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This document is a translation of the document „Prüfungsbericht Jahresabschluss und Lagebericht für das Geschäftsjahr 2020 Deutscher Caritasverband e. V., Freiburg im Breisgau“ which was written in German. The translation was performed by a professional translator. Ebner Stolz does not assume any responsibility for the correctness of the translation. The German version is authoritative for decision-making purposes.

**Financial Statements and Management  
Report**

**for the Financial Year 2020**

**Independent Auditor's Report**

**Deutscher Caritasverband e. V.  
Freiburg im Breisgau**



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Balance Sheet of Deutscher Caritasverband e. V., Freiburg im Breisgau,  
as at 31 December 2020

Assets	31 Dec 2020	31 Dec 2019
	EUR	EUR
<b>A. Fixed assets</b>		
I. Intangible assets		
Industrial rights and similar rights acquired for a consideration	2.701.121,27	3.145.852,73
II. Property, plant and equipment		
1. Land and buildings including buildings on third-party land	46.628.173,06	45.208.225,83
2. Other equipment, furniture and fixtures	1.981.455,26	2.346.113,36
3. Payments on account and assets under construction	6.848,54	1.496.031,38
	48.616.476,86	49.050.370,57
III. Financial assets		
1. Shares in affiliated companies, equity investments and shares in cooperatives	530.892,13	530.892,13
2. Securities classified as fixed assets	74.343.220,72	75.297.912,54
3. Other loans	0,00	330,80
	74.874.112,85	75.829.135,47
<b>B. Current assets</b>		
I. Inventories		
1. Raw materials, consumables and supplies	39.880,73	38.581,28
2. Merchandise	28.161,19	26.554,47
	68.041,92	65.135,75
II. Receivables and other assets		
1. Trade receivables	742.487,09	1.365.371,40
2. Receivables from affiliated companies	289.254,58	228.951,88
3. Other assets	4.878.062,86	3.269.060,33
	5.909.804,53	4.863.383,61
III. Securities		
Other securities	112.688.855,53	127.237.008,15
IV. Cash on hand, Bundesbank balances, bank balances		
	29.987.410,58	15.022.958,65
<b>C. Prepaid expenses</b>		
	315.630,45	412.186,37
	275.161.453,99	275.626.031,30
	275.161.453,99	275.626.031,30

Equity and liabilities	31 Dec 2020	31 Dec 2019
	EUR	EUR
<b>A. Equity</b>		
I. Association capital	14.253.866,44	13.644.159,13
II. Assistance funds	55.026.247,40	53.888.832,44
III. Reserves	36.294.021,13	35.157.952,93
IV. Retained earnings	1.144.187,92	1.747.122,27
	106.718.322,89	104.438.066,77
<b>B. Special item for subsidies to fund property, plant and equipment</b>	3.013.530,00	3.304.258,62
<b>C. Special purpose funds</b>		
1. from federal subsidies	669.586,37	3.186.340,70
2. from unused donations	88.021.620,35	93.866.083,92
3. from other funds	28.466.399,30	21.162.898,67
	117.157.606,02	118.215.323,29
<b>D. Provisions</b>		
1. Pension provisions and similar obligations	11.284.100,00	11.615.521,00
2. Tax provisions	12.000,00	0,00
3. Other provisions	4.521.603,52	4.510.368,66
	15.817.703,52	16.125.889,66
<b>E. Liabilities</b>		
1. Liabilities to banks	12.890.927,97	14.101.661,92
2. Trade payables	4.090.240,47	4.066.317,98
3. Liabilities to affiliated companies	3.998.731,55	3.910.504,93
4. Other liabilities	11.362.523,88	11.210.416,48
	32.342.423,87	33.288.901,31
<b>F. Deferred income</b>	111.867,69	253.591,65
	275.161.453,99	275.626.031,30

**Statement of Profit or Loss**  
**of Deutscher Caritasverband e. V., Freiburg im Breisgau,**  
**for the Period from 1 January to 31 December 2020**

	2 0 2 0	2 0 1 9
	EUR	EUR
<b>1. Donations, estates and other grants</b>		
a) Donation income		
Donations received in the financial year	41.012.411,17	33.971.209,06
Change in special purpose funds from unused donations	5.844.463,57	15.725.503,38
Income from the use of donations in the financial year	46.856.874,74	49.696.712,44
b) Inheritances, estates and other grants	3.940.700,75	4.065.229,56
Change in special purpose funds from unused inheritances	777.472,70	252.835,82
Income from the use of inheritances in the financial year	4.718.173,45	4.318.065,38
	51.575.048,19	54.014.777,82
<b>2. Subsidies</b>		
a) Church subsidies	11.546.625,10	10.462.225,84
b) EU subsidies	3.205.081,72	2.484.914,86
c) Federal subsidies	92.789.360,75	89.367.682,15
d) Other subsidies	9.261.208,25	8.499.307,84
e) Change in special purpose funds from unused subsidies	-5.564.219,00	-819.279,16
	111.238.056,82	109.994.851,53
<b>3. Revenue</b>		
a) Sales proceeds from charity stamps	4.663.789,88	3.834.082,49
b) Sales proceeds from publications, campaigns and advertising material	2.086.049,43	2.151.370,72
c) Events, conferences, training and other items	3.898.777,37	5.287.605,67
d) Rents / leases	5.012.964,54	3.865.727,26
	15.661.581,22	15.138.786,14
<b>4. Membership fees</b>		
	7.462.990,37	7.276.195,21
<b>5. Other operating income</b>		
a) Write-ups on financial assets and securities classified as current assets	70.650,55	1.095.384,41
b) Exchange rate gains	568.819,64	566.175,20
c) Income from the disposal of fixed assets	1.117.125,00	772.510,91
d) Release of special items	305.766,52	286.319,87
e) Reversal of provisions	878.485,03	811.001,64
f) Other income	1.258.761,86	848.672,19
	4.199.608,60	4.380.064,22
<b>6. Cost of materials</b>		
a) Cost of raw materials, consumables and supplies		
aa) Other business requirements	320.831,40	566.551,57
ab) Printing costs (and purchases of printed material)	705.094,62	674.778,92
ac) Purchases of charity stamps	4.650.387,35	3.823.633,13
ad) Purchases of merchandise	20.995,24	13.868,82
	5.697.308,61	5.078.832,44
b) Cost of purchased services		
ba) Energy, water, sewage	494.219,01	465.399,44
bb) Food & beverage, accommodation	88.121,47	391.543,50
bc) Fees (share of operating activities)	388.337,35	639.236,39
bd) Third-party services	480.687,06	540.079,24
	1.451.364,89	2.036.258,57
<b>Total cost of materials</b>	<b>7.148.673,50</b>	<b>7.115.091,01</b>

	2020	2019
	EUR	EUR
7. Personnel expenses		
a) Wages and salaries	21.809.341,23	22.263.165,95
b) Social security, pension and other benefit costs (thereof for old-age pensions EUR 2,511,342.11, prior year: EUR 2,313,557.10)	6.667.881,34	6.482.036,35
	28.477.222,57	28.745.202,30
8. Project expenses		
1. Aid provided by Caritas international	82.613.763,00	82.451.601,55
2. Domestic projects	51.293.266,93	51.576.127,91
	133.907.029,93	134.027.729,46
9. Amortization of intangible assets and depreciation of property, plant and equipment	3.083.534,18	2.646.136,87
10. Other operating expenses		
a) Rents, leases and hereditary building rights	262.677,51	307.479,85
b) Energy, water, sewage	239.485,26	257.305,47
c) Insurance, fees and levies	292.377,93	318.720,22
d) Membership fees	243.247,11	258.426,28
e) Repairs and maintenance	1.781.854,62	2.118.593,83
f) Public relations	2.593.504,45	2.843.895,59
g) Travel expenses	301.040,16	1.022.409,21
h) Freight-out, packaging	73.793,18	44.910,02
i) Expenses from the disposal of fixed assets	8.946,69	383.371,37
j) Fees	786.530,07	853.795,58
k) Third-party services	2.936.780,46	2.884.804,51
l) Postage	1.952.120,84	1.918.441,03
m) Other administrative expenses	1.225.217,30	1.182.267,15
n) Consulting and auditing fees	407.480,04	368.376,90
o) Subsidies paid to third parties	398.683,75	484.206,00
p) Exchange rate losses on securities	37.081,03	5.080,00
q) Other expenses	3.458.471,93	3.117.154,33
r) Incidental personnel expenses	145.025,85	230.037,91
	17.144.318,18	18.599.275,25
11. Income from equity investments (thereof from affiliated companies EUR 30,000.00, prior year: EUR 30,000.00)	42.812,12	49.775,53
12. Income from other securities and long-term loans	1.104.463,83	1.410.115,74
13. Other interest and similar income	1.809.691,54	2.328.274,27
14. Write-downs on financial assets and securities classified as current assets	45.571,50	63.152,44
15. Interest and similar expenses (thereof from unwinding the discount EUR 633,438.65, prior year: EUR 764,985.69)	860.976,93	972.333,98
16. Taxes on income	12.000,00	0,00
<b>17. Earnings after tax</b>	<b>2.414.925,90</b>	<b>2.423.919,15</b>
18. Other taxes	134.669,78	153.626,74
<b>19. Net profit for the year</b>	<b>2.280.256,12</b>	<b>2.270.292,41</b>
20. Withdrawals from reserves	465.465,20	328.065,66
21. Additions to reserves	-1.601.533,40	-851.235,80
<b>22. Retained earnings</b>	<b>1.144.187,92</b>	<b>1.747.122,27</b>

**Deutscher Caritasverband e. V.  
Freiburg im Breisgau**

**Notes to the Financial Statements  
for the Financial Year from 1 January to 31 December 2020**

**1. General Remarks**

Deutscher Caritasverband e. V. (DCV) is a national association and representative of the various Catholic Caritas associations in Germany, and recognized by German bishops. As an association of voluntary care-givers, DCV devotes its energies to performing social work and providing charity.

The Association was founded in 1897 is organized as a registered association (District Court of Freiburg im Breisgau, VR 570) with its offices in Freiburg im Breisgau.

The financial statements have been prepared in accordance with the provisions of **German commercial law applying to businesses** (Secs. 242 to 256a HGB ["Handelsgesetzbuch": German Commercial Code] and the supplementary provisions applying to stock corporations. The financial statements were complemented by notes to the financial statements and a management report, which were prepared voluntarily. The consequences of the legal form and the required deviations [from the standard HGB classification] are indicated in the classification of the statement of profit or loss. Any other deviations to the reporting requirements pertaining to stock corporations are commented on in the following sections.

