ANGLICARE NSW SOUTH, NSW WEST & ACT

General Purpose – reduced disclosure requirements Financial Statements

for the Financial Year Ended

30 June 2021

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REPORT BY MEMBERS OF THE BOARD FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021:

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 2021, and up to the date of this report, are as follows:

Ms Lynette Glendinning (Presiding Member)
Mr Greg Mills (Deputy Presiding Member) (reappointed 9 February 2021)
Dr Bill Anscombe (resigned 4 October 2021)
Ms Jocelyn Martin (reappointed 8 August 2020)
The Rev'd Canon Margaret Emil (resigned 17 April 2021)
Ms Alexandra (Sandy) Spark
Ms Lin Hatfield Dodds (appointed 16 October 2020)
Dr David Wallace
Archdeacon the Ven Tom Henderson Brooks (appointed 11 June 2021)
The Hon Prof Pru Goward

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 is no longer recognising certain trust funds and associated properties which it has previously recorded in its financial statements (Refer Note 15 (c)).

The total comprehensive loss for the financial year ended 30 June 2021 is ($1,061,186) inclusive of the Net Gain on Revaluation of the Investment Property ($1,925,917); loss on derecognition of assets ($5,048,560) and Jobkeeper Subsidies ($2,987,571).

STATEMENT BY MEMBERS OF THE BOARD FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021 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 26th day of October 2021 in accordance with a resolution of the Board.

Presiding Member	Deputy Presiding Member
Ms Lynette Glendinning	Greg Mills

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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 2021, 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
28 October 2021

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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 2021, 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 2021 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.

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.

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- 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
28 October 2021

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2021

	Note	2021 $	2020 $
Revenue from contracts with customers	2	70,669,021	67,799,131
Gain on revaluation of investment property	2	5,394,567	3,108,456
Other income	2	6,446,314	7,538,139
Total income		**82,509,902**	**78,445,726**
Operating expenses	3	(31,182,218)	(30,548,852)
Loss on remeasurement of licences to occupy		(3,468,650)	(1,991,256)
Loss on derecognition of assets	15 c	(5,048,560)	-
Employee expenses		(43,871,660)	(40,488,771)
Total expenditure		**(83,571,088)**	**(73,028,879)**
(Loss)/ Surplus for the year		**(1,061,186)**	**5,416,847**
Other comprehensive income for the year		**-**	**-**
Total comprehensive (loss)/ income for the year		**(1,061,186)**	**5,416,847**

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $	2020 $
Current Assets			
Cash and cash equivalents	5	2,884,091	6,224,042
Trade and other receivables	6	594,244	2,287,338
Financial instruments at fair-value through profit or loss	7	4,943,776	4,319,151
Term deposits		4,986,867	1,692,045
Right of use asset	8	810,358	900,220
Prepayments		249,539	127,293
Total Current Assets		14,468,875	15,550,089
Non-Current Assets			
Property, plant and equipment	9	1,064,917	3,597,886
Right of use asset	8	809,936	1,504,568
Financial instruments at fair-value through profit or loss	10	1,752	2,552,521
Investment property	11	73,605,000	67,725,000
Total Non Current Assets		75,481,605	75,379,975
Total Assets		**89,950,480**	**90,930,064**
Current Liabilities			
Trade and other payables	12(a)	2,718,783	4,088,913
Grants income in advance		1,365,173	3,246,477
Liability to grant provider		1,243,309	2,000,019
Licences to occupy		50,857,663	46,187,987
Interest bearing liabilities	13 (a)	822,153	895,411
Provisions	14(a)	3,676,455	4,154,520
Total Current Liabilities		60,683,536	60,573,327
Non-Current Liabilities			
Trade and other payables	12(b)	106,738	100,210
Interest bearing liabilities	13(b)	1,024,805	1,732,170
Provisions	14(b)	828,092	155,862
Total Non-Current Liabilities		1,959,635	1,988,242
Total Liabilities		**62,643,171**	**62,561,569**
Net Assets		**27,307,309**	**28,368,495**
Equity			
Reserves		580,007	2,958,354
Accumulated funds		26,727,302	25,410,141
Total Equity		**27,307,309**	**28,368,495**

