



**FIGHTING HUNGER
IN AUSTRALIA**

Foodbank NSW & ACT Limited

ABN 22 056 422 407

Financial Report
for the year ended 30 June 2020

Foodbank NSW & ACT Limited

ABN 22 056 422 407

Financial report - 30 June 2020

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Introduction to the financial report

The year under review has seen the continuing evolution of Foodbank NSW & ACT (FBNA) as we expand our capacity to assist those in need. It has also been a year of unprecedented and extreme challenges to the people of NSW and the ACT, and FBNA's operations, which has required significant adjustment to the way we provide relief.

In recognition of our ability to serve the community during the most challenging of times, FBNA has gratefully seen both an increase in generosity from the Australian public as well as strengthened support from the NSW and Commonwealth Government. At the same time, our operating costs have increased considerably as we've adjusted to the circumstances around us. Our responsibility is to ensure we can continue to meet the continued and rising demand for food relief and grocery relief into the future, particularly as we see the longer term economic impacts of the COVID 19 pandemic come into effect. The accounts should therefore be viewed in this context.

Overall, in the year ended 30 June 2020, FBNA distributed 12,243,000 kilograms of food and grocery items to NSW and ACT charities, schools and welfare agencies and 905,000 kilograms to interstate Foodbanks, making a total of 13,148,000 kilograms. This equates to approximately \$80 million of food relief or some 23 million meals.

The year started with NSW suffering from prolonged and severe drought conditions. FBNA assisted drought affected families by delivering additional general food assistance, water and hampers through our network of charity partners and the NSW Country Women's Association.

The bushfire season started early and was long and extreme. FBNA was at the forefront ensuring bushfire affected communities received the initial support and supplies they needed. During this period, FBNA received tremendous support from the public with donations of food, groceries and money which also required increased resources to sort and store loose items as well as manage cash donations. FBNA continues to support bushfire affected communities as they recover.

The COVID-19 pandemic started before the bushfire season ended and has had an unprecedented impact on the economy and the number of people now living with food insecurity. FBNA has been tested like never before in its 28 years of operation with the many challenges that the pandemic has created including the cancellation of corporate volunteering and the need to adapt our operations to ensure the safety of all our employees, volunteers and visitors.

In summary, throughout the financial year, some of the major changes, and therefore costs, required to meet the above-mentioned challenges include:

- The need to provide more ready-made hampers of both food and personal hygiene products as charities and welfare agencies have also been impacted by loss of volunteer workforce to manage their usual food relief operations;
- Significantly increased donations of loose food items from the general public requiring extensive sorting and separate packaging;
- A sharp fall in corporate volunteers during the COVID pandemic due to social distancing and work-from-home policies which has resulted in the need to hire additional labour to cover the shortfall;
- The need to employ more casual staff to help service both increases in supply and demand;
- Regular health checks and cleaning across our operations;
- The build-up of stock and associated storage costs as supply has increased at the same time as our distribution capacity has been impacted by school, charity and welfare agency closures.

The year ended 30 June 2020 was an extraordinary year. Despite all the challenges FBNA continues to provide food to help the increasing number of Australians who face food insecurity. We are focused on continuing to build our operational and financial capacity to meet growing demand into the future.

Directors' report

Your directors present the annual financial report of Foodbank NSW & ACT Limited ("FBNA") for the year ended 30 June 2020.

Directors

The following persons were Directors of FBNA during the financial year and to the date of this report:

<i>Name</i>	<i>Date Appointed</i>
Peter Kelly (Chairman)	13 October 2011
Christine Feldmanis	26 October 2016
John Hudson	13 August 2014
Larry Kavanagh	27 June 2017
Paul Moulds	23 February 2015
Emma Peacock	19 November 2015
Dan Peters	1 May 2018
Stephen Schofield	9 March 2011

Principal activities

During the year the principal ongoing activities of FBNA consisted of:

- (a) sourcing by donation or purchasing food and related products from manufacturers, farmers/primary producers, retailers and distributors and encourage partnerships with these suppliers;
- (b) distribution of food and grocery items to people in need, via a broad range of charitable and service organisations without regard to denomination; and
- (c) securing funds via donation and grants to acquire additional food to meet unsatisfied need.

Long term objectives

The long term objective of FBNA is to fight hunger in NSW and the ACT by providing quality food to welfare agencies and schools for supply to individuals and children in need.

As a member of the Foodbank Federation covering Australia (delivering 70% of all food distributed to charities by food rescue organisations), we continue to feed the ongoing and increasing number of Australians who face food insecurity.

In undertaking this objective we will contribute to a better environment by diverting millions of kilos of edible food away from landfill.

Short term objectives

- (a) FBNA aims to provide over 12,200,000 kg of product in 2020-21
- (b) FBNA aims to supply a core range of staple products 365 days a year while minimising handling fees.
- (c) FBNA aims to have this core range of staple products always available.
- (d) FBNA will expand the ways that it funds these operations to broaden the support of FBNA making FBNA more resilient and less dependent upon a single source of funding.
- (e) FBNA will strive to tell the compelling 'win / win' story of feeding people in need whilst reducing the environmental impact, to the wider Australian public.
- (f) FBNA will continuously improve its operations by listening and learning from our stakeholders, whether they be people in need, charities that provide the front line presence, the volunteers, the donors (of funding and importantly food), and the staff and Directors.

Key strategies and activities for achieving objectives

To ultimately achieve our long term objective, and to meet the objectives set for next year, FBNA will:

- (a) Seek to understand the underlying demand and where it comes from.
- (b) Maintain and improve ways to make food available to more welfare agencies and charities and through them to people in need.
- (c) Maintain, improve and innovate the supply cycle from farmers, manufacturers, retailers, importers to welfare agencies and charities and ultimately people in need with appropriate infrastructure and resources.
- (d) Actively seek funding from a wide range of potential sources.

Measurement of performance

To achieve the objectives and strategies above, FBNA will measure the effectiveness of the allocation of limited resources by:

- (a) formulating specific strategy plans with frequent plan progress updates and outcome monitoring
- (b) ensuring each staff member knows what is expected of their role with annual performance reviews
- (c) setting appropriate financial disciplines with measurable financial budget targets
- (d) regularly comparing actual with targeted budget performance via monthly management reports

Dividends

FBNA is prohibited by clause 2.2 of its Constitution from distributing any of its income or property to its members by way of dividends or otherwise.

