ANGLICARE NSW SOUTH, NSW WEST & ACT

General Purpose – reduced disclosure requirements Financial Statements

for the Financial Year Ended

30 June 2020

CONTENTS

Report by Members of the Board for the Financial Year Ended 30 June 2020

The Members of the Board of Anglicare NSW South, NSW West and ACT (Anglicare) submit the following report and the accompanying financial statements in respect of the financial year ended 30 June 2020:

Names of members of the Board

The names of the members of the Board of Anglicare (the Board) who have been in office during the financial year ended 30 June 2020, and up to the date of this report, are as follows:

Ms Lynette Glendinning (Presiding Member) (reappointed 11 December 2019)
Mr Greg Mills (Deputy Presiding Member)
Dr Bill Anscombe (reappointed 4 April 2020)
Ms Jocelyn Martin
The Rev'd Canon Margaret Emil
Ms Alexandra (Sandy) Spark (reappointed 2 December 2019
Mr Jeremy Halcrow (resigned 19 November 2019)
Dr David Wallace
Mr Michael Antrum (resigned 21 December 2019)
The Hon Pru Goward (appointed 1 January 2020)

Principal activities

The principal activities of Anglicare during the financial year included permanency support programs, homelessness services including emergency and transitional housing, services to youth and families at risk, children's services including early childhood education centres, disability services, counselling, health care, disaster recovery management, parish based care, opportunity shops, advocacy, research and self-care facilities to independent retirees.

Review of results

Anglicare achieved a surplus of $205,718 for the financial year ended 30 June 2020 before the Net Gain on Revaluation of the Investment Property ($1,117,200) and Jobkeeper Subsidies ($4,093,929). The total comprehensive income for the year is $5,416,847. Without the assistance provide by the Commonwealth Government Job Keeper subsidy, Anglicare's uncommitted cash balances at year end would have been significantly lower than this time last year.

STATEMENT BY MEMBERS OF THE BOARD FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

In the opinion of the members of the board:

The financial statements set out in the following pages are drawn up so as to give a true and fair view of the entity's financial position as at 30 June 2020 and of its financial performance for the year ended on that date;

At the date of the financial statements, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due; and

The financial statements are prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements and satisfy the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012*.

Signed at Canberra this 29th day of October 2020 in accordance with a resolution of the Board.

Lynette Glendinning	Greg Mills
Presiding Member	Board Member
29/10/2020	29/10/2020

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Auditor's Independence Declaration to the Members of the Board of Anglicare NSW South, NSW West & ACT

In relation to our audit of the financial report of Anglicare NSW South, NSW West & ACT for the financial year ended 30 June 2020, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ben Tansley
Partner
29 October 2020

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Independent Auditor's Report to the Members of Anglicare NSW South, NSW West & ACT

Opinion

We have audited the financial report of Anglicare NSW South, NSW West & ACT (the "Entity"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the statement by members of the board.

In our opinion, the accompanying financial report of the Entity is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

a) giving a true and fair view of the Entity's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter: COVID-19 impact on Investment Property and Licence to Occupy liability Fair Value

We draw attention to Note 1(k) of the financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of investment properties and the carrying amount of licence to occupy liabilities and how this has been considered by the members of the Board in the preparation of the financial report. Due to the heightened degree of estimation uncertainty, property values and in-turn licence to occupy liabilities may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The members of the Board of Anglicare are responsible for the other information. The other information is the Report by the Members of the Board accompanying the financial report.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Members of the Board for the Financial Report

The members of the Board of Anglicare are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the members of the Board are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the members of the Board either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Board.

- Conclude on the appropriateness of the members of the Board's 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Board 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.