Statement of Changes in Equity

For the financial year ended 30 June 2021

	Accumulated funds	ACPT Reserve	Fundraising Reserve	Total equity
As at 1 July 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**
Net (loss) for the year	(1,061,186)	-	-	(1,061,186)
Adjustment for asset de-recognition (Note 15 c)	2,552,521	(2,552,521)	-	-
Transfer to/ (from) reserves	(174,174)	-	174,174	-
Balance as at 30 June 2021	**26,727,302**	**-**	**580,007**	**27,307,309**

Statement of Cash Flows

For the financial year ended 30 June 2021

	Note	2021 $	2020 $
Cash flow from operating activities			
Receipts from funders and clients		76,232,634	73,888,020
Payments to suppliers and employees		(77,410,408)	(69,235,847)
Interest received		721,975	176,613
Net cash (used in)/ from operating activities		(455,799)	4,828,786
Cash flow from investing activities			
Purchase of property, plant and equipment		(413,679)	(282,860)
Purchase of investment property		(485,433)	(2,084,204)
Outflows from investments		(3,919,447)	(3,362,385)
Receipts for long term maintenance fund		6,528	24,522
Net cash (used in) investing activities		(4,812,031)	(5,704,927)
Cash flow from financing activities			
Receipts from licences to occupy		5,938,700	6,937,180
Payments for licences to occupy		(3,230,199)	(2,500,807)
Outflows from interest bearing liabilities		(780,622)	(984,645)
Net cash from financing activities		1,927,879	3,451,728
Net (decrease)/ increase in cash held		(3,339,951)	2,575,587
Cash at 1 July		6,224,042	3,648,455
Cash at 30 June	5	**2,884,091**	**6,224,042**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2020 to 30 June 2021. 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 are consistent with those of the previous years 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 $46.2m as at 30 June 2021 (2020: $45.0m), the financial report has been prepared on a going concern basis. The members of the board have reviewed Anglicare's financial position and cash flow forecasts for the next twelve months from issuance date of the financial statements, 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.

The net current liability position is predominantly due to the licence to occupy liabilities of $50.9m which are 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 and Term Deposits are also maintained for liquidity purposes as disclosed at Note 7.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial period, there have been no changes to accounting policies during the year.

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.

Retail sales and training

Revenue from the sale of retail goods are recognised upon the delivery of goods to customers whereas revenue from training is recognised post completion of such services.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Donations are recognised when received.

Jobkeeper revenue recognised monthly, as eligibility requirements are met for funding.

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**
Buildings	50 years
Plant and equipment	5 to 20 years
Fixtures, fittings & furniture	10 years
Computer equipment	3 to 4 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 for and are recorded as assets within the financial statements.

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 for their long term organisational purpose 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Derecognition (continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 effects on the Australian economy of the Novel Coronavirus (COVID-19) have continued to be felt through the 2021 financial year. 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 2021 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:

- 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 2021.

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.

Anglicare has derecognised most of these funds as at 30th June 2021. Refer to note 15 (c).

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	2021 $	2020 $
Early childhood education and disability client fees	12,522,102	11,491,890
Non placement service support (NPSS)	999,138	1,311,585
Medicare income	85,857	214,120
Maintenance fees	849,640	807,041
Operational grants	52,074,347	50,117,103
Out of home care exception support	3,183,647	3,028,802
Retail and training sales	954,290	828,590
Total revenue	**70,669,021**	**67,799,131**
Gain on revaluation of investment property	5,394,567	3,108,456
Total gain on revaluation of investment property	**5,394,567**	**3,108,456**
Other income		
Interest received	721,975	176,613
Lease income: Deferred management fees	1,507,475	1,519,226
Other grants	28,811	148,068
Jobkeeper subsidy*	2,987,571	4,093,929
Appeals and donations	632,660	797,140
Other	567,822	803,163
Total other income	**6,446,314**	**7,538,139**
Total revenue and other income	**82,509,902**	**78,445,726**

*Jobkeeper revenue recognised monthly, as eligibility requirements are met for funding.

