SHEPPARTON VILLAGES

Financial Report

2019–2020

Enriching the lives of people in our care

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CHOICE
We encourage and promote individual choice and independence

RESPECT
We believe everyone is unique, we listen and demonstrate care and compassion in everything we do

CARE
We care and we continuously improve what we do

PASSION
We love what we do and encourage creativity and diversity

TEAMWORK
We work together and support each other

Shepparton Retirement Villages Inc
ABN 94 314 031 069

Declaration by Board

For the year ended 30 June 2020

The Members of the Board herewith submit the financial report of Shepparton Retirement Villages Inc. for the financial year ended 30 June 2020.

Board Members

The names of the members of the Board in office during or since the end of the financial year as follows.
The Board members were in office for the entire period unless otherwise stated.

Frank Dawson (Board Chair)
Merushe Asim
David Fordyce
Stephen Merrylees
Michael Hall
Elizabeth Lee
Robert Crow
Rebecca Hearn - resigned May 20
Jeanette Powell
Veronica Jamison - resigned April 20

Principal activities

The principal activities of the Entity during the course of the financial year were to provide residential aged care, home care packages and independent living unit accommodation.

The operating surplus reported for the financial year ending 30 June 2020 is $968,379, however it must be noted that the result contained several elements which require further understanding as follows:

- Revenue recognition of 63 bed licences at fair value of $2,520,000. This is purely an accounting entry in accordance with standards AASB 138 (intangible assets) and AASB 1058 (Income of Not-For-Profit Entities). This has no impact on cash generation and is purely a fair value representation of bed licences granted by the Department at nil cost. (refer financial statements notes 2 & 8).
- Government initiated COVID-19 support funding received of $430,843 (refer financial statements note 2).
- Impairment of investment portfolio managed by JB Were $359,265 as a result of global response to COVID-19 (refer financial statements notes 3 & 5).

When these items are discounted from the reported surplus the adjusted result would be a deficit of ($1,623,199).

Significant changes

No significant changes in the nature of these activities occurred during the year.

Declaration

The accompanying financial statements present the income and expenditure, cashflows, assets and liabilities of the Entity for the year end 30 June 2020

In the opinion of the Board of Shepparton Retirement Villages Inc:

1. The accompanying financial statements comprising the statement of profit or loss and other comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements that are set out on pages 1 to 17 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012, including:*

   (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements, Australian Charities and Not-for-Profits Commission Regulation 2013, the Aged Care Act 1997 and the Residential Care Subsidies Principles, 2014 and the Associations Incorporations Reform Act 2012.

   (b) giving a true and fair view of the Entity's financial position, peformance and financial statements during and at the end of the financial year ending on 30 June 2020.

2. There are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Members of the Board.

Frank Dawson

Frank Richard Dawson (Board Chair)

Michael Hall.

Michael Hall (Board Member)

Dated this 29th day of September 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue			
Revenue from Contracts with Customers	**2**	30,426,444	28,246,561
Other Revenue	**2**	1,215,335	1,025,598
Recognition of bed licences at fair value	**2, 8**	2,520,000	–
		34,161,779	29,272,159
Expenditure			
Employee Benefits Expense	**3**	(21,217,899)	(20,010,846)
Depreciation Expense	**3**	(4,447,865)	(4,375,829)
Other Expenses	**3**	(7,168,371)	(6,370,455)
Impairment of Investment	**3, 5**	(359,265)	–
		(33,193,400)	(30,757,130)
CURRENT YEAR SURPLUS / (DEFICIT)		968,379	(1,484,971)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		968,379	(1,484,971)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE ENTITY		968,379	(1,484,971)

The accompanying notes form part of these Financial Statements

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Cash and Cash Equivalents	4	5,697,077	11,217,150
Other Financial Assets	5	22,469,498	23,033,889
Accounts Receivable and Other Debtors	6	454,884	578,969
Residential Aged Care Debtors – Refundable Deposit		2,065,000	4,595,001
Retirement Living Debtors – Ingoing Contribution		1,327,000	1,072,684
Prepayments		228,848	219,550
Inventories on Hand		81,204	100,593
Property, Plant & Equipment	7	82,934,869	73,015,253
Intangibles – Bed Licences	8	13,957,874	11,437,874
TOTAL ASSETS		129,216,254	125,270,963
LIABILITIES			
Accounts Payable and Other Payables	9	2,390,503	1,754,249
Funds Held on behalf of Residents		91,517	76,852
Employee Benefits	10	4,162,964	3,971,431
Unspent Home Care Package Funds		455,889	372,652
Refundable Loans	11	88,429,810	86,378,587
TOTAL LIABILITIES		95,530,683	92,553,771
NET ASSETS		33,685,571	32,717,192
EQUITY			
Accumulated Funds		33,685,571	32,717,192
TOTAL EQUITY		33,685,571	32,717,192