Review of operations

In the year ended 30 June 2020, FBNA received a total of 12.44 million kilos (2019: 12.41 million) of donated food and grocery items from national and state manufacturers, farmers/primary producers, retailers and distributors.

Out of the above, FBNA distributed a total of 12.24 million kilos (2019: 11.89 million) of food and grocery items to charities, schools and welfare agencies in the year ended 30 June 2020. Of the total volume, 5.29 million kilos (2019: 6.24 million kilos) was distributed free-of-charge with no handling fee.

The net surplus for the year ended 30 June 2020 was \$3,507,800 (2019: deficit \$1,350,845).

The underlying operating deficit after excluding non-operating items for the year ended 30 June 2020 was \$1,108,461 (2019: \$2,100,416).

Non-operating items include all donations and grants net of direct fundraising and other non-operating expenses \$4,600,743 (2019: \$713,234) and interest income \$15,518 (2019: \$36,337).

Significant changes in the state of affairs

In the year ended 30 June 2020, FBNA faced an unprecedented increase in demand arising from drought, bushfires and the COVID-19 pandemic. These events created new challenges and required FBNA to adapt and respond to the sudden changes. During the year, FBNA accepted food donations from the public for the first time as well as hired additional staff to make up for volunteer shortages. FBNA also invested in creating a safe and clean environment for its staff, volunteers and visitors to ensure FBNA is able to continue to feed the ongoing and increasing number of Australians in need.

Except as mentioned above, there was no significant change in the state of affairs of FBNA other than that referred to in the financial statements or notes thereto.

Matters subsequent to the end of the financial year

In August 2020, FBNA commenced the upgrade and fit-out of the remainder of its purpose-built distribution centre which will expand overall capacity and enable FBNA offer a broader range of foods, and particularly quality staple foods, to its member agencies. This expansion will also assist FBNA in developing its role as a major emergency response organisation, by providing storage space for emergency hampers and other provisions.

Except as mentioned above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

Likely developments and expected results of operations

The Directors will continue to monitor and address issues such as drought and other needs in the community and will support the management team in making operational decisions that ensure FBNA is assisting as many charities and welfare agencies as possible.

Except as mentioned above, there are no likely developments or expected results of operations which are likely to materially affect the financial statements in future financial years.

Environmental regulation

FBNA is not subject to significant environmental regulation in respect of its principal activities.

Information on Directors

Peter Kelly *Chairman.*

Appointed a director in October 2011 and Chairman in November 2016. Peter is the Chair of the Remuneration Committee of FBNA. He is also a member of the Audit Committee and the Communications and Government Relations Committee. Peter worked with global food company Nestle for 39 years. As a member of the senior management team, he led the Company's Corporate Affairs function and was responsible for Nestle Oceania's External Media, Government Relations and Consumer Services, and Legal teams. He was the Chair and Board Member of the Infant Nutrition Council; a Board Member of the Global Compact Network Australia. Peter is now an independent management consultant.

Christine Feldmanis **BCom, MAppFin, FAICD, SFFINSIA, CPA, TFASFA, JP** *Director.*

Appointed a director in October 2016. Christine is the Chair of the Audit Committee of FBNA. Christine started her career in a chartered accounting firm and then continued a career in the finance industry for 30+ years. During that time she worked with firms including Elders Finance, Bankers Trust and NSW TCorp - that spanned both the Government and private sectors. Christine now works as a professional non-executive director with public and private companies, government organisations and the not for profit sector. Christine is the independent chair of Bell Asset Management Ltd, and a non-executive director of OmniBridgeway Ltd, Hunter Water Corporation and FIIG Securities Ltd.

John Hudson **FCA.** *Director.*

Appointed a Director in August 2014. John is a member of the Audit Committee of FBNA. John has been engaged in both the development and investment in real estate for over 30 years. This has included significant periods as the senior finance executive in a series of major independent property companies. Prior to ceasing full time executive roles, John was the Managing Director and Chief Executive Officer of Thakral Holdings Group, a specialist hotel REIT with ancillary commercial and retail property together with residential development activities and over \$1 billion in assets. John is currently a Director or Investment Committee member of a number of private companies primary related to property.

Information on Directors (continued)

Larry Kavanagh GAICD. *Director.*

Appointed a director in June 2017. Larry is a member of the Workplace Health and Safety and Risk Committee of FBNA. Larry works for Coles as the General Manager of National Processing where he is responsible for developing and managing a sustainable supply strategy. Larry has spent his entire career working in the food industry in a variety of senior management roles. Prior to joining Coles Larry worked for Beak & Johnston in Sydney. Larry and his family emigrated to Australia in 2009 and prior to this Larry worked in various senior roles for the ABP Food Group.

Paul Moulds AM, BA. *Director.*

Appointed a director in February 2015. Paul is a member of the Communications and Government Relations Committee of FBNA. Paul has worked for over 20 years as an officer of The Salvation Army, where he holds the rank of Major. For 16 years he worked as Director of the Oasis Youth Support Network in inner Sydney, building a highly regarded and effective youth service for homeless and disadvantaged youth. In 2010 he was made a Member of the Order of Australia (AM) for services to homeless youth. Paul has also directed the social and community work of The Salvation Army for the Australian Eastern Territory and is currently managing Salvation Army programs in the Auburn area of Western Sydney. He is also a Board Member of Igniting Change, and is recognised for his expertise in the design of innovative social programs and his deep understanding of the needs of disadvantaged Australians.

Dan Peters MA, MBA. *Director.*

Appointed a director in May 2018. Dan is a member of the Communications and Government Relations Committee of FBNA and is currently the Chief Revenue Officer of Australian fintech startup - Limepay. He was previously a Director on Google Australia & NZ's Leadership team - where he spent more than 12 years helping lead Google's arrival and impact on the Australian technology landscape. Prior to that, Dan helped found and launch Cleardocs.com, a legal document start up into the Australian market before securing a successful exit. Dan started his career as a WPP Fellow, working across a range of marketing services organisations, including JWT, and Hill & Knowlton PR.

