Kinfolk Enterprise

ABN: 63 142 499 741

Financial report

For the year ended 30 June 2020

Pitcher Partners
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DIRECTORS' REPORT

The directors present their report together with the financial report of Kinfolk Enterprise for the year ended 30 June 2020 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

Grant David Levy

Christopher James Miller

Paul McConville

Inbal Steinberg (appointed 27th November 2019)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Chair's Report

On behalf of the Kinfolk Enterprise Board, members, corporate associates and the broader Kinfolk community, I'm pleased to present my final Kinfolk Enterprise Chair's report for 2019-20.

The 2019-20 year was broken into 2 halves. July 2019 - December 2019 was a strong trading period for all areas of our business units, we approached the end of 2019, with great hope that 2020 was to be a very special year of growth. COVID-19 arrived, and dominated the January 2020 – June 30th 2020 trading period, which has brought about unprecedented challenges within the hospitality industry and the broader Kinfolk community.

The Board acknowledges the dedication and incredible hard work of Jarrod Briffa CEO and all Kinfolk staff in responding to the COVID-19 pandemic. Jarrod's leadership and his outstanding guidance of the business and Kinfolk staff, have ensured we are in the most fortunate position. I thank each and every one of our staff for their dedication, commitment and passion in the most challenging period in our 10 year history.

The Board has paid particular attention to our strategic risk profile and we have ensured the Board's oversight in responding to the pandemic has been our first and foremost consideration. The Board recognises the importance of Roger Walsh and our auditors Pitcher Partners for their invaluable financial oversight, which has ensured we maintained our financial infrastructure and stability.

Finally I also thank my fellow Board of directors for their term in office. My experience has been that of a well-functioning Board, being supportive and collective, and not afraid to challenge. My whole-hearted appreciation for making my job as Chair easier. It's not always been easy sitting in this Chair but the best challenges always have their ups as well as downs. I've enjoyed every minute that I've been here and I hope my successor can take Kinfolk on to even greater heights.

Paul McConville MAICD

Board Chair

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DIRECTORS' REPORT

CEO Report

Kinfolk exists to create inclusive opportunities for people who find themselves marginalised and experiencing social isolation. Embedded within our business is a training program that creates inclusive opportunities for people facing marginalisation, including physical and learning disabilities, mental health challenges, unemployment, transitioning from prison and recent migrants and refugees. Each week upwards of 70 people participate in our program gaining social connection, hospitality skills and confidence with many of them going on to gain paid employment.

2020: From imminent closure to 10,000 Relief meals and counting

At the start of 2020, Kinfolk was preparing to celebrate 10 years of impact. There was a lot to celebrate. At the start of the year Kinfolk had surpassed 1,000 participants in our training program. We finished the 2019 Calendar year with our most impactful year to date. Thanks to the opening of Sibling in 2018, 227 volunteers participated in our training program in 2019, up from 104 in 2018. 131 new volunteers were inducted into our training program in 2019 (up from 75 volunteers in 2018) and they contributed 11,440 hours (up from 4,526 hours in 2018). We were excited about 2020 and what it would hold for our impact and our program. In 2019, 74 volunteers were long-term unemployed, 48 had mental health challenges and 28 lived with a disability. The diversity of Kinfolk's community and their coming together to share their skills and contribute to something bigger than themselves is what has made Kinfolk such a unique place during the last decade.

In early March, as COVID restrictions loomed and business sales plummeted Kinfolk found itself in an existential crisis. It was necessary to pause the training program, but would Kinfolk be "Kinfolk" if it made no social impact?