Ernst + Young

Ernst & Young

Ben Tansley

Ben Tansley
Partner
Canberra
29 October 2020

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Note	2020 $	2019 $
Revenue from contracts with customers	2	67,799,131	65,506,640
Gain on revaluation of investment property	2	3,108,456	1,162,896
Other income	2	7,538,139	3,354,932
Total income		**78,445,726**	**70,024,468**
Operating expenses	3	(30,548,852)	(30,233,222)
Loss on remeasurement of licences to occupy		(1,991,256)	(1,051,914)
Employee expenses	4	(40,488,771)	(38,033,044)
Total expenditure		**(73,028,879)**	**(69,318,180)**
Surplus for the year		**5,416,847**	**706,288**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**5,416,847**	**706,288**

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 $
Current Assets			
Cash and cash equivalents	5	3,161,038	585,451
Trade and other receivables	6	2,287,338	1,373,534
Financial instruments at fair-value through profit or loss	7	9,074,200	5,711,815
Right of use asset	8	900,220	-
Prepayments		127,293	242,946
Total Current Assets		15,550,089	7,913,746
Non-Current Assets			
Property, plant and equipment	9	3,597,886	3,672,785
Right of use asset	8	1,504,568	-
Financial instruments at fair-value through profit or loss	10	2,552,521	2,536,433
Investment property	11	67,725,000	62,532,340
Total Non Current Assets		75,379,975	68,741,558
Total Assets		**90,930,064**	**76,655,304**
Current Liabilities			
Trade and other payables	12(a)	4,088,913	4,359,267
Grants income in advance		3,246,477	1,127,265
Liability to grant provider		2,000,019	1,874,345
Licences to occupy		46,187,987	41,279,585
Interest bearing liabilities	13 (a)	895,411	984,645
Provisions	14(a)	4,154,520	3,083,017
Total Current Liabilities		60,573,327	52,708,124
Non-Current Liabilities			
Trade and other payables	12(b)	100,210	75,688
Interest bearing liabilities	13(b)	1,732,170	-
Provisions	14(b)	155,862	737,101
Total Non-Current Liabilities		1,988,242	812,789
Total Liabilities		**62,561,569**	**53,520,913**
Net Assets		**28,368,495**	**23,134,391**
Equity			
Reserves		2,958,354	2,918,736
Accumulated funds		25,410,141	20,215,655
Total Equity		**28,368,495**	**23,134,391**

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Accumulated funds	ACPT Reserve	Fundraising Reserve	Total equity
As at 1 July 2018	19,845,000	2,274,455	308,648	22,428,103
Net surplus for the year	706,288	-	-	706,288
Transfer to/ (from) reserves	(335,633)	261,977	73,656	-
Balance as at 30 June 2019	**20,215,655**	**2,536,432**	**382,304**	**23,134,391**
Net surplus for the year	5,416,847	-	-	5,416,847
Adjustment for change in accounting policy	(182,743)			(182,743)
Transfer to/ (from) reserves	(39,618)	16,089	23,529	-
Balance as at 30 June 2020	**25,410,141**	**2,552,521**	**405,833**	**28,368,495**

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	Note	2020 $	2019 $
Cash flow from operating activities			
Receipts from funders and clients		73,888,020	73,490,918
Payments to suppliers and employees		(69,235,847)	(73,611,377)
Interest received		176,613	245,928
Net cash from operating activities		4,828,786	125,469
Cash flow from investing activities			
Purchase of property, plant and equipment		(282,860)	(493,936)
Purchase of investment property		(2,084,204)	(1,542,197)
(Acquisition of)/ receipts from investments		(3,362,385)	(821,191)
Receipts for long term maintenance fund		24,522	5,872
Net cash (used in)/ from investing activities		(5,704,927)	(2,851,452)
Cash flow from financing activities			
Receipts from licences to occupy		6,937,180	5,193,483
Payments for licences to occupy		(2,500,807)	(3,124,655)
Outflows/Inflows from interest bearing liabilities		(984,645)	984,645
Net cash from/ (used in) financing activities		3,451,728	3,053,473
Net increase/ (decrease) in cash held		2,575,587	327,490
Cash at 1 July		585,451	257,961
Cash at 30 June	5	**3,161,038**	**585,451**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements represent the individual entity of Anglicare NSW South, NSW West & ACT (Anglicare) for the financial year 1 July 2019 to 30 June 2020. The address of its registered office is 221 London Circuit, Canberra, ACT.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profits Commission Act 2012*.