Emma Peacock BA (Comm) *Director.*

Appointed a director in November 2015. Emma is the Chair of the Communications and Government Relations Committee of FBNA. Emma brings almost 20 years of experience across Corporate Affairs, Communications, advocacy and sustainability/Corporate Social Responsibility. She has spent the last 9 years with Unilever Australia and New Zealand as Director of Sustainable Business and Communications. As a member of the leadership team she is responsible for building reputation, advocacy, partnerships and leading change to support Unilever's sustainable growth agenda as well as embedding a purpose-driven business model. Prior to Unilever, Emma held a number of communications and sustainability management roles including at Coca-Cola Amatil, Britvic Soft Drinks plc (UK), Edelman and Ogilvy Public Relations.

Stephen Schofield MBA (HR/IR), JP. *Director.*

Appointed a director in March 2011. Steve is the Chair of the Workplace Health and Safety and Risk Committee of FBNA. He is also a member of the Fundraising and Events and the Remuneration Committee. Steve provides FBNA with over 30 years' experience in the area of Human Resources and Industrial Relations. Steve was appointed Group Head of Human Resources with Downer Group in February 2015. His former roles included Group General Manager Human Resources for Komatsu Australia Pty Ltd, HR Director at Goodman Fielder, HR Director Schindler Lifts Australia and previously held the role of General Manager Industrial Relations at Qantas Airways Ltd.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 7 board meetings were held.

	Attended	Held
Peter Kelly (Chairman)	6	7
Christine Feldmanis	7	7
John Hudson	7	7
Larry Kavanagh	7	7
Paul Moulds ¹	1	7
Dan Peters	5	7
Emma Peacock	6	7
Stephen Schofield	5	7

¹ Paul Moulds was granted leave of absence until 31 December 2020.

In addition to board meetings, FBNA also held meetings with the following sub-committees: Audit Committee, Communications and Government Relations Committee, Fundraising and Events Committee, Remuneration Committee and the Workplace Health and Safety and Risk Committee.

Insurance of officers

During the financial year, Foodbank Australia Limited on behalf of FBNA and the other state Foodbanks paid a premium in respect of a contract insuring the directors of FBNA, the company secretary, and all executive officers of FBNA against a liability incurred as such by a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Member's guarantee

FBNA is a company limited by guarantee. If FBNA is wound up, FBNA's constitution states that each member is required to contribute a maximum of \$10 towards meeting outstanding obligations of FBNA.

Number of members as at 30 June 2020 and 2019 are:

	2020	2019
Primary members	8	8
Agency members	757	637
School members	353	189
Total members	1,118	834

Auditor's independence declaration

A copy of the auditor's independence declaration as required under sub division 60-C section 60-40a of the *Australian Charities and Not-for-profits Commission Act 2012* is set out on page 8.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



Peter Kelly
Chair

Sydney
27 October 2020



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Directors of Foodbank NSW & ACT Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
Partner

Sydney
27 October 2020

Foodbank NSW & ACT Limited

ABN 22 056 422 407

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This financial report covers Foodbank NSW & ACT Limited ("FBNA") as an individual entity.

Foodbank NSW & ACT Limited is a "not-for-profit" company limited by guarantee, domiciled in Australia. Its registered office and principal place of business is:

Foodbank NSW & ACT Limited
50 Owen Street
Glendenning NSW 2761

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 2-6, which is not part of these financial reports.

The financial report was authorised for issue by the directors on 27 October 2020.

Statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from continuing operations			
Revenue from service fees	3	8,164,054	6,415,399
Cost of supply - purchased stock items only	4	(2,463,960)	(2,060,480)
		5,700,094	4,354,919
Other operating income	5	2,601,104	1,628,654
		8,301,198	5,983,573
(Less) Other expenses from ordinary activities			
Distribution and warehouse		3,951,768	3,350,052
Marketing		102,494	192,560
Administration		528,062	437,946
Personnel		3,520,575	2,978,998
Depreciation and amortisation		864,952	800,709
Other		441,808	323,724
	6	9,409,659	8,083,989
Results from operating activities		(1,108,461)	(2,100,416)
Other income and expenses			
Other income - recurring		6,498,544	1,903,116
Other income - non-recurring		628,915	40,000
Other expenses		(2,526,716)	(1,229,882)
	7	4,600,743	713,234
Finance income	8	15,518	36,337
Net surplus (deficit)		3,507,800	(1,350,845)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income (loss) for the year		3,507,800	(1,350,845)

The above statement of comprehensive income should be read in conjunction with the accompanying notes and the introduction to the financial report.

Balance sheet

As at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash assets	9	7,551,683	1,439,279
Receivables	10	216,617	241,488
Other current assets	11	793,113	480,471
Total current assets		8,561,413	2,161,238
Non-current assets			
Property, plant and equipment	12	14,122,800	14,067,256
Intangible assets	13	27,197	49,789
Total non-current assets		14,149,997	14,117,045
Total assets		22,711,410	16,278,283
LIABILITIES			
Current liabilities			
Deferred revenue	14	3,323,901	414,707
Payables	15	642,795	788,402
Lease liability	16	21,955	-
Provisions	17	269,017	165,475
Total current liabilities		4,257,668	1,368,584
Non-current liabilities			
Deferred revenue	18	3,000,000	3,000,000
Lease liability	19	45,998	-
Provisions	20	82,268	92,023
Total non-current liabilities		3,128,266	3,092,023
Total liabilities		7,385,934	4,460,607
Net assets		15,325,476	11,817,676
EQUITY			
Accumulated surplus	21	15,325,476	11,817,676
Total equity		15,325,476	11,817,676

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2020

	Notes	Retained earnings \$	Total equity \$
Balance at 1 July 2018		13,168,521	13,168,521
Results for the year		(1,350,845)	(1,350,845)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,350,845)	(1,350,845)
Balance at 30 June 2019		11,817,676	11,817,676
Balance at 1 July 2019		11,817,676	11,817,676
Results for the year		3,507,800	3,507,800
Other comprehensive income		-	-
Total comprehensive income for the year		3,507,800	3,507,800
Balance at 30 June 2020	21	15,325,476	15,325,476

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from member agencies		8,333,248	6,619,021
Receipts from Government		5,710,786	1,497,035
Receipts from donations and grants		6,498,544	1,943,116
Receipts from other debtors		281,138	196,127
Payments to suppliers and employees		(13,890,034)	(10,270,449)
Net cash inflow (outflow) from operating activities	29	6,933,682	(15,150)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(808,676)	(245,924)
Payments for intangibles	13	-	-
Proceeds from sale of property, plant and equipment		8,000	-
Net cash (outflow) from investing activities		(800,676)	(245,924)
Cash flows from financing activities			
Payment of lease liabilities		(31,086)	-
Interest received		16,004	43,487
Interest paid		(5,520)	-
Net cash (outflow) inflow from financing activities		(20,602)	43,487
Net increase (decrease) in cash and cash equivalents		6,112,404	(217,587)
Cash and cash equivalents at the beginning of the financial year		1,439,279	1,656,866
Cash and cash equivalents at end of year	9	7,551,683	1,439,279

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

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

(a) Reporting entity

Foodbank NSW & ACT Limited ("FBNA") is a "not-for-profit" company limited by guarantee. It is an income tax exempt charitable organisation domiciled in Australia that collects surplus, salvaged, donated food and grocery products and purchases from food manufacturers, distributors, farmers and retailers and distributes it via charitable welfare agencies, to people in need.