The accompanying notes form part of these Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2020

		Accumulated Funds $	Total $
Balance at 30 June 2018		34,202,163	34,202,163
Net surplus / (deficit) for the year		(1,484,971)	(1,484,971)
Balance at 30 June 2019		32,717,192	32,717,192
Net surplus / (deficit) for the year		968,379	968,379
Balance at 30 June 2020		33,685,571	33,685,571

The accompanying notes form part of these Financial Statements

Statement of Cashflows
For the year ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Residents & Government		29,863,029	27,750,613
Receipts From Fundraising Activities		49,960	107,165
Payments to Suppliers & Employees		(30,643,007)	(27,145,004)
GST Recoverable from ATO – operational expenditure		442,789	386,655
GST Recoverable from ATO – capital purchases		1,413,029	832,177
Interest Received		863,567	729,860
NET CASH GENERATED FROM OPERATING ACTIVITIES		**1,989,367**	**2,661,466**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment:			
– Residential Aged Care		(12,510,489)	(8,203,167)
– Other		(1,081,008)	(1,018,928)
Purchase of Investments		(15,179,276)	(6,500,000)
Sale of Investments		15,743,667	6,721,751
Proceeds from Sale of Property Plant & Equipment		62,000	14,545
NET CASH USED IN INVESTING ACTIVITIES		**(12,965,106)**	**(8,985,799)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Accommodation Bonds/Refundable Deposits received		18,492,413	17,145,954
Accommodation Bonds/Refundable Deposits (refunded)		(14,548,423)	(10,404,369)
Independent Living Ingoings received		4,626,560	5,025,316
Independent Living Ingoings (refunded)		(3,129,549)	(2,076,162)
Increase in Funds held on behalf of Residents		14,665	(14,736)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**5,455,666**	**9,676,003**
Net Increase/(Decrease) in Cash Held		(5,520,073)	3,351,670
Cash & Cash Equivalents at the beginning of financial year		11,217,150	7,865,480
Cash & Cash Equivalents at the end of financial year	4	5,697,077	11,217,150

The accompanying notes form part of these Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements cover Shepparton Retirement Villages Inc ("Entity") as an individual entity. Shepparton Retirement Villages Inc is an association incorporated in Victoria and operating pursuant to the Associations Incorporation Reform Act 2012.

The financial statements for the year end 30 June 2020 were approved and authorised for issue on 29th September 2020 by the members of the Board.

The financial statements are Tier 2 general purpose financial statements that have been prepared in accordance with the Associations Incorporation Reform Act 2012 and Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012. Shepparton Retirements Villages is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

Basis of measurement

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.

Presentation of statement of financial position on a liquidity basis

The Board has taken the view that in complying with the requirements of the AASB 101 the treatment of refundable loans (accommodation bonds, refundable deposits and ingoing contributions) as current liabilities does not reflect the true liquidity of the entity as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, the Board has chosen to present its statement of financial position under the liquidity presentation method (AASB 101 Presentation of Financial Statements) on the basis that it presents a more reliable view. A reconciliation of the refundable loans is provided in note 11.

Comparatives

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

Critical accounting estimates and judgements

The Board evaluate estimates and judgements 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 Entity.

Key estimates and judgements

Impairment

The Board assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate key assumptions.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and industry standards. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Employee Benefits

For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the association expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the association believes that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

Significant Accounting Policies

The principal accounting policies adopted in the presentation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Income Tax

In accordance with the provisions of the Australian Income Tax Assessment Act, the Entity is exempt from income tax. As at the 30th June 2000 the Entity has been endorsed as an Income Tax Exempt Charity (ITEC) under A New Tax (Goods and Services Tax) Act 1999.