**2. Accounting Policies**

The balance sheet has been prepared using the horizontal T-form in accordance with Sec. 266 (1) HGB. The classification is based on Sec. 266 (2) and (3) HGB. However, where it becomes necessary on account of the legal form or the purpose of the Association, the classification pursuant to Sec. 265 (5) HGB is supplemented by additional items and changes made to the classification and naming of items pursuant to Sec. 265 (6) HGB. The recognition and measurement policies applied to the assets and liabilities presented in the financial statements correspond to those applied in the prior year with the exception of a change in the measurement of direct and indirect pension provisions.



## **ASSETS**

**Intangible assets** and **property, plant and equipment** are measured at cost including any non-deductible input tax and less any scheduled depreciation and amortization and impairment losses.

Depreciation and amortization is recorded using the straight-line method over the customary useful life of the asset.

Intangible assets	20 - 33.3	%
Buildings and structures	2 - 5	%
Other equipment, furniture and fixtures	10 - 25	%

As in the prior year, no impairment losses were recorded in the reporting year. Project assets funded by donations and subsidies are generally written off in full in the year of acquisition.

**Low-value assets** are accounted for in the commercial balance sheet in accordance with the tax treatment laid out in Sec. 6 (2) EStG ["Einkommensteuergesetz": German Income Tax Act]. Depreciable moveable fixed assets that can be used independently and whose historical cost net of any input tax does not exceed EUR 800 are fully expensed in the year of acquisition. Their immediate disposal is assumed.

Investment subsidies (where not project-related) are collected without affecting profit or loss and reported as a **special item** on the credit side of the balance sheet as **subsidies to finance property, plant and equipment**. The special items are released on a pro rata temporis basis in line with the use of the subsidized asset. If they relate to buildings, they are released at 4% p.a. over the fixed interest period set by the provider of the subsidy. In the financial year 2020 income from the release of the special item amounted to EUR 306k (prior year: EUR 286k).

**Shares in affiliated companies, equity investments and shares in cooperatives** are recognized at cost or a notional value. They are written down to net realizable value, even if impairment is likely to be only temporary. If the reasons for an impairment that was recorded in prior years no longer apply, the assets are written up accordingly.

Shares in affiliated companies and other equity investments that were acquired prior to 1 January 2010, are written down to a notional value of EUR 1.00. Up until financial year 2009, impairments recorded on these equity investments in accordance with Sec. 253 (4) HGB (prior to amendment) amounted to EUR 1,684k. These have been retained in accordance with Art. 67 (4) EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code]. The impairment losses were recorded at a time when the financial statements were compiled solely in keeping with the legal requirements applying to businesses. Recording and retaining these impairment losses corresponds to the laws applying to DCV. To this extent, the accounting laws applying to stock corporations, which do not require these impairments pursuant to Sec. 253 (4) HGB (prior to amendment), were not applied.

Other than the above, no other impairments were required on other equity investments to write them down to net realizable value.

Shares in affiliated companies, equity investments and cooperative shares break down as follows:

Registered name	Association capital Cooperative shares		Holding		Equity	Profit or loss for the year	Book value as at
			31 Dec 2020		31 Dec 2020	31 Dec 2019	31 Dec 2020
	EUR	%	EUR	EUR k	EUR k	EUR k	
Bauverein Breisgau e.G., Freiburg	620.00		620.00			1)	1.00
BEGECA Beschaffungsgesellschaft mbH für kirchliche, caritative und soziale Einrichtungen, Aachen	743,418.39	5.2	38,346.89	764	30		1.00
ECCLESIA Holding GmbH, Detmold	273,000.00	46.3	126,400.00	348,888	25,955	2)	1.00
Gesellschaft für Anstaltskredit mbH, Cologne	1,010,000.00	100.0	1,010,000.00	2,007	33		1.00
Immobilien und Verwaltungs-GmbH, Freiburg	50,000.00	100.0	50,000.00	86	9		1.00
Katholische Hochschule Freiburg Gemeinnützige Gesellschaft mit beschränkter Haftung, Freiburg	52,000.00	20.0	10,400.00	9,690	172		175.16
KNA Kath. Nachrichtenagentur GmbH, Bonn	687,100.00	5.7	39,000.00	738	0		504.97
Lambertus-Verlag GmbH, Freiburg	317,550.00	100.0	317,550.00	4,673	14		1.00
Volksbank Freiburg e.G., Freiburg	520.00		520.00			1)	1.00
Werthmannhaus Unterstützungs-GmbH i.L., Freiburg	25,564.59	100.0	25,564.59	38	0		1.00
Wohlfahrtsgesellschaft Gut Hellberg mbH, Ettlingen	50,000.00	50.0	25,000.00	7,271	98		1.00
LIGA Bank e.G., Regensburg	2,500.00		2,500.00			1)	1.00
Pax-Bank e.G., Cologne	500,000.00		500,000.00	100,949	2,157		493,751.00
Wirtschaftsgesellschaft der Kirchen in Deutschland mit beschränkter Haftung (WGKD), Hanover	25,000.00	20.0	5,000.00	2,167	153		1.00
HGK Hotel- und Gastronomie-Kauf e.G., Stuttgart	1,250.00		1,250.00			1)	1,250.00
Aktionsbündnis Katastrophenhilfe GbR, Wiesbaden	20,000.00		5,000.00				5,000.00
Bank im Bistum Essen eG, Essen	25,200.00		25,200.00			1)	25,200.00
Klima Kollekte Kirchlicher Kompensationsfond GmbH, Berlin	5,000.00		5,000.00			3)	5,000.00
			<b>2,187,351.48</b>				<b>530,892.13</b>

- 1) Due to the small scope of the investments (< 20%), no disclosures have been made on shares in cooperatives.
- 2) Consolidated financial statements
- 3) Shareholders obtained their legal status upon being entered in the commercial register on 27 March 2020.

The financial statements and the consolidated financial statements of the affiliated companies, equity investments and cooperatives as at 31 December 2020 were not available as at the date these financial statements were prepared.

Securities classified as fixed assets are presented at the lower of cost or net realizable value, whereby an impairment loss is recorded even if the impairment is expected to be only temporary. When the reasons for an impairment recorded in prior years no longer apply, the asset is written up again but not beyond its historical cost.

**Other loans** have been valued at nominal value.

The breakdown and development of the individual fixed asset items is presented in the **statement of changes in fixed assets** (attached as an integral component to these notes).

Where the book value of a **fixed asset** calculated on the basis of the above accounting policies is above its net realizable value on balance sheet date, it is written down to net realizable value by recording an impairment loss. If the impairment loss no longer applies in subsequent financial periods, it is reversed by an appropriate amount to reflect the increase in fair value, provided that the revaluation does not exceed amortized cost.

**Inventories** are recorded at the lower of cost plus any (share in) non-deductible input tax or market. Incidental costs of acquisition and price reductions (such as discount received and rebates) are considered in cost. The balance of charity stamps is presented at their value for postage purposes.

As in the prior year, a fixed value of EUR 16k has been set for canteens and Caritas Tagungszentrum (CTZ – Caritas conference centers).

Inventories break down as follows:

	31 Dec 2020	31 Dec 2019
	EUR	EUR
Raw materials, consumables and supplies	39,880.73	38,581.28
Merchandise	28,161.19	26,554.47
	<b>68,041.92</b>	<b>65,135.75</b>

**Receivables and other assets** are stated at their nominal value or their realizable value at the balance sheet date, if lower.

The risks of bad debts are generally considered by recognizing a general valuation allowance of 3% on the net balance of receivables and also by means of specific doubtful debt allowances.

All the **receivables due from affiliated companies** are trade receivables.

**Other assets** consist of accrued interest of EUR 384k (prior year: EUR 458k), legal title to which arises after the balance sheet date.

As in the prior year, all receivables and other assets have a remaining term of less than one year.

**Securities classified as current assets** are valued at the lower of cost or net realizable value.

**Cash on hand and bank balances** are presented at their face value. Bank balances held at the same bank as liabilities to banks are presented net when they can be offset against each other.

Transactions in **foreign currencies** are recorded at the rate prevailing on the date of entry. Assets and liabilities denominated in foreign currency are measured at the mean spot rate on the closing date taking account of the imparity principle (higher of cost or market for liabilities and lower of cost or market for assets) and the realization principle for long-term items. Unrealized exchange rate gains are recognized through profit and loss if the related instruments have a term of less than one year.

**Prepaid expenses** relate to expenditures made before the balance sheet date for expenses incurred in following periods.

## EQUITY AND LIABILITIES

Equity developed in 2020 as follows:

	Association assets	Assistance funds	Reserves	Retained earnings/ accumulated loss	Total
	EUR	EUR	EUR	EUR	EUR
<b>1 January 2020</b>	13,644,159.13	53,888,832.44	35,157,952.93	1,747,122.27	104,438,066.77
Retained earnings 2019	609,707.31	1,137,414.96	0.00	-1,747,122.27	0.00
Withdrawals from reserves as at 31 December 2020	0.00	0.00	-465,465.20	465,465.20	0.00
Additions to reserves as at 31 December 2020	0.00	0.00	1,601,533.40	-1,601,533.40	0.00
Net profit for the year 2020	0.00	0.00	0.00	2,280,256.12	2,280,256.12
<b>31 December 2020</b>	<b>14,253,866.44</b>	<b>55,026,247.40</b>	<b>36,294,021.13</b>	<b>1,144,187.92</b>	<b>106,718,322.89</b>

The retained earnings of EUR 1,144k (prior year: EUR 1,747k) result from drawings from the reserves of EUR 465k, additions to the reserves of EUR 1,602k as well as the net profit for the year of EUR 2,280k.

The **special purpose funds** are reported in a separate line item on account of their materiality. They consist of subsidies earmarked for certain projects, donations received for certain aid projects and other funds as well as income from the temporary investment of these funds. Reference is made to Section 3. "Notes on the Statement of Profit or Loss" for further explanations.

**Pension provisions** are calculated at net present value in accordance with actuarial principles and, with regard to the benefits for surviving dependents, using the collective method considering the 2018G mortality tables issued by Prof. Dr. Heubeck. Pension provisions were recognized to cover all legacy pension obligations as defined by Art. 28 (1) sentence 1 EGHGB.

The obligations as at 31 December 2020 exist solely towards pensioners and were discounted in accordance with Sec. 253 (2) HGB using the interest rate for instruments of equivalent terms published by Deutsche Bundesbank of 1.61% (prior year: 1.97%). When calculating the discount rate, an average residual term of 7 years was assumed. Future pension increases in connection with the internal pension guideline of the DCV as at 31 December 2020 are calculated using a differentiated approach to future adjustments and eligible performance. The adjustments considered range between 0% and 2%. In the prior year, a uniform pension adjustment of 2.5% was applied. Pension provisions increased by EUR 170k on account of the change in the measurement policy. The adjustment was made to improve understanding of assets, liabilities and financial performance. As in the prior year, no pension increases were considered with regard to the pension obligations of DCV related to the reduction of benefits by

Pensionskasse der Caritas VVaG, Cologne. Employee churn was not considered.