In mid-March several staff were stood down and Kinfolk started closing down parts of the business to reduce costs to a minimum whilst we tried to work out just how bad things were going to get and for how long we could hold on. The training program was put on pause as it seemed both unsafe and unviable to offer it. The remaining staff despite their own jobs looking severely insecure, were already looking for new ways to contribute during the pandemic. With business grinding to a halt there were plenty of useful skills, resources and time to support those doing it toughest. Kinfolk had a lot of stock of essential goods on hand and our supply chains were still operating, so we built an online shop to sell groceries and essential foods that we knew the community were struggling to get their hands on. I must say a special thanks to Johanna Reilly who worked tirelessly to help launch the new website to sell online groceries and connect donated meals to disadvantaged members of the community. The site was launched within a matter of days and Yo has worked around the clock to keep improving the shopping experience and community donations ever since. These new activities have helped us to remain useful whilst also bringing in important funds to keep the business and jobs alive. The best part of the online shopping experience has been that so many of our customers have donated to our food relief efforts, encouraging us to keep going and finding ways to support those people most vulnerable and impacted by COVID.

Between 30th of April and September 25th, through a weekly donation program that is funded largely by Kinfolk's customers when they purchase groceries via the online store, Kinfolk donated more than 350 emergency pantry re-stock hampers to victims of family violence in partnership with InTouch – The Multicultural Centre Against Family Violence. An incredible 739 weeks' worth of food was delivered supporting 201 people in total. The impact of the deliveries cannot be underestimated. The feedback we have had is that the emergency pantry restocks provide more than nutrition, giving the recipients a sense of dignity and taking the pressure off having to worry how they will put food on the table. For many of the recipients COVID has complicated and compounded their challenging situations and it is rewarding that our staff and customers can contribute in a meaningful way.

CEO Report (Continued)

A recipient of these donations responded **"**When we opened our first food pack, I was so overwhelmed I couldn't help but cry! That night, I cooked my daughter's favourite meal and for the first time in weeks we sat together as a family to eat and talk, with a smile on our faces".

The community needs are overwhelming and COVID has illustrated many weaknesses in our systems with challenges far bigger than one organisation can tackle. A collective response is needed if the diverse and challenging needs of the community are to be met. That is why it has been comforting to work closely with other organisations including those involved in the social enterprise collective Moving Feast, Street Smart and various organisations working directly with the vulnerable around Melbourne. The sudden tower lockdowns shocked us all, and we really felt for everyone involved. It was inspiring to see that within 24 hours of the lockdown enforcement, the Moving Feast collective was activated and during the next week we sent a combined total of 12,655 culturally appropriate meals to the towers.

Thanks to the many new partnerships we have forged, Kinfolk has remained active and produced more than 10,000 relief meals between April and the end of September. Going from a position of imminent closure, with most of our staff looking like losing their jobs in March, to contributing in these new ways 6 months later still amazes us. There has been so much good will from the community, and it is inspiring what we can achieve when we unite together.

Job Keeper definitely played a huge part in ensuring Kinfolk survived 2020. Knowing we had a safety net with wages took the stress off worrying about which staff we would make redundant first and allowed us to focus on how we would deploy staff for new and entrepreneurial endeavours. At the start of the pandemic I felt the need to start planning for the end, but thanks to Job Keeper and the community support we received those feelings quickly turned around. We must say a very special thanks to a number of supporters that helped us through the toughest of times in our 10 year history.

Donkey Wheel Philanthropic Trust. 10 years ago they took a gamble on Kinfolk, giving us a space rent free for 7 months and a small grant that we used to launch our first iteration of Kinfolk cafe. This year, at the start of the pandemic we were questioning how we would pay wages until Job Keeper was received and Donkey Wheel took a gamble on Kinfolk again. The financial help, and their belief that we would turn things around, really helped keep us positive and put a gust of wind in our sail for the rough journey ahead.

The Miller Foundation, another of our long-term supporters did not shy away during these times. The Miller Foundation has supported Kinfolk to grow and develop our volunteer program since our very first crowdfunding campaign and we are thrilled to have them as an ally in our journey.

The Jack Brockhoff Foundation, provided funding to Kinfolk for the first time in 2020 and it couldn't have been more needed. The Funding from Jack Brockhoff Foundation helped Kinfolk top up the support from Donkey Wheel and bridge the operational funding gap we faced to survive the early stages of the pandemic.

