



BaptistCare

Financial Report 2020



*Because
we care*

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Directors' report

The Directors present their report together with the financial statements of BaptistCare NSW & ACT (BaptistCare) for the financial year ended 30 June 2020 and the auditor's report thereon.

BaptistCare NSW & ACT is a public company incorporated under the *Corporations Act 2001*, is limited by guarantee, is registered as a charity with the Australian Charities and Not-for-profits Commission, is endorsed as an Income Tax Exempt Charity by the Australian Taxation Office and recognised as a Public Benevolent Institution.

1. Objectives and Strategies

The purpose of BaptistCare is 'Transforming Lives by Expressing the Love of Christ'.

BaptistCare's vision is to see 'Every Individual Living Well'. To achieve this vision, BaptistCare will continue to deepen, strengthen and grow its areas of service so that more people in more places can experience loving care.

To ensure it focuses on this vision, BaptistCare will serve in those areas where it can have the greatest impact. This means that as BaptistCare grows it will choose to deliver services in areas where there are fewer services being provided and it will prioritise the delivery of services in areas where its capabilities can best meet the local needs.

BaptistCare's 2020-2025 Strategic Plan titled 'The Care Revolution' captures the fundamental strategic approaches and high level initiatives BaptistCare will undertake for this period. The focus is on having clarity about what matters most in order for BaptistCare to bring loving care into the lives of the individuals and communities it serves.

This strategy underlies the organisation's updated customer promise '*because we care*' and supports BaptistCare's belief that when services are delivered with love and care, BaptistCare's customers will know that BaptistCare is providing that service, *because we care*.

BaptistCare's Strategic Plan identifies seven focus areas that together deliver success. Each area has a single-minded idea that drives the strategy for that area for the next five years as BaptistCare aspires to see 'every individual living well'. The seven focus areas and single-minded ideas are:



Further information is available in the Strategic Plan and Annual Report, which are available for public distribution and can be accessed on the website, www.baptistcare.org.au/publications.

2. Principal activities

BaptistCare has four primary divisions which work together to achieve the objectives of BaptistCare. These divisions are as follows:

- Residential Services (Residential Aged Care Homes)
- BaptistCare at home (Supporting Seniors and their Carers to Live Independently at Home)
- Housing and Retirement Living (which includes Social and Affordable Housing)
- Community Services (which includes HopeStreet locations, Counselling and Family Services and HopeEmployment)

BaptistCare also delivers Chaplaincy Services across its divisions. These are managed centrally through Support Services.

3. Financial Position, Operational Highlights and Significant Changes in State of Affairs

The operating surplus of BaptistCare for the year ended 30 June 2020 was \$7,688,000 (2019: \$259,000).

Before noting a number of operational highlights for the 2019/2020 year, the Directors would like to note the significant challenges faced by the organisation as a result of the COVID-19 outbreak.

In March 2020, BaptistCare Dorothy Henderson Lodge experienced a COVID-19 outbreak. This was the result of the first community transmission in Australia and Dorothy Henderson Lodge was the first residential aged care home to be affected. The outbreak lasted for 60 days. 16 residents and 5 employees were diagnosed as COVID-positive and we were heartbroken when 6 of our residents passed away. The Board worked closely with Management during the outbreak, supporting the team as needed, attending planning meetings and press conferences, and offering advice and prayers wherever possible.

We are proud of the way our Management team and our staff at Dorothy Henderson Lodge navigated this situation. We are grateful for the residents and families who supported our team through this very difficult situation with understanding, patience and encouragement. We are thankful for the support we received from the Government bodies, including the Commonwealth Department of Health, NSW Health, the Northern Sydney Local Health District and the Aged Care Quality and Safety Commission, and the many individuals from HealthCare Australia who came to work at the site.

We know the devastating impact that COVID-19 has had, and continues to have, on older Australians and so we have taken opportunities to share our learnings with others in the sector, including Anglicare during their outbreak at Newmarch House and most recently at a hearing of the Royal Commission into Aged Care Quality and Safety. All BaptistCare operating divisions continue to remain vigilant as to the risks of further outbreaks in the community and to prepare and respond to advice and guidelines as it becomes available.