Discounting pension provisions as at the balance sheet date using the average market interest rate of the past ten years in comparison to the average market rate over the last seven years results in a difference in the pension provision of EUR 397k (prior year: EUR 468k. This amount is **banned from distribution** by Sec. 253 (6) sentence 2 HGB.

The Association has an **indirect liability to cover the obligations of the pension plan** managed by Kirchliche Zusatzversorgungskasse (KZVK), Cologne, if there is any funding deficit.

The provision for indirect pension obligations of EUR 3,500k (prior year: EUR 3,569k) was created to cover the vested rights of employees earned prior to the change in the funding of the Abrechnungsverband S pension plan of KZVK, which switched to a capital-funded plan effective 1 January 2002, as the plan assets held by KZVK were not sufficient to meet the corresponding obligations (funding deficit). To this extent, the alternative treatment allowed by Sec. 28 (1) sentence 2 EGHGB was exercised. The recognition of the provision was recognized to cover the secondary liability pursuant to Sec. 1 (1) sentence 3 BetrAVG [“Gesetzes zur Verbesserung der betrieblichen Altersversorgung”: Law on improving company pensions]. However, this has not yet become manifest. Consequently there is no direct (immediate) obligation on DCV to meet the funding deficit. The KZVK initially intended to remedy the funding deficit by levying an annual fixed financing contribution until the year 2040. To measure the indirect pension obligations as at 31 December 2018, the net present value of the financing contributions expected to be levied over this entire period was taken as the best estimate of the economic burden. In the course of an amendment to the articles of association of KZVK, a new financing system came into force on 1 January 2020. No fixed financing contribution will be levied in future. As at 1 January 2020 the Abrechnungsverband S pension plan and the Abrechnungsverband P pension plan were combined to create the Abrechnungsverband G pension plan. It is intended to reach 90% funding coverage of the Abrechnungsverband G pension plan in the long term by means of the future payment and a forecast increase of 0.6 percentage points in the mandatory contribution in the year 2027. In addition, additional synergies are expected from combining the pension plans which will help remedy the funding deficit. The provisions for indirect pension obligations as at 31 December 2020 and 2019 was developed from the provision as at 31 December 2018 and the most recent contribution to the fund levied in 2019. It is assumed that the provisions have a residual term expiring no later than the year 2040. In a second step, the release from the debt provided by the amendment to the articles of association is considered when measuring the provision as at 31 December 2020 and 2019 to the extent that it is based on lower cash outflows until the end of 2026 in comparison to the measurement as at 31 December 2018 but on higher cash outflows from 2027 onwards. Other relief created by the new articles of association was not considered when measuring the

provision owing to a lack of quantifiability.

In the prior year all indirect obligations towards former employees who had retired or resigned by 2011 and the prior years were considered. The inclusion of another year due to a change in the measurement method resulted in revaluation adjustment and a higher provision of EUR 206k as a result. The change in measurement was performed to provide a better insight into the net assets and results of operations.

However, the indirect pension obligations as at 31 December 2020 were not recognized in full, only partly, as is permitted. The provision was only recognized for indirect pension obligations towards employees who had left DCV in 2012 or earlier.

The indirect pension provision is discounted using the average market interest rate for instruments with a commensurate term over the last ten financial years as determined by Deutsche Bundesbank on balance sheet date. No mark-down was considered for employee turnover (individuals with vested rights who pass away).

Indirect pension obligations not covered by the provision amount to EUR 2,757k as at 31 December 2020 (prior year: EUR 2,817k) calculated on the basis of the above parameters and explanations. As at 31 December 2020, these relate to employees still in active service and those who have left DCV since 2012.

Other **provisions** take into account all foreseeable risks and contingent liabilities and are valued at the amount deemed necessary by prudent business judgment. Future price and cost increases are considered provided there are sufficient objective indicators for their inclusion.

**Other provisions** break down as follows:

	31 Dec 2020 EUR	31 Dec 2019 EUR
Obligation for state financial assistance to health insurance	1,945,920.00	1,622,927.00
Vacation/overtime accrued	1,116,360.00	1,229,997.00
Supplementary aid system	174,052.50	175,000.00
Obligations towards the fund "Stiftung Anerkennung und Hilfe"	183,305.00	308,119.00
Rights held by employees of the Catholic University	423,000.00	436,000.00
Other personnel costs	169,160.87	351,693.37
Consulting and auditing	258,290.20	200,925.00
Building maintenance obligations	46,943.78	44,359.44
Other	216,571.17	141,347.85
	<b>4,533,603.52</b>	<b>4,510,368.66</b>

Other provisions also include provisions to cover the obligations for assuming the costs of the supplementary aid system for victims of sexual abuse. The provision was recognized on the basis of an agreement with the Federal Ministry for Family Affairs, Senior Citizens, Women and Youths (BMFSFJ). The provision is based on an estimate of the number of cases and the agreed maximum payments. The actual settlement could differ if the matter develops differently.

Employees hired prior to 1998 have a life-long right to healthcare assistance. The right arises from the guidelines for employment contracts in the facilities of the DCV ("*Richtlinien für Arbeitsverträge in den Einrichtungen des Deutschen Caritasverbandes*") attached as Exhibit 11. DCV has taken out insurance for its healthcare assistance obligations. A provision was recognized on the basis of the insurance premiums for obligations arising from state financial assistance to pensioners.

The actuarial measurement of the obligation was performed in accordance with Sec. 253 HGB and observing generally accepted actuarial principles. The calculation included biometric inputs from the Klaus Heubeck 2018G mortality tables and an interest rate of 1.61% (prior year: 1.97%).

When calculating the discount rate, an average residual term of 15 years was assumed. The discount rate is based on the market rate as calculated by the Deutsche Bundesbank for the past seven years in accordance with Sec. 253 (2) sentence 1 HGB. Moreover, a general annual increase in the premiums of 2.5% was considered. The present value method defined by German income tax legislation ("*Teilwertverfahren*") and the general present value method were the valuation techniques used to measure obligations towards employees in active service holding vested rights and towards former employees already in retirement.

A provision was recognized for **phased retirement plans** ("*Altersteilzeitverträge*") already agreed on as at the balance sheet date. It contains the step-up amounts required by the agreements and the performance obligations accumulated by the



balance sheet date. The interest rate used to measure the provision was set at the market rate for instruments of equivalent terms of 0.74% (prior year: 0.84%). Moreover, wage and salary increases of 2.5% p.a. were considered.

The provision for phased retirement obligations amounted to EUR 708k (prior year: EUR 316k) as at the reporting date. The provision was offset against the plan assets in accordance with Sec. 246 (2) sentence 2 HGB, whose fair value and acquisition cost each came to EUR 593k (prior year: EUR 293k). The plan assets consist entirely of dedicated current account euro deposits at banks that are pledged to the beneficiaries and protected from the claims of other creditors in the event of insolvency. As at 31 December 2020 covering assets (plan assets) were deducted from the provision for phased retirement plans on the liabilities side of the balance sheet.

No interest expenses have been offset against interest income.

With the exception of pension provisions, provisions with a residual term of more than one year are discounted using the average market interest rate over the last seven years as determined by the German Central Bank on the balance sheet date.

All **liabilities** are recorded at the settlement amount.

The residual terms of **liabilities** as defined by Sec. 268 (5) HGB and Sec. 285 No. 1 and 2 HGB can be seen in the following schedule:

Balance sheet item	Due in			Total amount	of which secured by liens and other rights
	less than 1 year	between 1 and 5 years	more than 5 years		
	EUR	EUR	EUR		
1. Liabilities to banks	988,372.51	2,794,791.36	9,107,764.10	12,890,927.97	12,890,927.97
<i>Prior year</i>	<i>(907,914.40)</i>	<i>(2,735,652.75)</i>	<i>(10,458,094.77)</i>	<i>(14,101,661.92)</i>	<i>(13,875,898.06)</i>
2. Trade payables	4,090,240.47	0.00	0.00	4,090,240.47	0.00
<i>Prior year</i>	<i>(4,066,317.98)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(4,066,317.98)</i>	<i>(0.00)</i>
3. Liabilities to affiliated companies	3,998,731.55	0.00	0.00	3,998,731.55	3,700,000.00
<i>Prior year</i>	<i>(3,910,504.93)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(3,910,504.93)</i>	<i>(3,700,000.00)</i>
4. Other liabilities	11,242,334.34	38,422.80	81,766.74	11,362,523.88	0.00
<i>Prior year</i>	<i>(11,095,685.47)</i>	<i>(39,031.20)</i>	<i>(75,699.81)</i>	<i>(11,210,416.48)</i>	<i>(0.00)</i>
	<b>20,319,678.87</b>	<b>2,833,214.16</b>	<b>9,189,530.84</b>	<b>32,342,423.87</b>	<b>16,590,927.97</b>

**Liabilities to banks** of EUR 12,891k are secured by land charges.

**Trade payables** are subject to the customary clauses retaining title to the delivered items.

**Liabilities to affiliated companies** consist of loans from subsidiaries of EUR 3,850k (prior year: EUR 3,850k) and trade payables of EUR 149k (prior year: EUR 61k).

**Other liabilities** include tax liabilities of EUR 345k (prior year: EUR 376k) and sundry other liabilities of EUR 11,018k (prior year: EUR 10,834k).

**Deferred income** relates to payments received before balance sheet date for income in following periods.

### **3. Notes to the Statement of Profit or Loss**

The statement of profit or loss has been prepared using the **vertical format** pursuant to Sec. 275 HGB.

Income and expenses have been accounted for on an **accrual** basis.

Until they are used, **donations** are presented under a special line item in the balance sheet, **special purpose funds from unused donations**.

The release of this item is presented under **income from use of donations** in accordance with the expenses incurred for which they are earmarked as required by the statutes. This item is therefore composed of the donations received in the financial year, the utilization of donations received in prior years less any donations received but not used in the period.

The presentation corresponds to the requirements of the **Accounting Practice Statement for Organizations Collecting Donations** issued by the IDW (IDW AcPS HFA 21).

