BERRY STREET VICTORIA INC

ABN 24 719 196 762

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Revenue			
Revenue		144,294,927	130,665,135
Other income		90,292	481,042
Total revenue	2	**144,385,219**	**131,146,177**
Expenses			
Program expenses		(120,044,732)	(107,017,365)
Fundraising expenses		(5,460,792)	(6,757,810)
Strategic Initiative expenses		(5,302,487)	(5,363,352)
Administration and Infrastructure expenses		(14,219,456)	(14,414,530)
Civil claims and Redress Scheme expenses	1(o)	(5,799,900)	(336,145)
Fair value losses on financial assets		(1,108,260)	-
Total expenses	3	**(151,935,627)**	**(133,889,202)**
Deficit before income tax		**(7,550,408)**	**(2,743,025)**
Income tax expenses	1(j)	-	-
Deficit for the year	4	**(7,550,408)**	**(2,743,025)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(7,550,408)**	**(2,743,025)**
Deficit attributable to members of the entity		**(7,550,408)**	**(2,743,025)**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	13,694,065	9,581,837
Trade and other receivables	6	2,063,112	3,925,579
Other assets	7	4,962,529	2,234,271
TOTAL CURRENT ASSETS		**20,719,706**	**15,741,687**
NON-CURRENT ASSETS			
Financial assets	8	30,451,298	37,932,205
Property, plant and equipment	9	12,251,670	10,362,275
Right of Use Assets	12b	16,720,017	-
TOTAL NON-CURRENT ASSETS		**59,422,985**	**48,294,480**
TOTAL ASSETS		**80,142,691**	**64,036,167**
CURRENT LIABILITIES			
Trade and other payables	10	15,488,900	18,623,560
Contract liabilities	11	4,147,511	-
Lease liabilities	12c	4,486,938	-
Short term provisions	13	7,849,947	5,733,262
TOTAL CURRENT LIABILITIES		**31,973,296**	**24,356,822**
NON-CURRENT LIABILITIES			
Lease liabilities	12c	12,793,201	-
Long term provisions	13	4,723,234	1,475,977
TOTAL NON-CURRENT LIABILITIES		**17,516,435**	**1,475,977**
TOTAL LIABILITIES		**49,489,731**	**25,832,799**
NET ASSETS		**30,652,960**	**38,203,368**
EQUITY			
Retained earnings		27,000,421	34,550,829
Reserves	14	3,652,539	3,652,539
TOTAL EQUITY		**30,652,960**	**38,203,368**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Retained Earnings $	Land and Buildings Revaluation Surplus $	Total $
Balance at 1 July 2018	**37,100,884**	**3,845,509**	**40,946,393**
Total comprehensive income for the year			
Deficit for the year	(2,743,025)	-	(2,743,025)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	(2,743,025)	-	(2,743,025)
Transactions with owners, in their capacity as owners, and other transfers			
Transfer on sale of asset	192,970	(192,970)	-
Total transactions with owners and other transfers	192,970	(192,970)	-
Balance at 30 June 2019	**34,550,829**	**3,652,539**	**38,203,368**
Balance at 1 July 2019	**34,550,829**	**3,652,539**	**38,203,368**
Total comprehensive income for the year			
Deficit for the year	(7,550,408)	-	(7,550,408)
Other comprehensive loss	-	-	-
Total comprehensive loss for the year	(7,550,408)	-	(7,550,408)
Balance at 30 June 2020	**27,000,421**	**3,652,539**	**30,652,960**

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities		154,206,189	138,131,551
Interest received		107,342	346,468
Dividends received		445,498	349,231
Payments to suppliers and employees		(148,413,664)	(144,462,063)
Lease payments for short term leases		(1,112,368)	-
Lease payments for leases of low value assets		(662,006)	-
Net cash from / (used in) operating activities		**4,570,991**	**(5,634,813)**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	4	119,859	2,514,489
Payment for property, plant and equipment	9	(2,546,441)	(1,654,122)
Proceeds from sale of investments		12,876,746	3,618,075
Payment for investments		(5,859,189)	(5,608,292)
Net cash generated from / (used in) investing activities		**4,590,975**	**(1,129,850)**
CASH FLOW FROM FINANCING ACTIVITIES			
Lease payments (principal and interest)		(5,049,738)	(43,105)
Net cash used in financing activities		**(5,049,738)**	**(43,105)**
Net increase / (decrease) in cash held		**4,112,228**	**(6,807,768)**
Cash at the beginning of the financial year		9,581,837	16,389,605
Cash at the end of the financial year	5	**13,694,065**	**9,581,837**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board, the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not -for- profits Commission Act 2012*. The Association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar and are presented in Australian dollars, which is the functional and presentation currency of the Association.

The financial statements were authorised for issue on 6th October 2020 by the Board of Directors.

Going Concern

The COVID-19 outbreak subsequent to year end may impact BSVs programs delivery, the collection of funds from donors, its fundraising activities and its charitable events amongst others. In response to COVID-19, the Association has developed a significant amount of new and adapted work instructions, guides, resources and support materials to ensure staff can continue to perform their work safely and/or remotely. The directors have concluded there is no material impact from COVID-19 on the FY20 financial statements. In the current environment it is challenging to predict with any certainty the expected impact of COVID-19 on future results. The Board and Management will continue to monitor the impact of the Coronavirus on its program delivery and fundraising activities.

