------------|--------------|--------------|---------------|--------------|-----------------------|-------------|----------------|--------------|----------------|----------------|-----------------|-----------------|--------|
|  | 2019            | 2018            | 2019            | 2018            | 2019           | 2018           | 2019         | 2018         | 2019          | 2018         | 2019                  | 2018        | 2019           | 2018         | 2019           | 2018           | 2019            | 2018            |        |
|  | \$000           | \$000           | \$000           | \$000           | \$000          | \$000          | \$000        | \$000        | \$000         | \$000        | \$000                 | \$000       | \$000          | \$000        | \$000          | \$000          | \$000           | \$000           |        |
| <b>Income</b>  |                 |                 |                 |                 |                |                |              |              |               |              |                       |             |                |              |                |                |                 |                 |        |
| Interest Income  | 7,872           | 6,982           | 70              | 60              | 45             | 63             | 36           | 48           | 17            | 20           | 3                     | 2           | 2              | 2            | 1              | (444)          | (296)           | 7,601           | 6,879  |
| Interest Expense                                       | (7,128)         | (6,779)         | (125)           | (83)            | -              | -              | -            | -            | -             | -            | -                     | -           | (146)          | (20)         | 444            | 296            | (6,955)         | (6,586)         | 294    |
| Net Interest Income                                    | 744             | 203             | (55)            | (23)            | 45             | 63             | 36           | 48           | 17            | 20           | 3                     | 2           | (144)          | (19)         | -              | -              | -               | 646             | 294    |
| Income from SA Commission for Catholic Schools (SACCS) | -               | -               | 13,610          | 12,048          | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | -              | -              | -               | 13,610          | 12,048 |
| Levies and Fees Income                                 | 3,308           | 3,555           | 10,776          | 10,241          | 739            | 719            | -            | -            | -             | -            | -                     | -           | 321            | -            | (972)          | (948)          | (948)           | 14,172          | 13,567 |
| Rental Income  | 14,122          | 12,547          | -               | -               | -              | -              | -            | -            | -             | -            | 192                   | 186         | -              | -            | -              | -              | -               | 14,314          | 12,733 |
| Donations  | 351             | 277             | -               | -               | 2,766          | 2,959          | 466          | 359          | 7             | 6            | -                     | -           | -              | -            | -              | -              | -               | 3,590           | 3,601  |
| Other Income   | 1,080           | 2,383           | 1,060           | 1,057           | 13             | 2              | -            | -            | -             | -            | 14                    | 11          | 107            | -            | (533)          | (376)          | -               | 1,741           | 3,077  |
| <b>Total Income</b>                                    | <b>19,605</b>   | <b>18,965</b>   | <b>25,391</b>   | <b>23,323</b>   | <b>3,563</b>   | <b>3,743</b>   | <b>502</b>   | <b>407</b>   | <b>24</b>     | <b>26</b>    | <b>209</b>            | <b>199</b>  | <b>284</b>     | <b>(19)</b>  | <b>(1,505)</b> | <b>(1,324)</b> | <b>(48,073)</b> | <b>45,320</b>   |        |
| <b>Expenses</b>  |                 |                 |                 |                 |                |                |              |              |               |              |                       |             |                |              |                |                |                 |                 |        |
| Employee Benefits Expense                              | (9,842)         | (8,974)         | (14,739)        | (14,929)        | (3,022)        | (2,917)        | (108)        | (103)        | -             | -            | -                     | -           | (582)          | (63)         | 882            | 874            | (27,411)        | (26,112)        |        |
