# Ararat Retirement Village Inc t/as Gorrinn Village

ABN 54 116 818 613

Financial Statements for the year ended 30 June 2020

ARARAT RETIREMENT VILLAGE INC T/AS GORRINN VILLAGE

ABN 54 116 818 613

## Contents
**For the year ended 30 June 2020**

## Statement of Profit or Loss and Other Comprehensive Income

**For the year ended 30 June 2020**

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 3 | 6,295,221 | 6,315,653 |
| Employee benefits expense | 4 | (4,718,922) | (4,439,216) |
| Depreciation and amortisation expense | | (336,812) | (343,114) |
| Food supplies | | (252,398) | (226,811) |
| Repairs and maintenance | | (90,462) | (95,878) |
| Chemist supplies and drugs | | (150,321) | (136,681) |
| Other operating expenses | | (447,407) | (449,590) |
| Finance costs | | (25,059) | (19,777) |
| Loss on sale of fixed assets | | - | (635) |
| **Surplus before income tax** | | **273,840** | **603,951** |
| Income tax expense | | - | - |
| **Surplus after income tax for the year** | | **273,840** | **603,951** |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **273,840** | **603,951** |

## Statement of Financial Position

**As at 30 June 2020**

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 3,439,250 | 3,162,272 |
| Trade and other receivables | 6 | 95,169 | 89,816 |
| Contract assets | 7 | 13,489 | - |
| Inventories | | 26,100 | 32,272 |
| Financial assets | 8 | 9,808,734 | 9,797,876 |
| Other assets | | 15,364 | 14,692 |
| **Total Current Assets** | | **13,398,106** | **13,096,928** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 8,567,571 | 8,538,305 |
| Investment properties | 10 | 132,376 | 136,376 |
| **Total Non-Current Assets** | | **8,699,947** | **8,674,681** |
| **TOTAL ASSETS** | | **22,098,053** | **21,771,609** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 246,967 | 263,293 |
| Employee benefits provision | 12 | 918,517 | 859,382 |
| Contract liabilities | 13 | 60,312 | - |
| Other liabilities | 14 | 14,439,474 | 14,531,239 |
| **Total Current Liabilities** | | **15,665,270** | **15,653,914** |
| **Non-Current Liabilities** | | | |
| Employee benefits provision | 12 | 282,330 | 241,082 |
| **Total Non-Current Liabilities** | | **282,330** | **241,082** |
| **TOTAL LIABILITIES** | | **15,947,600** | **15,894,996** |
| **NET ASSETS** | | **6,150,453** | **5,876,613** |
| **EQUITY** | | | |
| Retained surplus | | 6,150,453 | 5,876,613 |
| **TOTAL EQUITY** | | **6,150,453** | **5,876,613** |

## Statement of Changes in Equity

**For the year ended 30 June 2020**

| | Retained surplus<br>$ | Total<br>$ |
|---|---|---|
| **2020** | | |
| Balance at 1 July 2019 | 5,876,613 | 5,876,613 |
| Surplus attributable to members | 273,840 | 273,840 |
| **Balance at 30 June 2020** | **6,150,453** | **6,150,453** |
| | | |
| **2019** | | |
| Balance at 1 July 2018 | 5,272,662 | 5,272,662 |
| Surplus attributable to members | 603,951 | 603,951 |
| **Balance at 30 June 2019** | **5,876,613** | **5,876,613** |

## Statement of Cash Flows

**For the year ended 30 June 2020**

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | 5,865,168 | 6,000,998 |
| Payments to suppliers and employees | | (5,573,287) | (5,283,474) |
| Interest received | | 90,838 | 180,702 |
| Rent received | | 8,985 | 8,985 |
| Interest paid | | (25,059) | (19,777) |
| **Net cash provided by operating activities** | 17 | **366,645** | **887,434** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| (Purchase) of term deposits and accounts | | (10,858) | (1,782,734) |
| (Purchase) of property, plant and equipment | | (362,078) | (59,346) |
| **Net cash (used in) investing activities** | | **(372,936)** | **(1,842,080)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Deposits received from residential bonds | | 3,778,272 | 4,975,099 |
| Refunds paid from residential bonds | | (3,495,003) | (2,824,977) |
| **Net cash provided by financing activities** | | **283,269** | **2,150,122** |
| Net increase in cash and cash equivalents held | | 276,978 | 1,195,476 |
| Cash and cash equivalents at beginning of year | | 3,162,272 | 1,966,796 |
| **Cash and cash equivalents at end of financial year** | 5 | **3,439,250** | **3,162,272** |

**Note 1: Summary of Significant Accounting Policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The Association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Association.