Operational highlights for the 2019/2020 year are as follows:

- July 2019: The New Aged Care Quality Standards commenced. BaptistCare's Residential and at home teams implemented these standards.

DIRECTORS' REPORT (CONTINUED)

- August 2019: BaptistCare celebrated the commitment of employees and volunteers at the annual You Can Awards Celebration Dinner with 31 outstanding staff and volunteer awardees who have made a lasting impact across the organisation.
- September 2019: BaptistCare commenced its 75th year of operation. The milestone was marked with a lunch attended by long-term supporters of the organisation and the launch of a commemorative anniversary book. The book, titled *Because we care*, features 75 stories capturing a range of services, events, activities and people whose memories detail some of the rich tapestry that is BaptistCare's heritage and history.
- September 2019: BaptistCare Warabrook successfully secured Accreditation for three years.
- October 2019: BaptistCare's at home team received \$430,000 from the Federal government to purchase 300 Breezie tablets, specifically designed to help seniors living at home to interact online and overcome isolation. Over 220 clients are currently using these tables, with a further 60 clients waiting for their tablet to arrive.
- October 2019: BaptistCare commenced construction of its retirement living community development, Yarra Rossa, in Red Hill, ACT. The 100-apartment build is due for completion in late-2021. Sales and marketing activities have been launched, with a sales office located a short drive from the Yarra Rossa development site.
- November 2019: BaptistCare's at home team piloted its new streamlined customer management and scheduling system, Alayacare/ORTEC in the Central Coast/Hunter region. This system increases productivity and reduces administration time, allowing staff to better care for clients and better understand clients and their needs.
- December 2019: BaptistCare Women's Services launched a research report into the experience of migrant women working in low-end brothels in Sydney. The Report was exclusively reported by The Drum on the ABC and our Women's Services Manager appeared on a live television panel to discuss the findings.
- December 2019: BaptistCare Bouddi Place in Point Clare was officially opened. An Open Day was held and the site has received a visit from the Minister for Families, Communities and Disability Services, Gareth Ward. This Social and Affordable Housing site includes 55 brand new units, including 43 one-bedroom units for seniors and 12 two-bedroom units for single-parent families.
- December 2019: Stage two of Maranoa Village's independent living units in Alstonville on the NSW North Coast commenced construction. The development comprises 15 new units. Sales commenced in April 2020.
- February 2020: Staff and Volunteer Dedication Services were held during February at several BaptistCare sites. Participation and feedback was very positive as staff and volunteers came together to celebrate the organisation's 75th anniversary year.
- February 2020: Our Carer Respite and Carelink Centre (CRCC) service held their last event, taking 56 young carers and their families to a 'Roar and Snore' overnight stay at Taronga Zoo, Sydney. The CRCC funding and services moved across to a new Carers Gateway model in May 2020, after assisting over 20,000 carers during its 23-year history.
- February 2020: BaptistCare acquired Bethshan Gardens Aged Care, located in Wyee, following approval of the Department of Health. Bethshan Gardens has 134 rooms with ensuites, arranged in a configuration of 7 cottages.
- February 2020: BaptistCare Griffith successfully secured Accreditation for one year.