Notes to the Financial Statements
For the year ended 30 June 2020

Significant Accounting Policies (continued)

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 an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

Revenue

Accounting policy effective from 1 July 2019

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand–alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Grants

Grant revenue is recognised in profit or loss when the Entity satisfies the performance obligations stated within the funding agreements. If conditions are attached to the grant which must be satisfied before the Entity is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Other revenue

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

Accounting policy effective until 30 June 2019

Revenue from the provision of services is recognised upon the delivery of those services to clients. Interest revenue is recognised on a proportional basis considering the interest rates applicable to the financial assets. All revenue is stated net of goods and services tax (GST) if applicable.

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.

Accounts Receivable and Other Debtors

Accounts receivable and other debtors are recognised at amortised cost, less any allowance for expected credit losses.

Inventories on Hand

Inventories on hand are measured at the lower of cost and net realisable value.

Property, Plant and Equipment

Recognition and measurement of Property, plant and equipment

Property, plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

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 the Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Notes to the Financial Statements

For the year ended 30 June 2020

Significant Accounting Policies (continued)

Depreciation

Generally single assets with a cost of more than $1,000 are capitalised, however expenses incurred of less than a $1,000 may be capitalised if they form part of a larger asset. Fixed assets are depreciated on a straight-line basis over the useful lives of the assets commencing from the time the asset is held ready for use.

The Board resolved in 2015-16 to adopt depreciation rates for its residential aged care facilities that reflect an effective life of 25 years. Further to that the Board has resolved to decommission Acacia House residential aged care facility in the 2nd half of 2020-21 financial year. A review of the facility's carrying value will be undertaken prior to reporting date June 2021. The carrying value of Acacia assets at June 20 is $3,276,621.

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

Site Improvements	2 years to 40 years
Buildings (residential aged care)	25 years
Buildings (all other)	10 years to 40 years
Plant and Equipment	3 years to 25 years
Motor Vehicles	4 years to 5 years

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

Gains and losses on disposal are determined by comparing net proceeds with the carrying amount. These gains and losses are recognised in the profit or loss when the item is derecognised. When revalued assets have been sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Impairment of Assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in the profit or loss.

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 class of asset.

Intangibles

It was resolved by the Board of Directors for the year ended 30th June 2006 to value and record in the financial statements bed licences not previously recognised, in accordance with AASB 138: Intangible Assets. The resolution determined that any pre-October 1997 bed licences granted to the Entity be valued at $44,000 per bed, and that any post October 1997 bed licences granted to the Entity be valued at $40,000 per bed (refer note 8).

The carrying amounts for bed licences detailed in the accounts for the year ended 30th June 2020 have been tested for impairment. The current market value of these bed licences is greater than the carrying value.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB15: Revenue from Contracts with Customers.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

Financial asset

Financial assets are subsequently measured at amortised cost on the basis two primary criteria; the contractual cash flow characteristics of the financial asset; and the business model for managing the financial assets.

Notes to the Financial Statements

For the year ended 30 June 2020

Significant Accounting Policies (continued)

Financial assets (continued)

A financial asset that meets the following conditions is subsequently measured at amortised cost:

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

Impairment

The Entity recognises a loss allowance for expected credit losses on financial assets except for those financial assets that are measured at amortised cost. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Entity uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss. This approach is applicable to trade receivables. In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get an expected credit loss.

Recognition of expected credit losses in financial statements

At each reporting date, the association requires the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Fair Value of Assets and Liabilities

The Entity measures its JB Were investment portfolio at fair value through profit or loss, as this is held for trading. Fair value movements are recognised in profit or loss.

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 or liability. The fair values of assets and liabilities 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 or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to the entity at the reporting date (ie the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after considering transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participants 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.

For property plant and equipment after recognition an asset shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses'. To ensure that assets are reported at fair value, regular considerations must be given to any impairment losses. An assessment will be carried out at the end of each reporting period in accordance with AASB 136 on whether there are any indications of any assets being identified as impaired.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Financial assets are derecognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party, whereby the entity no longer has any significant control or continuing involvement in the risks and benefits associated with the asset. On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. Financial liabilities are derecognised where related obligations are discharged, cancelled or expired. 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 the profit or loss.

Employee Benefits

Short-term employee benefits:

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

Employee Benefits (continued)

Other long-term employee benefits:

Provision is made for employees' annual leave entitlements 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. Other long-term employee benefits are 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 end-of-reporting-period market yields on government bonds that have maturity dates approximating the terms of the obligations. Any remeasurement of other long-term employee benefit obligations due to changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Entity during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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.