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profits Commission Act 2012*.

(i) Historical cost convention

This financial report has been prepared under the historical cost convention.

(ii) Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) New accounting standards and interpretations

FBNA has applied the following standards and amendments for the first time in the reporting period commencing 1 July 2019:

(i) AASB 15 Revenue from Contracts with Customers and AASB 1058 - Income of Not-for-Profit Entities

AASB 15 Revenue from Contracts with Customers considers whether a transaction consists of a contract with the customer. AASB 15 requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AASB 15 will be applied where an entity has an enforceable, sufficiently specific obligation to provide goods or services. Otherwise, AASB 1058 will be applied.

AASB 15 establishes a new five steps methodology for recognising revenue:

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

FBNA's revenue is accounted in accordance with the applicable Australian Accounting Standard. The date of initial application is 1 July 2019 and FBNA has assessed the effects of applying the new standards on the financial statements. The assessment has focussed on identifying revenue streams that are likely to be impacted by the adoption of the new standards, whether such revenue streams are likely to fall within the limit of AASB 15, resulting in revenue being deferred and determining the effect on the financial statements on the date of initial application.

1 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

(ii) AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance including AASB 117 *Leases*, IFRIC 4 *Determining whether an arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FBNA has completed an assessment of the impact of AASB 16 and elected to apply the modified retrospective approach where prior year comparatives have not been restated. The initial measurement of the lease liability is calculated as the present value of the outstanding rentals discounted using the incremental borrowing rate at the date of transition and the right-of-use-asset is set equal to the liability. In subsequent periods, the lease liability is accounted for similarly to a financial liability using the effective interest method. The right-of-use asset is accounted for similarly to a purchased asset and depreciated.

This standard will affect primarily the accounting for FBNA's operating leases. FBNA has reviewed all its contracts and identified two operating leases that fall under the definition of a lease under AASB 16 and are not subject to the short-term and low value asset exemption. AASB 16 defines the lease as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

The following measures and practical expedients have been used on transition:

- Contracts which had previously been assessed as not containing leases under AASB 117 and associated accounting interpretations were not re-assessed on transition to AASB 16;
- Where the interest rate implicit on the lease is not known, lease liabilities have been discounted using FBNA's incremental borrowing rate at 1 July 2019.

Reconciliation of operating lease commitments:

Operating lease commitments as at 30 June 2019	43,368
(less) impact of discounting	(3,006)
<u>Lease liabilities as at 1 July 2019¹</u>	<u>40,362</u>

The carrying value and movements of FBNA's lease liabilities during the year ended 30 June 2020:

Lease liabilities as at 1 July 2019	40,362
Additions (new lease arrangements) ²	53,157
Interest paid on lease liabilities	5,520
(less) Payments	(31,086)
<u>Lease liabilities as at 30 June 2020</u>	<u>67,953</u>

Amounts included in the balance sheet:

Current lease liabilities	21,955
Non-current lease liabilities	45,998
<u>Lease liabilities as at 30 June 2020</u>	<u>67,953</u>

Maturity analysis - contractual undiscounted cash flows:

Less than one year	26,307
One to five years	50,997
<u>Total undiscounted lease liabilities at 30 June 2020</u>	<u>77,304</u>

1 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

(ii) AASB 16 Leases (continued)

The carrying value and movements of FBNA's right-of-use assets during the year ended 30 June 2020:

Right-of-use assets as at 1 July 2019 ¹	40,362
Additions (new lease arrangements) ²	48,866
(less) depreciation expense	(22,811)
Right-of-use assets as at 30 June 2020	66,417

¹ FBNA had an existing scrubber machine lease with 3 years remaining on its initial lease term of 4 years.

² In July 2019, FBNA entered a new 5 year lease for office printers and photo copiers.

(d) Revenue recognition

Revenue is recognised for the major business activities as follows:

(i) Service fees

A small service fee is charged for the storage, handling and distribution of product to agencies. Service fee revenue is recognised when the performance obligations are satisfied, that is when products are picked up from FBNA's distribution centre or delivered to the agencies' premises. Therefore, AASB 15 is applicable and there is no impact on revenue recognition on adoption of the standard.

(ii) Donations/Contributions

Due to the nature of donations and contributions, such items can only be recognised when FBNA gains control of the asset. There are usually no enforceable or sufficiently specific performance obligations linked to this source of income. Therefore, AASB 1058 is applicable and there is no impact on revenue recognition on adoption of the standard.

(iii) Grants

Grants can be granted to FBNA with an enforceable, sufficiently specific obligation attached to the grant or without any enforceable, sufficiently specific obligation attached.

Where the grant has no enforceable or sufficiently specific performance obligations attached, AASB 1058 is applicable and the grant is recognised when FBNA gains control of the asset.

Where there is an enforceable, sufficiently specific obligation attached to the grant, AASB 15 is applicable. Revenue arising from the grant is recognised when performance obligations attached to the grant have been satisfied. Where funding has been received but performance obligations are not satisfied, the funding is recorded as deferred revenue in the balance sheet.

(iv) Interest income

Interest is recognised on an accrual basis.

(e) Income tax

FBNA is exempt from the payment of income tax under the provisions of Section 50-5 of the *Income Tax Assessment Act 1997*.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1 Summary of significant accounting policies (continued)

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that FBNA will not be able to collect all amounts due according to the original terms of the receivables.

(h) Inventories

Inventories comprise of both goods donated or salvaged at no cost and goods purchased to supplement the inventory available to meet the needs of charity clients.

As FBNA is a 'not-for-profit' entity the purchased inventories held for distribution are carried at cost, whilst donated goods are not revalued.