- April 2020: BaptistCare HopeStreet purchased a second premises for Women Services in St Marys. A DA has been lodged to change the use and refurbish the commercial cottage. This new space will provide local women with a safe and homelike space to relax, connect with others and access free and practical support like showers, laundry facilities and food support.
- June 2020: Construction was completed on the third and final stage of the Gracewood Village at Kellyville, consisting of 88 new apartments. This brings the total to 241 apartments in the community. The first residents began moving in on 1 July 2020, at which time approximately 65% of the units were sold.
- June 2020: BaptistCare launched Flourish, a new self-care program for all our staff and volunteers, and their families. The program offers confidential and complimentary services in areas such as counselling, chaplaincy support, lifestyle support, learning and development, financial coaching and legal support.
- Our People and Culture unit focused on future-proofing our workforce by developing a Talent Acquisition Team to drive a more proactive recruitment strategy, implementing the Care Advantage screening tool, implementing a new Recruitment Management Solution and recruiting a Care Reserve Team during COVID-19 comprising 120 new employees deployed across our aged care homes.
- Various BaptistCare Counselling and Family Services, and HopeStreet locations received rapid response and emergency funding from funding bodies and local councils after the beginning of the COVID-19 pandemic to respond to the needs of our clients and people experiencing disadvantage during the health and economic crisis.
- Ongoing collaboration and partnership with the Baptist Association has been enhanced through the Pastoral Care Volunteers program and Train the Trainer Days. In the past year, 12 Baptist Churches sent pastors and leaders to undertake this training program. This improved pastoral care and mission opportunities for the local church and increased the number of pastoral care volunteers for BaptistCare.
- BaptistCare has continued to work on the final 363 new Social and Affordable Housing dwellings at Five Dock (previously Kitty Doyle) (79 seniors units – completed in September 2020) and Narellan/Elderslie (122 units for seniors and families – due for completion in October 2020). The development at Carlingford (162 units for seniors and families – due for completion 2022) received re-zoning approval in November 2019 and the Development Application for the Social and Affordable Housing component of this site was submitted in April 2020.

More information is contained at www.baptistcareannualreport2020.org.au.

There were no significant changes in the state of affairs of BaptistCare during this financial year. There are, however, two other matters to note.

- Enforceable Undertaking from the Fair Work Ombudsman:* BaptistCare undertook a detailed review into annual leave entitlements for its shift workers in July 2018 which identified leave loading underpayments totalling approximately \$1.2 million and overpayments totalling \$1.37 million for the period between 1 December 2011 and 12 July 2018. BaptistCare has rectified the underpayments to all current employees. Employees who received additional leave accruals in error were not required to reimburse the overpaid leave. The findings prompted BaptistCare to self-report to the Fair Work Ombudsman and subsequently entered into an Enforceable Undertaking. BaptistCare is committed to paying all of its employees properly and takes this matter extremely seriously. It is committed to meeting all legal obligations and finalising all measures requested by the Fair Work Ombudsman.

DIRECTORS' REPORT (CONTINUED)

- b) *Government COVID-19 Support:* BaptistCare met the eligibility criteria for the Australian Government's 'JobKeeper' payment scheme which was established to support businesses significantly impacted by COVID-19 by helping with the costs of employee wages. This scheme has provided much needed support to enable BaptistCare to retain employees and pay them their normal earnings, as well as being very beneficial to those employees who have received additional payments. It has also supported BaptistCare in continuing to provide life-transforming care to all customers and has mitigated otherwise significant losses due to the adverse impacts of the COVID-19 pandemic.

4. Measurement of Performance & Compliance with Standards

BaptistCare measures its performance through the establishment and monitoring of indicators and benchmarks, which are regularly reviewed by the Board and Senior Management. These include:

- Customer Satisfaction Surveys
- Staff turnover
- Staff Satisfaction Survey
- Work, Health and Safety measurements
- Fundraising metrics
- Occupancy Rates
- Number of Home Care Packages
- Progress on major capital projects
- Growth in Community Services
- Returns on financial investments
- Various financial indicators, including performance against the Board-approved budget for the year

BaptistCare also takes steps to ensure compliance with all relevant industry standards.

5. Board of Directors

The Members of BaptistCare NSW & ACT elect the Board.

During the last financial year, Judith Carpenter and Robyn Worsely retired from the Board. Stuart Abbott has also recently retired from the Board. We thank Judith, Robyn and Stuart for their years of service, and Judith for her leadership of the Board between November 2016 and November 2019.

The Board currently comprises 9 Directors (the maximum number is 12) who serve in a voluntary capacity and subject to BaptistCare's Constitution, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012*.