After reviewing cash flow projections and other available current information, the directors believe there are reasonable grounds that the Association will be able to pay its debts as and when they fall due, and that the preparation of the financial statements on a going concern basis is appropriate.

Changes in Accounting Policies

New and amended standards adopted by the Association

The Association has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers
- AASB 1058 Income of Not-for-Profit Entities

AASB 16 *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

AASB 16: Leases came into effect as of 1 January 2019. This Standard replaced the current accounting requirements applicable to leases in AASB 117: *Leases* and Related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets)
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The Association has elected to adopt short term and low value exemptions where applicable.

The adoption of AASB 16 has affected primarily the accounting for the Association's operating leases. As at 30 June 2019, the Association had non-cancellable operating lease commitments of $20,987,534. On transition of AASB 16, those leases that met the AASB 16 criteria effective 1 July 2019 recognised a Right of Use Asset and Liability of $16,293,867 on balance sheet with no impact on retained earnings. This was measured using the simplified modified retrospective approach. Prior periods have not been restated.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.54%.

In applying AASB 16 for the first time, the Association has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Changes in Accounting Policies – cont'd

	Note	$
Measurement of lease liabilities		
Operating lease commitments disclosed as at 30 June 2019		20,987,534
Discounted using the lessee's incremental borrowing rate at the date of initial application		(2,836,075)
Less: short-term leases not recognised as a liability		(654,169)
Less: low-value assets leases		(1,266,735)
Add/(less): adjustments as a result of a different treatment of extension and termination options		63,312
Lease liability recognised as at 1 July 2019	12b	**16,293,867**
Of which are:		
Current lease liabilities		3,350,894
Non-current lease liabilities		12,942,973
		16,293,867

AASB 15 *Revenue from contracts with customers and* AASB 1058 *Income of Not-for-Profit entities*.

These Standards largely supersede the NFP income recognition requirements previously contained in AASB 1004 Contributions as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations when they become effective.

AASB 1058 Income of Not-for-Profit entities clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

The new standards are effective from 1 January 2019. The Association has adopted the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under AASB 1004 Contributions and AASB 118 Revenue. The Association has elected to adopt the practical expedient which allows the Association to apply the new accounting standard requirements to only contracts that were not completed contract at 1 July 2019 to ensure correct revenue recognition under AASB 15 and AASB 1058. Based on this detailed review, the Association has determined that at the date of adoption there is no impact to the opening retained earnings as at 1 July 2019 in these financial statements.

Changes in Accounting Policies – cont'd

Key requirements of* AASB 15 *Revenue from contracts with customers

For other income transactions, the Association first needs to consider whether AASB 15 applies by way of assessing whether the performance obligation(s) arising from the transaction are 'sufficiently specific' and 'enforceable'.

The core principle of AASB 15 is that the Association should 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. Specifically, the Standard introduces a 5-step approach to revenue recognition outlined in Note 1(a).

Under AASB 15, the Association recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. When AASB 15 does not apply to a transaction or part of a transaction, the Association then considers whether AASB 1058 applies.

Key requirements of AASB 1058: Income of Not-for-Profit entities

The core principle of the new income recognition requirements in AASB 1058 is when a NFP entity (the Association) enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives, the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The Standard also prescribes specific accounting requirements for volunteer services. The Directors have decided not to recognise volunteer services within the financial statements, given the true value of these services is not reliably measurable in financial terms. Volunteer services provide value by connecting communities, providing personal development, career pathways and work skills, contributing an abundance of knowledge, time and attributes, and are not reliably measured in financial terms.

AASB Standards issued but not yet effective as on 30 June 2020

An assessment of Accounting Standards issued by the AASB that are not yet mandatorily applicable and their potential impact on the Association when adopted in future periods is discussed below:

- AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material (applicable to annual reporting periods beginning on or after 1 January 2020)

  This amendment standard makes amendments to AASB 101 to re-define the term 'material' and various editorial amendments to other AASB standards. The new definition of the term 'material' requires focusing on the nature and magnitude of information and particularly contains guidance about when a material information may be considered to be obscured in the financial statements

  No material change will be expected to the Association's financial statements as the new definition of material is consistent with the directors' historic application of the concept. This standard is not expected to materially impact the financial statements of the entity.

AASB Standards issued but not yet effective as on 30 June 2020 – cont'd

- AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current liabilities (applicable to annual reporting periods beginning on or after 1 January 2022)

  This standard amends AASB 101 *Presentation to Financial Statements* to clarify the following:
  - The classification as a non-current liability should be based on the existence of a 'right' (as opposed to a 'discretion' as it was provided before this amendment) to defer the settlement of the liability for at least twelve months after the reporting period;
  - The term 'settlement' includes issue of equity instruments in exchange of extinguishment of a financial liability and such a settlement does not impact the classification of the liability as current or non-current; and
  - Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

  The application of these amendments when effective is retrospective by restatement of prior periods. Earlier application is permitted.