Refundable accommodation deposits and resident accommodation bonds

Refundable accommodation deposits and resident accommodation bonds are non-interest-bearing deposits made by aged care facility residents to the Entity upon their admission. Refundable accommodation deposits are measured at their principal amount less any other amounts deducted from the deposit at the election of the resident. Accommodation bonds are measured at the principal amount net of any retentions or any other amounts deducted from the bond at the election of the resident.

The repayment of the refundable deposits and accommodation bonds net of any retention will be funded largely by refundable deposits from incoming residents.

Resident entry contributions

Resident entry contributions are received from residents of the independent living units and they are non-interest bearing with the net amount repayable upon departure or transfer. Resident entry contributions are measured at their principle amount net of any retentions.

The repayment of the resident entry contribution net of any retention will be funded largely by entry contribution from incoming residents.

New and revised standards that are effective for these financial statements

Several new accounting standards and interpretations are mandatory for the 30 June 2020 reporting period. These include:

AASB 15	Revenue from Contracts with Customers
AASB 16	Leases
AASB 1058	Income of Not-for-profit Entities

The adoption of AASB 15 and AASB 1058 has not resulted in any changes to the Entity's recognition of revenue and accordingly has not materially impacted the Entity's financial statements.

The changes in revenue recognition requirements may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred and recognised as the performance obligations attached to the grant are satisfied.

Under AASB 1058, not-for-profit entities are required to measure right-of use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions. For right-of-use assets arising under leases with significantly below market terms and conditions to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 to AASB 16 provides a temporary option for nor-for -profit entities to measure at initial recognition, a class or class of right-of use assets at cost rather than at fair value and requires disclosure of adoption.

The Entity does not have any such leases that require recognition.

AASB 16 Leases

AASB 16 removes the current operating and finance lease distinction for lessees and requires entities to recognise all material leases on the statement of financial position. AASB 16 requires the recognition of a right-of-use asset and a corresponding lease liability at the commencement of all leases, except for short-term leases and leases of low value assets.

Notes to the Financial Statements

For the year ended 30 June 2020

New and revised standards that are effective for these financial statements (continued)

Where applicable, the Entity has elected to apply the modified retrospective method of adoption. At the date of initial application, 1 July 2019, the Entity did not have any transitional adjustments to right-of-use assets and lease liability given all leases held by the Entity are of low value assets under $10,000.

There are no other new accounting standards and interpretations expected to have any significant impact on the Entity's financial report that are issued and not yet applicable.

Right-of-use assets

At inception, a right-of-use assets and a lease liability is recognised. Right-of-use assets are included in the statement of financial position within a classification relevant to the underlying asset.

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period

Subsequently, right-of-use assets are measured using a cost model. The right-of-use asset is depreciated to the earlier of the useful life of the asset or the lease term using the straight-line method and is recognised in the statement of profit or loss and other comprehensive income in "Depreciation and amortisation".

The Entity tests for impairment where there is an indication that a right of use asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of a right of use asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in surplus or deficit, except where the decrease reverses a previously recognised revaluation increase for the same asset.

The resulting decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, it is assessed to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the terms and conditions of a contract are changed, it is reassessed to once again determine if the contract is still, or now contains, a lease.

The term of a lease is determined as the non-cancellable period of the lease, together with the periods covered by an option to extend the lease where there is reasonable certainty that the option will be exercised, and periods covered by an option to terminate the lease if there is reasonable certainty that the option will not be exercised.

The assessment of the reasonable certainty of the exercising of options to extend the lease, or not exercising of options to terminate the lease, is reassessed upon the occurrence of either a significant event or a significant change in circumstances that is within the Entity's control and it affects the reasonable certainty assumptions. The assessment of the lease term is revised if there is a change in the non-cancellable lease period.

The Entity does not recognise leases that have a lease term of 12 months or less or are of low value as a right-of-use asset or lease liability. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

The Entity only leases photocopiers which are considered low value.

COVID-19 Virus Impact

During the 2nd half of the 2019/20 financial year the entity incurred additional wages and other expenditure totalling $117,102 to manage the COVID19 virus. The Government provided funding support of $430,843 to assist in covering the expenditure and further expected expenditure in the 2020/21 financial year.