| Occupancy Expense                                      | (4,945)         | (4,667)         | (890)           | (1,141)         | (115)          | (105)          | -            | -            | -             | -            | (17)                  | (15)        | (69)           | (6)          | 68             | 63             | (5,968)         | (5,871)         |        |
| Depreciation Expense                                   | (737)           | (691)           | (2,073)         | (1,045)         | (489)          | (471)          | -            | -            | -             | -            | (5)                   | -           | (148)          | -            | -              | -              | (3,452)         | (2,207)         |        |
| Equipment Expense                                      | (504)           | (437)           | (3,107)         | (2,989)         | (669)          | (639)          | -            | -            | -             | -            | (30)                  | (12)        | (22)           | (16)         | -              | -              | (4,332)         | (4,093)         |        |
| Communication Expense                                  | (744)           | (749)           | (241)           | (332)           | (71)           | (53)           | (37)         | (36)         | -             | -            | -                     | -           | (106)          | (23)         | 35             | -              | (1,164)         | (1,193)         |        |
| Community and Education Program Expense                | (150)           | (150)           | (1,114)         | (1,217)         | -              | -              | (494)        | (492)        | -             | -            | -                     | -           | -              | -            | 46             | 46             | (1,712)         | (1,813)         |        |
| General Administration Expense                         | (3,044)         | (3,543)         | (2,840)         | (1,202)         | 109            | 56             | (9)          | (19)         | (330)         | (273)        | (34)                  | (33)        | (292)          | (191)        | 490            | 357            | (5,950)         | (4,848)         |        |
| National Redress and Abuse Provision Adjustment        | 497             | (6,102)         | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | -              | -              | 497             | (6,102)         |        |
| <b>Total Expenses</b>                                  | <b>(19,469)</b> | <b>(25,313)</b> | <b>(25,004)</b> | <b>(22,855)</b> | <b>(4,267)</b> | <b>(4,129)</b> | <b>(648)</b> | <b>(650)</b> | <b>(330)</b>  | <b>(273)</b> | <b>(86)</b>           | <b>(60)</b> | <b>(1,219)</b> | <b>(299)</b> | <b>1,521</b>   | <b>1,340</b>   | <b>(49,492)</b> | <b>(52,239)</b> |        |
| <b>Operating Profit/(Loss) for the year</b>            | <b>136</b>      | <b>(6,348)</b>  | <b>387</b>      | <b>468</b>      | <b>(694)</b>   | <b>(386)</b>   | <b>(146)</b> | <b>(243)</b> | <b>(306)</b>  | <b>(247)</b> | <b>123</b>            | <b>139</b>  | <b>(935)</b>   | <b>(318)</b> | <b>16</b>      | <b>16</b>      | <b>(1,419)</b>  | <b>(6,919)</b>  |        |
| Finance income on equity investments                   | 3,258           | 4,447           | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | (16)           | (16)           | 3,242           | 4,431           |        |
| Net value gain/(loss) on Equity Investments            | 10,792          | (4,149)         | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | -              | -              | 10,792          | (4,149)         |        |
| Finance Expenses on borrowings                         | (1,134)         | (840)           | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | -              | -              | (1,134)         | (840)           |        |
| Loss on Derivative Liabilities                         | (1,760)         | (441)           | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | -              | -              | (1,760)         | (441)           |        |
| <b>Net Finance Income</b>                              | <b>11,156</b>   | <b>(983)</b>    | -               | -               | -              | -              | -            | -            | -             | -            | -                     | -           | -              | -            | (16)           | (16)           | 11,140          | (999)           |        |
| <b>Profit/(Loss) for the year</b>                      | <b>11,292</b>   | <b>(7,331)</b>  | <b>387</b>      | <b>468</b>      | <b>(694)</b>   | <b>(386)</b>   | <b>(146)</b> | <b>(243)</b> | <b>(306)</b>  | <b>(247)</b> | <b>123</b>            | <b>139</b>  | <b>(935)</b>   | <b>(318)</b> | -              | -              | <b>9,721</b>    | <b>(7,918)</b>  |        |