Anglicare is incorporated under the *Anglicare Canberra and Goulburn Incorporation Ordinance 2006* in the Diocese of Canberra and Goulburn.

The financial statements are presented in Australian dollars and have been prepared on an accruals basis and are based on historical costs except for investment property, retirement village fund and ACPT investments that have been measured at fair value.

The following is a summary of the material accounting policies adopted by Anglicare in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated, and are consistent with those of the previous year unless otherwise stated.

Where necessary, the figures for the previous year have been reclassified and repositioned for consistency with current year disclosures.

Going Concern

Notwithstanding the net current liability position of $45m as at 30 June 2020, the financial report has been prepared on a going concern basis. The net current liability is predominantly due to the licence to occupy liability of $46.2m which is required to be disclosed as a current liability under Australian Accounting Standards. In practice this current liability is extinguished as and when an individual resident provides notice to vacate, at which time the independent living unit is typically re-let coinciding with a replenishment of licence to occupy entitlement. A Retirement Village Fund is maintained for this purpose. At year end the fund was $4.3m (Note 7). The members of the board have reviewed Anglicare’s financial position and cash flow forecasts for the next twelve months, which shows that Anglicare will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Anglicare has adopted all new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period, including AASB 16 *Leases,* AASB 15 *Revenue from contracts with customers* and AASB 1058 *Income of Not-for Profit Entities*. The nature and effect of the changes as a result of adoption of the new accounting standards are described below.

AASB 1058 *Income of Not-for Profit Entities*

Anglicare has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 *Contributions* in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation.

AASB 1058 was adopted using the modified retrospective method and Anglicare management have assessed that there is no effect on retained earnings from adoption of the standard.

The standard provides relief to not-for-profit entities for goods and services received for consideration that is significantly less than fair value. Anglicare currently holds leases over buildings where a “peppercorn lease” is charged. Anglicare has elected to measure all significantly below market leases at cost rather than fair value. (See Note 8)

AASB 15 *Revenue from contracts with customers*

Anglicare has adopted AASB 15 from 1 July 2019. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Income recognition will need to be deferred where there is a performance obligation attached to a funding agreement.

AASB 15 was adopted using the modified retrospective method and Anglicare management have assessed that there is no effect on retained earnings from adoption of the standard.

AASB 16 *Leases*

AASB 16 *Leases* represents a significant change for lessees of operating leases. With the exception of low value and short-term leases, all leases must be recognised on the lessee’s balance sheet. The lessee recognises an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Anglicare has elected to not apply the requirements of AASB 16 for short term and low value leases in accordance with the standard.

Lessor accounting under AASB 16 is substantially unchanged, lessors will continue to classify leases as either operating or finance leases.

Anglicare adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. The cumulative effect of adopting AASB 16 is recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods are not restated.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position (increase/(decrease)):

	30 June 2020	1 July 2019
Current assets		
Right of use asset	900,220	649,310
Total current assets	**900,220**	**649,310**
Non-current assets		
Right of use asset	1,504,568	1,655,659
Total non-current assets	**1,504,568**	**1,655,659**
Total assets	**2,404,788**	**2,304,969**
Current liabilities		
Interest bearing liabilities	895,411	609,261
Total current liabilities	**895,411**	**609,261**
Non-current liabilities		
Interest bearing liabilities	1,732,170	1,878,452
Total non-current liabilities	**1,732,170**	**1,878,452**
Total liabilities	**2,627,581**	**2,487,712**
Net assets	**(222,793)**	**(182,744)**
Accumulated funds	(222,793)	(182,744)
Total equity	**(222,793)**	**(182,744)**