The **special purpose funds** held by headquarters and its representative offices developed as follows in 2020:

	Cash		Change EUR k
	appropriation EUR k	inflow EUR k	
Government funding	90,424	87,907	-2,517
Donations	46,857	41,013	-5,844
Other funding	17,131	24,434	7,303
<b>Total</b>	<b>154,412</b>	<b>153,354</b>	<b>-1,058</b>

The change in line item **C.2. Special purpose funds from unused donations** of EUR 5,844k was presented in the statement of profit or loss under the line item **1.a) Donation income / Change in special purpose funds from unused donations**. The change of EUR 777k in the other special purpose funds (line items C.1. "From federal subsidies" and C.3. "From other funds") was posted to line item **1.b) Change in special purpose funds from unused inheritances** and a change of EUR 5,564k to line item **2.f) Change in special purpose funds from unused subsidies**.

An amount of EUR 4,079k of the donations received in 2020 (prior year: EUR 3,458k) was earmarked for the Kinderhilfe Bethlehem program, Lucerne, Switzerland. Of this amount EUR 3,310k (prior year: EUR 3,373k) was passed on to Kinderhilfe Bethlehem, Lucerne, Switzerland.

Donations received in kind of EUR 0k (prior year: EUR 0k) were recognized at a conservative measurement of their fair value or in accordance with tax legislation or at book value if the assets were taken over from the operating assets of the donor.

The line item, **inheritances, estates and other grants** includes funds received from wills and testaments of EUR 3,861k (prior year: EUR 4,014k) and administrative fines of EUR 8k (prior year: EUR 3k).

The line item **subsidies** contains subsidies received from Verband der Diözesen Deutschlands (Association of German Dioceses - VDD) and individual bishoprics, the federal government and other sources. As there is no exchange of goods or services, these grants qualify as genuine subsidies in the sense of Sec. 10.2 (7) of the Decree on the Application of VAT Law ("Umsatzsteuer-Anwendungserlass"). Due to their significance for the result of operations of the Association, the subsidies are not presented under other operating income but in a separate line item.

Other operating income mainly consists of **out-of-period income** arising from the release of provisions totaling EUR 878k (prior year: EUR 811k), the disposal of fixed assets of EUR 1,117k (prior year: EUR 773k) and income from the derecognition of liabilities of EUR 0k (prior year: EUR 382k). Moreover, other operating income includes **income from currency translation** amounting to EUR 12k (prior year: EUR 28k).

**Interest income and gains on sale** totaling EUR 2,152k (prior year: EUR 2,626k) from the temporary investment of special purpose funds were used during the year to fund special purpose projects and to finance the operating budget during the year. In sum, donations-funded projects earned interest of 1.33% (prior year: 1.50%).

The cash accounting used by the Association makes it possible to present the use of special purpose funds received from donations and subsidies for the various projects. **Project expenses** are therefore presented separately in the statement of profit or loss.

According to the statement of changes in fixed assets, **amortization of intangible assets and depreciation of property, plant and equipment** amount to EUR 3,225k (prior year: EUR 2,890k) of which EUR 141k (prior year: EUR 244k ) relates to assets that are allocated to projects. Consequently, this portion of depreciation and amortization is reported under **project expenses** rather than **depreciation and amortization**.

**Write-downs of financial assets and securities classified as current assets** include EUR 24k (prior year: EUR 17k) to write financial assets down to net realizable value in accordance with Sec. 253 (3) sentence 5 and 6 HGB.

Other operating expenses do not contain any significant **expenses from other periods**.

**Interest and similar expenses** include interest expenses of EUR 580k (prior year: EUR 714k) from unwinding discounted direct and indirect long-term pension provisions and interest expenses of EUR 54k (prior year: EUR 51k) from unwinding other discounted provisions. Moreover they include expenses from currency translation of EUR 30k (prior year: EUR 1k).

Fees of EUR 120k (prior year: EUR 140k) were agreed on for the **audit of the financial statements** plus 19% VAT (Sec. 285 No. 17 HGB) for 2020. Of this amount, EUR 81k (prior year: EUR 101k) plus 19% VAT relates to the audit of the entire financial reporting of the Association and additional work required by the engagement in the form of attestation services of EUR 8k (prior year: EUR 8k) plus VAT of 19% in each case.

#### **4. Related Party Transactions**

Related parties charged insurance premiums of EUR 119k (prior year: EUR 125k) and an amount of EUR 602k (prior year: EUR 623k) for administrative services in financial year 2020. Moreover, there are still loans from affiliated companies of EUR 3,850k, which were extended in the prior year at market rates.

DCV invoiced related parties for EUR 724k (prior year: EUR 736k) for the rent of buildings, primarily training and academy rooms, plus incidental expenses. In addition, related parties were billed EUR 172k (prior year: EUR 171k) for services and EUR 91k for licenses (prior year: EUR 69k).

No other significant transactions were conducted with related parties in 2020.

#### 5. Disclosures on Shares in Investment Funds pursuant to Sec. 1 (10) KAGB

	Book value 31 Dec 2020	Market value 31 Dec 2020	Market value less book value	Dis- tribution	Daily Redemption possible
	EUR m	EUR m	EUR m	EUR m	
LWH equities	37.1	45.9	8.8	0.70	yes
LWH bonds	54.8	57.8	3.0	1.00	yes

As at the reporting date, Deutscher Caritasverband e.V. holds more than 10% of the shares in special purpose investment funds pursuant to Sec. 1 (10) KAGB [“Kapitalanlagegesetzbuch”: German Investment Code]. The shares relate to special investment funds issued by BNY Mellon Service Kapitalanlagegesellschaft, Frankfurt am Main: LWH Fonds Aktien (equities) and LWH Fonds Renten (bonds). The investment funds are securities with an international investment focus. The financial year of the funds begins on 1 October of a given year and ends on 30 September of the following year.

## 6. Other Notes

The members of the **management board** in 2020 were:

1	President	Prelate Dr. Peter Neher
2	Director of Social Policies and Politics	Eva-Maria Welskop-Deffaa
3	General Secretary Director of Finance and HR	Hans Jörg Millies

Please see Exhibit 5 (which is an integral component of these notes) for the composition of the **Caritas Board**.

Total remuneration paid to the board (including incidental income, fringe benefits excluding the employer's share of social security and other social levies and fringe benefits) amounted to EUR 462k (prior year: EUR 458k).

This breaks down to the individual members of the board as follows:

	EUR k
Prelate Dr. Peter Neher, President	152
Eva-Maria Welskop-Deffaa, Director of Social Policies and Politics	155
Hans Jörg Millies, General Secretary, Finance and HR	155
	<b>462</b>
<b>Total remuneration of the board (including incidental income, fringe benefits excluding the employer's share of social security and other social levies and fringe benefits)</b>	

Pension payments to former members of the management board amounted to EUR 206k in 2020 (prior year: EUR 210k).

Provisions for pension obligations towards former members of the management board were recognized at an amount of 1,825k (prior year: EUR 1,722k).

**Other financial obligations** which are of significance for an assessment of the financial position, arise from rental agreements, contracts for services and maintenance agreements and came to EUR 2,988k as at the reporting date (prior year: EUR 3,113k).

The number of full-time **employees** on 31 December 2020 (in full-time equivalents) came to 338 (prior year: 362).

Not expressed in full-time equivalents, the annual average headcount in 2020 came to 430 (prior year: 456) excluding members of the management board, trainees and interns.

## **7. Subsequent Events**

One event of particular significance to occur after the reporting date was the sale of the property located in the Ludwigstrasse in Freiburg for a price of EUR 5,215k. This resulted in a book gain of EUR 4,209k.

Otherwise, there have not been any other significant events requiring reporting at this point.

Freiburg im Breisgau, 10 May 2021

Prelate Dr. Peter Neher  
President

Eva-Maria Welskop-Deffaa  
Director of Social Policies  
and Politics

Hans Jörg Millies  
General Secretary  
Director of Finance and  
HR

Statement of Changes in Fixed Assets  
of Deutscher Caritasverband e. V., Freiburg im Breisgau,  
for the Financial Year 2020

**Historical cost**

	1 Jan 2020	Additions	Reclassi- fications	Disposals	31 Dec 2020
	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>					
Concessions, industrial rights and similar rights and assets acquired for a consideration as well as licenses to such rights and assets	5.259.855,35	369.137,19	0,00	301.479,85	5.327.512,69
<b>II. Property, plant and equipment</b>					
1. Land, land rights and buildings	78.914.108,59	55.090,30	3.090.470,33	2.126.424,80	79.933.244,42
2. Other equipment, furniture and fixtures	14.398.713,61	332.776,01	39.725,84	330.849,50	14.440.365,96
3. Assets under construction	1.496.031,38	1.641.013,33	-3.130.196,17	0,00	6.848,54
	94.808.853,58	2.028.879,64	0,00	2.457.274,30	94.380.458,92
<b>III. Financial assets</b>					
1. Shares in affiliated companies, equity investments and shares in cooperatives	2.198.001,10	0,00	0,00	0,00	2.198.001,10
2. Securities classified as fixed assets	75.342.672,69	1.502.306,98	0,00	2.475.300,00	74.369.679,67
3. Other loans	330,80	0,00	0,00	330,80	0,00
	77.541.004,59	1.502.306,98	0,00	2.475.630,80	76.567.680,77
	177.609.713,52	3.900.323,81	0,00	5.234.384,95	176.275.652,38



Accumulated depreciation and amortization					Book value	
1 Jan 2020	Additions	Write-ups	Disposals	31 Dec 2020	31 Dec 2020	31 Dec 2019
EUR	EUR	EUR	EUR	EUR	EUR	EUR
2.114.002,62	813.868,65	0,00	301.479,85	2.626.391,42	2.701.121,27	3.145.852,73
33.705.882,76	1.674.469,12	0,00	2.075.280,52	33.305.071,36	46.628.173,06	45.208.225,83
12.052.600,25	736.454,65	0,00	330.144,20	12.458.910,70	1.981.455,26	2.346.113,36
0,00	0,00	0,00	0,00	0,00	6.848,54	1.496.031,38
45.758.483,01	2.410.923,77	0,00	2.405.424,72	45.763.982,06	48.616.476,86	49.050.370,57
1.667.108,97	0,00	0,00	0,00	1.667.108,97	530.892,13	530.892,13
44.760,15	24.498,68	36.351,58	6.448,30	26.458,95	74.343.220,72	75.297.912,54
0,00	0,00	0,00	0,00	0,00	0,00	330,80
1.711.869,12	24.498,68	36.351,58	6.448,30	1.693.567,92	74.874.112,85	75.829.135,47
49.584.354,75	3.249.291,10	36.351,58	2.713.352,87	50.083.941,40	126.191.710,98	128.025.358,77