**Catholic Church Endowment Society Inc.**  
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*For the year ended 31 December 2019*

**6 Segment Note Balance Sheet**

|                                       | CCES           |                | CEO           |               | DPF          |              | Charities    |              | Seminary Fund |              | Ecumenical Endeavours |              | CCEY           |              | Eliminations    |                 | Total          |                |
|---------------------------------------|----------------|----------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|-----------------------|--------------|----------------|--------------|-----------------|-----------------|----------------|----------------|
|                                       | 2019 \$000     | 2018 \$000     | 2019 \$000    | 2018 \$000    | 2019 \$000   | 2018 \$000   | 2019 \$000   | 2018 \$000   | 2019 \$000    | 2018 \$000   | 2019 \$000            | 2018 \$000   | 2019 \$000     | 2018 \$000   | 2019 \$000      | 2018 \$000      | 2019 \$000     | 2018 \$000     |
| <b>Assets</b>                         |                |                |               |               |              |              |              |              |               |              |                       |              |                |              |                 |                 |                |                |
| Cash and Cash Equivalents             | 21,259         | 33,491         | 3,254         | 7,192         | 1,091        | 2,164        | 1,926        | 2,072        | 1,146         | 1,294        | 314                   | 211          | 83             | 317          | (7,998)         | (13,253)        | 21,075         | 33,488         |
| Due from Other Financial Institutions | 81,619         | 70,527         | -             | -             | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 81,619         | 70,527         |
| Equity Investments                    | 78,642         | 69,679         | -             | -             | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 78,642         | 69,679         |
| Investment Properties                 | 133,840        | 133,840        | -             | -             | -            | -            | -            | -            | -             | 3,080        | 3,080                 | -            | -              | -            | -               | -               | 136,920        | 136,920        |
| Property, Plant and Equipment         | 25,295         | 25,756         | 7,329         | 6,001         | 2,300        | 1,976        | -            | -            | -             | 50           | 30                    | 5,524        | 2,096          | -            | -               | -               | 40,498         | 35,859         |
| Trade and Other Receivables           | 2,004          | 3,155          | 3,917         | 3,816         | 948          | 881          | 1            | 1            | -             | -            | 1                     | 1            | 47             | 75           | (1,111)         | (752)           | 5,807          | 7,177          |
| Loans and Advances                    | 144,747        | 120,182        | -             | -             | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | (9,267)         | (6,868)         | 135,480        | 113,314        |
| <b>Total Assets</b>                   | <b>487,406</b> | <b>456,630</b> | <b>14,500</b> | <b>17,009</b> | <b>4,339</b> | <b>5,021</b> | <b>1,927</b> | <b>2,073</b> | <b>1,146</b>  | <b>1,294</b> | <b>3,445</b>          | <b>3,322</b> | <b>5,654</b>   | <b>2,488</b> | <b>(18,376)</b> | <b>(20,873)</b> | <b>500,041</b> | <b>466,964</b> |
| <b>Liabilities</b>                    |                |                |               |               |              |              |              |              |               |              |                       |              |                |              |                 |                 |                |                |
| Deposits                              | 382,243        | 363,696        | 2,703         | 4,870         | -            | -            | -            | -            | -             | -            | -                     | -            | 6,564          | 2,070        | (17,259)        | (20,192)        | 374,251        | 350,444        |
| Trade and Other Payables              | 725            | 795            | 3,180         | 3,728         | 984          | 974          | -            | -            | 313           | 155          | 1,074                 | 1,075        | 343            | 737          | (1,117)         | (681)           | 5,502          | 6,783          |
| Borrowings                            | 10,000         | 10,000         | -             | -             | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 10,000         | 10,000         |
| Derivative Liabilities                | 4,465          | 2,705          | -             | -             | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 4,465          | 2,705          |
| Provisions                            | 7,160          | 7,912          | 3,303         | 3,345         | 69           | 67           | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 10,532         | 11,324         |
| Income in Advance                     | -              | -              | 335           | 395           | -            | -            | -            | -            | -             | -            | -                     | -            | -              | -            | -               | -               | 335            | 395            |
| <b>Total liabilities</b>              | <b>404,593</b> | <b>385,108</b> | <b>9,521</b>  | <b>12,338</b> | <b>1,053</b> | <b>1,041</b> | -            | -            | <b>313</b>    | <b>155</b>   | <b>1,074</b>          | <b>1,075</b> | <b>6,907</b>   | <b>2,807</b> | <b>(18,376)</b> | <b>(20,873)</b> | <b>405,085</b> | <b>381,651</b> |
| <b>Net Assets</b>                     | <b>82,813</b>  | <b>71,522</b>  | <b>4,979</b>  | <b>4,671</b>  | <b>3,286</b> | <b>3,980</b> | <b>1,927</b> | <b>2,073</b> | <b>833</b>    | <b>1,139</b> | <b>2,371</b>          | <b>2,247</b> | <b>(1,253)</b> | <b>(319)</b> | -               | -               | <b>94,956</b>  | <b>85,313</b>  |
| <b>Equity</b>                         |                |                |               |               |              |              |              |              |               |              |                       |              |                |              |                 |                 |                |                |
| Retained earnings                     | 72,505         | 61,413         | 4,979         | 4,671         | 3,286        | 3,980        | (56)         | 65           | 833           | 1,139        | 1,581                 | 1,498        | (1,253)        | (319)        | -               | -               | 81,873         | 72,447         |
| Reserves                              | 10,308         | 10,109         | -             | -             | -            | -            | 1,985        | 2,008        | -             | -            | -                     | -            | -              | -            | -               | -               | 12,293         | 12,117         |
| Non-controlling Interest              | -              | -              | -             | -             | -            | -            | -            | -            | -             | -            | 790                   | 749          | -              | -            | -               | -               | 790            | 749            |
| <b>Total Equity</b>                   | <b>82,813</b>  | <b>71,522</b>  | <b>4,979</b>  | <b>4,671</b>  | <b>3,286</b> | <b>3,980</b> | <b>1,927</b> | <b>2,073</b> | <b>833</b>    | <b>1,139</b> | <b>2,371</b>          | <b>2,247</b> | <b>(1,253)</b> | <b>(319)</b> | -               | -               | <b>94,956</b>  | <b>85,313</b>  |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