Impact on the statement of comprehensive income (increase/(decrease)):

	30 June 2020	1 July 2019
Operating lease expenses/cash	744,032	511,149
Depreciation	(649,310)	(442,810)
Interest expense	(134,771)	(123,226)
Impact of the change in accounting standards on surplus for the year	**(40,049)**	**(54,887)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING POLICIES

a) Income Tax

Anglicare is a tax exempt body under Subdivision 50-B of the *Income Tax Assessment Act 1997*.

b) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which Anglicare expects to be entitled in exchange for those goods or services. Anglicare has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Information about Anglicare's performance obligations are summarised below:

Operational Grants

Revenue from operational grants is recognised over-time because Anglicare has determined that sufficiently specific performance obligations within the grant agreements taking into account the nature, cost and quantity of the services as well as the period over which the services must be transferred to a customer. Operational grants include arrangements with State and Federal governments to provide children, youth and family services, housing and homelessness services, and permanency support programs such as foster care and intensive therapeutic care. Where funding is received upfront for future periods or based on a forecast quantity of services and there is a difference in the actual quantities, Anglicare records a contract asset or contract liability on the balance sheet accordingly.

Client and maintenance fees

Fees for services are recognised at the point-in-time the services are provided to the customer. Client fees include child care fees, National Disability Insurance Scheme (NDIS) client fees and Medicare income related to clients. Maintenance fees related to fees paid by residents of retirement villages for maintenance of the facilities.

Sales

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

(ii) Government grants and contributions

Anglicare generally recognises government grants and subsidies as income as it incurs the expenditure for which the grant or subsidy was provided. Where a liability exists within the arrangement to repay unspent funds, Anglicare recognises a liability to the grant holder on the balance sheet. Where a liability to repay does not exist and there are no sufficiently specific performance obligations identified, for instance in the case of donations, income is recognised upon receipt of the cash.

(iii) Interest and other income

Interest income is recognised using the effective interest rate method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other revenue is recognised when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

c) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Anglicare and the cost of the item can be measured reliably. All other costs are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the estimated useful lives of the assets. The depreciation rates used for each class of depreciable asset are as follows:

Class of Asset	Depreciation Rates
Land and buildings	50 years
Plant and equipment	5 to 20 years
Fixtures, fittings & furniture	10 years
Computer equipment	3 to 4 years

Impairment

Anglicare assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Anglicare estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Anglicare were deprived of the asset, its value in use is taken to be its depreciated replacement cost. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The land and buildings in these financial statements are held in the name of the Anglican Church Property Trust Diocese of Canberra and Goulburn (ACPT). They are controlled by Anglicare and are recorded as assets.

d) Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise. Fair value is determined based on an annual evaluation performed by an accredited external, independent valuer.

The investment properties recorded by Anglicare are held in the name of the ACPT. They are controlled by Anglicare and are recorded in Anglicare's financial statements at fair value based on annual valuations by external independent valuers (See Note 10).

e) Leases

Anglicare assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Anglicare as a lessee

Anglicare applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Anglicare recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

Anglicare recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) Lease liabilities

At the commencement date of the lease, Anglicare recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Anglicare and payments of penalties for terminating the lease, if the lease term reflects Anglicare exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, Anglicare uses

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Anglicare's lease liabilities are included in interest bearing liabilities (see Note 13).

iii) Short-term leases and leases of low-value assets

Anglicare applies the short-term lease recognition exemption to its short-term leases of equipment and residential property leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Anglicare as a lessor

Deferred management fees

Income from amortisation of licences to occupy (known as deferred management fees) are recognised on the basis of each individual contract and is the amount relevant to the specific period. Deferred management fees are only applicable to a specific period of time noted in each contract and are recognised over this term. Anglicare accounts for this in essence as lease income.

f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at either amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Anglicare's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, Anglicare initially measures a financial asset at its fair value. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under applicable revenue recognition principles.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Anglicare does not have any financial instruments measured at fair value through OCI.