Also we owe a massive thanks to The Westpac Foundation, The City of Melbourne, The City of Yarra and Moving Feast who all made financial contributions to our survival and food relief efforts.

Over the years many of Kinfolk's suppliers have gone out of their way to extend their generosity and support our cause. 2020 has been no different and many, despite doing it tough themselves, jumped at the opportunity to support our food relief initiative, enabling us to scale up the impact of each donations. We have loved both supporting and being supported by our local producers and look forward to working on some exciting projects together in 2021.

CEO Report (Continued)

Our customers have been our biggest inspiration, some weeks donating more to others through our food relief initiative than they purchased themselves on groceries. Our customers are an ongoing source of inspiration for us as we tackle this challenging journey together.

Kinfolk will be forever grateful for the compassion and support our landlords have showed during the pandemic. It has been overwhelmingly positive to know that they have had our back and believed in us whilst they have equally been going through tough times. We look forward to sharing the journey and being tenants long into the future.

Lastly, my biggest thanks is to our dedicated team at Kinfolk and Sibling. It has been the toughest of times for many of our staff, some have reached breaking point during 2020 and many have been on the brink, myself included. The thing that kept me most grounded was knowing that it was tough times for us all and there was many doing it tougher. Seeing so many staff put on a brave face, smiling behind their masks and showing up for the uncertain and uncomfortable year that 2020 has been warmed my heart each week. I have felt it has been easier for me not being in a customer facing position and I have admired those brave faces of our staff as they continued to offer the best hospitality they could muster all throughout the year. I saw firsthand how important those interactions were for so many of our customers during the lockdowns. Whilst it may have been easier to sit idle our staff have spent this year innovating new business opportunities and developing better systems for our future beyond the pandemic. Many operations staff have worked on new business offerings, like online groceries and corporate hampers, and our Volunteer Managers spent 2020 developing accredited hospitality training modules that we plan to launch in partnership with Registered Training Organisation Fitzroy Learning Network in 2021. Thank you to all of you for your determination that we would get through this and in some way be stronger or better prepared on the other side.

Thanks to everyone who helped us get through this year.

Jarrod Briffa

CEO & Co-founder

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DIRECTORS' REPORT

Information on directors

Grant David Levy	Director
Qualifications	Bachelor of Law and Bachelor of Economics.
Experience	Legal
Christopher James Miller	Director
Qualifications	Bachelor of Commerce, Masters of Management and Diploma in Stockbroking.
Experience	Finance
Paul McConville	Director
Qualifications	Diploma in Culinary Skills and Diploma in Accounting for Managers.
Experience	Hospitality
Inbal Steinberg	Director
Qualifications	Bachelor of Computer Science.
Experience	Information Technology

Members' guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute to a maximum of $10 each towards meeting any outstandings and obligations of the Company. At 30 June 2020 the number of members was 7. The combined total amount that members of the Company are liable to contribute if the Company is wound up is $70.

Auditor's independence declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Significant changes in state of affairs

Significant changes in the state of affairs of the Company during the financial year, were as follows:

On 11th March 2020 the World Health Organisation declared the ongoing global outbreak of COVID-19 as a pandemic.

The broader economy has been impacted significantly, and the Company has also experienced a substantial impact from the COVID-19 pandemic. The Company has seen its operational activity substantially reduced so far as a consequence of Victorian State lockdown restrictions, which have resulted in the closure of Kinfolk Cafe and ongoing trading restrictions being placed on Sibling Cafe. The short-term implications have been a reduction in revenue and consequent cashflow impacts. The Company has received Government assistance since March 2020 , however the Company is unable to confidently determine when or if operations will return to pre-pandemic levels which will have longer term implications beyond the balance date, the extent of which the Company cannot estimate.