**7 Profit for the Year**

|  | 2019           | 2018           |
|--|----------------|----------------|
|  | \$             | \$             |
| Includes the following items of income and expense:        |                |                |
| Profit/(Loss) on disposal of property, plant and equipment | <u>301,793</u> | <u>218,908</u> |

**8 Remuneration of Auditors**

|  | 2019           | 2018           |
|--|----------------|----------------|
|  | \$             | \$             |
| Audit Services performed by KPMG                                   | 150,880        | 141,750        |
| Other Non-Audit Services performed by KPMG                         | 93,075         | -              |
| Audit Services for Controlled entities performed by Other Auditors | 1,000          | 1,000          |
|  | <u>244,955</u> | <u>142,750</u> |

**9 Net Interest Income**

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

|  | 2019           | 2018           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b><i>Interest Earning Assets</i></b>  |                |                |
| Interest Income from cash and cash equivalents, cash management funds and term investments             | 2,436,231      | 3,333,179      |
| <i>Average Earning rate from cash and cash equivalents, cash management funds and term investments</i> | 1.84%          | 2.75%          |
| Interest Income from loans and advances  | 5,165,081      | 3,545,492      |
| <i>Average Earning rate from loans and advances</i>  | 3.90%          | 3.89%          |
| <b><i>Interest Bearing Liabilities</i></b>   |                |                |
| Interest Paid on deposits  | (6,955,121)    | (6,584,726)    |
| <i>Average Interest rate paid on deposits</i>  | 1.82%          | 1.68%          |
| Net Income   | <u>646,191</u> | <u>293,945</u> |
| Net Interest Margin  | 1.05%          | 1.56%          |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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**10 Due from Other Financial Institutions**

|  | 2019              | 2018              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Term Investment with Other Financial Institutions              | 81,619,034        | 70,526,928        |
| <b>Total Term Investment with Other Financial Institutions</b> | <b>81,619,034</b> | <b>70,526,928</b> |

**11 Equity Investments**

|                                 | 2019              | 2018              |
|---------------------------------|-------------------|-------------------|
|                                 | \$                | \$                |
| Income Securities at fair value | 1,281,831         | 2,942,349         |
| Overseas Equities at fair value | 22,220,392        | 13,539,109        |
| Listed Shares at fair value     | 29,617,677        | 27,325,925        |
| Unlisted Shares at fair value   | 7,419,106         | 7,589,425         |
| Units in Trusts at fair value   | 18,103,256        | 18,282,328        |
| <b>Total Equity Investments</b> | <b>78,642,262</b> | <b>69,679,136</b> |

**12 Investment Properties**

|                                       | 2019               | 2018               |
|---------------------------------------|--------------------|--------------------|
|                                       | \$                 | \$                 |
| Balance at beginning of Year          | 136,920,000        | 136,920,000        |
| <b>Balance at the end of the year</b> | <b>136,920,000</b> | <b>136,920,000</b> |

Investment properties are measured at fair value based upon an independent valuation performed by Knight Frank in January 2018. The valuation, which conforms to Australian Valuation Standards, was determined by reference to discounted cash flows. The model includes 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 2019 differs materially from this valuation.

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 2019 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 2019*

**13 Property, Plant and Equipment**

|   | Land and buildings | Right of Use Assets | Leasehold Improvements | Plant and equipment | Motor Vehicles   | Work in Progress | Total             |
|---|--------------------|---------------------|------------------------|---------------------|------------------|------------------|-------------------|
|   | \$                 | \$                  | \$                     | \$                  | \$               | \$               | \$                |
| <b>Carrying amount at the beginning of the period</b> | 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)             |
| <b>Carrying amount at the end of the period</b>       | <b>28,909,712</b>  | <b>1,079,353</b>    | <b>599,480</b>         | <b>4,817,487</b>    | <b>3,931,180</b> | <b>1,159,955</b> | <b>40,497,167</b> |
| <b>Carrying amount at the beginning of the period</b> | 24,487,558         | -                   | 714,278                | 2,527,376           | 3,775,523        | 2,100,717        | 33,605,452        |
| Depreciation expense                                  | (232,981)          | -                   | (144,970)              | (912,208)           | (917,328)        | -                | (2,207,487)       |
| Disposals   | -                  | -                   | -                      | (3,065)             | (840,287)        | -                | (843,352)         |
| Additions   | -                  | -                   | 21,504                 | 1,203,675           | 1,504,794        | 2,574,281        | 5,304,254         |
| <b>Carrying amount at the end of the period</b>       | <b>24,254,577</b>  | <b>-</b>            | <b>590,812</b>         | <b>2,815,778</b>    | <b>3,522,702</b> | <b>4,674,998</b> | <b>35,858,867</b> |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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**14 Trade and Other Receivables**

|  | 2019             | 2018             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Trade and Other Receivables</b>       |                  |                  |
| Trade Receivables                        | 979,440          | 782,379          |
| Other Receivables                        | 2,748,468        | 4,060,816        |
| Long Service Leave Receivable            | 1,826,469        | 1,990,352        |
| Accrued Interest Receivable              | 253,048          | 343,056          |
| <b>Total Trade and Other Receivables</b> | <b>5,807,425</b> | <b>7,176,603</b> |