  The AASB is proposing to defer the effective date of AASB 2020-1 by one year to annual reporting periods beginning 1 January 2023 via ED 301.

  The Association has current and non-current liabilities that are classified based on the requirements of AASB101. Adoption of this amendment is not expected to change the group's classification of its liabilities as current or non-current, however, it gives greater clarity to directors in making the assessment regarding what the appropriate classification is.

- AASB 2020-4: Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions (applicable to annual reporting periods beginning on or after 1 June 2020 with earlier application permitted)

  This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Earlier application is permitted.

  This standard is not expected to materially impact the financial statements of the Association.

- AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (applicable to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted)

  This standard amends:
  (a) AASB 1 *First-time Adoption of Australian Accounting Standards* to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
  (b) AASB 3 *Business Combinations* to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
  (c) AASB 9 *Financial Instruments* to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
  (d) AASB 116 *Property, Plant and Equipment* to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
  (e) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
  (f) AASB 141 *Agriculture* to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

  This standard is not expected to materially impact the financial statements of the Association.

Accounting Policies

a) Revenue Recognition (Accounting policy applicable from 1 July 2019)

Revenue arises mainly from government and other grants, fundraising and charitable activities, legacies and bequests, training and events income, investment and other income.

When the Association receives income, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15. When both these conditions are satisfied, the Association uses the following 5-step process to determine when revenue is recognised, in line with ***AASB 15 Revenue from contracts with customers***:

1. Identifying the contracts with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods or services to its customer.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Association recognises income immediately in profit or loss.

(i) Government and Other Grants

The Association is a not-for-profit organisation which receives the principal part of its income from government and other grants. Generally, government and other funding received or receivable clearly outlines the specified services to be delivered, or conditions to be fulfilled, and creates obligations on the Association to deliver. Grant revenue for contracts which are enforceable and with sufficiently specific performance obligations are recognised over time. The input method is used to measuring progress towards satisfaction of performance obligations based on costs incurred. Invoices issued are usually payable within 30 days.

Funding received in advance is recognised as contract liability and revenue is recognised as services are performed or conditions fulfilled over time based on the input method.

Where conditions are attached to the grant which must be satisfied before the Association is eligible to receive the contribution, the recognition of the grant as revenue is deferred until those conditions are satisfied.

Unless prohibited by contract terms, if funds remain unspent after programs are completed or program completion date is reached, these unspent funds are immediately recognised as revenue.

Income from grants that are not subject to conditions is recognised when the Association obtains control of the funds, economic benefits are probable and the amount can be reliably measured. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent the conditions remain unsatisfied.

Where the Association receives contributions of assets from the government and other parties for no or nominal consideration, these assets are recognised at fair value, with a corresponding amount of income recognised.

(ii) Fundraising income

Donations are recognised only when received by the Association in accordance with AASB 1058 *Income for Not-For-Profit Entities.*

Bequests are recognised when the Association receives confirmation from the solicitor that entitlement to the funds is uncontested, or when the legacy is received, whichever occurs earlier.

a) Revenue Recognition – cont'd

(iii) Other revenue

Client Funds and Client Brokerage are recognised as revenue when the related client expense is recognised as an expense in the profit or loss.

Revenue from delivering workshops, courses, events as well as consultation services is recognised upon the delivery of service to the customers and the customer has obtained the ability to direct the use of services provided. Invoices are issued according to the contractual terms and are usually payable within 30 days.

Income is recognised to the extent that it is probable that the economic benefits will flow to the Association and income can be reliably measured.

(iv) Investment Income

Interest income, included in investment income, is recognised on a proportional basis using the effective interest rate method, considering the interest rates applicable to the financial assets.

Dividend income is recognised when the right to receive a dividend has been established.

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

<u>For comparative year (Accounting policy applicable before 1 July 2019)</u>

Grant revenue is recognised in the statement of profit or loss when the Association obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the Association incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

The Association receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the profit or loss.

Client Funds and Client Brokerage are recognised as revenue in the profit or loss at the time that the matching client expense is recognised as an expense in the profit or loss.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, management has undertaken a valuation review, approved by the Board of Directors ensuring the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are charged to the profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that has been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Plant and equipment that has been contributed at no cost, or for nominal cost is valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Classes of Fixed Assets	**Depreciation Rate**
Buildings	3.3%
Motor vehicles	15.0% - 33.3%
Furniture and equipment	15.0% - 33.3%

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

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c) Leases (Accounting policy applicable from 1 July 2019)

At inception of a contract, the Association assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

1. The contract involves the use of an identified asset – this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right, then there is no identified asset.
2. The Association has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
3. The Association has the right to direct the use of the asset i.e. decision-making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement the Association recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Association believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises the:-

1. Lease liability
2. Initial direct costs
3. Prepaid lease payments
4. Less any lease incentives.

The right-of-use asset is depreciated over the lease term on a straight-line basis or useful life of the underlying asset whichever is the shortest. These assets are assessed for impairment in accordance with the impairment of assets accounting policy. The right-of-use asset is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement date. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Association's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Association's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Association has elected to apply the exceptions to lease accounting for leases of short-term and low-value assets. For these leases, the Association recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

c) Leases – cont'd

For comparative year (Accounting policy applicable before 1 July 2019)

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Association are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

d) Financial Instruments

Financial instruments are recognised initially on the date that the Association becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value through profit or loss, depending on the classification of the financial assets.