Inventories are carried at the cost FBNA incurred to acquire the assets as at the reporting date.

(i) Property, plant and equipment

FBNA's accounting policy is to carry land and buildings at cost on acquisition less any accumulated depreciation and impairment losses.

As at 30 June 2020, land and building is carried at \$11,242,509 (2019: \$11,439,232) being the purchase price and other directly attributable costs associated with the purchase less accumulated depreciation on the building.

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Plant and equipment that is donated is recognised at fair value, if that value is above \$20,000, in property, plant & equipment at the date of acquisition, with a non-cash donation recognised for the same amount.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	40 years
Plant and equipment	3-10 years

Capital work in progress, which represents additions to property, plant and equipment that have not yet been brought into use, is not depreciated. Additions are transferred into the above asset classes once they are brought into use.

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(j) Intangible assets

Software

Software assets which have finite useful lives are measured at cost less accumulated amortisation.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 5 years, from the date that they are available for use.

1 Summary of significant accounting policies (continued)

(k) Deferred revenue

(i) Short-term deferred revenue

Short-term deferred revenue represents funding amounts received that are expected to be recognised as revenue within 12 months after the end of the reporting period. Amounts recorded in FBNA's short-term deferred revenue are usually grants received for a specific purpose whereby the conditions of have not yet been met.

(ii) Long-term deferred revenue

Funding received that are not expected to be recognised as revenue within 12 months after the end of the reporting period. FBNA's long-term deferred revenue represents reciprocal grants with project durations that go beyond 12 months after the end of the reporting period.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to FBNA prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee benefits

(i) Short-term obligations

Liabilities for wages, salaries and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service. These liabilities are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(n) 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 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 taxation authority is included with other receivables or payables in the balance sheet.

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.

(o) 'In-kind' provision of services to Foodbank NSW & ACT Limited

FBNA receives "in-kind" services from a number of individuals and organisations. FBNA does not recognise an expense and associated revenue for these 'in-kind' services in the financial report. In addition, as an accounting policy choice, FBNA has elected not to recognise volunteer services in accordance with AASB 1058. FBNA's major 'in-kind' services received are disclosed in note 26.

2 Financial risk management

FBNA's activities expose it to market risk and credit risk.

(a) Market risk

(i) Cash flow and fair value interest rate risk

FBNA's main interest rate risk arises from its holdings of cash and term deposits. There is no material interest rate risk exposure on financial liabilities.

(ii) Price risk

Index	0.25% increase in interest rates		-0.25% decrease in interest rates	
	2020 \$	2019 \$	2020 \$	2019 \$
Cash and cash equivalents	1,503	702	(1,503)	(702)
Bank bills and term deposits	6,469	4,106	(6,469)	(4,106)
Effect on surplus	7,972	4,808	(7,972)	(4,808)

Carrying values of the assets are as follows:

	2020 \$	2019 \$
Cash and cash equivalents	1,257,574	207,961
Bank bills and term deposits	6,294,109	1,231,318
	7,551,683	1,439,279

(b) Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to FBNA. FBNA has adopted the policy of only dealing with counter-parties that meets FBNA's investment criteria as a means of mitigating the risk of financial loss from defaults.

(c) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting date.

The net fair value of all financial assets and liabilities in the balance sheet approximates their carrying values.

3 Revenue

	2020 \$	2019 \$
From continuing operations		
Revenue from service fees	8,164,054	6,415,399

Service fees are generally charged to our member agencies on the basis of kilograms of product they withdraw from FBNA.

	2020 Kilograms	2019 Kilograms
Total kilograms distributed to:		
Member agencies - charged	6,949,000	5,641,000
Member agencies - free	5,294,000	6,245,000
Interstate foodbanks	905,000	904,000
	13,148,000	12,790,000

In 2020, average service handling fee per kilo was \$0.62 (2019: \$0.50)

4 Cost of supply - purchased stock

	2020 \$	2019 \$
Cost of purchased items distributed to member agencies	2,463,960	2,060,480

	2020 Kilograms	2019 Kilograms
Total kilograms distributed:		
Purchased items	1,645,000	1,271,000
Donated items	11,503,000	11,519,000
	13,148,000	12,790,000

In 2020, average cost per purchased kilo distributed was \$1.50 (2019: \$1.62)

5 Other operating income

	2020 \$	2019 \$
NSW Government: Transport Subsidy	1,188,942	1,177,982
NSW Government: School Breakfast 4 Health Program	148,689	-
NSW Government: COVID-19 Support	327,525	-
Australian Government: COVID-19 Support	515,521	-
Freight recovery fees	196,730	204,545
Rental Income	78,226	164,531
Other operating income	145,471	81,596
	2,601,104	1,628,654

6 Operating expenses

	2020 \$	2019 \$
<i>Distribution and warehouse expenses</i>		
Contractor expenses	778,550	638,919
Electricity	123,431	121,954
Freight expenses	1,985,748	1,681,425
Motor vehicle, truck and forklift	371,778	314,160
Repairs and maintenance	129,340	183,141
Other distribution related expenses	562,921	410,453
	3,951,768	3,350,052
<i>Marketing expenses</i>		
Advertising and marketing	102,494	192,560
<i>Administration expenses</i>		
General administration expenses	528,062	437,946
<i>Personnel expenses</i>		
Salaries and wages - includes superannuation \$282,922 (2019: \$246,827)	3,520,575	2,978,998
<i>Depreciation and Amortisation</i>		
Amortisation of intangible assets	22,592	23,059
Depreciation of plant and equipment	842,360	777,650
	864,952	800,709
<i>Other expenses</i>		
Bad Debts	31,885	35,513
Business Planning Reporting and Evaluation Costs	10,048	38,823
Consultancy - IT and business processes	103,505	-
Credit associated fees	27,555	23,137
Leasing fees	-	17,028
Loss on Disposal of Assets	-	4,751
Security and Cleaning	77,682	37,120
Training & Development	26,336	32,848
Others	164,797	134,504
	441,808	323,724
	9,409,659	8,083,989

FBNA also receives "in-kind" services which are not recorded in the accounting records shown in note 26.