**15 Loans and Advances**

|  | 2019               | 2018               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Loans and Advances                     | <b>135,480,090</b> | <b>113,314,132</b> |
| <i><b>By concentration of risk</b></i> |                    |                    |
| Parishes & Trusts                      | 6,606,445          | 5,781,735          |
| Diocesan Schools                       | 95,583,880         | 77,857,772         |
| Religious Order Schools                | 19,845,000         | 15,695,636         |
| Catholic Organisations                 | 13,444,765         | 13,978,989         |
| <b>Total Loans and Advances</b>        | <b>135,480,090</b> | <b>113,314,132</b> |
| <i><b>By maturity</b></i>              |                    |                    |
| Within 12 months                       | 5,522,225          | 5,791,565          |
| 1-5 years                              | 10,000,167         | 13,199,197         |
| Over 5 years                           | 119,957,698        | 94,323,370         |
| <b>Total Loans and Advances</b>        | <b>135,480,090</b> | <b>113,314,132</b> |

The Provision for Expected Credit Loss on Loans is Nil (2018: Nil)

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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**16 Deposits**

|   | 2019                      | 2018                      |
|---|---------------------------|---------------------------|
|   | \$                        | \$                        |
| Deposits at amortised cost              | <u>374,251,087</u>        | <u>350,443,430</u>        |
| <b><i>Concentration of Deposits</i></b> |                           |                           |
| Parishes                                | 50,438,274                | 50,472,380                |
| Diocesan Schools                        | 155,145,171               | 133,722,813               |
| Religious Order Schools                 | 14,205,849                | 14,707,251                |
| Catholic Organisations                  | 135,510,860               | 131,889,066               |
| Parishioners                            | <u>18,950,933</u>         | <u>19,651,920</u>         |
| <b>Total Deposits</b>                   | <b><u>374,251,087</u></b> | <b><u>350,443,430</u></b> |
| <b><i>By maturity</i></b>               |                           |                           |
| On call                                 | 363,498,087               | 340,702,430               |
| Up to 3 months                          | 3,051,000                 | 2,865,000                 |
| 3-6 months                              | 1,908,000                 | 1,773,000                 |
| Over 6 months                           | <u>5,794,000</u>          | <u>5,103,000</u>          |
| <b>Total Deposits</b>                   | <b><u>374,251,087</u></b> | <b><u>350,443,430</u></b> |

**17 Trade and Other Payables**

|  | 2019                    | 2018                    |
|--|-------------------------|-------------------------|
|  | \$                      | \$                      |
| <b>Trade and Other Payables</b>                            |                         |                         |
| Trade Payables   | 2,338,190               | 2,827,617               |
| Other Payables   | 780,289                 | 1,333,927               |
| Amounts Payable to SA Commission for Catholic Schools Inc. | 1,098,258               | 2,502,012               |
| Accrued Interest Payable                                   | 107,703                 | 119,484                 |
| Lease Liability Current                                    | 208,329                 | -                       |
| Lease Liability Non-Current                                | <u>969,817</u>          | <u>-</u>                |
| <b>Total Trade and Other Payables</b>                      | <b><u>5,502,586</u></b> | <b><u>6,783,040</u></b> |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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**18 Borrowings**

|   | <b>2019</b>              | <b>2018</b>              |
|---|--------------------------|--------------------------|
|   | <b>\$</b>                | <b>\$</b>                |
| <b>Unsecured</b>                                |                          |                          |
| Other Loan (Interstate CDF's) at amortised cost | 10,000,000               | 10,000,000               |
| <b>Secured</b>                                  |                          |                          |
| Bank Loan (ANZ) at amortised cost (i)           | -                        | -                        |
| Bank Loan (NAB) at amortised cost (ii)          | -                        | -                        |
|   | <b><u>10,000,000</u></b> | <b><u>10,000,000</u></b> |

*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 \$131,000,000 with the bank facility maturing in 2025. This facility can be drawn/repaid at any time up to a limit of \$70 million.
- ii) Secured by mortgage over the Association's deposits. This facility can be drawn/repaid at any time up to a limit of \$25 million.