# Members of the Caritas Council

Title	First name	Surname	Function
Prelate Dr.	Peter	Neher	President of DCV e.V., Chairman <sup>1</sup>
	Nicola	Adick	Diocese-Caritas Director DiCV Mainz e.V.
Brother	Peter	Berg	Member of the extended management board of DOK
Dr.	Matthias	Berger	Chairman of the Financial Commission <sup>2</sup>
	Stephan	Buttgereit	General Secretary of SKM-Bundesverband e.V.
	Heinz	Dargel	Board member of CV Bremen-Nord, Bremerhaven und die Landkreise Cuxhaven und Osterholz e.V.
Sister	Agnesita	Dobler	General Secretary of DOK Deutsche Ordensobernkonzferenz e.V., Bonn (elected by the Assembly of Delegates on 14 October 2020 with immediate effect)
	Georg	Falterbaum	Board member of CV der Erzdiözese München und Freising e.V. (retired as at 31 March 2021)
	Alfred	Frank	Diocese-Caritas Director of DiCV Eichstätt e.V.
	Pia Theresia	Franke	Diocese-Caritas Director of CV Würzburg e.V. (retired as at 28 February 2021)
	Katrin	Gerdsmeier	Head of the Berlin office of DCV e.V. <sup>3</sup>
	Eva-Maria	Güthoff	Chairwoman of VKAD e.V.
	Gaby	Hagmans	Vice President of DCV e.V. – Caritas Director of CV Frankfurt e.V.
	Dr.	Frank Johannes	Hensel
Regina		Hertlein	Chairwoman of the Board of CV Mannheim e.V.
Renate		Jachmann-Willmer	National Director of SKF Gesamtverein e.V.
Heinz-Josef		Janßen	National Director of Kreuzbund e.V.
Heinz-Josef		Kessmann	Vice President of DCV e.V. - Diocese-Caritas Director of DiCV Münster e.V.
Prof. Dr.	Ulrike	Kostka	Diocese-Caritas Director of DiCV Berlin e.V.
Dr.	Birgit	Kugel	Diocese-Caritas Director of DiCV Trier e.V.
	Stefan	Leister	Member of the Management Board of BVkE e.V.
	Hans-Georg	Liegener	Chairman of CV für die Region Krefeld e.V.

<sup>1</sup> According to Art. 16 (6) of the Articles of DCV e.V. the members of the board do not have voting rights on points on the agenda pursuant to Art. 15 (2) No. 4-10 and 14.

<sup>2</sup> According to Art. 16 (6) of the Articles of DCV e.V. the Chair of the Finance Commission acts as the chair of the meeting on deliberations and decisions concerning Art. 15 (2) over No. 4-8, and the Deputy Chair if the Chair of the Finance Commission is absent.

<sup>3</sup> Advisory member pursuant to Art. 14 (5) of the articles of DCV e.V.

<b>Title</b>	<b>First name</b>	<b>Surname</b>	<b>Function</b>
	Franz	Loth	Diocese-Caritas Director of DiCV Osnabrück e.V.
	Josef	Lüttig	Diocese-Caritas Director of DiCV Paderborn e.V. (elected by the Assembly of Delegates on 14 October 2020 effective 19 November 2020)
	Johannes	Magin	Chairman of CBP e.V.
Sister	M. Hildegard	Mels	General Economist of the Franziskanerinnen vom hl. Märtyrer Georg zu Thuine (retired as at 15 July 2020)
	Oliver	Merkelbach	Diocese-Caritas Director of DiCV Rottenburg-Stuttgart e.V.
	Hans Jörg	Millies	General Secretary – Finance and HR of DCV e.V. <sup>1</sup>
	Matthias	Mitzscherlich	Diocese-Caritas Director of DiCV Dresden-Meißen e.V.
Prelate	Bernhard	Piendl	Head of the main representative office Munich of DCV e.V. <sup>3</sup>
	Andreas	Rölle	Director of CV Zwickau e.V.
	Burkard	Schröders	Director of DiCV Aachen e.V. (retired as at 18 November 2020)
Dr.	Irme	Stetter-Karp	Vice President DCV e.V.
	Eva Maria	Welskop-Deffaa	Director of Social Policies and Politics of DCV Freiburg e.V. <sup>3</sup>

## **Management Report of Deutscher Caritasverband e. V. for the Financial Year from 1 January to 31 December 2020**

Deutscher Caritasverband e. V. (DCV) is a national association and representative of the various Catholic Caritas associations in Germany, and recognized by German bishops. Together with its partners and members, it is dedicated to covering the entire spectrum of social and charity tasks. As a combination of the Caritas associations at national level, Deutscher Caritasverband performs the functions of coordinating and representing the interests of the overall organization and developing its quality and structures. It is a not-for-profit organization and pursues the sole goal of directly furthering welfare and charitable aims.

### **1. Basic Developments**

#### **1.1 Developments in Social Policies and Politics**

The year 2020 will go down in the history books as the year of the corona virus. DCV, with its branches and members, has been working to address the consequences of the pandemic. At the federal level, the protective shields could be steered within the framework of the Social Service Provider Deployment Act (SodEG). Amendments to many social laws were needed to mitigate the impact of the pandemic on the disadvantaged and people in need and to keep the social infrastructure intact. DCV needed to comment on these amendments, sometimes at very short notice. Supportive efforts to test and vaccinate at Caritas facilities were among the priorities in the second half of the year.

On other issues, the demand for equal living conditions ("Forderung nach gleichwertigen Lebensverhältnissen") has been put on the agenda by the German government's commission of the same name. The DCV has accompanied the work of the commission and made it clear that facilities and services are also an essential part of the infrastructure and that the equality of living conditions should also be shaped together with non-statutory welfare associations. The monitoring of the SGB VIII reform is one of the political projects to be completed in this legislative period.

Caritas' newly designed online counseling service proved especially useful during the pandemic, as it was able to help people who could no longer be counseled in person one-on-one. In July 2020, the DCV obtained a ruling from the tax office whereupon it founded the "Kooperation Blended Counseling" of the DCV as a tax-privileged special purpose entity. Furthermore, DCV continued to be instrumental in the reporting on homelessness and again advocated for independent counseling on the asylum process as well as for accepting refugee children and their parents living in disastrous conditions in camps on the Greek islands. The bill on the "Grundrente" Act (an act to guarantee a minimum pension for those qualifying) was welcomed by the DCV in the hope that concealed poor would also benefit from it. Beyond the acute corona policy, the DCV, together with its professional associations, undertook efforts to design and implement a consist reform of nursing care.

## **1.2 Policies of the Association, Theology and Ethics**

The corona pandemic also had an impact on the interaction between Caritas and pastoral care. Already during the first lockdown in spring 2020, there were numerous collaborations between diocesan and local Caritas associations and dioceses. Mostly, these were projects to mitigate deprivation during the corona crisis. These enabled uncomplicated, pragmatic cooperation between the Church and its Caritas in many places. Throughout the year there were increased efforts on both sides – triggered by the experience of the corona pandemic – to develop joint strategies within the social and ecclesiastical context (key phrase "pastoral care restructuring"). The inter-diocesan exchange about such measures and experiences was an essential building block for those responsible in the Church and its Caritas and could be organized and facilitated by the DCV headquarters using digital formats.

The topic of religious sensitivity continued to be addressed following the 2019 symposium. Due to a number of racially motivated attacks on people of Jewish and Muslim faith, the 2020 symposium of the Theology and Ethics Office was held under the motto "Rassismus ist ein Gift! – Aber was ist das Gegengift? Diversität und Identität in der Caritas religionssensibel gestalten" (Racism is poison! - but what is the antidote? Shaping diversity and identity within Caritas with due sensitivity to religious differences). As an 'antidote', participants were introduced to the anti-bias approach of a Muslim integration worker and neighborhood-based community work.

The six-year Caritas 2020 dialog on the future was brought to a conclusion after having held 35 events during the "Feuer&Flamme Tour". The clear orientation of the employees towards

Christian-based values was perceptible in all events. These permeate all topics, professions and work areas. They are fundamental for motivating employees, shaping their attitudes, and holding the association together, and make it stand out from others. The project results were discussed at a final event and published in several articles.

### **1.3 Caritas international (Ci)**

The corona crisis impacted Caritas international's global relief efforts and required additional projects. In project countries such as Brazil, high infection rates led to many fatalities, and aids such as protective clothing and hygiene articles were in high demand. In other countries, the lockdown caused immense social problems because day laborers were no longer able to pursue their work and had no income at all. Some 235 million people are dependent on humanitarian aid, the highest figure ever recorded. According to World Bank figures, global poverty has been growing again since 2020, having previously been successively reduced in prior years. With no vaccination coverage expected for the southern nations of the world in the near future, corona remains an additional poverty risk for societies in these regions for the time being.

Despite the travel restrictions, Caritas international has been able to maintain and often expand its project work due to long-standing relationships with project partners. With increased donations and public funding remaining at a high level, the charity was able to undertake additional activities related to corona assistance. Otherwise, the conflict areas in the Middle East (including Syria) and Africa (e.g. the Lake Chad region) remained central fields of action. The massive explosion in the port of Beirut, Lebanon's capital, pointed to the fragile state of the country and resulted in calls for extensive relief efforts. The number of refugees and displaced persons increased again in 2020, which has led and will continue to lead to additional measures for this target group. A special focus of our work and public relations was placed on aid projects on the Greek islands.

Cooperation with the Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development continues to be based on trust. As part of a pilot project, a major program in disaster prevention was started with the Federal Foreign Office for the first time together with three other NGOs.

#### **1.4 Developments in Social Economics**

In 2020, the focus was on lobbying for the establishment of effective protective shields to address the economic hardships of the corona pandemic for businesses in the social and health care sector, as well as the establishment of accompanying monitoring by the associations. The enhancement of internal transparency and controls by the governing bodies remains a key item on the agenda of the various member associations. The aim is to establish effective supervisory and control structures at the respective welfare carriers, the importance of which becomes particularly apparent in economically strained phases.

The increasing information needs of the general public, but also of important stakeholders, in the economic, but also qualitative aspects of Caritas work must be met with proactive public relations work. The joint transparency standards of Caritas and Diakonie, which are also compatible with the recognized standard of the Initiative Transparente Zivilgesellschaft (ITZ), provide essential orientation in this regard.

#### **1.5 Collectively Bargained Industrial Agreements**

The labor law commission of the DCV, which is composed of a nationwide committee, six regional committees, steering committees of service providers and employee representatives, plus the three offices, discussed and signed the industrial agreement governing the working conditions for the employees in the social facilities and services of Caritas.

Resolutions passed by the Assembly of Delegates 2020 on the budgets for the years 2021 to 2025 and on the rules of the Commission provide a stable basis for the "Dritten Weg der Caritas" (Caritas third way).