Details of the Directors of BaptistCare at any time during or since the end of the financial year are:

Name	Qualifications & Experience	Appointed / Retired	Special Responsibilities at Balance Date
Robert Dunn	BA (Hons) GAICD, CA (ANZ) Executive Officer and Company Director	November 2018	Chair from November 2019 Chair of the Royal Commission Committee from January 2020 Member of the Care & Clinical Governance Committee from January 2020 and Chair from April 2020 Member of Governance & Nominations Committee since November 2018 Member of the Audit & Risk Committee since March 2019 Member of Castle Hill Baptist Church
Corinne Glasby	BEC FIAA Actuary	November 2019	Vice Chair from November 2019 Chair of the Remuneration and Performance Committee from January 2020 Member of Audit & Risk Committee from November 2019 Member of the Royal Commission Committee from June 2020 Member of Epping Baptist Church
Owen Chew Lee	BCA BSc FCA GAICD Banker and Company Director	June 2017	Member of the Audit & Risk Committee from June 2017 and Committee Chair from March 2019 Member of the Remuneration & Performance Committee from June 2017 Trustee of BCS Foundation from November 2019 Director of B.C.S. Foundation Pty Limited from November 2019 Member of Gordon Baptist Church

DIRECTORS' REPORT (CONTINUED)

John Church	FFin FCIS FAICD FTIA Company Director	September 1984	Member of Audit & Risk Committee from May 1992 Member of Governance & Nominations Committee from November 2009 Trustee of BCS Foundation from November 1999 Director of B.C.S. Foundation Pty Limited from November 1999 Member of Gordon Baptist Church
Craig Collins	BBus (Land Economics) Chief Executive Officer, Hospitality Sector Company	November 2012	Member of Property Strategy & Building Governance Committee from May 2017 Member of Epping Baptist Church
Peter Murphy	BBus MCom MA (Christian Studies) FCPA GAICD Management Consultant	April 2016	Member of the Royal Commission Committee since January 2020 Member of the Property Strategy & Building Governance Committee since January 2020 Member of Blakehurst Baptist Church
Anna Phan	BA (Hons) Executive Officer	November 2018	Member of Remuneration & Performance Committee since November 2018. Member of the Care & Clinical Governance Committee since March 2019. Member of the Governance & Nominations Committee since January 2020. Member of the Erina Community Baptist Church
Cameron Webb	BBus (Retail Management), MBA GAICD IT Executive, Retail	November 2016	Chair of Property Strategy & Building Governance Committee from May 2017 Member of the Audit & Risk Committee from March 2019 until November 2019 Member of the Care & Clinical Governance Committee since January 2020 Member of the Royal Commission Committee since November 2018 Member of Dural Baptist Church
Ian Wilson OAM	BHealthScience (Mgt) Dip Health Admin Retired Chief Executive Officer, Aged Care/Community Services	March 2010	Chair of Governance & Nominations Committee from November 2010 Member of Kiama Baptist Church

Judith Carpenter	BA TCert MIMCA MAICD Human Resources Consultant	July 2002 (retired December 2019)	Chair from 21 November 2016 to November 2019 Member of Remuneration & Performance Committee from May 2003 to November 2019 and Committee Chair from July 2010 to November 2019 Member of the Royal Commission Committee from January 2019 until November 2019 Member of Ashfield Baptist Church
Robyn Worsley	Retired Registered Nurse	March 2016 (retired March 2020)	Member of Remuneration & Performance Committee from April 2016 to February 2019 Chair of Care & Clinical Governance Committee from May 2017 to March 2020 Member of the Royal Commission Committee from November 2018 to March 2020 Member of Carlingford Baptist Church
Stuart Abbott	B Bus Company Director and Chief Executive Officer	February 2017 (retired September 2020)	Member of the Property Strategy & Building Governance Committee from May 2017 until September 2020 Member of Thornleigh Community Baptist Church

DIRECTORS' REPORT (CONTINUED)

6. Directors' meetings

The number of meetings of the Board of Directors (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors during the financial year is as follows:

Director	Board	Audit & Risk Committee	Remuneration & Performance Committee	Governance & Nomination Committee	Care & Clinical Governance Committee	Property Strategy & Building Governance Committee	Royal Commission Committee
Judith Carpenter*	3	1	1	2	2	1	
Robert Dunn	9	5	1	5	4		2
Stuart Abbott	7					3	
Owen Chew Lee	8	5	2				
John Church	8	5		5			
Craig Collins	9					4	
Corinne Glasby	5	2	1				1
Peter Murphy	5					2	2
Anna Phan	7		2	1	7		1
Cameron Webb	9	2			4	4	
Ian Wilson	9			5			
Robyn Worsley	4				4		1
Total number of meetings	9	5	2	5	7	4	2

* During the Financial Year, Judith Carpenter attended the meetings of the Audit & Risk Committee, Governance & Nominations Committee, Care & Clinical Governance Committee and Property Strategy & Building Governance Committee meetings in an ex-officio capacity.