**19 Derivative Liabilities**

|   | <b>2019</b>             | <b>2018</b>             |
|---|-------------------------|-------------------------|
|   | <b>\$</b>               | <b>\$</b>               |
| Derivatives that are carried at fair value: |                         |                         |
| Interest rate Swap                          | <b><u>4,464,562</u></b> | <b><u>2,704,963</u></b> |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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**20 Provisions**

|   | 2019              | 2018              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>National Redress and Abuse Provision</b> | <b>5,400,000</b>  | <b>6,101,553</b>  |
| <b>Employee Benefits</b>                    |                   |                   |
| Current                                     | 4,813,619         | 4,916,763         |
| Non-Current                                 | 318,110           | 305,522           |
| <b>Total Employee Benefits</b>              | <b>5,131,729</b>  | <b>5,222,285</b>  |
| <b>Total Provisions</b>                     | <b>10,531,729</b> | <b>11,323,838</b> |

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 \$150k for financial compensation and \$5k 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 2019, using data provided by the Association and with reference to key assumptions included above and activity under ACRL during 2019. 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 2019*

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**21 Retained Earnings**

|  | 2019              | 2018              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Balance at the beginning of the financial year   | 72,446,561        | 71,722,531        |
| Profit/(loss) for the year                       | 9,721,370         | (7,918,096)       |
| Profit attributable to Non-controlling Interests | (41,112)          | (45,857)          |
| Adjustment on initial application of AASB 16     | (78,772)          | -                 |
| Transfer (to) / from reserves                    | (174,898)         | 8,687,983         |
| <b>Balance at end of financial year</b>          | <b>81,873,149</b> | <b>72,446,561</b> |

**22 Reserves**

|                            | 2019              | 2018              |
|----------------------------|-------------------|-------------------|
|                            | \$                | \$                |
| Government Funding         | 1,492,312         | 1,492,312         |
| General                    | 3,305,922         | 3,107,633         |
| Catholic Charities         | 1,984,991         | 2,008,382         |
| Catholic Education capital | 5,509,553         | 5,509,553         |
| <b>Total Reserves</b>      | <b>12,292,778</b> | <b>12,117,880</b> |

**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.

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

**23 Non-controlling Interest**

|                                       | 2019           | 2018           |
|---------------------------------------|----------------|----------------|
|                                       | \$             | \$             |
| Non-controlling Interest              | 790,139        | 749,027        |
| <b>Total Non-controlling interest</b> | <b>790,139</b> | <b>749,027</b> |

The Association's equity interest in Ecumenical Endeavours Pty Ltd is 67% (2018: 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.

|                                       | 2019           | 2018           |
|---------------------------------------|----------------|----------------|
|                                       | \$             | \$             |
| <b>NCI percentage (%)</b>             | <b>33%</b>     | <b>33%</b>     |
| Current Assets                        | 330,519        | 216,797        |
| Non-current Assets                    | 3,129,666      | 3,109,870      |
| Current Liabilities                   | (17,200)       | (7,019)        |
| Non-current Liabilities               | (1,072,568)    | (1,072,568)    |
| Net Assets                            | 2,370,417      | 2,247,080      |
| <b>Net Assets attributable to NCI</b> | <b>790,139</b> | <b>749,029</b> |
| Revenue                               | 208,482        | 198,233        |
| Profit                                | 123,337        | 137,575        |
| <b>Profit allocated to NCI</b>        | <b>41,112</b>  | <b>45,858</b>  |

**24 Restricted use of cash balances**

|  | 2019      | 2018      |
|--|-----------|-----------|
|  | \$        | \$        |
| Included in cash and cash equivalents are the following amounts that are restricted: |           |           |
| Catholic charities legacy funds donated by bequests                                  | 1,874,992 | 2,018,383 |
| Deductible gift recipient funds for Catholic Diocesan Charities Appeal               | 50,703    | 53,590    |
| Seminary Legacy Funds donated by bequests  | 1,146,113 | 1,294,355 |

**25 Commitments for expenditure**

As at 31 December 2019 the Association has no commitments for expenditure.

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

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## **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) School Leasing Facilities**

The Association has guaranteed leasing facilities for equipment in education of the Archdiocese of Adelaide to the value of \$Nil (2018: \$Nil). The Association has also been named as the legal entity, but not supplied a guarantee, on leasing facilities for equipment in education to the value of \$Nil (2018: \$122,457).

### **(c) Legal Expenditure**

The Association incurs legal fees concerning Archdiocesan operations. An asset may arise being a possible recovery from Catholic Church Insurances upon determination of these matters. A liability may arise from legal matters for which there is no insurance and outcomes are yet to be determined.