#### **1.6 Governing Boards**

Two members stepped down from the Caritas Board in 2020. The Assembly of Delegates elected two successors to the Board at their autumn meeting in 2020. In addition, the requisite software was selected and skills and competencies established to conduct meetings and elections virtually. The Assembly of Delegates also elected the members of its four commissions.

Due to the corona pandemic, the meetings of the Caritas Board in July and November 2020 and the Assembly of Delegates in October 2020 were held as videoconferences in accordance with Section 5 of Article 2 of the Law on Mitigation of the Consequences of the COVID-19 Pandemic in Civil, Bankruptcy and Criminal Procedure Law.

The 6th Caritas Congress was postponed and will now be held on 25-27 January 2023 in Berlin.

### **1.7 Human Resources**

Employment contracts are governed by the AVR guidelines for employment contracts in the facilities of the DCV (*“Richtlinien für Arbeitsverträge in den Einrichtungen des Deutschen Caritasverbandes”*). This extends to a right to receive additional benefits from the KZVK [“Kirchliche Zusatzversorgungskasse”: Supplementary Church Workers’ Welfare Fund]. Employment agreements entered into prior to 1 August 1998 provide the employee with a right to assistance in the event of sickness, birth of a child and death. Employees with contracts dating from before 1 January 1976 and an entitlement to a five year pension as at this cut-off date have a right to a pension under the internal pension regulation valid at the time.

In accordance with the results of the negotiations with the regional commission of Baden-Württemberg, salaries were raised by 1.41% effective 1 March 2020.

The DCV headquarters is a member of Freiburger Netzwerk Familienbewusste Unternehmen (FNFU) and pursues a policy of reconciling professional and family interests to win and bind professionals to the organization.

The Management Board of DCV is composed of the prelate, Dr. Peter Neher, President, Eva-Maria Welskop-Deffaa, Social Policies and Politics, and Hans Jörg Millies, General Secretary, Finance and HR. Total remuneration paid to the Board (including fringe benefits, but excluding the employer's share of social security and other social levies) amounted to EUR 462 k in 2020 (prior year: EUR 458 k). The individual compensation paid is presented in the notes to the financial statements and published in the internet.

### **1.8 Strategic Goals**

The organizational development process underway at headquarters and the project “Verbandlich handeln. Neujustierung der Zusammenarbeit zwischen Bundesverband,



Gliederungen und Mitgliedern” (Acting as an association – Realignment of cooperation between the national association, branches and members) was concluded successfully by the association in 2020.

The fundamental principles underlying the work of DCV are described in Art. 6 of the articles of the DCV. The process to work out the associated goals were reviewed within the context of the development of the organization and association.

## **2. Economic Position**

### **2.1 Overall Assessment of Business Development and the General Situation**

The Management Board is satisfied with business development in 2020. As in the previous year, DCV recorded a net profit for the year of 2.3 million euros. The result for the year was mainly attributable to an increase of EUR 1.2 million in income from rents and leases and to a one-off effect of EUR 1.1 million from the sale of a property, and was therefore higher than the forecast result.

Due to rises in the listed prices of long and short-term securities, it was possible to write these items up by EUR 0.1 million in 2020 (prior year: EUR 1.0 million). Moreover, capital gains of EUR 0.6 million (prior year: EUR 0.6 million) were realized during a reorganization of assets. Write-downs of securities decreased by EUR 0.06 million to EUR 0.05 million.

In sum, retained earnings in 2020 amount to approximately EUR 1.1 million (prior year: EUR 1.7 million).

The operating result in 2020<sup>1</sup> closed the year at the break-even point. To ensure the operating result broke even, only EUR 1.9 million of the EUR 3.3 million from asset surpluses and reserves provided for in the 2020 budget was needed. This is mainly due to the earnings-improving measures of the organizational development process.

Donation income is above budget, primarily due to taxable donations. Subsidies were also significantly higher than expected. However, due to the higher revenues, project expenses also increased compared to budget. As a result of this development, the reduction in trust

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<sup>1</sup> Combined statement of profit or loss less project budgets and asset management

funds was slightly lower than budgeted. The anticipated impact of the spread of the coronavirus in 2021 is discussed in section 4. Outlook.

## **2.2 Assets, Liabilities and Financial Position**

In comparison to the prior year, the balance sheet total of DCV decreased by 0.2% to EUR 275.1 million.

Property, plant and equipment and intangible assets decreased by EUR 0.9 million to EUR 51.3 million. With regard to asset management, one construction project was completed in the real estate division.

Other investments primarily consist of the recognition of development expenses for the online counselling platform and the acquisition of office equipment, IT hardware and software. Additions to fixed assets amount to a total of EUR 2.4 million. Depreciation for the financial year amounted to EUR 3.2 million, of which EUR 0.1 million is attributable to project assets and reported under project expenses.

Due primarily to the increase in donation income and the reduction in securities classified as current assets, bank balances and cash on hand increased by EUR 15.0 million to a total of EUR 30.0 million. Likewise, securities classified as long-term investments decreased by EUR 1.0 million. As at the reporting date capital investments consist of bonds (65.5%), equity papers (22.5%), mutual property funds (11.6%) and fixed-term deposits (0.4%).

On the liabilities side, equity accounts for 38.8% of the balance sheet total, increasing from 37.9% in the prior year on account of the net profit made in the year.

The special purpose funds serve to finance projects and flow to the individual projects depending on their stage of completion. The project expenses in the year resulted in the sharp fall of EUR 1.1 million in the line item compared to the prior year. The special purpose funds will be used in coming years for the purposes stipulated by the donors. The utilization of donations is presented in the statement of profit or loss under income analogous to the presentation of the expenses incurred under the line item, income from utilization of donations.

Provisions for pensions and similar obligations decreased from EUR 11.6 million to EUR 11.3 million in 2020. The provisions for direct pension obligations decreased by EUR 0.3 million on account of the death of further plan participants. The provision for indirect pension obligations remained virtually unchanged at EUR 3.5 million (previous year: EUR

3.6 million). This provision was recognized to cover the funding deficit in the KZVK supplementary church workers' welfare fund.

Other provisions remained more or less unchanged. The provision for state-assisted health insurance ("Beihilfe") increased by EUR 0.3 million, while the provision for the Stiftung Anerkennung und Hilfe (Recognition and Assistance Foundation) decreased by EUR 0.1 million and the provision for vacation entitlements by EUR 0.1 million.

Fixed assets are covered in full by long-term capital.

Liabilities to affiliated companies of EUR 4.0 million mainly consist of loans from subsidiaries.

### **2.3 Financial Performance**

The course of business and the results for the year are explained in Section 2.1. Changes in income and expense items are presented in the following table.

### 2.3.1 Income

Income	2020		2019		Changes	
	EUR k	%	EUR k	%	EUR k	%
Donation income in the financial year	41,012		33,971		7,041	
Change in special purpose funds from unused donations	5,845		15,726		- 9,881	
Income from the use of donations	46,857		49,697		-2,840	-5.7
Estates, gifts and other grants	3,941		4,065		- 124	
Change in special purpose funds from unused inheritances	777		253		524	
<b>Total donations, estates, other grants</b>	<b>51,575</b>	<b>26.7</b>	<b>54,015</b>	<b>27.8</b>	<b>- 2,440</b>	<b>-4.5</b>
Church subsidies	11,547		10,462		1,085	
Federal subsidies	92,789		89,368		3,421	
Other subsidies (e.g. from the EU, lotteries, foundations)	12,466		10,984		1,482	
Change in special purpose funds from unused subsidies	-5,564		-819		- 4,745	
<b>Total subsidies</b>	<b>111,238</b>	<b>57.6</b>	<b>109,995</b>	<b>56.5</b>	<b>1,243</b>	<b>1.1</b>
<b>Membership fees</b>	<b>7,463</b>	<b>3.9</b>	<b>7,276</b>	<b>3.7</b>	<b>187</b>	<b>2.6</b>
Interest, distributions	2,957		3,788		- 831	
Exchange rate gains	569		566		3	
Rents / leases	5,013		3,866		1,147	
Write-ups on financial assets and securities classified as current assets	71		1,095		- 1,024	
<b>Total income from assets</b>	<b>8,610</b>	<b>4.5</b>	<b>9,315</b>	<b>4.8</b>	<b>- 705</b>	<b>- 7.6</b>
Sales proceeds from charity stamps	4,664		3,834		830	
Revenue (publications, campaigns and marketing materials, events, conferences and training)	5,985		7,439		- 1,454	
<b>Total sales, events</b>	<b>10,649</b>	<b>5.5</b>	<b>11,273</b>	<b>5.8</b>	<b>- 624</b>	<b>-5.5</b>
Income from the disposal of fixed assets	1,117		773		344	
Special item/provisions	1,184		1,097		87	
Other	1,259		849		410	
<b>Other income</b>	<b>3,560</b>	<b>1.8</b>	<b>2,719</b>	<b>1.4</b>	<b>841</b>	<b>30.9</b>
<b>Total income</b>	<b>193,095</b>	<b>100.0</b>	<b>194,593</b>	<b>100.0</b>	<b>- 1,498</b>	<b>-0.8</b>

### Donations

The volume of donations at Ci depends heavily on external events, in particular the attention which the media place on disasters, with natural catastrophes generally triggering higher donations from the population than humanitarian crises caused by war. The primary goal of the fund-raising strategy is to stabilize and successively increase the volume of donation income that is independent of large catastrophes that are reported widely in the media.

In sum, donations of roughly EUR 41 million were received in 2020. Of this amount, approximately EUR 36.9 million was received for the work of Caritas international. EUR 4.1 million was donated to Kinderhilfe Bethlehem and approximately EUR 0.21 million for the domestic work of DCV. Donation income of approximately EUR 4.2 million was received by Caritas international in the wake of the explosion in Beirut harbor. Donations to support the victims of the corona pandemic amounted to EUR 4.9 million in 2020. The donations attracted by Caritas international not in connection with any major disasters were well above the budget target in the reporting year (target: EUR 25.9 million compared to EUR 32.7 million received).

Total utilization of donations amounted to EUR 46.9 million in 2020 (prior year: EUR 49.7 million). "Income from the utilization of donations" is comprised of the current donations received in the financial year plus the net change in the special purpose funds consisting of unutilized donations. The item for special purpose funds from unused donations decreased by EUR 5.8 million in comparison to the prior year.

Generally, this development is due to the amounts collected in prior years which were used in 2020 for long-term sustainable aid programs, e.g. in Mozambique, Indonesia and Nepal.

DCV is obliged to respect the wishes of the donors and manages the donations reliably, exercising fiduciary care. A portion of the donations is earmarked for a special purpose and – after deducting reasonable administrative fees – used for the purpose assigned by the donor. If donations are invested in the meantime, the guidelines on financial investments are applied accordingly along with the ethical principle of observing a low-risk secure investment strategy.