The Association has adopted AASB 15, AASB 16 and AASB 1058 from 1 July 2019.

*AASB 15 Revenue from Contracts with Customers*

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

*AASB 16 Leases*

The standard replaces AASB 117 '*Leases*' and for lessees eliminates the classifications of operating leases and finance leases.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*AASB 1058 Income of Not-for-Profit Entities*

The standard replaces AASB 1004 '*Contributions*' in respect to income recognition requirements for not-for-profit entities.

The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where:

- an asset is received in a transaction, such as by way of grant, bequest or donation;
- there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and
- where the intention is to principally enable the entity to further its objectives.

## Notes to the Financial Statements

**For the year ended 30 June 2020**

### Note 1: Summary of Significant Accounting Policies (cont.)

**New or amended Accounting Standards and Interpretations adopted (cont.)**

For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation.

If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately.

*Impact of adoption*

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

| | New | Previous | Difference |
|---|---|---|---|
| | $ | $ | $ |
| Contract assets | 13,489 | - | 13,489 |
| Trade and other receivables | 95,169 | 108,658 | (13,489) |
| Contract liabilities | 60,312 | - | 60,312 |
| Other current liabilities | 14,439,474 | 14,499,786 | (60,312) |

**Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) as appropriate for not-for-profit oriented entities.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the incorporated association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**a) Association details**

The registered office and principal place of business of the Association is:
27 Albert Street
Ararat VIC 3377

**b) Income tax**

As the Association is a charitable institution in terms of subsection 50-5 of the *Income Tax Assessment Act 1997*, as amended, it is exempt from paying income tax.

**Note 1: Summary of Significant Accounting Policies (cont.)**

**c) Revenue and other income**

The Association recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the Association is expected to be entitled in exchange for transferring goods or services to a customer. In applying the new revenue standard, the Association is required to consider the five-step model to contracts with customers, and is required to recognise revenue to depict the transfer of goods or services in an amount that reflects consideration to which the group expects to be entitled to. All revenue is stated net of the amount of goods and services tax (GST).

*Hostel board and lodgings revenue*
From 1 October 1997, Government Legislation requires that this levy is normally the maximum level of 85% of the fortnightly pension rate except where the income tested amount applies. Fees are charged on a fortnightly basis as incurred.

Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a fortnightly basis and revenue is usually payable within 14 days.

*Aged Care Funding Instrument (ACFI) resident care subsidies – government revenue*
Government revenue reflects the Association's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument ('ACFI'), accommodation supplements, funding for short-term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted/updated daily and Government revenue is usually payable within approximately one month of services having been performed.

*Resident levies and retentions*
Resident levies and retentions are recognised when the Association is entitled to the revenue under the terms of the residents' agreements and the provisions of the *Aged Care Act 1997*.

*Cottage and unit rentals*
Rental fees are charged on a fortnightly basis as incurred.

*Other resident revenue*
Other resident revenue represents other fees charged to residents in respect of care and accommodation services provided by the Association and includes Daily Accommodation Payment (DAP)/Daily Accommodation Contribution (DAC) revenue, additional services revenue and other income. Other resident revenue is recognised over time as services are provided. Residents are invoiced on a fortnightly basis and revenue is usually payable within 14 days.

*Grants*
Grant revenue is recognised in profit or loss when the Association satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the Association 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.

*Interest revenue*
Interest revenue is recognised using the effective interest method.

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

**Note 1: Summary of Significant Accounting Policies (cont.)**

**d) Goods and Services Tax ('GST')**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

**e) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Association's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Association's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**g) Trade and other receivables**

Trade and other receivables include amounts due from residents. These are recognised at amortised cost, less any allowance for expected credit losses. Receivables are generally expected to be received within 14 days.