Classification

On initial recognition, the Association classifies its financial assets into the following categories, those measured at:

- *Amortised cost*
- *Fair value through profit or loss*

Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold the asset to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

The Association's financial assets measured at amortised cost comprise trade and other receivables, security deposits and bonds and cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through profit or loss

By default, all other financial assets that do not meet the measurement conditions of amortised cost are subsequently measured at fair value through profit or loss.

The Association's financial assets measured at fair value through profit or loss comprise listed shares and managed investment funds.

Derecognition

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

d) Financial Instruments – cont'd

Impairment of financial assets

The Association recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. Loss allowances are not recognised for financial assets at fair value through profit or loss.

Impairment of trade receivables has been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Association has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in Impairment on trade receivables under administration and infrastructure expenses category. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Financial liabilities

The Association initially measures all financial liabilities initially at fair value less transaction costs. Subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

The financial liabilities of the Association comprise trade payables and lease liabilities.

e) Fair Value of Assets and Liabilities

The Association measures some of its assets at fair value on a recurring basis, consistent with the requirements of the applicable accounting standard.

'Fair value' is the price the Association would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset (i.e., the market with the greatest volume and level of activity for the asset). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at reporting date (i.e., the market that maximises the receipts from the sale of the asset, after taking into account transaction costs and transport costs)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

f) Impairment of Non Financial Assets

At the end of each reporting period, the Association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Association would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the current replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the Association estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

g) Employee Benefits

Short-term provisions

Provision is made for the Association's obligation for short-term employee benefits. Short-term employee benefits are provisions (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term provisions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Association's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Long-term employee benefits

The Association classifies employees' long service leave and annual leave entitlements as provisions for long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the Association's obligation for other long-term employee benefits, which is measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the subsequent measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefit expenses.

The Association's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Association does not have an unconditional right to defer settlement for at least twelve months after the reporting date, in which case the obligations are presented as current liabilities.

Portable long service leave scheme

From 1 July 2019 the Association commenced making contributions for certain eligible employees to Victoria's new portable long service leave scheme, pursuant to the Long Service Benefits Portability Act 2018. A levy of 1.65% of eligible salaries is paid to the Portable Long Service Leave Authority. Any amounts payable to eligible employees in relation to long service leave post 1 July 2019 will be funded by the Authority as and when they arise. However, the existence of the scheme does not discharge the Association's obligation to pay long service leave to employees in the event that the Authority cannot meet its obligations. At balance date the Directors have no reason to believe that the Authority will not meet its obligations under the agreements with the company as employer. As information on the long service leave provisions as they pertain to the company's eligible employees is not readily available, the gross receivable from the Authority and provision for long service leave payable to eligible employees (which are equal and offsetting) have not been recognised in these financial statements.

h) 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.

i) 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 expense. Receivables and payables in the statement of financial position are shown inclusive of 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.

j) Income Tax

No provision for income tax has been raised as the Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

k) Provisions

Provisions are recognised when the Association 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 outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period. Provisions include civil claims, National Redress Scheme and make good of leased premises.

l) Comparative Figures

The Association has reclassified balances relating to short term deposits from “Financial Assets” to “Cash and Cash Equivalents” in order to more accurately reflect the nature of these balances.

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

m) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Association during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. The balance is measured at amortised cost (refer to Note 1(d) for further details).

n) Contract Liabilities – Deferred Income

The liability for deferred income is the unspent amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or conditions usually fulfilled within 12 months of receipt of the grant.

o) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association.

Key Estimates

Impairment

The freehold land and buildings were independently valued in 2017-2018 by Charter Keck Cramer Pty Ltd. Valuers were instructed to determine fair market values for the properties and these were based on the direct comparison approach, using recent sales of properties in the neighbourhood, making adjustments for quality and condition of improvements, aspects of the land as well as redevelopment potential. The critical assumptions adopted in determining the valuation included the location of the land and buildings and recent sales data for similar properties. In periods when the freehold land and buildings are not subject to an independent valuation, management has undertaken a valuation review by obtaining the median sale price for the suburbs in which we own properties from the property agents, analysing the sale trend and prices, applying the same trend to our property portfolio to ensure the carrying amount for the land and buildings portfolio is not materially different to the fair value.

Provision for Civil Claims and National Redress Scheme

The Association has historically adopted the approach of providing for uninsured open civil claims at the end of the financial year. The National Redress Scheme commenced operation on 1 July 2018 and will run for 10 years. The Association has signed up to the National Redress Scheme in October 2019 which has resulted in a requirement to include a provision for future claims. A total of $5,523,946 has been provided for at the end of the reporting period based on the number of uninsured open civil claims and estimated number of claims from the National Redress Scheme based on recorded incidents that meet the eligibility criteria.

Allowance for expected credit losses

An allowance is made for doubtful debts where there is objective evidence that the Association will not be able to collect all amounts due according to the original terms and considers the lifetime expected credit losses for trade receivables. Amounts overdue for more than 61 days are reviewed for collectability. On confirmation that the trade receivable will not be collectable the gross carrying value of the asset is written off against the associated provision.