Anglicare's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

Anglicare measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Anglicare's financial assets at amortised cost includes trade receivables and term deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.
Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from Anglicare's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- Anglicare has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) Anglicare has transferred substantially all the risks and rewards of the asset, or (b) Anglicare has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Anglicare has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Anglicare continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Anglicare also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Anglicare has retained.

Impairment of financial assets

For trade receivables, where material, Anglicare applies the simplified approach in calculating expected credit loss (ECL). Therefore, Anglicare does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Anglicare has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Financial liabilities

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Anglicare's financial liabilities include; the licence to occupy on independent living units; trade and other payables; and loans and borrowings.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Licences to occupy

Licences to occupy represent the portion of initial contributions repayable to residents of self-care units when they vacate their unit, plus any share of capital appreciation due to residents as specified in individual contracts. The share of capital appreciation is calculated on the basis of the fair values of the underlying investment properties as outlined in note 1(d). After initial recognition, the licence to occupy on independent living units are subsequently measured net of deferred management fees (DMF) for the financial year. This adjustment is based on the values of the underlying investment properties and contractual arrangements. Licences to occupy are recorded at their nominal value adjusted for any retention or share of capital appreciation owing to residents.

Trade and other payables, interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

This category generally applies to interest-bearing loans and borrowings and trade payables.

g) Employee provisions

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. The benefits expected to be settled within one year to employees for their entitlements have been measured at the amounts expected to be paid including on-costs and are disclosed as current liabilities. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made in respect of those benefits.

h) Provisions

Provisions are recognised when Anglicare has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current interest bearing liabilities on the Statement of Financial Position where applicable.

j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of the GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k) Significant Accounting Judgements, Estimates and Assumptions

In the application of the entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

The Board believe that the key estimates or key judgements used in the development of the financial statements were the estimate of the useful lives of assets and the valuation of investment properties which informs the measurement of the licence to occupy liability. The key areas of judgement in valuing the licences to occupy are the market-based assumptions that are included in the annual valuation of the investment properties, which is conducted by external independent valuers.

The outbreak of the Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation on 11 March 2020. Past cycles indicate that there is a delay in the reaction of real estate markets to economic events. As a result, as at 30 June 2020 there was significant uncertainty relating to the valuation of investment property and in-turn right to occupy liabilities. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Significant Accounting Judgements, Estimates and Assumptions (continued)

- reliability of comparable market evidence for investment properties as it may be impacted by changes in demand and/or supply as well as transaction volumes and length of selling periods;

- income and investment performance of the retirement village sector and wider market in light of the COVID-19 outbreak; and

- the impact of government support or legislation on retirement village operations as well as the broader market including impacts on tenants and rental schemes giving rise to rental deferrals, rental forgiveness, and eviction moratoriums.

Due to the valuation uncertainty described above, the investment property and right to occupy liability values may change significantly and unexpectedly over a relatively short period of time. The investment property and right to occupy liability valuations have been based on the information that is available at 30 June 2020.

For investment properties, a valuation methodology based on comparable market data was used by the external independent valuers (See Note 10).

l) Reserves

ACPT Reserve
Anglicare records a reserve in equity for funds held with the ACPT on behalf of Anglicare which have been received from bequests and have specific terms related to their use.

Fundraising Reserve
Anglicare also records a reserve in equity for funds collected by the organisation through fundraising appeals. The reserve tracks how these funds are applied to the purposes of the appeal in subsequent years.