**h) Contract assets**

Contract assets are recognised when the Association has transferred goods or services to the customer but where the Association is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

**i) Inventories**

Inventories are measured at the lower of cost and net realisable value: Inventories represent the cost value of consumables stores on hand at balance date.

**j) Other assets**

Other assets include prepayments which represent payments in advance of receipt of goods or services, or the payments made for services covering a term extending beyond that financial accounting period.

## Note 1: Summary of Significant Accounting Policies (cont.)

### k) Financial instruments

*Financial assets*

Financial assets are initially recognised at fair value. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

The Association only holds financial assets measured at amortised cost.

Assets measured at amortised cost are financial assets where:

- The business model is to hold assets and to collect contractual cash flows; and
- The contractual terms give risk on specific dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Association has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost. This assessment is derived at using both quantitative and qualitative information and analysis based on the Association's historical experience and informed assessment.

*Financial liabilities*

The Association measures all financial liabilities initially at fair value less transactions costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method.

### l) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on either a diminishing value or straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| Fixed asset class | Depreciation rate (%) |
|---|---|
| Buildings | 2.5 |
| Plant and equipment | 15 |
| Furniture, fixtures and fittings | 10 – 37.5 |
| Motor vehicles | 12.5 – 22.5 |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association.

Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### m) Investment property

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Association. All tenant leases are on an arm's length basis. The investment properties are depreciated on a straight-line basis over 40 years.

**Note 1: Summary of Significant Accounting Policies (cont.)**

**n) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Association prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**p) Employee benefits provision**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**q) Other liabilities**

Other liabilities are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and does not expect to settle the liability for at least 12 months after the balance sheet date.

A liability is recorded in respect of resident accommodation bonds, refundable accommodation deposits (RAD's) received from residents on their admission to the Hostel or when licence fees are received from residents on their admission to Independent Living Units.

The recorded amount represents the bond/deposit/ licence fee received less any retention and interest amount in accordance with the term of the bond/RAD/licence fee agreement, in compliance with the *Aged Care Act 1997*.

The retention amount for accommodation bonds and licence fees are calculated based on the entry anniversary date each month. Resident accommodation bond liabilities, refundable accommodation deposits and licence fees are classified as current liabilities as the Association does not have an unconditional right to defer settlement for at least 12 months after reporting date. The obligation to settle could occur at any time.

**Note 1: Summary of Significant Accounting Policies (cont.)**

**r) Contract liabilities**

Contract liabilities represent the Association's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Association recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Association has transferred the goods or services to the customer.

**s) Comparative figures**

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

**Note 2: Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Association based on known information. This consideration extends to the nature of the services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*Estimation of useful lives of assets*

The Association determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Employee benefits provision*

As discussed in note 1(p), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **3 Revenue and other income** | | |
| Revenue from contracts with customers | | |
| - ACFI resident care subsidies | 3,922,604 | 3,852,160 |
| - Community centre catering income | 3,777 | 12,110 |
| - Cottage and unit rentals | 192,207 | 192,516 |
| - Hostel board and lodgings | 1,311,819 | 1,319,852 |
| - Meals (cottage, residents and visitors) | 35,470 | 30,594 |
| - Resident levies and retentions | 198,866 | 226,709 |
| - Residential accommodation charge | 169,340 | 108,613 |
| - Residential services | 10,623 | 16,330 |
| - Rental revenue from investment properties | 8,985 | 8,985 |
| - Other trading revenue | 29,233 | 19,638 |
| **Total revenue from contracts with customers** | **5,882,924** | **5,787,507** |
| Other revenue | | |
| - Grant funding – infrastructure | 125,554 | 357,346 |
| - Grant funding – cash flow boost funding | 100,000 | - |
| - Grant funding – government stimulus package | 81,902 | - |
| - Donations | 404 | 710 |
| - Interest received | 93,463 | 170,090 |
| - Workcover review | 10,974 | - |
| **Total other revenue** | **412,297** | **528,146** |
| **Total revenue** | **6,295,221** | **6,315,653** |

During the year, $50,000 was received and $50,000 was outstanding as a government debtor in relation to cashflow boost funding. The total amount of Cash Flow Boost funding the association was entitled to, was the maximum amount from the scheme being $100,000. $81,902 of COVID-19 Stimulus Package Boost was also received in relation to government assistance to the aged care sector. These amounts have been recognised in accordance with AASB 1058.