Likely developments

The likely developments in the operations of the Company and the expected results of those operations in subsequent financial years are as follows:

The operational changes as a consequence of COVID-19 and associated Victorian State lockdown restrictions and additional costs associated with operating in a COVID-19 safe manner, are likely to impact the timing and level of the Company’s profitability over the foreseeable future.

The impact of the pandemic on the Company has been substantial to date but will not be fully quantifiable for some time. However, in the short term the Company is building a cash reserve to ensure it is able to continue to operate under COVID-19 circumstances.

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DIRECTORS' REPORT

Signed on behalf of the Board of Directors.

Director: ______________________________

Grant David Levy

Director: paulmcconville

Paul McConville

Dated this 11th day of December 2020

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF KINFOLK ENTERPRISE

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

M J HARRISON

Partner

PITCHER PARTNERS

Melbourne

Date: 11 December 2020

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

	Note	2020 $	2019 $
Revenue and other income			
Sales revenue	2	2,200,993	2,137,979
Other revenue	3	508,658	116,111
		2,709,651	2,254,090
Less: expenses			
Materials and consumables used	4	(635,844)	(574,415)
Depreciation expense	4	(46,617)	(38,948)
Employee benefits expense	4	(1,529,872)	(1,348,160)
Occupancy expense	4	-	(235,975)
Rent relief	4	15,585	-
AASB 16 implied interest component of rental payments to landlord	4	(70,278)	-
Amortisation of leased assets	4	(159,194)	-
Advertising expense		(14,190)	(10,845)
Other expenses		(251,840)	(202,953)
		(2,692,250)	(2,411,296)
Surplus / (deficit) before distribution		17,401	(157,206)
Distributions to Project Partners		-	-
Surplus / (deficit) from continuing operations		17,401	(157,206)
Other comprehensive income for the year		-	-
Total comprehensive income / (deficit)		17,401	(157,206)

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	5	303,674	240,928
Receivables	6	117,187	63,349
Inventories	7	27,760	31,338
Other assets	8	53,142	69,080
Total current assets		501,763	404,695
Non-current assets			
Intangible assets	9	1,310,972	-
Property, plant and equipment	10	168,613	215,230
Total non-current assets		1,479,585	215,230
Total assets		1,981,348	619,925
Current liabilities			
Payables	11	231,034	198,610
Lease liabilities	9	118,518	-
Provisions	12	70,084	80,614
Other liabilities	13	37,010	80,524
Total current liabilities		456,646	359,748
Non-current liabilities			
Lease liabilities	9	1,241,831	-
Provisions	12	16,160	10,867
Total non-current liabilities		1,257,991	10,867
Total liabilities		1,714,637	370,615
Net assets		266,711	249,310
Equity			
Reserves	14	250,000	249,310
Accumulated surplus / (Accumulated losses)		16,711	-
Total equity		266,711	249,310

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

	Reserves $	Accumulated surplus $	Total equity $
Balance as at 1 July 2018	406,516	-	406,516
Deficit for the year	-	(157,206)	(157,206)
Total comprehensive income for the year	-	(157,206)	(157,206)
Transfers from reserve	(157,206)	157,206	-
Balance as at 1 July 2019	249,310	-	249,310
Surplus for the year	-	17,401	17,401
Total comprehensive income for the year	-	17,401	17,401
Transfers to reserve	690	(690)	-
Balance as at 30 June 2020	250,000	16,711	266,711

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
Cash flow from operating activities		
Receipts from customers	2,636,176	2,327,341
Donations and grants received	220,580	110,507
Payments to suppliers and employees	(2,617,961)	(2,273,661)
Payments to project partners	-	(25,000)
Interest received	4,046	5,357
Compensation received	-	10,909
Rent and outgoings	-	(235,975)
Finance costs on lease liabilities	(70,278)	-
Net cash provided by / (used in) operating activities	172,563	(80,522)
Cash flow from investing activities		
Payment for property, plant and equipment	-	(159,927)
Net cash used in investing activities	-	(159,927)
Cash flow from financing activities		
Principal portion of lease payments	(109,817)	-
Net cash provided by / (used in) financing activities	(109,817)	-
Reconciliation of cash		
Cash at beginning of the financial year	240,928	481,377
Net increase / (decrease) in cash held	62,746	(240,449)
Cash at end of financial year	303,674	240,928