### **(d) 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 \$6 million 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.

### **(e) 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 2019*

**27 Cash flow reconciliation**

|   | <b>2019</b>                | <b>2018</b>              |
|---|----------------------------|--------------------------|
|   | <b>\$</b>                  | <b>\$</b>                |
| Profit/(loss) for the year  | 9,721,370                  | (7,918,096)              |
| <b>Add/Less Non Cash Items and Cash from Investing or Financing Activities:</b> |                            |                          |
| Loss on Derivative Liabilities  | 1,759,599                  | 441,280                  |
| Depreciation Expense  | 3,452,595                  | 2,207,487                |
| (Gain)/loss on Sale of Fixed Assets   | (301,793)                  | (218,908)                |
| (Gain)/loss on Equity Investments   | (10,791,706)               | 4,148,696                |
| Finance Income  | (3,242,349)                | (4,430,678)              |
| Rental Income   | (14,313,773)               | (12,732,761)             |
| Finance Expenses on Borrowings  | 1,133,717                  | 839,944                  |
| Interest paid on Borrowings related investments                                 | 1,109,749                  | 1,041,404                |
|   | <u>(21,193,961)</u>        | <u>(8,703,536)</u>       |
| <b>Movements in Assets and Liabilities:</b>                                     |                            |                          |
| Decrease in Trade and Other Receivables   | 1,369,178                  | 3,481,070                |
| (Increase) in Loans and Advances  | (22,165,958)               | (38,134,887)             |
| (Increase)/decrease in amounts Due from Other Financial Institutions            | (11,092,106)               | 52,920,630               |
| (Decrease)/increase in Trade and Other Payables                                 | (2,654,321)                | 315,881                  |
| (Decrease)/increase in Provisions   | (792,109)                  | 6,343,073                |
| Increase in Deposits  | 23,807,657                 | 37,900,990               |
| (Decrease)/increase in Income in Advance  | (60,664)                   | 87,276                   |
|   | <u>(11,588,323)</u>        | <u>62,914,033</u>        |
| <b>Net Cash Flows from Operating Activities</b>                                 | <b><u>(23,060,914)</u></b> | <b><u>46,292,401</u></b> |

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

**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<br>per Statements of<br>Financial Position |                    | Aggregate net fair value |                    | Fair value<br>hierarchy |
|--|---|--------------------|--------------------------|--------------------|-------------------------|
|  | 2019  | 2018               | 2019                     | 2018               |                         |
| <b>Financial assets</b>                  |   |                    |                          |                    |                         |
| Due from Other Financial<br>Institutions | 81,619,034  | 70,526,928         | 81,899,846               | 70,577,189         | Level 1                 |
| Equity Investments                       | 78,642,262  | 69,679,136         | 78,642,262               | 69,679,136         | Level 1 and 3           |
| Loans and Advances                       | 135,480,090   | 113,314,132        | 135,480,090              | 113,314,132        | Level 3                 |
| <b>Total</b>                             | <b>295,741,387</b>  | <b>253,520,197</b> | <b>296,022,198</b>       | <b>253,570,457</b> |                         |
| <b>Financial liabilities</b>             |   |                    |                          |                    |                         |
| Deposits                                 | 374,251,087   | 350,443,430        | 374,251,087              | 350,443,430        | Level 3                 |
| Derivative Liabilities                   | 4,464,562   | 2,704,963          | 4,464,562                | 2,704,963          | Level 2                 |
| Borrowings                               | 10,000,000  | 10,000,000         | 10,000,000               | 10,000,000         | Level 3                 |
| <b>Total</b>                             | <b>388,715,649</b>  | <b>363,148,393</b> | <b>388,715,649</b>       | <b>363,148,393</b> |                         |

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 ADIs. 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**  
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*Loans and Advances:*

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

*Deposits:*

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

*Derivative Liabilities:*

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

*Borrowings:*

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

**(b) Fair value hierarchy**

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

Different levels have been identified as follows:

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

|                        | Level 1    | Level 2     | Level 3   | Total       |
|------------------------|------------|-------------|-----------|-------------|
| <b>2019</b>            |            |             |           |             |
| 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) |
| <b>2018</b>            |            |             |           |             |
| Equity Investments     |            |             |           |             |
| Income Securities      | 2,942,349  | -           | -         | 2,942,349   |
| Listed                 | 27,325,925 | -           | -         | 27,325,925  |
| Unlisted               | -          | -           | 7,589,425 | 7,589,425   |
| Overseas Equities      | 13,539,109 | -           | -         | 13,539,109  |
| Units in Unit Trusts   | 18,282,328 | -           | -         | 18,282,328  |
| Derivative Liabilities |            | (2,704,963) | -         | (2,704,963) |