7 Other income and expenses

	2020 \$	2019 \$
Other Income - Recurring		
<i>Fundraising Income:</i>		
- Donations: Individuals, corporates, trusts, foundations	1,633,247	501,874
- Fundraising: Direct mail, digital integration and online campaigns	3,668,566	875,342
- Fundraising: Events	403,502	276,614
- Fundraising: Face to Face and telemarketing	793,229	249,286
	6,498,544	1,903,116
Other Income - Non-recurring		
<i>Fundraising Income:</i>		
- Other non-government grants	-	40,000
<i>Government Grants (Capital):</i>		
- NSW Environmental Trust: for new equipment and mezzanine	422,470	-
- Department of Industry: for new mezzanine	198,445	-
Gain on Sale of Non-Current Assets	8,000	-
	628,915	40,000
Total other income	7,127,459	1,943,116
Other Expenses		
Expenses associated in securing grants, donations and other fundraising	(2,526,716)	(1,229,882)
	4,600,743	713,234

8 Finance income

	2020 \$	2019 \$
Interest income	21,038	36,337
(Less) interest expense on lease liabilities	(5,520)	-
	15,518	36,337

9 Current assets - Cash assets

	2020 \$	2019 \$
Cash on hand	1,550	1,549
Cash in bank - trading accounts	900,762	197,050
Cash in bank - PayPal	355,262	9,362
ANZ Call and Term Deposits	2,294,109	706,770
NAB Term Deposit	4,000,000	524,548
	7,551,683	1,439,279

Out of total cash assets, \$3,233,901 is considered “restricted cash” and relates to grant income received. Refer to note 14 - deferred revenue.

(a) Cash in bank

These are bearing weighted average interest rate of 1.10% (2019: 1.78%).

(b) Fair value

The carrying amount for cash assets equals the fair value.

10 Current assets - Receivables

	2020 \$	2019 \$
Service fees receivable	190,738	163,202
Interest receivable	5,589	555
Other debtors	20,290	77,731
	216,617	241,488

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. There are no overdue or impairment on receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for information on the risk management policy of FBNA and the credit quality of FBNA's receivables.

The aging of service fees receivables is as follows:

	2020 \$	2019 \$
Not past due	140,452	88,599
Past due 1 - 7 days	19,931	29,137
Past due over 7 days	30,355	45,466
	190,738	163,202

11 Current assets - Other current assets

	2020 \$	2019 \$
Inventory of purchased stock at cost	732,646	335,434
GST refundable	-	86,527
Prepayments	60,467	58,510
	793,113	480,471

12 Non-current assets - Property, plant and equipment

	Freehold land and buildings \$	Plant and equipment \$	Right-of-use assets \$	Capital work in progress \$	Total \$
At 1 July 2018					
Cost or fair value	12,161,623	4,565,220	-	-	16,726,843
Accumulated depreciation	(526,206)	(1,596,904)	-	-	(2,123,110)
Net book amount	11,635,417	2,968,316	-	-	14,603,733
Year ended 30 June 2019					
Opening net book amount	11,635,417	2,968,316	-	-	14,603,733
Additions	-	235,574	-	10,350	245,924
Disposals ¹	-	(4,751)	-	-	(4,751)
Depreciation charge	(196,185)	(581,465)	-	-	(777,650)
Closing net book amount	11,439,232	2,617,674	-	10,350	14,067,256
At 30 June 2019					
Cost or fair value	12,161,623	4,720,541	-	10,350	16,892,514
Accumulated depreciation	(722,391)	(2,102,867)	-	-	(2,825,258)
Net book amount	11,439,232	2,617,674	-	10,350	14,067,256
Year ended 30 June 2020					
Opening net book amount	11,439,232	2,617,674	-	10,350	14,067,256
Recognition of right-of-use asset on initial application of AASB 16	-	-	40,362	-	40,362
Additions	-	587,499	48,866	221,177	857,542
Disposals ²	-	-	-	-	-
Transfers from capital work in progress to plant and equipment	-	10,350	-	(10,350)	-
Depreciation charge	(196,723)	(622,826)	(22,811)	-	(842,360)
Closing net book amount	11,242,509	2,592,697	66,417	221,177	14,122,800
At 30 June 2020					
Cost	12,161,623	5,285,335	89,228	221,177	17,757,363
Accumulated depreciation	(919,114)	(2,692,638)	(22,811)	-	(3,634,563)
Net book amount	11,242,509	2,592,697	66,417	221,177	14,122,800

¹ Does not include fully written down plant and equipment disposals of \$75,502.

² Does not include fully written down plant and equipment disposals of \$33,055.

Land and buildings

As at 30 June 2020, land and building is carried at \$11,242,509 (2019: \$11,439,232) being the purchase price and other directly attributable costs associated with the purchase less accumulated depreciation on the building.

The most recent market value of FBNA's property at 50 Owen Street, Glendenning NSW 2761 was estimated to be approximately \$15,920,600 - \$17,371,200. This market opinion was provided by LJ Hooker Commercial in June 2020 and utilises recent market transactions to reach an estimate.

Capital work in progress

Capital work in progress additions represent progress payments for a new truck which is due to be delivered in September 2020. Amounts transferred out of capital work in progress were associated with the design of FBNA's warehouse mezzanine which was completed in March 2020.

13 Non-current assets - Intangible assets

	Software \$
At 1 July 2018	
Cost	117,985
Accumulation amortisation and impairment	(45,137)
Net book amount	72,848
Year ended 30 June 2019	
Opening net book amount	72,848
Additions	-
Disposals	-
Amortisation charge	(23,059)
Closing net book amount	49,789
At 30 June 2019	
Cost	117,985
Accumulation amortisation and impairment	(68,196)
Net book amount	49,789
Year ended 30 June 2020	
Opening net book amount	49,789
Additions	-
Disposals ¹	-
Amortisation charge	(22,592)
Closing net book amount	27,197
At 30 June 2020	
Cost	112,735
Accumulated amortisation	(85,538)
Net book amount	27,197

¹ Does not include fully written down software disposals of \$5,250.

14 Current liabilities - Deferred revenue

	2020 \$	2019 \$
Grants received in advance ¹	3,233,901	414,707
Revenue received in advance	90,000	-
	3,323,901	414,707

¹ Includes remaining grant funding of \$931,311 from *NSW Department of Education* to expand the School Breakfast 4 Health Program. Total amount also includes remaining grant funding from *NSW Department of Communities & Justice* of \$1,490,910 and *Australian Government's Department of Social Services* of \$811,680 for COVID-19 support. The remaining COVID-19 funding will be spent on buying additional food for distribution, operational support as well as assist with the upgrade and fit-out of FBNA's purpose-built distribution centre. FBNA anticipates that the remaining grant funding for COVID-19 support will be expended by 31 December 2020.