NOTE 2: REVENUE

Revenue	2020 $	2019 $
Early childhood education and disability client fees	11,491,890	11,114,039
Non placement service support (NPSS)	1,311,585	1,690,748
Medicare income	214,120	234,775
Maintenance fees	807,041	755,617
Operational grants	50,117,103	49,470,334
Out of home care exception support	3,028,802	656,346
Retail and training sales	828,590	1,584,781
Total revenue	**67,799,131**	**65,506,640**
Gain on revaluation of investment property	3,108,456	1,162,896
Total gain on revaluation of investment property	**3,108,456**	**1,162,896**
Other income		
Gain on investment	-	261,978
Interest received	176,613	449,936
Lease income: Deferred management fees	1,519,226	1,232,040
Other grants	148,068	16,156
Jobkeeper subsidy	4,093,929	-
Appeals and donations	797,140	498,816
Other	803,163	896,006
Total other income	**7,538,139**	**3,354,932**
Total revenue and other income	**78,445,726**	**70,024,468**

NOTE 3: OPERATING EXPENSES

Operating Expenses		
Advertising	75,398	96,265
Cleaning and laundry	414,550	392,441
Client brokerage	6,797,044	5,552,047
Conferences, travel and training	1,238,648	1,696,996
Contractors, consultants and corporate expenses	5,183,283	5,285,587
Depreciation	357,759	433,702
Foster care	7,806,842	8,422,406
Insurance	1,376,094	1,845,648
Lease amortisation	784,081	-
Loss on transfer/sale of assets	66,411	-
Minor replacements	285,001	237,172
Motor vehicle expenses	471,811	510,378
Postage, printing and photocopy	391,330	372,132
Professional fees	406,438	242,027
Public relations	48,054	65,038
Short-term lease rental	2,777,703	3,434,205
Repairs and maintenance	513,316	573,049
Utilities	820,477	860,785
Other expenses	734,612	213,344
Total operating expenses	**30,548,852**	**30,233,222**

NOTE 4: EMPLOYEE EXPENSES

	2020 $	2019 $
Salaries and wages	36,964,509	34,682,933
Superannuation	3,108,901	3,028,672
Other staff expenses	415,361	321,439
Total employee expenses	**40,488,771**	**38,033,044**

NOTE 5: CASH AND CASH EQUIVALENTS

Cash on hand	30,926	29,920
Cash at bank	656,533	180,800
Deposits at call	2,473,579	374,731
Total cash and cash equivalents	**3,161,038**	**585,451**

NOTE 6: TRADE AND OTHER RECEIVABLES

Trade and other debtors	1,095,138	762,488
Expected credit loss provision	(493,201)	(58,818)
Accrued income	1,685,401	669,864
Total trade and other receivables	**2,287,338**	**1,373,534**

Anglicare management assesses the expected credit loss provision as ($493,201); (2019: $58,818)

NOTE 7: OTHER FINANCIAL ASSETS

Anglicare Retirement Village Fund (1)	4,319,151	4,437,266
Term deposits (2)	4,755,049	1,274,549
Total Other Financial Assets	**9,074,200**	**5,711,815**

(1) The Anglicare Retirement Village Fund is invested in the ACPT as a unitised managed fund investment. These funds which are measured at fair value by the ACPT are available to Anglicare in meeting its cash flow requirements in relation to its Retirement Village portfolio.

(2) Term deposits are held with the Anglican Investment and Development Fund and have original terms to maturity of between 3 months and 2 years.

NOTE 8: LEASES

Anglicare as a lessee

Anglicare holds office lease rentals between 2 and 10 year terms. Anglicare has elected to show short term and low value leases at cost including peppercorn leases. Management have assessed the market value of the peppercorn lease at Calwell early childhood centre at $17,343 p.a.

Set out below are the carrying amount of right of use assets and movements during the period:

	Office leases
	$
As at 1 July 2019 (restated)	2,304,969
Additions	749,129
Depreciation expense	(649,310)
As at 30 June 2020	**2,404,788**

	30 June 2020	**1 July 2019**
	$	**$**
a) Current right of use asset	900,220	649,310
b) Non-current right of use asset	1,504,568	1,655,659
Total right of use asset	**2,404,788**	**2,304,969**

Set out below are the carrying amountof lease liabilities (included under interest-bearing liabilities) and movements during the period:

	Rental lease liabilities
	$
As at 1 July 2019 (restated)	2,487,712
Additions	749,129
Accretion of interest	134,771
Payments	(744,032)
As at 30 June 2020	**2,627,580**

	30 June 2020	**1 July 2019**
	$	**$**
a) Current lease liability	895,411	609,261
b) Non-current lease liability	1,732,170	1,878,452
Total lease liability	**2,627,580**	**2,487,712**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – AT COST

	2020 $	2019 $
Land and buildings - at cost	3,813,026	3,874,964
Less accumulated depreciation	(499,608)	(479,632)
	3,313,418	3,395,332
Plant and equipment - at cost	953,539	856,322
Less accumulated depreciation	(874,094)	(791,266)
	79,445	65,056
Motor vehicles - at cost	2,273	2,273
Less accumulated depreciation	(1,494)	(1,096)
	779	1,177
Fixtures, fittings & furniture - at cost	1,694,335	1,550,162
Less accumulated depreciation	(1,510,708)	(1,418,853)
	183,627	131,309
Landscaping - at cost	82,137	81,505
Less accumulated depreciation	(80,086)	(80,052)
	2,051	1,453
Computer equipment - at cost	1,521,255	1,421,155
Less accumulated depreciation	(1,507,154)	(1,404,650)
	14,101	16,505
Fire & protection - at cost	35,797	35,797
Less accumulated depreciation	(31,332)	(30,938)
	4,465	4,859
Assets under construction	-	57,094
Less accumulated depreciation	-	-
	-	57,094
Total property, plant and equipment	**3,597,886**	**3,672,785**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – AT COST (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year were as follows:

	Land & Buildings	Plant & Equipment including Assets under Construction	Motor Vehicles	Fixtures, Fittings & Furniture	Landscaping	Computer Equipment	Fire Protection	Total
	$	$	$	$	$	$	$	$
Balance at 30 June 2019	3,395,332	122,149	1,177	131,310	1,454	16,504	4,859	3,672,785
Additions	19,056	42,381	-	165,219	632	121,983	-	349,271
Disposals	(66,411)	-	-	-	-	-	-	(66,411)
Depreciation Expense	(34,560)	(85,083)	(398)	(112,901)	(34)	(124,389)	(394)	(357,759)
Carrying amount at 30 June 2020	**3,313,417**	**79,447**	**779**	**183,628**	**2,052**	**14,098**	**4,465**	**3,597,886**

NOTE 10: ACPT FUNDS

	2020 $	2019 $
Trust funds held by the ACPT	**2,552,521**	**2,536,433**

The trust moneys include bequests which are held in the name of and administered by the ACPT in the form of cash and equities. The net income earned from the bequests is included in Note 2 Revenue as a gain on investment. The trust moneys can only be applied by Anglicare in accordance with the requirements of each trust and then only with the approval of the ACPT. For this reason, they have been transferred to a reserve entitled ‘ACPT’.

NOTE 11: INVESTMENT PROPERTY

(a) Fair value		
Investment Property	67,725,000	61,345,000
Work In Progress	-	1,187,340
	67,725,000	**62,532,340**
(b) Movements in fair values		
Investment Property		
Balance at the beginning of the year	61,345,000	59,650,000
Additions	3,271,544	532,104
Gain on revaluation	3,108,456	1,162,896
Balance at end of the year	**67,725,000**	**61,345,000**
Work In Progress		
Balance at the beginning of the year	1,187,340	177,247
Additions	1,712,703	1,010,093
Transfer to investment property on completion	(2,900,043)	-
Balance at end of the year	**-**	**1,187,340**
Total balance at end of the year	**67,725,000**	**62,532,340**

Anglicare’s investment properties consist of three retirement village properties in Australia located in Downer and Red Hill ACT and Wollondilly Gardens, Goulburn NSW.