*Disaggregation of revenue*

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

| | 2020 | 2019 |
|---|---|---|
| *Geographical regions* | | |
| Australia | **6,295,221** | - |

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

| | | 2020 | 2019 |
|---|---|---|---|
| | | **$** | **$** |
| **4** | **Employee benefits expense** | | |
| | Wages | 3,791,099 | 3,606,278 |
| | Annual leave | 382,877 | 342,846 |
| | Long service leave | 72,657 | 41,375 |
| | Superannuation contributions | 387,602 | 354,560 |
| | Workers compensation | 84,687 | 94,157 |
| | **Total employee benefits expense** | **4,718,922** | **4,439,216** |

The Association, as a "public benevolent institution" as defined under the Payroll Tax Act and is exempt from payroll tax.

| | | 2020 | 2019 |
|---|---|---|---|
| **5** | **Cash and cash equivalents** | | |
| | Cash on hand | 250 | 250 |
| | Cash at bank | 2,936,594 | 3,162,022 |
| | Term deposits – maturity 3 months or less | 502,406 | - |
| | **Total cash and cash equivalents** | **3,439,250** | **3,162,272** |

Cash and cash equivalents reported in the statement of cash flows are reconciled to the cash equivalent items in the statement of financial position as per above.

| | | 2020 | 2019 |
|---|---|---|---|
| **6** | **Trade and other receivables** | | |
| | *Current* | | |
| | Trade receivables | 18,086 | 28,669 |
| | GST receivable | 3,334 | - |
| | Accrued interest | 23,749 | 21,124 |
| | ACFI resident care subsidies | - | 26,770 |
| | Accrued income – other | - | 13,253 |
| | Cash flow boost receivable | 50,000 | - |
| | **Total trade and other receivables** | **95,169** | **89,816** |

All of the Association's trade and other receivables have been reviewed for indicators of impairment. No receivables were assessed to be impaired, therefore no allowance for expected credit losses has been made (2019: NIL).

| | | 2020 | 2019 |
|---|---|---|---|
| 7 | **Contract assets** | | |
| | *Current* | | |
| | ACFI resident care subsidies | **13,489** | **-** |

| | | 2020 | 2019 |
|---|---|---|---|
| **8** | **Financial assets** | | |
| | *Current* | | |
| | Term deposits | 3,536,876 | 3,969,778 |
| | Bond accounts | | |
| | - Gorrinn accommodation bonds | 4,191,518 | 4,187,790 |
| | - ILU trust account | 2,080,340 | 1,640,308 |
| | **Total financial assets** | **9,808,734** | **9,797,876** |

**8 Financial assets (cont.)**

At balance date, the above residents' monies, pursuant to Government Regulations, were held in trust. Gorrinn accommodation bonds and ILU licence deposits are held as total amounts. The liability to the residents is shown in other liabilities as "resident's bonds" (Refer Note 13).

Per Government Regulations the interest on the above monies belongs to the Association and is part of the interest income shown in the statement of profit or loss and other comprehensive income. The current annual retention allowances paid to the Association are as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Independent living units | 198,866 | 225,716 |
| Gorrinn accommodation bonds | - | 993 |
| | **198,866** | **226,709** |