## **29 Leasing arrangements**

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

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

## **30 Related Party Disclosures**

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

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

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

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

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

**Catholic Church Endowment Society Inc.**  
**Notes to and forming part of the Consolidated Financial Statements**  
*For the year ended 31 December 2019*

**(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.

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

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

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | \$          | \$          |
| Compensation to Key Management Personnel of the Association | 866,210     | 845,882     |

**(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<br>the accounts of the<br>Association |                  | Amounts included<br>in the accounts of<br>the Association<br>Payable /<br>(Receivable) |                | Deposits held by the<br>Association |                   | Loans made by the<br>Association |                  |
|---------------------------------------|---|------------------|--|----------------|-------------------------------------|-------------------|----------------------------------|------------------|
|                                       | Income / (Expense)  |                  |  |                |                                     |                   |                                  |                  |
|                                       | 2019  | 2018             | 2019   | 2018           | 2019                                | 2018              | 2019                             | 2018             |
| Catholic Education Office             | 944,680   | 881,163          | 17,403   | (4,171)        | 3,250,099                           | 7,192,202         | 2,702,678                        | 4,869,664        |
| Diocesan Presbytery Fund              | (44,770)  | (63,302)         | -  | 2,471          | 1,264,182                           | 2,163,931         |                                  |                  |
| Catholic Diocesan Charities<br>Appeal | (36,263)  | (47,530)         | -  |                | 1,934,116                           | 2,071,973         |                                  |                  |
| Seminary Fund                         | 313,000   | 253,000          | 313,000  | 253,000        | 1,146,113                           | 1,294,355         |                                  |                  |
| Ecumenical Endeavours Pty<br>Ltd      | 13,452  | 14,375           | -  |                | 314,314                             | 211,455           |                                  |                  |
| Catholic Church Early Years<br>Inc    | 43,269  | 18,806           | -  |                | 83,208                              | 317,208           | 6,564,272                        | 2,069,769        |
| <b>Total</b>                          | <b>1,233,368</b>  | <b>1,056,512</b> | <b>330,403</b>   | <b>251,300</b> | <b>7,992,032</b>                    | <b>13,251,124</b> | <b>9,266,950</b>                 | <b>6,939,433</b> |



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

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

|  | Amounts included in the<br>accounts of the<br>Association |                   | Amounts included in<br>the accounts of the<br>Association |                  | Deposits held by the<br>Association |                    | Loans made by the<br>Association |                    |
|--|---|-------------------|---|------------------|-------------------------------------|--------------------|----------------------------------|--------------------|
|  | Income / (Expense)  |                   | Payable / (Receivable)                                    |                  |                                     |                    |                                  |                    |
|  | 2019  | 2018              | 2019  | 2018             | 2019                                | 2018               | 2019                             | 2018               |
| Catholic Parishes                          | 2,880,603   | 3,006,925         | (171,685)   | (205,420)        | 50,438,274                          | 50,472,378         | 1,632,889                        | 2,499,160          |
| Centacare                                  | (61,460)  | (108,887)         | 455,414   | 81,499           | 12,118,828                          | 12,513,088         | 2,712,461                        | 2,961,057          |
| Catholic Schools                           | 10,891,170  | 8,953,156         | (699,362)   | (341,244)        | 169,351,020                         | 148,430,064        | 115,428,880                      | 93,553,408         |
| Other Related<br>Catholic<br>Organisations | 12,694,652  | 11,130,006        |   |                  | 121,588,610                         | 117,706,645        | 5,930,419                        | 6,160,676          |
| <b>Total</b>                               | <b>26,404,965</b>   | <b>22,981,200</b> | <b>(415,633)</b>  | <b>(465,165)</b> | <b>353,496,732</b>                  | <b>329,122,175</b> | <b>125,704,649</b>               | <b>105,174,301</b> |

**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*)
- Catholic Church Early Years Inc. (*registered charity with ACNC*)

**32 Subsequent Events**

The outbreak of the novel strain of coronavirus (COVID-19) in early 2020 and the subsequent Government responses have resulted in an overall decline in economic activity. Management are currently evaluating the impact on the fair value of the Association's investments and operations. There has been an initial material impact on the value of the Association's investments with an unrealised decline in value of between 10% and 17%, for different investment products as at the date of the Chairman's Report. The impact on operations could not be quantified accurately, at the date of the financial statements, but it is not expected to affect the Association's capacity as a going concern for the foreseeable future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other than the above development, 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 2019 or in future years.