7. BaptistCare Members

Membership of BaptistCare is available to all Members of Churches affiliated with The Association of Baptist Churches of NSW & ACT in the following ways:

- Each Church may nominate one person as their representative for Membership
- Individual Church Members may apply for Membership
- An individual may apply for Life Membership if they have made a single donation of \$500 or more to BaptistCare, or such greater amount as BaptistCare in general meeting shall prescribe
- A member of the Assembly Council of The Association of Baptist Churches of NSW & ACT may apply for Membership (which would apply during the term of their respective office)

In addition, the Directors may appoint Honorary Life Members in recognition of their outstanding service to BaptistCare. At any time there can only be 30 Honorary Life Members (unless otherwise approved by BaptistCare at a general meeting).

At the date of this report there are 119 Members (2019: 147 Members) including 19 Honorary Life Members (2019: 21 Honorary Life Members). Each Member has a liability in the case of a winding-up. The extent of the liability of any Member under the guarantee is as follows:

- Members prior to 20 March 1992: \$0.10
- Members subsequent to 20 March 1992: \$100 per Member

The total amount that Members of BaptistCare are liable to contribute as at 30 June 2020 is \$11,200.70 (2019: \$13,800.90)

8. Events subsequent to reporting date

There have been no events subsequent to the balance date which would have a material effect on BaptistCare's financial statements at 30 June 2020.

9. Government funding

BaptistCare would like to acknowledge the following Government Departments which fund programmes that BaptistCare operates or conducts:

- *Australian Government:* Department of Social Services and Department of Health.
- *New South Wales Government:* Department of Communities and Justice, NSW Health (through various Local Health Districts), Transport for NSW, Corrective Services NSW, NSW Fair Trading and NSW Department of Planning, Industry and Environment
- *Australian Capital Territory Government:* ACT Government Health and ACT Government Community Services.

10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' report for the financial year ended 30 June 2020.

11. Rounding off

BaptistCare is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Directors' report is made out in accordance with a resolution of the Directors:



Robert Dunn
Chair

Dated at Sydney, this 28th day of September 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 BaptistCare NSW & ACT

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

KPMG

A handwritten signature in black ink, appearing to read 'S Isaac'.

Stephen Isaac
Partner

Sydney

28 September 2020

Statement of profit or loss and other comprehensive income

In thousands of AUD

	Note	2020	2019
Revenue	4	278,212	265,832
Other income	4	37,598	11,219
Revenue and other income		315,810	277,051
Personnel expenses	5	(215,483)	(199,527)
Property expenses		(15,136)	(18,423)
Depreciation and amortisation expenses	10,11	(30,221)	(24,941)
Impairment of assets		-	(439)
Housekeeping expenses		(21,918)	(17,333)
Catering expenses		(11,270)	(10,733)
Consultancy fees		(4,480)	(5,622)
Communication expenses and software licence fees		(5,666)	(2,929)
Motor vehicle expenses		(905)	(663)
Other expenses		(8,608)	(7,096)
Expenses		(313,687)	(287,706)
Surplus / (deficit) before net finance income		2,123	(10,655)
Finance income		8,844	11,007
Finance costs		(3,279)	(93)
Net finance income	6	5,565	10,914
Surplus for the year		7,688	259
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedge – effective portion of changes in fair value		-	(346)
Cash flow hedge – reclassified to profit or loss		550	-
Items that will not be reclassified subsequently to profit or loss:			
Investment portfolio at FVOCI – net change in fair value		(6,251)	5,530
Total comprehensive income for the year		1,987	5,443

The notes on pages 19 to 39 are an integral part of these financial statements.