Key Judgments

Financial assets at fair value through profit or loss

The Association maintains a portfolio of securities with a carrying value of $30,451,298 (2019: $37,932,205) at the end of the reporting period. The fair value of the portfolio of securities is monitored on a monthly basis. Fair values of managed investment funds are based on the net asset values as supplied by the fund managers at the end of the reporting period. For investments in listed shares, the fair values are based on the market values at the end of the reporting period.

Property, Plant and Equipment

For the two residential properties which were purchased in prior years with grants from the Department of Health and Human Services, the Association has only recognised 50% of the fair value of these properties in the books as the Department asserts that it has an equitable interest of 50%.

AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-Profit entities.

The Association recognises revenue either at a point in time or over time as and when the customer obtains control of the goods and services. Revenue is recognised “over time” if the customer simultaneously receives and consumes the benefits provided by the Association. The majority of revenue contracts recognised under AASB 15 are considered “over time”. The Association uses an inputs based approach and has made a decision that expense is an appropriate indicator of performance obligations being met. Revenue for grants is recognised over time once expenses are incurred to fulfil these performance obligations.

Where a revenue contract is measured at a point in time, the Association recognises revenue once the performance obligations has been met, when it has a present right to payment and the customer has obtained the ability to direct the use of goods and services provided.

o) Critical Accounting Estimates and Judgments – cont'd

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

Lease term and Option to Extend under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgment that the Association will make. The Association determines the likeliness to exercise the options on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the Association.

Estimating the incremental borrowing rate under AASB 16

The Association cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Association would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Association 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Association estimates the IBR using observable inputs when available.

(p) Economic Dependence

The Association is dependent on the Department of Health & Human Services for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Department will not continue to support the Association.

	Note	2020	2019
		$	$
NOTE 2: REVENUE			
Grants			
Department of Health and Human Services		105,135,823	100,154,357
Department of Education - Federal		5,925,059	4,552,314
Department of Education - State		3,556,688	3,263,770
Department of Social Services		2,809,989	3,258,148
Other government grants		6,454,433	1,271,503
Other grants		4,016,136	3,509,557
Total Grants		127,898,128	116,009,649
Other revenue			
Training and events income		3,717,179	3,342,726
Rental income		327,953	211,327
Other (miscellaneous program)		2,525,294	1,897,626
Total Other Revenue		6,570,426	5,451,679
Fundraising			
Charitable and fundraising		5,000,674	3,959,128
Bequests received		35,785	918,077
Philanthropy		3,592,164	2,228,098
Total Fundraising		8,628,623	7,105,303
Investment income			
Interest received		107,342	346,468
Dividends received		1,090,408	1,353,444
Fair value gains on financial assets at fair value through profit or loss		-	398,592
Total investment income		1,197,750	2,098,504
Revenue		144,294,927	130,665,135
Other income			
Gain on disposal of non-current assets	4	90,292	481,042
Total other income		90,292	481,042
Total Revenue		**144,385,219**	**131,146,177**

NOTE 2: REVENUE - cont'd

The Association's revenue disaggregated by pattern of revenue recognition is as follows:

2020	**Grants**	**Training and Events income**	**Other income**	**Total**
	$	**$**	**$**	**$**
Services transferred to customers:				
- over time	127,898,129	-	327,953	128,226,082
- at a point in time	-	3,717,179	2,615,585	6,332,764
	127,898,129	3,717,179	2,943,538	134,558,846
Fundraising income recognised under AASB 1058				8,628,623
Investment income recognised under AASB 9				1,197,750
Total revenue				**144,385,219**

The Association's revenue disaggregated by primary service type is as follows:

	2020
	$
Residential care	43,509,184
Youth	10,075,785
Education	16,755,555
Community	7,684,034
Family Services – including Family Violence	21,885,737
Home-Based Care (Foster & Kinship)	11,680,948
Targeted Care Packages	3,565,989
Therapeutic	14,611,799
Other	14,616,188
Total revenue	144,385,219

	2020	2019
	$	$
NOTE 3: TOTAL EXPENDITURE		
Employee benefits expenses		
Salaries and wages	96,026,847	86,371,335
Superannuation	8,608,729	7,561,567
Workcover	3,393,692	2,127,839
Total employee benefits expenses	108,029,268	96,060,741
Non salary expenses		
Depreciation and amortisation	5,388,436	505,974
Interest expense on lease liabilities	842,202	117
Impairment on trade receivables	172,049	83,508
Fundraising expenses	2,905,951	4,640,973
Vehicle running expenses	2,906,485	4,992,204
Occupancy expenses	2,717,167	5,720,743
Clients' expenses	9,326,146	8,972,906
Civil claims and Redress Scheme expenses	5,799,900	336,145
Fair value losses on financial assets	1,108,260	-
Training expenses	1,440,918	1,388,489
Audit, legal and consultancy expenses	1,164,216	1,858,450
Administration expenses	6,036,864	5,785,047
Other expenses	4,097,765	3,543,905
Total non salary expenses	43,906,359	37,828,461
Total Expenditure	**151,935,627**	**133,889,202**