### **Subsidies**

The increase in church subsidies is due to the grants from the Verband der Diözesen Deutschlands (VDD) and, in particular, individual (arch) dioceses for the global aid programs of Ci.

The federal grants for international aid have risen to EUR 38.9 million. While much greater funding for humanitarian aid was received from the Federal Foreign Office (AA), the funds received from the Federal Ministry for Economic Cooperation and Development (BMZ) have fallen slightly. This mainly affects the Transitional Assistance (ÜH) funding category, while the Private Sponsors (PT), Social Structure Funding (SSF), and Special Initiatives funding categories are at roughly similar levels to 2019.

Federal support of EUR 53.9 million (prior year: EUR 52.3 million) was provided for domestic welfare programs.

### **Membership fees**

In accordance with a resolution of the assembly of delegates the general membership fees for the Diocese Caritas associations were increased by a further 2.9% to EUR 1.0 million effective 1 January 2020. In addition, the members paid an amount of EUR 6.4 million (prior year: EUR 6.3 million) into a special purpose fund for the implementation of the labor law regulation of Caritas.

### **Investment income**

Interest income and income from securities decreased by EUR 0.8 million compared to the prior year. This is mainly due to the sustained phase of low interest rates. Distributions from subsidiaries correlate to the level of the prior year.

### **Write-ups on financial assets and securities classified as current assets**

According to Sec. 253 HGB, any write-downs recorded in prior years to the lower of market or net realizable value must be reversed if market prices recover. However, such write-ups may not exceed the historical cost of the asset. Write-ups due to the recovery of market prices in 2020 resulted in income of EUR 0.1 million (prior year: EUR 1.1 million), compared to write-downs of financial assets and current securities of EUR 0.05 million (prior year: EUR 0.1 million).

The fluctuation in the values is due to the developments of the capital markets in 2019 and 2020.

### **Charity stamps**

Deutscher Caritasverband e.V. secures the distribution of charity stamps to ensure they are available nationwide. These postal instruments give parishes as well as facilities and welfare services of Caritas the possibility to directly fund welfare activities from the surcharge charged on the stamp. Income from surcharges for the DCV of EUR 0.4 million were available in 2020 (prior year: EUR 0.4 million).

### Income from the disposal of fixed assets

Other operating income includes the non-recurring income from the sale of the property in Garmisch-Partenkirchen of EUR 1.1 million.

### 2.3.2 Expenses

Expenses	2020		2019		Changes	
	EUR k	%	EUR k	%	EUR k	%
Personnel expenses	28,477	14.9	28,745	14.9	- 268	- 0.9
Other administrative expenses (cost of materials and other operating expenses)	23,885	12.5	24,848	12.9	- 963	- 3.9
Project expenses*	133,907	70.2	134,028	69.7	- 121	- 0.1
Subsidies paid to third parties	399	0.2	484	0.3	- 85	- 17.6
Depreciation and amortization:						
Amortization of intangible assets and depreciation of property, plant and equipment	3,084	1.6	2,646	1.4	438	16.6
Write-downs of financial assets and securities classified as current assets	46	0.0	63	0.0	- 17	- 27.0
Interest and similar expenses	861	0.5	972	0.5	- 111	- 11.4
Other operating taxes	147	0.1	154	0.1	- 7	- 4.5
Expenses from the disposal of fixed assets	9	0.0	383	0.2	- 374	- 97.7
<b>Total expenses</b>	<b>190,815</b>	<b>100.0</b>	<b>192,323</b>	<b>100.0</b>	<b>-1,508</b>	<b>- 0.8</b>

\* assistance provided to national and international aid programs and other project expenses

The reduction of EUR 0.3 million in personnel expenses reflects the change in the headcount (31 December 2020: 418, prior year 456 employees excluding trainees and interns, effect: EUR 0.9 million) in connection with the organizational development process on the one hand and additional provisions, primarily for phased retirement and the provision for obligations to top up health insurance coverage (effect EUR 0.6 million).

Donations and earmarked subsidies are transferred to the various projects and campaigns depending on the stage of completion and reported under project expenses. Project expenses decreased slightly by EUR 0.1 million compared with the prior year, sliding from EUR 134.0 million to EUR 133.9 million.

The increase of EUR 0.4 million in amortization of intangible assets and and depreciation of property, plant and equipment is largely attributable to the recognition of six buildings and also the investment in SAP-HANA software. On the other hand, write-downs of financial assets and securities classified as current assets decreased by EUR 0.05 million (prior year: EUR 0.8 million) on account of the general improvement in the market.

Interest and similar expenses mainly result from the change in discounting long-term provisions to net present value in accordance with Sec. 253 (2) HGB.

### 2.3.3 Administrative and Advertising Expenses

The expenses discussed in 2.3.2 already include administrative expenses and advertising. These include all expenses which cannot be directly allocated to the tax-privileged purposes listed in the articles.

The share of administrative and advertising expenses for 2020 is based on total expenses in line with the guidelines issued by DZI (*“Deutsches Zentralinstitut für soziale Fragen”*) as follows:

Deutscher Caritasverband e.V.	2020		2019	
	EUR k	%	EUR k	%
<b>Project expenses</b>				
Direct statutory expenses (including project expenses)	152,990		154,829	
Project subsidies	2,096		2,149	
Project management	5,054		4,829	
Statutory campaign and education work	1,857		1,896	
<b>Total project expenses</b>	<b>161,997</b>	<b>92.2</b>	<b>163,703</b>	<b>91.3</b>
Administration*	6,643		8,449	
Advertising and general public relations	7,055		7,104	
<b>Total advertising and administrative expenses</b>	<b>13,698</b>	<b>7.8</b>	<b>15,553</b>	<b>8.7</b>
<b>Total expenses*</b>	<b>175,695</b>	<b>100.0</b>	<b>179,256</b>	<b>100.0</b>

\* Due to surpluses the expenses from commercial operations and administration do not have to be considered in the calculation of the administrative cost rate.

As an orientation, DZI makes the following step-downs in advertising and administrative expenses: advertising and administrative expenses are justifiable up to a ceiling of 30%. Below 20% they are considered reasonable and below 10% as low. The ratio of administrative expenses at DCV in financial year 2020 lies at the low-end of the range at 7.8%.



### **3. Opportunities and Risks Relating to Future Development**

An assessment of the future development relates to the direct financial and economic environment in which DCV e.V. acts as the head of the organization. Which developments the legally independent service providers and facilities or members of the Association expect to see are not covered by this management report.

Risks exist primarily in terms of obtaining the long-term finance needed to fund the tasks of DCV which it is committed to perform in accordance with its articles. This is illustrated by the structure of income:

#### **Federal subsidies**

As a result of the high number of refugees, there are additional tasks to be performed in each of the areas in which Caritas is active and, in some cases, new duties as well. To address these tasks, the federal grant (Einzelplan 17, Kapitel 1710, Titel 684.04) has been stepped up by special-purpose funds of EUR 0.5 million since 2016. From 2020, the special-purpose requirement was revoked and an increase of EUR 0.3 million was approved. This and other federal subsidies for project work in Germany and abroad are subject to the annual federal budget. Consequently, there is no planning certainty for the long-term. Savings measures contained in the budget could lead to a reduction of the federal subsidy at any time.

#### **Church tax funding**

DCV obtains a subsidy from the VDD [“Verband der Diözesen Deutschlands”: Association of German Dioceses] funded from church tax for its registered activities in Germany and project subsidies for project work abroad. The subsidy for work in Germany was lowered by 15.9% until the year 2006. The subsidy was reduced by another 20% by the year 2019.

An initial 10% reduction was made for the period from 2012 to 2015 and, despite a sudden increase in church tax income, another 10% reduction has been made for the years up to 2019. No further reductions are announced for the future.

## **Donations**

To finance its global emergency and disaster relief programs DCV and its aid provider Caritas international depend on donations. Support from the media plays a major role in this regard. However, competition for donations is fierce in Germany. A significant reduction in donation volume could have a major impact on the ability of Ci to provide emergency assistance and disaster relief.

In order to stabilize donation income in the coming years, the fundraising concept was taken a step further and implemented accordingly. There is an opportunity here to win new donors and raise additional donation income.

## **Lotteries**

The Aktion Mensch, GlücksSpirale and Deutsches Hilfswerk lotteries are a key source of funding for care services and facilities, nationwide professional associations and DCV.

Subsidies totaling EUR 43.4 million were provided to the associations and members in 2020. At the level of DCV, subsidies of roughly EUR 1.0 million were received from lotteries.

The amendments to the interstate treaty on lotteries performed in 2011 have proven their worth. In spite of these positive moves, the freedom of the lotteries to fund social work has been reduced by unreasonable administrative restrictions imposed by the German states with regard to advertising and marketing lotteries over the internet. The lotteries funding social work need more freedom to ensure they remain competitive. The widely discussed commercialization of lotteries by permitting sports bets bears a risk that the state monopoly on lotteries might become blurred in the mid-term and could lead to a significant disadvantage for those lotteries funding social work. This will impair the financing of charities and social work.

The German Postcode Lottery is a private, state-licensed social lottery. According to its annual report, it generated revenue of EUR 65.1 million in 2019 and awarded funds of EUR 19.5 million to non-profit organizations. The Chairwoman of the Advisory Board is Prof. Rita Süßmuth, the Vice Chairwoman of the Advisory Board is Sabine Leutheusser-Schnarrenberger. The promotion of social cohesion and equal opportunity are the main areas to which support is granted. The German Postcode Lottery competes with the existing social lotteries Aktion Mensch, Stiftung Deutsches Hilfswerk and GlücksSpirale. It is also increasingly used by the carriers of Caritas. In contrast to the socially-oriented lotteries, the

associations of the The Federal Association of Non-statutory Welfare do not sit on the boards and committees of the Postcode Lottery.

### **Charity stamps**

Charity stamps are another source of financing the activities required of DCV by its statutes and in its role as head of the organization. They are primarily used for project work.

The revenue from charity stamps is an effective source of support for welfare facilities and local care-givers. In light of the general trend of declining income, DCV is putting more effort into structuring charity stamps more cost-efficiently and securing them as a source of funding for charity work.

### **Investment income**

To secure the ability to perform the tasks expected of it as head of the organization, DCV is dependent on investment income.

DCV manages a portion of its capital investments itself and, in prior years, the remainder was placed in investment funds composed of equity papers and bonds. The management of capital investments is governed by a financial asset management guideline and a sustainability concept. Ethical principles that are in accordance with the mission statement of DCV are anchored in the guidelines, which consider social, ecological and economical aspects. Moreover, they set targets for transparency, returns and risks.