Statement of financial position

In thousands of AUD

	Note	2020	2019
Assets			
Cash and cash equivalents	7	95,408	13,673
Receivables	8	58,866	30,266
Inventories		42	45
Investments	9	14,000	114,000
Assets held for sale		-	446
Total current assets		168,316	158,430
Investments	9	195,528	172,325
Property, plant and equipment	10	642,595	510,563
Intangible assets	11	4,376	5,728
Total non-current assets		842,499	688,616
Total assets		1,010,815	847,046
Liabilities			
Payables	12	574,661	546,591
Loans and borrowings	13	1,758	86
Employee benefits	14	36,307	30,772
Provisions		2,045	2,398
Contract liabilities	15	33,087	16,734
Derivative financial liability		-	549
Total current liabilities		647,858	597,130
Loans and borrowings	13	155,891	42,064
Employee benefits	14	3,072	2,751
Contract liabilities	15	8,673	18,591
Total non-current liabilities		167,636	63,406
Total liabilities		815,494	660,536
Net assets		195,321	186,510
Accumulated funds			
Reserves		509	6,210
Retained earnings		194,812	180,300
Total accumulated funds		195,321	186,510

The notes on pages 19 to 39 are an integral part of these financial statements.

Statement of changes in funds

In thousands of AUD

	Fair value reserve	Hedging reserve	Retained earnings	Total funds
Balance as at 1 July 2018	1,230	(204)	180,041	181,067
Surplus for the year	-	-	259	259
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Cash flow hedge – effective portion of changes in fair value	-	(346)	-	(346)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Investment portfolio at FVOCI – net change in fair value	5,530	-	-	5,530
Total comprehensive income for the year	5,530	(346)	259	5,443
Balance as at 30 June 2019	6,760	(550)	180,300	186,510
Balance as at 30 June 2019 as previously reported	6,760	(550)	180,300	186,510
Adjustment on initial application of AASB 1058	-	-	6,824	6,824
Adjusted balance as at 1 July 2019	6,760	(550)	187,124	193,334
Surplus for the year	-	-	7,688	7,688
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Cash flow hedge – items reclassified to profit or loss	-	550	-	550
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Investment portfolio at FVOCI – net change in fair value	(6,251)	-	-	(6,251)
Total comprehensive income for the year	(6,251)	550	7,688	1,987
Balance as at 30 June 2020	509	-	194,812	195,321

The notes on pages 19 to 39 are an integral part of these financial statements.

Statement of cash flows

In thousands of AUD

	Note	2020	2019
Cash flows from operating activities			
Cash receipts from residents, clients, government subsidies and other income		303,992	264,263
Cash paid to suppliers, residents and employees		(303,929)	(255,202)
Cash generated from operations		63	9,061
Dividends received		6,883	3,061
Interest (paid)/ received		(950)	7,448
Net cash from operating activities		5,996	19,570
Cash flows from investing activities			
Payments for property, plant and equipment		(122,927)	(111,397)
Payments for intangible assets		(1,084)	(1,839)
Acquisition through business combination	18	(14,149)	-
Proceeds from disposal of property, plant and equipment		867	2,120
Proceeds from sale of assets held for sale		3,575	5,327
Withdrawal of interest bearing deposits		139,886	104,975
Investment in investment portfolio		(69,340)	(101,955)
Net cash used in investing activities		(63,172)	(102,769)
Cash flows from financing activities			
Net cash inflow from residential aged care accommodation bonds		32,881	27,332
Net cash (outflow)/inflow from retirement village ingoing contributions		(3,899)	8,328
Net cash inflow from drawdown of loan facility		144,000	39,568
Net cash outflow from repayment of loan facility		(30,745)	-
Payment of lease liabilities		(3,326)	(91)
Net cash from financing activities		138,911	75,137
Net increase/(decrease) in cash and cash equivalents		81,735	(8,062)
Cash and cash equivalents at beginning of year		13,673	21,735
Cash and cash equivalents at end of year	7	95,408	13,673

The notes on pages 19 to 39 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

BaptistCare NSW & ACT ("BaptistCare") is a public company limited by guarantee and is recognised as a Public Benevolent Institution domiciled in Australia. The address of BaptistCare's registered office is 22 Brookhollow Avenue, Norwest, NSW 2153. The financial statements are as at and for the year ended 30 June 2020.