NOTE 3: OPERATING EXPENSES

Operating Expenses		
Advertising	72,331	75,398
Cleaning and laundry	498,815	414,550
Client brokerage	6,576,765	6,797,044
Conferences, travel and training	1,438,838	1,238,648
Contractors, consultants and corporate expenses	7,555,086	5,183,283
Depreciation	448,856	357,759
Foster care	6,572,556	7,806,842
Insurance	1,276,047	1,376,094
Lease amortisation	972,346	784,081
Loss on transfer/sale of assets	-	66,411
Minor replacements	339,391	285,001
Motor vehicle expenses	424,239	471,811
Postage, printing and photocopy	431,055	391,330
Professional fees	425,930	406,438
Public relations	52,518	48,054
Short-term lease rental	2,542,235	2,777,703
Repairs and maintenance	601,746	513,316
Utilities	804,751	820,477
Other expenses	148,713	734,612
Total operating expenses	**31,182,218**	**30,548,852**

NOTE 4: EMPLOYEE EXPENSES

	2021 $	2020 $
Salaries and wages	40,153,274	36,964,509
Superannuation	3,369,711	3,108,901
Other staff expenses	348,675	415,361
Total employee expenses	**43,871,660**	**40,488,771**

NOTE 5: CASH AND CASH EQUIVALENTS

Cash on hand	32,376	30,926
Cash at bank	983,285	656,533
Deposits at call	1,868,430	5,536,583
Total cash and cash equivalents	**2,884,091**	**6,224,042**

NOTE 6: TRADE AND OTHER RECEIVABLES

Trade and other debtors	908,404	1,095,138
Expected credit loss provision	(470,936)	(493,201)
Accrued income	156,776	1,685,401
Total trade and other receivables	**594,244**	**2,287,338**

Anglicare management assesses the expected credit loss provision as ($470,936); (2020: $493,201)

NOTE 7: OTHER FINANCIAL ASSETS

Anglicare Retirement Village Fund (1)	4,943,776	4,319,151
Total Other Financial Assets	**4,943,776**	**4,319,151**

(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.

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 2020	2,404,788
Additions	66,336
Depreciation expense	(850,830)
As at 30 June 2021	**1,620,294**

	30 June 2021	30 June 2020
	$	$
a) Current right of use asset	810,358	900,220
b) Non-current right of use asset	809,936	1,504,568
Total right of use asset	**1,620,294**	**2,404,788**

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 2020	2,627,580
Additions	66,336
Accretion of interest	121,516
Payments	(968,475)
As at 30 June 2021	**1,846,958**

	30 June 2021	30 June 2020
	$	$
a) Current lease liability	822,153	895,411
b) Non-current lease liability	1,024,805	1,732,170
Total lease liability	**1,846,958**	**2,627,581**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT – AT COST

	2021 $	2020 $
Land and buildings - at cost	1,215,544	3,813,026
Less accumulated depreciation	(420,407)	(499,608)
	795,137	3,313,418
Plant and equipment - at cost	1,013,984	953,539
Less accumulated depreciation	(946,561)	(874,094)
	67,423	79,445
Motor vehicles - at cost	2,273	2,273
Less accumulated depreciation	(1,892)	(1,494)
	381	779
Fixtures, fittings & furniture - at cost	1,847,640	1,694,335
Less accumulated depreciation	(1,671,462)	(1,510,708)
	176,178	183,627
Landscaping - at cost	165,819	82,137
Less accumulated depreciation	(157,542)	(80,086)
	8,277	2,051
Computer equipment - at cost	1,619,963	1,521,255
Less accumulated depreciation	(1,606,512)	(1,507,154)
	13,451	14,101
Fire & protection - at cost	35,797	35,797
Less accumulated depreciation	(31,727)	(31,332)
	4,070	4,465
Total property, plant and equipment	**1,064,917**	**3,597,886**

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 2020	3,313,417	79,447	779	183,628	2,052	14,098	4,465	3,597,886
Additions	17,538	60,445	-	153,305	83,682	102,384	-	417,354
Disposals	(2,497,790)	-	-	-	-	(3,676)	-	(2,501,466)
Depreciation Expense	(38,029)	(72,468)	(398)	(160,754)	(77,456)	(99,358)	(394)	(448,857)
Carrying amount at 30 June 2021	**795,136**	**67,424**	**381**	**176,179**	**8,278**	**13,448**	**4,071**	**1,064,917**

NOTE 10: ACPT FUNDS

	2021 $	2020 $
Trust funds held by the ACPT	**1,752**	**2,552,521**

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'.