These grants will be recognised when the grant outcomes and performance obligations are achieved.

15 Current liabilities - Payables

	2020 \$	2019 \$
Creditors	290,187	614,949
GST Payable	167,616	-
PAYG withholding payable	103,438	83,578
Accrued expenses	20,000	20,000
Retentions Payable	23,302	-
Superannuation payable	38,252	32,750
Rental bond	-	37,125
	642,795	788,402

16 Current liabilities - Lease liability

	2020 \$	2019 \$
Lease liability	21,955	-

17 Current liabilities - Provisions

	2020 \$	2019 \$
Employee benefits	269,017	165,475

FBNA has 53 employees (45.8 full time equivalents) as at 30 June 2020 (2019: 38 (35.0 full time equivalents)).

18 Non-current liabilities - Deferred revenue

	2020 \$	2019 \$
Grants received in advance ¹	3,000,000	3,000,000

¹ Grant provided by the NSW Department of Family and Community Services (FACS) for assistance in the construction of the Distribution Centre. The deed of capital grant requires FBNA to operate the asset in a prescribed manner as specified in the deed for the project duration of ten (10) years from the commencement date on 28 July 2015. The grant will be fully recognised on 28 July 2025.

19 Non-current liabilities - Lease liability

	2020 \$	2019 \$
Lease liability	45,998	-

20 Non-current liabilities - Provisions

	2020 \$	2019 \$
Employee benefits	82,268	92,023

21 Accumulated funds

Movements in accumulated funds were as follows:

	2020 \$	2019 \$
Balance 1 July	11,817,676	13,168,521
Surplus (deficit) for the year	3,507,800	(1,350,845)
Balance 30 June	15,325,476	11,817,676

22 Remuneration of auditors

KPMG's audit fees for the year ended 30 June 2020 will be \$12,000 (2019: \$nil). KPMG performed the audit on an honorary basis and did not receive any payment for services rendered during the previous financial year.

23 Contingencies

FBNA had no contingent assets or liabilities at 30 June 2020 (2019: \$nil).

24 Commitments

Commitments contracted at the reporting date but not recognised as liabilities is as follows:

Capital commitments

	2020 \$	2019 \$
Property, plant and equipment Payable: Within one year	1,170,290	575,706

Capital commitments relate to amounts contracted to expand the capacity of FBNA's Distribution Centre, this will involve installing additional pallet racking and cool rooms. This amount also includes amounts for electrical work, communication, security, amenities and fire systems.

2019 relate to the total amount FBNA is contracted to spend on the construction of FBNA's mezzanine which was completed in March 2020.

Purchase commitments

	2020 \$	2019 \$
Inventory Payable: Within one year	442,105	-

Purchase commitments relates to food purchases which are due to be delivered in the second half of the 2020 calendar year.

25 Related party transactions

(a) Directors

The names of persons who were directors of FBNA at any time during the financial year are as follows:

Peter Kelly	(Appointed 13 October 2011)
Christine Feldmanis	(Appointed 26 October 2016)
John Hudson	(Appointed 13 August 2014)
Larry Kavanagh	(Appointed 17 June 2017)
Paul Moulds	(Appointed 23 February 2015)
Emma Peacock	(Appointed 19 November 2015)
Dan Peters	(Appointed 1 May 2018)
Stephen Schofield	(Appointed 9 March 2011)

(b) Foodbank Australia Limited

- (i) Foodbank Australia Limited acts as a national liaison and co-ordination point for food supply and activities of FBNA and other similar 'Foodbank' organisations in Western Australia, South Australia, Victoria, Queensland, Tasmania and Northern Territory. Foodbank Australia Limited costs of operation are met in part by levies paid by all 'Foodbank' organisations. During the year, FBNA paid \$188,922 (2019: \$185,218) to Foodbank Australia Limited.
- (ii) Foodbank Australia Limited hosts a centralised server and national website as part of the federated approach to computer systems and software. FBNA paid \$121,023 (2019: \$104,267) to Foodbank Australia Limited for the company's share of the costs of this federated service. This payment covers consultancy, management and maintenance costs of the hosting website, server and software program.
- (iii) FBNA provides Foodbank Australia Limited funds to purchase additional key staple food under the Annual Purchasing Program (APP) and the Quarterly Purchasing Program (QPP). In 2020, FBNA paid \$1,379,689 (2019: \$562,815) to Foodbank Australia for the purchase and transportation of staple foods.
- (iv) On 23 May 2016, Foodbank Australia Limited entered into a service agreement with FBNA for the provision of accounting and finance services. In 2020, Foodbank Australia Limited paid \$63,982 (2019: \$62,127) to FBNA for assistance in general finance management, bookkeeping and financial reporting.

(c) Other

Gerry Andersen is the CEO of FBNA and is also a Director of Pegasus Print Group. Pegasus Print Group provides FBNA with regular printing services throughout the financial year with a portion of printing services provided free of charge. During the year, FBNA paid \$10,439 (2019: \$24,284) to Pegasus Print Group.

(d) Directors remuneration

No remuneration was paid or is payable to any of the directors in respect of the financial year ended 30 June 2020 (2019: \$nil).

26 'In-kind' provision of services

Foodbank FNBA relies upon a network of organisations and individuals to enable it to achieve its objectives, some of which do not charge FBNA for their services, or part of their services. As detailed in note 1(o), FBNA has elected not to recognise volunteer services in accordance to AASB 1058 and does not record these 'in kind' services received as both revenue and expenditure.

In order to understand the level of expenditure that would be incurred if these organisations and individuals were to charge for their services, the following information on significant 'in kind' services received is provided.