BaptistCare is a not-for-profit entity and is primarily involved in the provision of aged and community care service.

2. Basis of preparation

(a) Statement of compliance

In the opinion of the Directors, BaptistCare is not publicly accountable as defined in *AASB 1053 Application of tiers of Australian Accounting Standards*. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profit Commission Act 2012*. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements. The financial statements were approved by the Board of Directors on 28 September 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for equity securities, managed funds and derivatives, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is BaptistCare's functional currency.

BaptistCare is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of adoption of AASB 16 Leases, AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities from 1 July 2019. Refer note 3(l) for further details on these standards.

(a) Financial instruments**(i) Recognition and initial measurement**

Receivables are initially recognised when they originate. All other financial assets and financial liabilities are initially recognised when BaptistCare becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurementFinancial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if in the period BaptistCare changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an investment that is not held for trading, BaptistCare may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the surplus for the year. Any gain or loss on derecognition is recognised in the surplus for the year.
Investment portfolio at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the surplus for the year.

(iii) Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments and hedge accounting

BaptistCare holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in OCI.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss or the hedge item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(b) Property, plant and equipment*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to BaptistCare and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised as property expenses in the statement of profit or loss and other comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)*(iii) Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	25 - 50 years
• Leasehold improvements	3 - 40 years
• Plant, furniture and equipment	3 - 10 years
• Computer equipment	3 - 5 years
• Motor Vehicles	5 - 10 years
• Leased land	Lease term

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Intangible assets*(i) Computer software*

Computer software is recognised as an intangible asset unless the software is integral to the operation of the related property, plant and equipment. Computer software treated as an intangible asset is initially recognised at cost and subsequently measured at cost less accumulated amortisation and any accumulated impairment loss (see note 11).

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in property expenses in the statement of profit or loss and other comprehensive income as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3-5 years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Impairment**(i) Financial assets**

BaptistCare recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets (e.g. bid costs).

BaptistCare measures loss allowances at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, BaptistCare considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on BaptistCare's historical experience and informed credit assessment and including forward-looking information.

Credit impaired financial assets

At each reporting date, BaptistCare assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying value of the assets.

Write off

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when BaptistCare determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(ii) Non-financial assets

The carrying amounts of BaptistCare's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

BaptistCare's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash-generating unit to which the corporate asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in impairment loss in the statement of profit or loss and other comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with BaptistCare's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

(g) Employee benefits**(i) Defined contributions plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in the statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

BaptistCare's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. The benefit is discounted to determine its present value at the reporting date.

The provision for employee benefits for long service is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national corporate bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if BaptistCare has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Provisions

A provision is recognised if, as a result of a past event, BaptistCare has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Make good*

A make good provision is recognised when BaptistCare enters into a lease contract that requires the property to be returned to the lessor in its original condition. The provision is based on the expected future cost of the refurbishment discounted to reflect current market assessments.

(ii) *Restructuring – redundancies*

A provision for restructuring is recognised when BaptistCare has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided.

(i) Retirement villages income and expenditure

BaptistCare maintains separate resident statements of income and expenditure in accordance with the Retirement Villages Act 1999 (NSW) (the Act). The resident income and expenditure is controlled by the residents' committees. BaptistCare records the net surplus on the income and expenditure statement as a liability to the individual village. BaptistCare is required to make good any deficit of a retirement village in accordance with the Act.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in finance income in the statement of profit or loss and other comprehensive income, using the effective interest method. Dividend income is recognised in finance income in the statement of profit or loss and other comprehensive income on the date that BaptistCare's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise the unwinding of the discount on finance leases and interest expense on the loan which is recognised using the effective interest method.

(k) Income tax

BaptistCare is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(l) Changes in significant accounting policies

BaptistCare applied AASB 16 Leases, AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-profit entities from 1 July 2019. A number of other new standards are effective from 1 July 2019 but do not have a material effect on BaptistCare's financial statements.