The financial investment policy provides for diversification and a risk-averse investment strategy in order to keep the risks of default and risks from fluctuations in cash flow as low as possible. The investment committee ensures compliance with the sustainability concept. It monitors the changes in capital investments on a quarterly basis, values them and adjusts strategy accordingly. The management board and financial commission regularly address the development of capital investments.

Financial assets are exposed to various risks, especially the risk of changing interest rates, prices, exchange rates and the risk of default. These risks are countered within the framework of the risk management system and by observing the financial investment guidelines. Risks arising from fluctuations in cash flow are mitigated by keeping adequate

cash reserves that are measured on the basis of a cash management system. Increasingly, holding available liquidity at banks incurs negative interest rates.

A central risk lies in the forecast that interest rates will remain low in Europe for the long-term. For this reason, it will remain difficult to obtain a positive return from bonds. The management of financial investments puts great importance on changes in the market value of capital investments due to changes in interest rates. The risk of changing interest rates is managed over the term of the instruments. Currency risks are kept as low as possible as investments denominated in foreign currency were only made in investment funds and then only to a small extent in 2020.

On account of the geopolitical events, the share markets currently display a great deal of volatility with an associated risk of price changes in equity papers. In the prior year, these included the trade dispute between the USA and China, the exit of the UK from the EU (Brexit) and the presidential elections in the USA.

In addition to capital investments, investment income from real estate is becoming increasingly important while simultaneously allowing DCV to meet its social obligations. Consequently, the substance of the property is maintained and used accordingly. In this regard we perceive an opportunity to generate stable income for the long-term.

The corona pandemic continues to impose massive restrictions on public life. The further course of the pandemic will have a major impact on the development of the national economies in 2021. Central banks and governments have responded by significantly expanding their assistance programs. It can be assumed that the central banks will maintain their low interest rate policy. The uptake and distribution of vaccines will be a decisive factor for stabilization. The markets are expected to remain highly volatile, which may also have an impact on DCV's capital investments.

### **Opportunities and risks relating to the Caritas brand**

Based on surveys, the Caritas brand enjoys a good reputation from which its services and care facilities can profit. However, this also implies that possible mistakes by individual entities or their services arms and facilities, individual managers or even their international cooperation partners providing emergency aid and disaster relief could lead to a loss of

reputation for the Association. Such a loss of reputation could have significant political, religious or even financial consequences. For this reason, it is particularly important to strengthen the controls and transparency of the structures of the legal entities.

### **General application of a collective agreement on geriatric care**

On 25 February 2021, the Labor Law Commission did not approve an application by ver.di and the specially founded employers' association BVAP to the Federal Ministry of Labor to declare a collective agreement on geriatric care generally binding. This has led to considerable criticism, especially in the media, Caritas' reputation in wider society tarnished as a result.

### **Corona pandemic**

In accordance with the rules set by the State Government of Baden-Württemberg, DCV was forced to close down or limit operating activities (congress centers and canteens). This resulted in a loss of income from DCV while its fixed costs continued to burden earnings. There are therefore also risks that the pandemic in 2021 will have an impact on the price development of its securities. However, the corona pandemic does not pose a risk to the ability of DCV to continue as a going concern.

### **Risk management and internal audit**

The direct risks to which DCV is exposed on account of its role as the national headquarters and via its international activities are recorded in a risk management system and documented in a risk report.

In addition, the Management Board has established an internal audit function that, in 2020, was assigned to KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim. Each year the Management Board passes an audit plan and internal audit plan. The internal auditors report to the Management Board directly on an annual basis.

The overall risk position shows that the risks to which the organization is exposed do not individually or in combination jeopardize the ability of the organization to continue in business after considering the individual measures that have been taken or planned. Apart from the impact of the corona crisis and the decision of the Labor Law Commission on the general applicability of the collective agreement on geriatric care, there have not been any significant changes in the assessment of significant risks in comparison to the prior year.

## **4. Outlook**

### **Tasks and projects**

In addition to the general tasks required by its statutes, such as its social work and political activities, representing the interests of disadvantaged persons, personnel training, involvement in labor law issues and collectively bargained wage and salary agreements, international emergency aid and disaster relief, DCV will once again devote itself to special projects in 2021. These include the two-year umbrella campaign “Das machen wir gemeinsam” (let’s get it done together), which is planned for the 125th anniversary of the DCV in 2022 and will extend over the years 2021 and 2022. Other projects, such as for the digital transformation of Caritas will be continued or re-initiated, including the establishment of new data management for the entire association and a project to drive forward online counselling in a multi-media and cross-sector design for the entire Caritas. A new strategic agenda-setting process with association participation will be launched for the first time in 2021.

The year 2021 will continue to be dominated by the corona pandemic. For DCV, it is still a matter of supporting people who are affected by the pandemic and maintaining the social infrastructure. The DCV will accompany the federal elections in the fall of 2021 by placing social (political) demands on the parties.

The two organizational development processes at headquarters and in the association were concluded successfully in 2020. The results are being implemented over the corresponding stages of the development.

Triggered by scandals at the AWO and the associated media coverage, voluntary welfare associations and their members are confronted with increased pressure to justify the transparency of the use of donations, government grants and social insurance funds. This has led to a new requirement from the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) for voluntary welfare associations: Starting in 2021, grant notifications to the umbrella organizations of the Federal Association of Non-statutory Welfare will include an addendum stipulating binding compliance with the joint transparency and compliance standards of the Federal Working Group of the Federal Association of Non-statutory Welfare. This requirement is also relevant for grant notifications forwarded to

members of the associations. The transparency requirements of the new standard of the Federal Association of Non-statutory Welfare are based on specifications of the 'Transparent Civil Society Initiative' of Transparency International Germany and are thus less stringent than the requirements of the joint transparency standards of Caritas and Diakonie. The compliance requirements include the establishment of appropriate management and supervisory structures at the legal entities, the implementation of proper business management, and offering employee and management compensation that is compatible with the status of a non-profit organization. The implementation of these requirements in Caritas has been promoted for a number of years in the German Bishops' Conference's Guideline 182 "Social institutions under Catholic sponsorship and supervision", the audit guidelines of the Association of German Dioceses from 2018, and the DCV orientation guide for the remuneration of managing directors and board members in Caritas (2018).

The issues of climate protection and social justice will gain in significance. Climate policy to date has been socially skewed. The DCV therefore adopted its position for a socially just climate policy and is setting itself on the path to climate neutrality by 2030. A comprehensive process is currently being discussed in the committees.

New crises due to wars, climate change and the corona pandemic will continue to lead to very high demand for assistance from Caritas international. On the other hand, private, church and public donors have so far continued to provide generous support. Caritas international therefore expects the volume of aid to remain high.

### **Budget**

The budget for the coming year and the mid-term planning consist of the budgets for both operations and projects. In November 2020, the Caritas Board approved the budget for 2021 and the mid-term financial planning for 2022 to 2024. With a total business volume of EUR 50.3 million, roughly EUR 2.3 million needs to be allocated from investment income to make the operating budget break even in 2021. Due to the earnings-improving measures implemented by the organizational development process, which have been considered in the budget for 2021 at approximately EUR 2.6 million, no withdrawal from reserves will be required to finance the 2021 operating budget.

The measures of the organization development process to be implemented at headquarters by 2024 can improve the operating result to such an extent that, from today's perspective, it will be possible to finance the operating budget until 2031.

After spending EUR 82.6 million on foreign projects in 2020, expenses of EUR 76.4 million have been budgeted for 2021. Accordingly, with an expected constant level of donation income, lower consumption of donations by foreign projects is expected.

An amount of EUR 55.6 million was spent on domestic aid projects in 2020 (e.g. for migration and integration and children's and youth aid), most of which is financed by third-party funds. Further projects in the fields of migration and integration are planned for 2021. Moreover, funds were earmarked for the projects on the digital transformation of Caritas. Otherwise, the project budget for 2021 and subsequent years assumes subsidies and donation income to remain at a comparable level, and personnel and material costs to remain unchanged.

In light of the changing conditions on the global markets and the low interest rate policy of the central banks, the German Caritas Association has decided to realign its investment strategy.

It was decided to increase the share of equities in its basket from 20% to 40% by reducing the share of fixed-income bonds. Particular attention was paid to achieving a higher return while maintaining the specified risk appetite. A risk overlay concept was additionally introduced for this purpose. This measure was implemented in the first weeks of 2021.

The new construction projects in Freiburg have been completed and all apartments have been leased. Rental income results in constant cash inflows.

Possible mid-term and long-term effects of financial market volatility in the wake of the corona pandemic cannot be reliably estimated at present and are therefore not considered in the forecast result of the year. However, it can be expected that a burden will be placed on earnings in 2021 in the form of write-downs in our portfolio of securities. In addition, there will also be burdens on earnings from our operating activities (congresses and canteens) on account of a sharp fall in income as a result of the corona pandemic. The measures installed during the organizational development process to improve the annual result have already been taken into account in the budget planning for 2021. Under the above



conditions and taking into account a non-recurring / extraordinary effect from the sale of a building in Ludwigstrasse in Freiburg in 2021 (see the comments in the Subsequent Events section of the notes to the financial statements), which will increase earnings, we expect to see a significant increase in net income in 2021 – disregarding the effects of the corona pandemic on our net investment income from securities, which cannot be reliably estimated. After factoring in the reversals and additions to reserves, we expect to break even.

Freiburg im Breisgau, 10 May 2021

Prelate Dr. Peter Neher  
President

Eva-Maria Welskop-Deffaa  
Director of Social  
Policies and Politics

Hans Jörg Millies  
General Secretary  
Director of Finance  
Human Resources



## **Independent Auditor's Report**

To Deutscher Caritasverband e.V., Freiburg im Breisgau

### *Audit Opinions*

We have audited the annual financial statements of **Deutscher Caritasverband e.V., Freiburg im Breisgau**, which comprise the balance sheet as at 31 December 2020 and the statement of profit or loss for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including a presentation of the recognition and measurement policies. In addition, we have audited the management report of Deutscher Caritasverband e.V., Freiburg im Breisgau, for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Association as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Association's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report

*Basis for the Audit Opinions*

We conducted our audit of the annual financial statements and management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Association in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

*Responsibilities of the Executive Directors for the Financial Statements and the Management Report*

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to stock corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Association in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Association's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Association's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

*Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Association's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements and of the management 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 audit opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Association.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 Association's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 Association to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Association in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Association's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 11 May 2021

Ebner Stolz GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Gerhard Schroeder  
Wirtschaftsprüfer  
[German Public Auditor]

Michael Rutz  
Wirtschaftsprüfer  
[German Public Auditor]