A number of Trusts have been derecognised as at 30 June 2021, refer to note 15 (c).

NOTE 11: INVESTMENT PROPERTY

	2021	2020
(a) Fair value		
Investment Property	73,605,000	67,725,000
	73,605,000	**67,725,000**
(b) Movements in fair values		
Investment Property		
Balance at the beginning of the year	67,725,000	61,345,000
Additions	485,433	3,271,544
Gain on revaluation	5,394,567	3,108,456
Balance at end of the year	**73,605,000**	**67,725,000**
Work In Progress		
Balance at the beginning of the year	-	1,187,340
Additions	-	1,712,703
Transfer to investment property on completion	-	(2,900,043)
Balance at end of the year	**-**	**-**
Total balance at end of the year	**73,605,000**	**67,725,000**

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 2021, 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

	2021 $	2020 $
Current		
Waiting list deposits	13,400	13,700
Creditors and accruals	2,705,383	4,075,213
(a) Total current trade and other payables	**2,718,783**	**4,088,913**
Non current		
Other long term payables (i)	106,738	100,210
(b) Total non current trade and other payables	**106,738**	**100,210**

(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	822,153	895,411
(a) Total current interest bearing liabilities		**822,153**	**895,411**
Non current			
Rental lease liabilities	8	1,024,805	1,732,170
(b) Total non current interest bearing liabilities		**1,024,805**	**1,732,170**

Anglicare has overdraft facilities totalling $1,150,000 which are subject to annual review.

NOTE 14: PROVISIONS

Current		
Provision for annual leave	2,583,521	2,593,321
Provision for long service leave	1,063,499	1,531,764
Provision for aged care costs	29,435	29,435
(a) Total current provisions	**3,676,455**	**4,154,520**
Non current		
Provision for long service leave	828,092	155,862
(b) Total non current provisions	**828,092**	**155,862**

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

(a) 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 2021 and 2020 financial years.

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

	2021 $	2020 $
Key management personnel compensation	1,301,179	1,056,803

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.

(b) 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:

	2021 $	2020 $
Fees paid to Anglican Diocesan Services for corporate services and fleet management	6,039,074	5,768,773
Bank charges paid to Anglican Investment & Development Fund	40	149
Interest received from the Anglican Church Property Trust	624,625	79,761
Loan with Anglican Investment & Development Fund	-	-
Interest received on deposits with the Anglican Investment & Development Fund	96,999	164,696
Diocesan Contribution paid to the Anglican Diocese of Canberra & Goulburn	75,000	60,000

NOTE 15: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Anglican Church Property Trust reserves

Anglicare is no longer recognising trust funds and associated properties which it has previously recorded within its financial statements. These funds and properties related to trusts held by the Anglican Church Property Trust Diocese of Canberra and Goulburn and relate to various Children's Homes across the Diocese which have been closed for many years prior to Anglicare becoming incorporated. A review conducted by the Anglican Church Property Trust Diocese of Canberra and Goulburn has determined that Anglicare was not the appropriate beneficiary of the trusts and the Anglicare Board has agreed to derecognise them from its financial statements at its March 2021 Board meeting with effect from 30 June 2021. Below is a summary of the amounts derecognised:

		2021	2020
		$	$
ACPT Funds:			
Trust funds held by the ACPT	Note 10	**1,752**	**2,552,521**
Property Plant and Equipment:			
Cowper St Properties		-	**2,355,775**
Lake Albert Road Property		-	**142,015**
	Note 9	-	**2,497,790**
Total derecognised as at 30 June 2021			**5,048,560**

NOTE 16: COMMITMENTS AND CONTINGENCIES

As at reporting date, Anglicare has been unable to renew public liability insurance cover which expires on 31 October 2021. In particular, the lack of insurance relates to incidents of sexual and physical abuse within its out- of-home-care (OOHC) operation (which Anglicare is contracted by the Department of Communities and Justice). The NSW Government is aware of the situation, which is an issue across the sector in Australia, and has offered in principle to provide temporary financial indemnity to Anglicare, to cover claims for alleged incidents of sexual and physical abuse (within the OOHC operation). The NSW Government has indicated it will work with all jurisdictions on the development of a long-term solution.

There are no other commitments or contingent liabilities at 30 June 2021 and 30 June 2020.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

No other 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.