**9 Property, plant and equipment**

| | 2020 | 2019 |
|---|---|---|
| *LAND AND BUILDINGS* | | |
| Freehold land (at cost) | **215,786** | **215,786** |
| Buildings (at cost) | 12,724,965 | 12,475,499 |
| Accumulated depreciation | (4,882,696) | (4,614,256) |
| **Total buildings** | **7,842,269** | **7,861,243** |
| **Total land and buildings** | **8,058,055** | **8,077,029** |
| *PLANT AND EQUIPMENT* | | |
| Equipment (at cost) | 442,072 | 442,072 |
| Accumulated depreciation | (441,797) | (441,748) |
| **Total equipment** | **275** | **324** |
| Furniture, fixture and fittings (at cost) | 1,219,092 | 1,213,199 |
| Accumulated depreciation | (901,000) | (844,759) |
| **Total furniture, fixture and fittings** | **318,092** | **368,440** |
| Motor vehicles (at cost) | 174,868 | 174,868 |
| Accumulated depreciation | (124,933) | (116,851) |
| **Total motor vehicles** | **49,935** | **58,017** |
| **Total plant and equipment** | **368,302** | **426,781** |
| **Capital work in progress** | **141,214** | **34,495** |
| **Total property, plant and equipment** | **8,567,571** | **8,538,305** |

## 9 Property, plant and equipment (cont.)

### (a) Movements in carrying amounts of property, plant and equipment

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<br>$ | Buildings<br>$ | Plant and equipment<br>$ | Furniture, fixtures and fittings<br>$ | Motor vehicles<br>$ | Capital work in progress<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | | | |
| Balance at the beginning of the year | 215,786 | 7,861,243 | 324 | 368,440 | 58,017 | 34,495 | 8,538,305 |
| Additions | - | 16,847 | - | 5,893 | - | 339,338 | 362,078 |
| Transfers | | 232,619 | - | - | - | (232,619) | - |
| Depreciation expense | - | (268,440) | (49) | (56,241) | (8,082) | - | (332,812) |
| **Balance at the end of the year** | **215,786** | **7,842,269** | **275** | **318,092** | **49,935** | **141,214** | **8,567,571** |
| | | | | | | | |
| **Year ended 30 June 2019** | | | | | | | |
| Balance at the beginning of the year | 215,786 | 8,126,334 | 381 | 408,725 | 67,482 | - | 8,818,708 |
| Additions | - | - | - | 24,851 | - | 34,495 | 59,346 |
| Disposals | - | - | - | (635) | - | - | (635) |
| Depreciation expense | - | (265,091) | (57) | (64,501) | (9,465) | - | (339,114) |
| **Balance at the end of the year** | **215,786** | **7,861,243** | **324** | **368,440** | **58,017** | **34,495** | **8,538,305** |

| | | 2020 | 2019 |
|---|---|---|---|
| | | **$** | **$** |
| **10** | **Investment properties** | | |
| | At cost | 160,000 | 160,000 |
| | Accumulated depreciation | (27,624) | (23,624) |
| | **Total investment properties** | **132,376** | **136,376** |

Movement in the carrying amounts for investment properties between the beginning and the end of the current financial year:

| | 2020 | 2019 |
|---|---|---|
| Balance at the beginning of the year | 136,376 | 140,376 |
| Depreciation expense | (4,000) | (4,000) |
| **Balance at the end of the year** | **132,376** | **136,376** |

Investment properties were acquired for the strategic purpose of the future development of new Independent Living Units on a larger consolidated land holding adjacent to the existing facility.

| | | 2020 | 2019 |
|---|---|---|---|
| **11** | **Trade and other payables** | | |
| | *Current* | | |
| | *UNSECURED LIABILITIES* | | |
| | Trade payables | 46,792 | 48,674 |
| | GST payable | - | 30,478 |
| | Accrued expenses | 123,967 | 101,879 |
| | Other payables | 76,208 | 82,262 |
| | **Total trade and other payables** | **246,967** | **263,293** |

All trade and other payables balance are short-term. The carrying values are considered to be a reasonable approximation of fair value.

| | | 2020 | 2019 |
|---|---|---|---|
| **12** | **Employee benefits provision** | | |
| | *Current* | | |
| | Annual leave | 563,492 | 535,766 |
| | Long service leave | 355,025 | 323,616 |
| | | **918,517** | **859,382** |
| | *Non-Current* | | |
| | Long service leave | **282,330** | **241,082** |
| **13** | **Contract liabilities** | | |
| | *Current* | | |
| | Resident fees paid in advance | **60,312** | **-** |

| | | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| **14** | **Other liabilities** | | |
| | *Current* | | |
| | Resident fees paid in advance | - | 75,505 |
| | Resident's bonds | 14,439,474 | 14,455,734 |
| | **Total other liabilities** | **14,439,474** | **14,531,239** |

Resident's bonds are considered current liabilities as they are required to be repaid to residents within 14 days of leaving the facility. However, there is minimal likelihood that all residents will exit the facility at once. Notwithstanding sufficient liquidity is maintained to cover expected liabilities.