Notes to the Financial Statements

For the year ended 30 June 2020

		2020 $	2019 $
Note 2: Revenue			
Revenue From Contracts with Customers:			
Care Fees from Residents		7,783,394	7,140,156
Government Care Subsidies		18,678,672	17,734,915
Retention ILU ingoings		1,114,093	1,040,821
Resident Accommodation Fees		1,049,658	988,309
Government Accommodation Subsidies		1,396,413	1,130,234
Client fees Community Program		404,214	212,126
Total Revenue from Contracts		**30,426,444**	**28,246,561**
Other Revenue:			
COVID-19 Support Funding		430,843	-
Proceeds from Fundraising Activities		49,960	107,165
Income on Investments		628,646	643,656
Other		105,886	274,777
Total Other Revenue		**1,215,335**	**1,025,598**
Recognition of bed licences at fair value		2,520,000	-
Total Revenue		**34,161,779**	**29,272,159**

Disaggregation of revenue

The dissaggregation of revenue from contracts with customers is as follows:

Geographical regions			
Australia		30,426,444	-
Timing of revenue recognition			
Services transferred over time		30,426,444	-

AASB 15 was adopted using the modified retrospective approach and as such comparative have not been provided for disaggregation of revenue.

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 $	2019 $
Note 3: Expenses			
Employee Benefits:			
Salaries & Wages		17,080,096	15,770,858
Employee Provisions		1,885,419	1,971,796
Superannuation		1,707,145	1,621,254
Workcover		545,239	646,938
Total Employee Benefits		**21,217,899**	**20,010,846**
Depreciation:			
Site Improvements		116,923	114,538
Buildings		3,231,562	2,996,761
Plant / Motor Vehicles		1,099,380	1,264,530
Total Depreciation		**4,447,865**	**4,375,829**
Other Expenses:			
Medical / Care provisions		1,545,619	1,261,231
Hotel Service provisions		592,157	548,770
Food Provisions		1,152,801	1,158,310
Heating & Cooling		598,184	558,469
Refurbishment costs		133,942	107,291
Repairs & Maintenance		403,275	363,987
Loss on Sale of Plant & Equip		75,266	5,704
Auditors Remuneration		17,400	15,260
Insurance		236,464	229,902
Staff Training		82,027	96,619
Water & Municipal Rates		629,500	653,154
Computer & Communication		376,977	334,729
Other Expenses		1,324,759	1,037,029
Total Other Expenses		**7,168,371**	**6,370,455**
Impairment of Investments:			
Impairment of JB Were Investment portfolio	5	359,265	–
Total Impairment		**359,265**	**–**
Total Expenses		**33,193,400**	**30,757,130**

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 $	2019 $
Note 4: Cash and Cash Equivalents			
Cash on Hand		2,950	2,950
Cash at Bank		314,190	1,638,516
Funds Held at Call		5,379,937	9,575,684
Total Cash & Cash Equivalents		**5,697,077**	**11,217,150**
Note 5: Other Financial Assets			
JB Were Investment Portfolio:			
Opening Balance		–	–
Funds Invested		15,179,276	–
Adjust Portfolio for Impairment	3	(359,265)	–
JB Were Investment Portfolio value		14,820,011	–
Interest Bearing Bank Deposits		7,649,487	23,033,889
Total Financial Assets		**22,469,498**	**23,033,889**
Note 6: Accounts Receivable and Other Debtors			
Trade Receivables		259,507	237,747
GST Receivable		147,222	58,146
Interest Receivable		48,155	283,076
Total Receivables and Other Debtors		**454,884**	**578,969**

It was determined for the year end 30 June 2020 there was no requirement to include any allowance for expected credit losses as all outstanding trade receivables are within current trading terms and there are no expected issues with non payment.