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Kinfolk Enterprise as an individual entity. Kinfolk Enterprise is a Company limited by guarantee, incorporated and domiciled in Australia. Kinfolk Enterprise is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The following are the significant accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company has experienced a substantial impact from the COVID-19 pandemic. The Company has seen its operational activity substantially reduced so far as a consequence of Victorian State lockdown restrictions, which have resulted in the closure of Kinfolk Cafe and ongoing trading restrictions being placed on Sibling Cafe. The short-term implications have been a reduction in revenue and consequent cash flow impacts. The Company has received Government assistance since March 2020, however the Company is unable to confidently determine when or if operations will return to pre-pandemic levels which will have longer term implications beyond the balance date, the extent of which the Company cannot estimate.

As at the date of this report the directors consider the going concern basis of accounting appropriate based on the surplus current assets at 30 June 2020, the Government subsidies being received, the cash reserves the Company has built up since 30 June 2020 and forecast trading activity. The directors and management will continue to monitor the cash flow position of the Company and existing obligations to identify departures from forecasts and will act as necessary if the impact of the pandemic threatens solvency.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (Continued)

Should the Company be unsuccessful with the initiatives detailed above then, the Company may in the future not be able to continue as a going concern and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement.

(c) Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

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

(d) Other revenue and other income

Event income

Revenue from organising and hosting events is recognised in the period in which the events are held.

Interest

Interest revenue is measured in accordance with the effective interest method.

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

(e) Contributions - Government Grants and Donations

A non-reciprocal contribution or grant is recognised when the Company obtains control of the contribution or grant and it is probable that the economic benefits will flow to the Company, and the amount of the contribution or grant can be measured reliably.

If conditions attached to the contribution or grant that must be satisfied before the Company is eligible to receive the contribution, recognition of contribution or income is deferred until those conditions are met.

A non-reciprocal donation is recognised when the right to receive a donation has been established.

(f) Income tax

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value.

(h) Plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

(i) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company 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 to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Covid-19 related rent concessions

The Company has elected to apply the practical expedient (as permitted by Australian Accounting Standards) not to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from Covid-19 related rent concessions are recognised in profit or loss.

The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Lease assets held by Kinfolk Enterprise during the reporting period

The Company holds leases in relation to the Kinfolk Cafe premises and the Sibling Cafe premises. These lease arrangements are solely for the rental of the premises. The landlords own the land and buildings and the lease arrangements do not include any transfer of ownership.

(j) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (Continued)

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that are denominated in the currency in which the benefits will be paid. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(k) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(l) Distribution policy

The Comnpany is a supporter of several charities through the distribution of the funds generated from its social ventures. The distribution amounts are identified in the Statement of Profit or Loss and Other Comprehensive Income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New and revised accounting standards effective at 30 June 2020

The Company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases* (AASB 16).

AASB 16: Leases

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or

   ii. property, plant or equipment, the applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the Company has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The Company has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New and revised accounting standards effective at 30 June 2020 (Continued)

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of $1,470,166 (referred to in these financial statements as “lease assets”) and corresponding lease liabilities with an aggregate carrying amount of $1,470,166.