NOTE 4: (DEFICIT) / SURPLUS FOR THE YEAR

(Deficit) / Surplus has been determined after:

	2020	2019
Auditor remuneration		
Audit Services		
- Current year	67,500	58,000
- Prior years	-	4,250
Other services	3,000	2,800
Total audit remuneration	70,500	65,050
Significant Revenue and Expenses		
Net gain/(loss) on disposal of Non Current Assets		
Property, plant and equipment		
Proceeds on disposal	119,859	2,514,489
Disposals at written down value	(29,567)	(2,033,447)
Net (loss) / gain on disposals	90,292	481,042

	2020	2019
	$	$

NOTE 5: CASH AND CASH EQUIVALENTS

CURRENT		
Cash at bank	12,420,045	4,803,237
Cash on hand	24,020	28,600
Short Term Deposits	1,250,000	4,750,000
	13,694,065	9,581,837

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	1,581,615	2,584,811
Allowance for expected credit losses	(319,104)	(147,055)
	1,262,511	2,437,756
Other receivables	800,601	1,487,823
Total current trade and other receivables	2,063,112	3,925,579

(a) Allowance for expected credit losses

The Association applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Movement in the allowance for expected credit losses of receivables is as follows:

	Opening Balance $	Charge for The Year $	Amounts Written Off $	Closing Balance $
2020	147,055	172,049	-	319,104
2019	65,006	83,508	(1,459)	147,055

	2020 $	2019 $

NOTE 7: OTHER ASSETS

	2020 $	2019 $
Accrued Income	2,837,380	1,057,976
Contract Assets [1]	768,106	-
Prepayments	1,357,043	1,176,295
	4,962,529	2,234,271

	2020 $
Movement in contract assets:	
Opening balance	1,037,661
Increase in service delivered	768,106
Payment received from customers	(1,037,661)
Closing balance	768,106

[1] The above relates to contracts where the association has recognised the asset for work performed and payments happen on milestones achieved. A contract asset is recognised for work previously performed. When invoicing takes place any amount that has previously been classified as a contract asset will be reclassified to trade receivables.

The Association has not recognised an expected credit loss allowance for contract assets, as these balances largely relate to work performed for the government which is deemed to be low risk of default. No historical credit losses have been recognised.

NOTE 8: FINANCIAL ASSETS

	2020 $	2019 $
Investment in equity instruments designated as at fair value through profit or loss		
- Managed investment funds	20,284,974	24,390,530
- Listed shares	10,166,324	13,541,675
	30,451,298	37,932,205

	2020	2019
	$	$

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
LAND AND BUILDINGS		
Freehold land at fair value:	5,465,893	5,142,182
Total land	5,465,893	5,142,182
Buildings at fair value:	10,051,395	8,411,823
Less accumulated depreciation	(3,933,970)	(3,767,020)
Total buildings	6,117,425	4,644,803
Total land and buildings	11,583,318	9,786,985
MOTOR VEHICLES		
At cost	896,663	1,140,799
Less accumulated depreciation	(609,130)	(875,012)
Total plant and equipment	287,533	265,787
FURNITURE AND EQUIPMENT		
At cost	3,065,775	2,907,337
Less accumulated depreciation	(2,712,891)	(2,698,965)
Total plant and equipment	352,884	208,372
SUB-TOTAL	**12,223,735**	**10,261,144**
CAPITAL WORK IN PROGRESS		
At cost	27,935	101,131
TOTAL PROPERTY, PLANT AND EQUIPMENT	**12,251,670**	**10,362,275**

During the year ended 30 June 2020, the Association has commenced the renovation works for its new Goals property in Traralgon. As at 30 June 2020, these renovation works are still in progress and the capital costs incurred were capitalised in capital work in progress.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT - cont'd

Movements in Carrying Amounts

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

	Land and Buildings	Motor Vehicles	Furniture and Equipment	Sub-Total	Capital Work in Progress	Total
2020	**$**	**$**	**$**	**$**	**$**	**$**
Balance at the beginning of the year	9,786,985	265,787	208,372	10,261,144	101,131	10,362,275
Additions	1,514,443	139,621	13,046	1,667,110	879,331	2,546,441
Reclassification	744,334	-	208,193	952,527	(952,527)	-
Disposals	-	(29,567)	-	(29,567)	-	(29,567)
Depreciation expenses	(462,444)	(88,308)	(76,727)	(627,479)	-	(627,479)
Carrying amount at end of year	11,583,318	287,533	352,884	12,223,735	27,935	12,251,670

	Note	2020 $	2019 $

NOTE 10: TRADE AND OTHER PAYABLES

	Note	2020 $	2019 $
CURRENT			
Trade payables		893,752	1,103,584
Client funds		1,337,835	1,347,443
Grant obligations		-	5,202,160
Other current payables		7,526,789	6,669,750
Employee entitlements		5,730,524	4,300,623
Total trade and other payables [(1)]	10a	15,488,900	18,623,560

[(1)] Total trade and other payables as of 30 June 2019 included provision for civil claims of $500,000 which were reclassified into Note 13 Provision.