	Land $	Site Imp'ments $	Buildings $	Plant /Motor Vehicles $	Work in Progress	Total $
Note 7: Property, Plant & Equipment						
At 30 June 2019						
Cost	4,512,143	2,652,838	84,913,115	14,156,229	1,210,284	107,444,609
Accumulated depreciation	–	(992,596)	(25,477,140)	(7,959,620)	–	(34,429,356)
Net carrying Amount	**4,512,143**	**1,660,242**	**59,435,975**	**6,196,609**	**1,210,284**	**73,015,253**
Movements in carrying amounts						
Net carrying amount at 1 July 2019	4,512,143	1,660,242	59,435,975	6,196,609	1,210,284	73,015,253
Additions	–	19,607	756,347	642,560	13,086,233	14,504,747
Disposals	–	–	–	(41,546)	(95,720)	(137,266)
Transfers	–	–	–	–	–	–
Depreciation expense	–	(116,923)	(3,231,562)	(1,099,380)	–	(4,447,865)
Net carrying amount at 30 June 2020	**4,512,143**	**1,562,926**	**56,960,760**	**5,698,243**	**14,200,797**	**82,934,869**
At 30 June 2020						
Cost	4,512,143	2,660,951	85,470,168	14,069,075	14,200,797	120,913,134
Accumulated depreciation	–	(1,098,025)	(28,509,408)	(8,370,832)	–	(37,978,265)
Net carrying Amount	**4,512,143**	**1,562,926**	**56,960,760**	**5,698,243**	**14,200,797**	**82,934,869**

Notes to the Financial Statements

For the year ended 30 June 2020

	No. of Licences	2020 $	2019 $
Note 8: Intangibles			
a) Bed Licences at Cost:			
Existing Licences	82	3,294,874	3,294,874
Adjustment for Impairment	–	(65,000)	(65,000)
Licences at Cost	82	3,229,874	3,229,874
b) Bed Licences at Directors Valuation:			
Pre Oct 97 Licences	162	7,128,000	7,128,000
Post Oct 97 Licences	27	1,080,000	1,080,000
Licences at Directors Valuation	189	8,208,000	8,208,000
c) Bed Licences received via Government ACAR			
Allocated via Government ACAR	63	2,520,000	-
Licences at Cost	63	2,520,000	-
Total Value of Bed Licences	**334**	**13,957,874**	**11,437,874**

The Government has provisionally granted 15 bed licences for the development of Mooroopna Place. Those licences cannot be activated until Mooroopna place is commissioned in February 2021.
The release of the Legislated Review Of Aged Care 2017 Report dated 31st July 2017 includes a recommendation which would effectively deregulate the market for residential aged care bed licences. In the event that this is legislated the Board will review the carry value of the bed licences and act on the Governments advice.

	2020 $	2019 $
Note 9: Accounts Payable and Other Payables		
Creditors & Accruals	2,390,503	1,754,249
Total Payables	**2,390,503**	**1,754,249**
Note 10: Employee Benefits		
Employee Benefits – Expected to settle within 12 months		
– Annual Leave	1,276,755	1,148,111
– Long Service Leave	123,205	120,947
– Provision related to employee oncosts	21,105	20,218
	1,421,065	**1,289,276**
Employee Benefits – Expected to settle after 12 months		
– Long Service Leave	2,340,904	2,297,999
– Provision related to employee oncosts	400,995	384,146
	2,741,899	**2,682,145**
Total Employee Benefits	**4,162,964**	**3,971,421**

The provision for employee benefits represents amounts accrued for annual leave and long service leave. Based on past experience the entity does not expect the full amount of annual leave to be settled wholly within the next 12 months. However the amount must be classified as a current liability because the Entity does not have an unconditional right to defer the settlement of the amount in the event employees wish to use their leave entitlements.

Notes to the Financial Statements
For the year ended 30 June 2020

	2020 $	2019 $
Note 11: Refundable Loans		
Refundable Loans – Expected to settle within 12 months		
– Resident accommodation bonds/refundable deposits	14,184,416	14,057,697
– Resident Ingoings Independent Living	3,240,022	3,552,704
	17,424,438	**17,610,401**
Refundable Loans – Expected to settle after 12 months		
– Resident accommdation bonds/refundable deposits	36,013,129	34,725,859
– Resident Ingoings Independent Living	34,992,243	34,042,327
	71,005,372	**68,768,186**
Total Refundable Loans	**88,429,810**	**86,378,587**

(a) Terms and conditions

Accommodation Bonds/Refundable deposits are repayable on the following basis:
(i) if the resident gives notice more than 14 days prior to departure the bond is payable on the date of departure;
(ii) if the resident gives notice less than 14 days prior to departure the bond is payable within 14 days after notice is given;
(iii) if the resident gives no notice the bond is repayable 14 days after departure; and
(iv) if the resident dies, the bond is repayable within 14 days from the date that notice is received of the granting of probate or letters of administration.

Resident ingoings for independent living are non-interest bearing and have maximum refund period of up to 6 months from date of departure.