NOTE 2: REVENUE

Sales income		
Catering and event sales	820,636	873,185
Cafe sales	1,380,057	1,264,794
Social Enterprise consulting fees	300	-
	2,200,993	2,137,979

NOTE 3: OTHER REVENUE AND OTHER INCOME

Interest income	4,046	5,357
Donations	127,035	92,254
Grants	93,545	18,500
Other revenue	32	-
Government support subsidies	284,000	-
	508,658	116,111

NOTE 4: OPERATING SURPLUS/DEFICIT

Surplus/deficit from continuing operations has been determined after:		
Cost of sales - materials and consumables used	635,844	574,415
Depreciation	46,617	38,948
Employee benefits expense	1,529,872	1,348,160
Occupancy expenses		
- Rental and outgoings	-	(235,975)
- Rent relief	15,585	-
- AASB 16 implied interest component of rental payments to landlord	(70,278)	-
- Amortisation of leased assets	(159,194)	-
	(213,887)	(235,975)

	2020 $	2019 $
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash on hand	2,967	3,219
Cash at bank	300,707	237,709
	303,674	240,928

NOTE 6: RECEIVABLES

	2020 $	2019 $
CURRENT		
Trade debtors	39,187	63,349
Other receivables - JobKeeper	78,000	-
	117,187	63,349

NOTE 7: INVENTORIES

	2020 $	2019 $
CURRENT		
At cost		
Stock	27,760	31,338

NOTE 8: OTHER ASSETS

	2020 $	2019 $
CURRENT		
Prepayments	11,101	29,140
Security deposit	41,136	39,940
Other current assets	905	-
	53,142	69,080

NOTE 9: LEASE ASSETS AND LEASE LIABILITIES

Lease arrangements (30 June 2020)

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 *Leases* (which was applied by the Company for the first time in the current reporting period).

The Company holds leases in relation to the Kinfolk Cafe and Events premises and the Sibling Cafe premises. These lease arrangements are solely for the rental of the premises. The landlords own the land and buildings and the lease arrangements do not include any transfer of ownership.

	2020 $
(a) Lease assets	
Land and buildings	
Land and buildings under lease	1,470,166
Accumulated amortisation	(159,194)
	1,310,972
Total carrying amount of lease assets	1,310,972
(b) Lease liabilities	
CURRENT	
Lease liability	118,518
NON CURRENT	
Lease liability	1,241,831
Total carrying amount of lease liabilities	1,360,349
(c) Lease expenses and cashflows	
AASB 16 implied interest component of rental payments to landlord	70,278
Amortisation expense on leased assets	159,194

	2020 $	2019 $
NOTE 10: PROPERTY, PLANT AND EQUIPMENT		
Leasehold Improvements		
At cost	69,695	69,695
Accumulated depreciation	(40,748)	(35,227)
	28,947	34,468
Plant and equipment		
Plant and equipment at cost	248,497	248,497
Accumulated depreciation	(138,300)	(106,088)
	110,197	142,409
Office equipment at cost	13,969	13,969
Accumulated depreciation	(7,399)	(5,119)
	6,570	8,850
Kitchen equipment at cost	56,882	56,882
Accumulated depreciation	(33,983)	(27,379)
	22,899	29,503
Total plant and equipment	139,666	180,762
Total property, plant and equipment	168,613	215,230

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	2020 $	2019 $
Leasehold improvements		
Opening carrying amount	34,468	16,790
Additions	-	22,682
Depreciation expense	(5,521)	(5,004)
Closing carrying amount	28,947	34,468
Plant and equipment		
Opening carrying amount	142,409	35,549
Additions	-	129,858
Depreciation expense	(32,212)	(22,998)
Closing carrying amount	110,197	142,409

		2020 $	2019 $

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

		2020 $	2019 $
Office equipment			
Opening carrying amount		8,850	5,031
Additions		-	5,488
Depreciation expense		(2,280)	(1,669)
Closing carrying amount		6,570	8,850
Kitchen equipment			
Opening carrying amount		29,503	36,881
Additions		-	1,899
Depreciation expense		(6,604)	(9,277)
Closing carrying amount		22,899	29,503

NOTE 11: PAYABLES

		2020 $	2019 $
CURRENT			
Unsecured liabilities			
Trade creditors		27,696	45,816
Sundry creditors and accruals		203,338	152,794
		231,034	198,610