As at 30 June 2020, the fair values of the properties are based on valuations performed by CBRE Valuation & Advisory Services and Douglas Walker & Associates, accredited independent valuers. The fair value of the investment properties was determined using the direct comparison approach taking into consideration general and economic factors and recent sales of comparable properties. The valuer determined fair value of the land and buildings by reference to market-based evidence (Level 3 inputs on the fair value hierarchy).

The valuers have taken all reasonable steps to estimate the effect of the COVID-19 Global Pandemic on the property values. However it should be noted that there is still significant uncertainty generally in the property and capital markets and it is difficult to quantify and assess the impact that the pandemic has had on capital values. This however does not mean that the valuations provided cannot be relied upon. Rather this note seeks to ensure transparency of the fact that in the current extraordinary circumstances; less certainty can be attached to the valuations than would otherwise be the case.

NOTE 12: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current		
Waiting list deposits	13,700	13,800
Creditors and accruals	4,075,213	4,345,467
(a) Total current trade and other payables	**4,088,913**	**4,359,267**
Non current		
Other long term payables (i)	100,210	75,688
(b) Total non current trade and other payables	**100,210**	**75,688**

(i) Other long term payables represents the balance of the Retirement Village's Long Term Maintenance Fund as at balance date.

NOTE 13: INTEREST BEARING LIABILITIES

Current			
Rental lease liabilities	8	895,411	-
Wollondilly Gardens development loan facility		-	984,645
(a) Total current interest bearing liabilities		**895,411**	**984,645**
Non current			
Rental lease liabilities	8	1,732,170	-
(b) Total non current interest bearing liabilities		**1,732,170**	**-**

The Wollondilly Gardens development Loan facility was fully repaid and closed during the financial year on completion of the Wollondilly Gardens development. Anglicare has overdraft facilities totalling $1,150,000 which are subject to annual review.

NOTE 14: PROVISIONS

	2020 $	2019 $
Current		
Provision for annual leave	2,593,321	2,175,607
Provision for long service leave	1,531,764	877,775
Provision for aged care costs	29,435	29,635
(a) Total current provisions	**4,154,520**	**3,083,017**
Non current		
Provision for long service leave	155,862	737,101
(b) Total non current provisions	**155,862**	**737,101**

The current balance of the provision for aged care costs represents waiting list deposits related to the aged care facilities. This liability remains with Anglicare due to an obligation to return on request.

NOTE 15: RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel is defined by *AASB 124 Related Party Disclosures* as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the entity.

The Directors of the Board did not receive or become entitled to receive any remuneration in respect of the management of the organisation in the 2020 and 2019 financial years.

The aggregate remuneration paid to key management personnel during the financial year is as follows:

	2020 $	2019 $
Key management personnel compensation	1,056,803	1,104,044

This compensation includes amounts paid directly to employees of the entity, structural changes including redundancy payments and amounts paid to the Anglican Diocesan Services in relation to the services of key management personnel.

Loans with key management personnel

There were no loans provided to or from key management personnel during the financial year and there were no loans outstanding at the end of the financial year.

NOTE 15: RELATED PARTY TRANSACTIONS (continued)

Other related parties

Anglicare, Anglican Diocesan Services, Anglican Investment & Development Fund and ACPT are all incorporated under ordinances within the Diocese of Canberra & Goulburn. During the financial year Anglicare carried out transactions with other Diocese entities as follows:

	2020 $	2019 $
Fees paid to Anglican Diocesan Services for corporate services and fleet management	5,768,773	5,626,056
Bank charges paid to Anglican Investment & Development Fund	149	3,764
Interest received from the Anglican Church Property Trust	79,761	586,279
Loan with Anglican Investment & Development Fund	-	984,645
Interest received on deposits with the Anglican Investment & Development Fund	164,696	123,258
Diocesan Contribution paid to the Anglican Diocese of Canberra & Goulburn	60,000	56,375

NOTE 16: COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingent liabilities at 30 June 2020 and 30 June 2019.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of Anglicare or the results of those operations in subsequent financial years.