(a) Financial liabilities at amortised cost classified as trade and other payables

	Note	2020 $	2019 $
Trade and other payables			
- Total current		15,488,900	18,623,560
Less client funds		(1,337,835)	(1,347,443)
Less grant obligations		-	(5,202,160)
Less employee entitlements		(5,730,524)	(4,300,623)
Financial liabilities as trade and other payables	15	8,420,541	7,773,334

NOTE 11: CONTRACT LIABILITIES

The Association has recognised the following contract liabilities from contracts with customers. This relates to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 30 June 2020. All deferred revenue are expected to be recognised in 2021.

	2020 $
Contract liability comprised of Deferred Revenue	
Opening balance	5,202,160
Recognition of revenue from contract liabilities	(5,202,160)
Revenue received in advance	4,147,511
Closing balance	4,147,511

NOTE 12: LEASES

The Association has leases over buildings, vehicles and office equipment. Information relating to leases in place and associated balances and transactions are provided below.

(a) Terms and conditions of leases

i) Buildings

The Association leases corporate office buildings in Melbourne and regional premises in Gippsland, Hume, Southern, Northern and Western Victoria. These leases are between 2 and 10 years.

The Association includes options in some of the leases to provide flexibility and certainty to its operations and reduce costs of moving premises.

At commencement date and at least each subsequent reporting date, the Association assesses where it is reasonably certain that the extension options will be exercised.

The corporate and regional premises leases contain annual CPI pricing where the lease payments are adjusted at each anniversary date and undergo a market rent review on renewal of an option.

ii) Vehicles

The Association leases vehicles that are used by staff to visit clients and other offices in regional and metropolitan areas, the lease terms vary from 2 – 3 years and the lease payments are fixed during the lease term.

iii) Office equipment

The Association leases photocopiers which have a lease term of between 3 and 5 years and have fixed lease payments.

The Association leases IT equipment which have been classified as leases of low value items. The Association has elected not to recognise right-of-use assets and lease liabilities for these.

NOTE 12: LEASES – cont'd

(b) Right of use assets

	Buildings	Vehicles	Office Equipment	Total
	$	$	$	$
Right of use asset at cost	17,653,182	3,461,572	289,259	21,404,013
Less accumulated depreciation	(3,145,268)	(1,434,231)	(104,497)	(4,683,996)
Total	14,507,914	2,027,341	184,762	16,720,017

Movements in Carrying Amounts

Movement in the carrying amounts for each class of right of use assets between the beginning and the end of the current financial year:

	Buildings	Vehicles	Office Equipment	Total
	$	$	$	$
Balance at 1 July 2019	14,149,269	1,844,421	300,177	16,293,867
Additions	3,503,913	1,803,874	-	5,307,787
Disposals	-	(111,583)	(9,097)	(120,680)
Depreciation expenses	(3,145,268)	(1,509,371)	(106,318)	(4,760,957)
Carrying amount at end of year	14,507,914	2,027,341	184,762	16,720,017

The table below describes the nature of the Association's leasing activities by type of right of use asset recognised on balance sheet:

Right of use assets	No. of right of use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with option to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Buildings	12	3 months – 10 years	4 years	9	-	8	12
Vehicles	287	2 months – 3 years	1 year	287	-	-	287
Office equipment	86	7 months – 2 years	2 years	-	-	-	86

NOTE 12: LEASES – cont'd

(c) Lease liabilities

	Buildings	Vehicles	Office Equipment	Total
	$	$	$	$
Not later than 1 year	2,813,713	1,573,303	99,922	4,486,938
Later than 1 year but not later than 5 years	7,107,977	453,373	88,695	7,650,045
Later than 5 years	5,143,156	-	-	5,143,156
Total	15,064,846	2,026,676	188,617	17,280,139

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payment due						
	Within 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**After 5 years**	**Total**
30 June 2020							
Lease payments	5,182,020	3,362,519	2,561,823	1,865,104	1,401,761	5,641,272	20,014,499
Finance charges	(695,082)	(525,854)	(419,771)	(326,073)	(269,463)	(498,117)	(2,734,360)
Net present values	4,486,938	2,836,665	2,142,052	1,539,031	1,132,298	5,143,155	17,280,139

(d) Lease impact in the statement of profit and loss and other comprehensive income

	2020
	$
Interest expense on lease liabilities	842,202
Expense relating to short-term leases not included in the measurement of lease liabilities	1,112,368
Expense relating to leases of low-value assets	662,006
Loss relating to the termination of the lease	6,701

(e) Statement of cash outflow for leases

Total cash outflow for leases	6,824,112

NOTE 13: PROVISIONS

	Employee Benefits[1]	Provision for Civil Claims and National Redress Scheme[2]	Provision for Make Good[3]	Total
	$	$	$	$
Opening balance at 1 July 2019	6,709,239	500,000	-	7,209,239
Additional provisions raised during the year	1,805,268	5,799,901	100,000	7,705,169
Amounts utilised	(1,565,272)	(775,955)	-	(2,341,227)
Balance at 30 June 2020	6,949,235	5,523,946	100,000	12,573,181

	2020	2019
	$	$
Current	7,849,947	5,733,262
Non-current	4,723,234	1,475,977
Total Provisions	12,573,181	7,209,239

[1] The provision for employee benefits relates to employees' long service leave entitlements. See accounting policies in Note 1(g).