NOTE 12: PROVISIONS

		2020 $	2019 $
CURRENT			
Employee benefits	(a)	70,084	80,614
NON CURRENT			
Employee benefits	(a)	16,160	10,867
(a) Aggregate employee benefits liability		86,244	91,481

NOTE 13: OTHER LIABILITIES

		2020 $	2019 $
CURRENT			
Unearned income		22,010	65,524
Other current liabilities		15,000	15,000
		37,010	80,524

NOTE 14: RESERVES

	2020 $	2019 $
Revenue reserves	137,365	136,675
Capital reserves	112,635	112,635
	250,000	249,310

	Opening $	Contributions $	Operations $	Closing $
Revenue reserves	136,675	690	-	137,365
Capital reserves				
- Department of Premier and Cabinet	62,635	-	-	62,635
- Other contributions	50,000	-	-	50,000
	112,635	-	-	112,635
	249,310	690	-	250,000

The Revenue reserves are made up of amounts appropriated from time to time from the profit & loss account at the sole discretion of the Board of Directors. Transfers to Revenue reserves will be made annually, taking into account the future funding needs of the organisation.

The Capital reserves are made up of specific grants, donations or other special receipts that are non-refundable. Capital reserves are used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

Any person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director is considered key management personnel. For the year ended 30 June 2020 there are three such employees who are considered to be key management personnel (2019: four). The directors who held office during the year (and the prior year) acted in a voluntary capacity and are not included in the information below.

	2020 $	2019 $
Compensation received by key management personnel of the company		
- salaries and other compensation	210,566	277,072
	210,566	277,072

NOTE 16: RELATED PARTY TRANSACTIONS

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

	2020 $	2019 $
NOTE 17: CAPITAL AND LEASING COMMITMENTS		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	-	180,095
- later than one year and not later than five years	-	730,890
- later than five years	-	861,563
	-	1,772,548

The adoption of AASB 16 Leases (which was applied by the Company for the first time in the current reporting period) means that there are no operating lease commitments to be disclosed as at the reporting date.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the Company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2020, of the Company.

KINFOLK ENTERPRISE
ABN: 63 142 499 741

DIRECTORS' DECLARATION

The directors declare that:

1. there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and

2. the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director: ______________________________

Grant David Levy

Director: paulmcconville

Paul McConville

Dated this 11th day of December 2020

KINFOLK ENTERPRISE
ABN: 63 142 499 741

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KINFOLK ENTERPRISE

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kinfolk Enterprise, "the Company", 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Kinfolk Enterprise, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

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

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KINFOLK ENTERPRISE
ABN: 63 142 499 741

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KINFOLK ENTERPRISE

Material Uncertainty related to Going Concern

We draw attention to Note 1 (b) in the financial report, which indicates that the Company is significantly impacted by the disruption of business due to the COVID-19 pandemic.

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company has experienced a substantial impact from the COVID-19 pandemic. The Company has seen its operational activity substantially reduced so far as a consequence of Victorian State lockdown restrictions, which have resulted in the closure of Kinfolk Cafe and ongoing trading restrictions being placed on Sibling Cafe. The short-term implications have been a reduction in revenue and consequent cash flow impacts. The Company has received Government assistance since March 2020, however the Company is unable to confidently determine when or if operations will return to pre-pandemic levels which will have longer term implications beyond the balance date, the extent of which the Company cannot estimate.

As at the date of this report the directors consider the going concern basis of accounting appropriate based on the surplus current assets at 30 June 2020, the Government subsidies being received, the cash reserves the Company has built up since 30 June 2020 and forecast trading activity. The directors and management will continue to monitor the cash flow position of the Company and existing obligations to identify departures from forecasts and will act as necessary if the impact of the pandemic threatens solvency.

These matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

Other Information (Continued)

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 Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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.

KINFOLK ENTERPRISE
ABN: 63 142 499 741

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KINFOLK ENTERPRISE

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

M Harrison

M J HARRISON

Partner

Pitcher Partners

PITCHER PARTNERS

Melbourne

Date 11 December 2020