The carrying value of the bonds are considered to be a reasonable approximation of fair value.

## 15 Operating segments

The segment report outlined below includes details of the account balances related to the care facility. Ararat Retirement Village Inc t/as Gorrinn Village is required by the Department of Social Services to treat residential aged care as a reportable segment in its financial statements.

Segment revenues and expenses are those directly attributable to a segment and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist primarily of cash and cash equivalents, receivables, invested client deposits, property, plant and equipment and investment properties net of allowances and accumulated depreciation and impairment. While most of these assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses and residents bonds.

### (a) Segment performance

| | Residential Care Services (RACS 3066) | | Independent Living Units | | Total | |
|---|---|---|---|---|---|---|
| **Revenue** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | $ | $ | $ | $ | $ | $ |
| **Total revenue** | **5,844,289** | **5,829,154** | **450,932** | **486,499** | **6,295,221** | **6,315,653** |
| Depreciation | 170,882 | 174,064 | 165,930 | 169,050 | 336,812 | 343,114 |
| Finance costs | 25,059 | 19,777 | - | - | 25,059 | 19,777 |
| Other expenditure | 5,469,909 | 5,147,781 | 189,601 | 201,030 | 5,659,510 | 5,348,811 |
| **Total expenditure** | **5,665,850** | **5,341,622** | **355,531** | **370,080** | **6,021,381** | **5,711,702** |
| **Operating segment profit** | **178,439** | **487,532** | **95,401** | **116,419** | **273,840** | **603,951** |

### (b) Segment position

| | Residential Care Services (RACS 3066) | | Independent Living Units | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| | $ | $ | $ | $ | $ | $ |
| Total segment assets | 15,016,834 | 15,029,742 | 7,081,219 | 6,741,866 | 22,098,053 | 21,771,608 |
| Total segment liabilities | 10,725,546 | 10,916,893 | 5,222,054 | 4,978,102 | 15,947,600 | 15,894,995 |
| **Segment net assets** | **4,291,288** | **4,112,849** | **1,859,165** | **1,763,764** | **6,150,453** | **5,876,613** |

| | | 2020 | 2019 |
|---|---|---|---|
| | | **$** | **$** |
| **16** | **Key management personnel disclosures** | | |
| | The totals of remuneration paid to the key management personnel of Ararat Retirement Village Inc t/as Gorrinn Village during the year are as follows: | | |
| | Key management personnel compensation | **266,216** | **257,892** |
| **17** | **Cash flow information** | | |
| | **Reconciliation of result for the year to cashflows from operating activities** | | |
| | Surplus for the year | 273,840 | 603,951 |
| | Cash flows excluded from profit attributable to operating activities: | | |
| | Non-cash flows in profit: | | |
| | Depreciation | 336,812 | 343,114 |
| | Amounts deducted from bond balances | (299,529) | (308,917) |
| | Loss on disposal of fixed assets | - | 635 |
| | Changes in assets and liabilities: | | |
| | (increase)/decrease in trade and other receivables | (5,353) | 71,782 |
| | (increase) in contract assets | (13,489) | - |
| | decrease/(increase) in inventories | 6,172 | (4,210) |
| | (increase)/decrease in other assets | (672) | 42,106 |
| | (decrease)/increase in trade and other payables | (16,326) | 56,795 |
| | (decrease)/increase in income in advance | (15,193) | 12,581 |
| | increase in employee benefits provision | 100,383 | 69,597 |
| | **Cashflows from operations** | **366,645** | **887,434** |

## 18 Financial risk management

The Association's activities do not expose it to many financial risks, with only liquidity risk being needed to be actively managed. On this basis the Association is not exposed to any significant foreign currency risk, price risk, interest rate risk and credit risk.