Item	Provided by	Estimated value 2020 \$	Estimated value 2019 \$	If paid, would be an addition to the following expenses (refer Note 6)
Audit services	KPMG	40,000	50,000	Other
Food safety consultancy	Correct Food Systems	5,000	5,000	Consultancy
Forklift maintenance and repairs	Crown Equipment/ Toyota Materials Handling	20,000	15,000	Motor vehicle, truck and forklift
Forklift Rental	NTP Forklifts	8,000	-	Motor vehicle, truck and forklift
Freight	Metcash	25,900	-	Freight expenses
Freight	Cameron Transport	18,800	-	Freight expenses
Freight and Storage	AHG Transport	40,000	-	Freight expenses
Legal fees	Holman Webb Lawyers	5,000	8,000	General administration expenses
Bins and Pallet hire	Chep/Loscam	675,700	656,000	Other distribution related expenses
Printing	Pegasus Print Group	7,900	2,500	General administration expenses
Project Consultancy	Sandrick Pty Ltd	30,000	30,000	Consultancy
Rental Property	Centuria Property Services	157,800	-	Other
Storage	Emergent Cold / Swire Cold Storage	9,100	6,500	Other distribution related expenses
Motor Vehicle Hire	Penske Commercial Leasing	3,200	-	Motor vehicle, truck and forklift
Volunteers/Directors	Individuals	1,698,000	1,618,000	Salaries, wages and fees
		2,744,400	2,391,000	

27 Additional information to be furnished under the Charitable Fundraising Act 1991

Throughout the financial year ending 30 June 2020, FBNA conducted various appeals aimed to raise funds and donated food and grocery items to support food programs. Monetary funds received from these appeals have been applied to the purchase of food or equipment to support these programs.

In 2019-2020, FBNA engaged a reputable fundraising consulting firm to increase FBNA's fundraising activities. The aim is to raise recurrent funds to support operations, improve services, provide more food and reduce the handling fees to agencies. Initial upfront fees and establishment costs for fundraising is disproportionately higher in the beginning years; however FBNA should see improved returns once the fundraising programs are fully established.

In accordance with section 20 of the *Charitable Fundraising (NSW) Act 1991*, proceeds received in the course of fundraising appeals are applied according to the objects or purposes of the appeal net of appropriate expenses.

	2020 \$	2019 \$
(1) Gross proceeds from food donations and fundraising appeals		
Donations, fundraising events, campaigns and other grants	6,498,544	1,943,116
Value of donated food received ¹	74,694,000	74,472,000
(Less) Direct fundraising costs	<u>(2,526,716)</u>	<u>(1,229,882)</u>
Net contributions from fundraising appeals	78,665,828	75,185,234
(2) These were applied to the following charitable purpose:		
Purchase of food for distribution	2,237,858	673,935
Distribution and operations	1,541,642	-
School breakfast 4 Health program	192,328	39,299
Value of donated food distributed ¹	<u>74,694,000</u>	<u>74,472,000</u>
Total expenditure on direct services	78,665,828	75,185,234

While the *Charitable Fundraising Act 1991* primarily focuses on cash fundraising, given the nature of its business FBNA also undertakes extensive efforts to achieve food donations. The volume of food that was received by the company are:

	2020 Kilograms	2019 Kilograms
Food from National Donors ²	5,782,000	6,005,000
Food from State Donors	6,667,000	6,407,000
Food from Annual Purchasing Program ³	<u>1,290,000</u>	<u>515,000</u>
	13,739,000	12,927,000

¹ As the majority of FBNA's consolidated efforts are concentrated on sourcing donated food, the present value of food is captured to provide a more realistic valuation of FBNA's fundraising proceeds. Directors' adopted a notional value for donated food of \$6 per kilogram from FBNA's National and State donors.

^{2,3} Food received from the liaison and coordination of Foodbank Australia.

28 Events occurring after the reporting period

In August 2020, FBNA commenced the upgrade and fit-out of the remainder of its purpose-built distribution centre which will expand overall capacity and enable FBNA offer a broader range of foods, and particularly quality staple foods, to its member agencies. This expansion will also assist FBNA in developing its role as a major emergency response organisation, by providing storage space for emergency hampers and other provisions.

29 Reconciliation of surplus after income tax to net cash flow from operating activities

	2020 \$	2019 \$
Surplus (Deficit) for the year	3,507,800	(1,350,845)
Depreciation and amortisation	864,952	800,709
Net (gain) on disposal of property, plant and equipment	(8,000)	-
Interest income	(15,518)	(36,337)
Net loss on disposal of PPE	-	4,751
Right of use-asset initial recognition and additions	(89,228)	-
Payment of lease liabilities	31,086	-
Change in operating assets and liabilities:		
(Increase) in current receivables (excluding interest)	29,905	(50,923)
(Increase) in other current assets	(312,642)	(63,848)
Increase in current payables	(145,607)	342,064
Increase in current deferred revenue	2,909,194	319,053
Increase in lease liabilities	67,953	-
Increase in provisions	93,787	20,226
Net cash inflow (outflow) from operating activities¹	6,933,682	(15,150)

¹ Net cash flow from operating activities includes cash flows associated with grant income and other donation activities as set out in Note 7.

In the directors' opinion:

- (a) the financial report and notes set out on pages 9 to 32 are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) complying with Accounting Standards, the *Australian Charities and Not-for-Profits Commission Regulation 2013* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.


Peter Kelly
Chair

Sydney
27 October 2020

The directors declare that:


- (a) the financial report gives a true and fair view of all income and expenditure of Foodbank NSW & ACT Limited with respect to fundraising appeal activities for the financial year ended 30 June 2020;
- (b) the provisions of the *Charitable Fundraising Act 1991* and Regulations and the conditions attached to the authority have been complied with for the financial year ended 30 June 2020; and
- (c) the internal controls exercised by Foodbank NSW & ACT Limited are appropriate and effective in accounting for all income received and applied by Foodbank NSW & ACT Limited from any of its fundraising appeals.

Signed in accordance with a resolution of the directors.

On behalf of the directors

Peter Kelly
Chair

Sydney
27 October 2020

A handwritten signature in black ink, appearing to read 'Peter Kelly', is written over the printed name and title.



Independent Auditor's Report

To the members of Foodbank NSW & ACT Limited:

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report**, of the Foodbank NSW & ACT Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2020.
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' declaration of the Company.
- Declaration by the Directors in respect of fundraising appeals of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 auditor independence requirements of the *ACNC Act 2012* 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 fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Foodbank NSW & ACT Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- Preparing the Financial Report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 of the Company 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.

In addition we have:

- Obtained an understanding of the internal control structure for fundraising appeal activities.
- Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act and Regulation.

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

- the Financial Report gives a true and fair view of the Company's financial result of fundraising appeal activities for the financial year ended 30 June 2020;
- the Financial Report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2019 to 30 June 2020, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;
- money received as a result of fundraising appeal activities conducted during the period from 1 July 2019 to 30 June 2020 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.



KPMG



Trent Duvall

Partner

Sydney

27 October 2020