[2] The provision for civil claims and national redress scheme relates to settlement costs of civil claims and cost of joining the National Redress Scheme. The provision amount was based on the number of uninsured open civil claims and estimated number of claims from the National Redress Scheme based on recorded incidents that meet the eligibility criteria. The opening balance of $500,000 as at 1 July 2019 has been reclassified from Trade and Other Payables.

[3] The provision for make good cost relates to future costs to return certain leased premises to their original condition are based on the Association's past experience with similar premises and estimates of likely restoration costs determined by the facilities manager.
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NOTE 14: RESERVES

Asset Revaluation Surplus

The asset revaluation surplus records the revaluation of land and buildings to fair value.

NOTE 15: FINANCIAL RISK MANAGEMENT

The Association's financial instruments consist mainly of deposits with banks, local money market instruments, investments, accounts receivable and payable and leases.

The total for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020 $	2019 $
Financial Assets			
Cash and cash equivalents	5	13,694,065	9,581,837
Trade and other receivable measured at amortised cost	6	2,063,112	3,925,579
Investment in equity instruments designated as at fair value through profit or loss	8	30,451,298	37,932,205
		46,208,475	51,439,621
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	10a	8,420,541	7,773,334
Lease liabilities	12c	17,280,139	-
		25,700,680	7,773,334

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term benefits		Long-term Benefits	
	Salary and fees $	Superannuation contribution $	Long service leave $	Total $
2020				
Total compensation	1,305,094	136,572	42,382	1,484,048
2019				
Total compensation	1,037,445	121,839	45,479	1,204,763

The Association has changed its organisational structure in 2019 to ensure that it has appropriate leadership and management resources in place to sustain its reputation as a leading provider of support to children, young people, women and families in Victoria. The comparative figures in 2019 do not reflect the full 12-month figures as some Executive Directors were recruited during 2019. In 2020, most Executive Directors have worked the full 12-month period.

NOTE 17: CONTINGENT LIABILITIES

As at 30 June 2020, the Association has arranged for bank guarantee of $250,000 (2019: nil) for leases of office properties.

Estimation of the provisions for civil claims and national redress scheme is based on the number of uninsured open civil claims and estimated number of claims from the National Redress Scheme based on the recorded incidents that meet the eligibility criteria. These estimates may vary from the actual costs incurred due to the inherent difficulty in estimating the liability.

The Association, as with many community services organisations, has many employees who work on a 'casual' basis to provide care and services to its clients. The Association has considered the impact arising from the Federal Court ruling in the Workpac v Rossato case, which identified that certain casual employees should receive annual, personal and compassionate leave in addition to any remuneration previously received, and has not recognised a provision for any additional employee benefits at 30 June 2020. This decision was based on an assessment of the arrangements the Association has with its casual employees, which did not meet the majority of the facts of the employment arrangements considered in the Workpac v Rossato case. The Association will continue to assess its obligations to its casual employees in respect of this ruling and monitor the ongoing development of the appeal process.

NOTE 18: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Board member Eric Passaris is a partner of Grant Thornton whose firm provided tax advice in relation to the Job Keeper application to the value of $27,983.

NOTE 19: COMMITMENTS

During the year, the Association entered into a contract of $44,750 to renovate its new Goals property in Traralgon. There were no other material contractual commitments at 30 June 2020.

NOTE 20: ASSOCIATION DETAILS

The registered office and principal place of business of the Association is:

Berry Street Victoria Inc.
1 Salisbury Street
RICHMOND
VIC 3121

BERRY STREET VICTORIA INC
ABN 24 719 196 762

DIRECTORS' DECLARATION

In the opinion of the Board of Directors the financial report as set out on pages 3 to 36:

1. Presents a true and fair view of the financial position of Berry Street Victoria Inc. as at 30 June 2020 and its performance for the year ended on that date in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board, the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012*, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

2. At the date of this statement, there are reasonable grounds to believe that Berry Street Victoria Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors by:

Dr Joanna Flynn	Paul Mann
President	**Chair of the Investment and Finance Committee**

Dated this 6th day of October 2020.

ShineWing AUSTRALIA
Advisors & Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF BERRY STREET VICTORIA INC

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit, and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 6 October 2020

Brisbane
Level 14
12 Creek Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800
F + 61 3 8102 3400

Sydney
Level 8
167 Macquarie Street
Sydney NSW 2000
T + 61 2 8059 6800
F + 61 2 8059 6899

ShineWing AUSTRALIA
Advisors & Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BERRY STREET VICTORIA INC.

Opinion

We have audited the financial report of Berry Street Victoria Inc. (the Association) 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the financial report of the Association has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(a) giving a true and fair view of the Association's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of 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 Association in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have 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.

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

Those charged with governance are responsible for the other information. The other information comprises the information included in the Association's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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.

Brisbane
Level 14
12 Creek Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800
F + 61 3 8102 3400

Sydney
Level 8
167 Macquarie Street
Sydney NSW 2000
T + 61 2 8059 6800
F + 61 2 8059 6899

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements, and the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

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 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 judgement 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 6 October 2020