*Liquidity risk*

Vigilant liquidity risk management requires the Association to maintain sufficient liquid assets (mainly cash and cash equivalents and other financial assets) to be able to pay debts as and when they become due and payable.

The Association manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The contractual maturity for the associations financial instrument liabilities are all within one year of less.

## 19 Commonwealth Government accreditation

In August 2019, the Gorrinn House Hostel was duly accredited by the Aged Care Standards and Accreditation Agency for the maximum period of three years expiring 6 November 2022.

## 20 Contingent liabilities

The Association had no contingent liabilities as at 30 June 2020 and 30 June 2019.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **21 Remuneration of auditors** | | |
| During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the Association: | | |
| - Audit of the financial report | 17,000 | 13,900 |
| - Other assurance services | 650 | 650 |
| - Non-assurance services | 2,500 | 4,500 |
| **Total remuneration of auditors** | **20,150** | **19,050** |

## 22 Commitments

The Association had the following commitments as at 30 June 2020 and 30 June 2019.

| | 2020 | 2019 |
|---|---|---|
| *Operating lease commitments* | | |
| Within one year | 5,767 | 4,431 |
| Later than one year but not later than five years | 5,470 | 505 |
| **Total operating lease commitments** | **11,237** | **4,936** |

### Lease recognition

The Association adopted AASB 16 from 1 July 2019. This standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases, where right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

As the Association’s leases held are considered low value leases in accordance with the standard, the operating lease is recorded as an expense using straight-line operating expense recognition. Under the Association’s accounting policy, all leased assets valued at or below $10,000 qualify for the low value lease exemption.

## 23 Related party transactions

*Key management personnel*

Disclosures relating to key management personnel are set out in note 16.

*Transactions with related parties*

During the 2018/19 financial year a board member moved into an independent living unit. This was approved by the Board of Governance and it was determined that no conflict of interest exists with the board member. There were no other material transactions with related parties in the current or prior reporting period.

## 24 Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially neutral for the Association up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 4 September 2020, ARV entered into a contract to purchase 26A Princess Street, Ararat for $220,000 (excluding GST) with settlement due to take place on 28 September 2020.

No other matters or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the incorporated association's state of affairs in future financial years.

## Statement by Members of the Board of Governance

**For the year ended 30 June 2020**

In the Board of Governance's opinion:

a) the attached financial statements and notes comply with the *Associations Incorporation Reform Act 2012* and the *Australian Charities and Not-for-profits Commission Act 2012* and other mandatory professional reporting requirements;

b) the attached financial statements and notes comply with Australian Accounting Standards – Reduced Disclosure Requirements;

c) the attached financial statements and notes give a true and fair view of the Association's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due.

This statement is signed in accordance with a resolution of the Board of Governance by:

..........................................................

President

David J Harland

..........................................................

Treasurer

Date this 16th day of October 2020

**RSM Australia Partners**

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# AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Ararat Retirement Village Inc. t/as Gorrinn Village for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Associations Incorporation Reform Act 2012 and the Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

**RSM AUSTRALIA PARTNERS**

John Findlay

**JOHN FINDLAY**
Partner

Ballarat, Victoria
Dated this 16th day of October 2020

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# INDEPENDENT AUDITOR'S REPORT
To the Members of Ararat Retirement Village Inc.

## Opinion

We have audited the financial report of Ararat Retirement Village Inc. t/as Gorrin Village (the Association), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the statement by members of the Board of Governance.

In our opinion, the accompanying financial report of the Association is in accordance with the *Associations Incorporation Reform Act 2012 (Vic)* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act), including:

(i) 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

(ii) 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 ACNC Act and 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 confirm that the independence declaration required by the ACNC Act, which has been given to the directors of the Association, would be in the same terms if given to the directors as at the time of this auditor's report.

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

## Other Information

The directors 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 the 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.

**Responsibilities of the Directors for the Financial Report**

The directors of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Associations Incorporation Reform Act 2012 (Vic)* and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

**RSM AUSTRALIA PARTNERS**

John Findlay

**JOHN FINDLAY**
Partner

Ballarat, Victoria
Dated this 16th day of October 2020