(b) Resident accommodation bonds/refundable deposits

Accommodation bonds/refundable deposits are liabilities which are payable when the aged residential care resident leaves the facility. The total balance owing to residents has been classified as being “estimated to settle within 12 months” or “estimated to settle after 12 months” on the basis of average refund payments over the previous 3 years.

(c) Resident Ingoings Independent Living

Resident ingoings for independent living are liabilities which are payable when the aged self care resident leaves the unit. The total balance owing to residents has been classified as being”estimated to settle within 12 months” or “estimated to settle after 12 months” on the basis of average refund payments over the previous 3 years.

Note 12: Contingent Liabilities and Assets
There are no known contingent liabilities or assets at the date of this report.

	2020 $	2019 $
Note 13: Capital Commitments		
Under various contracts, and estimates for works and services, the value of the commitments of the Association for Capital Expenditure for supply of works and material pertinent to the building of a new 100 bed residential aged care facility Mooroopna Place		
30 June is:	6,936,343	17,049,463

Notes to the Financial Statements
For the year ended 30 June 2020

Note 14: Prudential Compliance Statement – Aged Care Act
The Entity meets the requirements of Prudential Compliance Statements as set down in the Aged Care Act 1997, and in clause 23.40B of the User Rights Principles 1997 Amendment No. 7.

Note 15: Aged Care Accreditation Standards
The Entity operates four Residential Aged Care Services under the Commonwealth Aged Care Act (1997). All services have a 3 year accreditation status and have achieved all of the accreditation outcome standards.

Note 16: Compliance Statement – Section 34 Retirement Villages Act
The Entity meets the requirements of Section 34 (1) (a) & (b), of the Retirement Villages Act pertinent to the repayment of ingoing contributions and that a compliance statement is issued annually to residents.

Note 17: Events Occurring after the Reporting Period
The Board Members are unaware of any events that have occurred after balance date which will materially affect the financial position disclosed at 30 June 2020, other than the ongoing impact of COVID–19.

Note 18: Related Party Disclosures
During the year ended 30 June 2020, the Association did not have any transactions with related parties.

Note 19: Remuneration of Responsible Persons

(a) Names of Board Members who held office during the year ended 30th June 2020 are:

Frank Dawson	(President)
Merushe Asim	
David Fordyce	
Michael Hall	
Stephen Merrylees	
Elizabeth Lee	
Robert Crow	
Rebecca Hearn	resigned May 20
Jeanette Powell	
Veronica Jamison	resigned April 20

(b) All members of the Board of Management acted in a voluntary capacity and received no remuneration for their roles as Board Members.

	2020 $	2019 $
(c) Remuneration of Key Management Personnel Any persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including its Board member, Chief Executive Officer & all staff that are that are part of the executive management team are considered key management personnel.		
Number of Board members	10	11
Total Benefits paid to Board Members	–	–
Number of Senior Executives	7	5
Total Benefits paid to Senior Executives	983,802	832,222

Notes to the Financial Statements
For the year ended 30 June 2020

Note 20: Entity Details

(a) The registered office of the Entity is:	Shepparton Retirement Villages Inc. 9 Batman Avenue SHEPPARTON VIC 3630
(b) The principal place of business of the Entity is:	Shepparton Retirement Villages Inc. 9 Batman Avenue SHEPPARTON VIC 3630
(c) Association Incorporation Number	A0024266Y
d) Australian Business Number	94 314 031 069

Audit Report
For the year ended 30 June 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEPPARTON RETIREMENT VILLAGES INC.

OPINION

We have audited the accompanying financial statements of Shepparton Retirement Villages Inc (the 'Association'), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Declaration by the Board.

In our opinion, the financial statements of Shepparton Retirement Villages Inc are in accordance with the *Associations Incorporation Reform Act 2012* and 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 performance for the year ended on that date; and

b) complying with Australian Accounting Standards - Reduced Disclosure Requirements.

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 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL REPORT

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting and for such internal control as management determines 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.

Audit Report
For the year ended 30 June 2020

Crowe

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 intend to liquidate the Association or to cease operations, or have 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 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 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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.

Audit Report
For the year ended 30 June 2020

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 the audit.

CROWE ALBURY

DEREK BRADLEY BOHUN

Partner

Dated at Albury this 29th day of September 2020.

Shepparton Villages

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Shepparton Retirement Villages Inc.
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