(i) *AASB 16 – Leases*

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, BaptistCare, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

BaptistCare has applied AASB 16 using the modified retrospective approach, under which

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)

the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, BaptistCare determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. BaptistCare now assesses whether a contract is or contains a lease based on the definition of a lease. Under AASB 16, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, BaptistCare elected to apply the practical expedient to grandfather the assessment of which transactions are leases. BaptistCare applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, BaptistCare allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For leases of properties in which it is a lessee, BaptistCare has elected to separate non-lease components and will account for the lease and non-lease components of a lease. BaptistCare relied on the assessment of whether leases are onerous immediately before application of AASB 16 as an alternative to performing an impairment review.

As a lessee

BaptistCare leases assets including items of property. BaptistCare previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to BaptistCare. Under AASB 16, BaptistCare recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

BaptistCare recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. BaptistCare presents right-of-use assets that do not meet the definition of investment property in 'Leased Assets' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using BaptistCare's incremental borrowing rate for the portfolio of leases. Lease liabilities are presented in Note 13 Loans and Borrowings.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under a residual guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

BaptistCare has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether BaptistCare is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Previously, BaptistCare classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at BaptistCare's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: BaptistCare applied this approach to all other leases.

BaptistCare used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- Prepaid rent of \$170,000 was de-recognised and included as part of the right-of-use asset.
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

As a lessor

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117.

Residential aged care

Due to the changes in AASB 16 of how a lease is identified, resident accommodation agreements are considered a lease under AASB 16. BaptistCare has concluded that the lease term for these arrangements is 7 days (being the notice period required from a resident upon departure), and therefore the application of AASB 16 to these agreements does not have a material impact on the recognition or measurement of revenue. BaptistCare now discloses Daily Accommodation Payment (DAP), Daily Accommodation Contribution (DAC) and accommodation supplement revenue separately from revenue from contracts with customers (see Note 4).

Retirement villages

Deferred management fee (DMF) revenue represents the fee that is contractually deducted from the ingoing contribution that is paid back to a resident upon exit from a retirement village. DMF revenue is recognised over the expected length of stay of the resident. BaptistCare now discloses this revenue separately from revenue from contracts with customers (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)Impact on financial statements

On transition to AASB 16, BaptistCare recognised additional right-of-use assets and lease liabilities. The impact on the transition is summarised below.

In thousands of AUD

1 July 2019

Right-of-use assets – property, plant and equipment	14,451
Prepaid rents	(170)
Lease fit out incentives and rent rebates	1,884
Lease liabilities	(16,165)
Retained earnings	-

When measuring the lease liabilities for leases that were classified as operating leases, BaptistCare discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average discount rate applied 2.6%.

Operating lease commitment as at 30 June 2019 as disclosed in financial statements	7,342
Discount using the incremental borrowing rate at 1 July 2019	(1,708)
Recognition exemption for leases with less than 12 months of lease term and low value leases at transition	(153)
Extension options reasonably certain to be exercised	10,684
Lease liabilities recognised at 1 July 2019	<u>16,165</u>

Below is the reconciliation of the right of use asset and lease liability including amounts recognised in profit or loss.

	Right of use asset	
	Land and buildings	Lease Liability
As at 1 July 2019	14,451	16,165
Additions	114	114
Depreciation expense	(1,998)	-
Interest expense	-	382
Payments	-	(2,442)
As at 30 June 2020	<u>12,567</u>	<u>14,219</u>

BaptistCare recognised rent expense from short-term leases and low-value assets of \$448,000 for the year ended 30 June 2020. BaptistCare is a party to approximately 7 arrangements which would meet the definition of a peppercorn or concessionary lease. During the year, total payments for the peppercorn leases amounted to nil.

(ii) AASB 15 – Revenue from contracts with customersChanges in accounting policies

BaptistCare has adopted AASB 15 *Revenue from contracts with customers* and AASB 1058 *Income of Not-for-profit entities* for the first time in the current year with a date of initial application of 1 July 2019.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

AASB 1058 establishes a framework for determining income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. It replaced AASB 1004 *Contributions* and related interpretations.

BaptistCare has adopted AASB 15 and AASB 1058 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and AASB 1004 and related interpretations. Additionally, the disclosure requirements in AASB 15 and AASB 1058 have not generally been applied to comparative information.

AASB 15 and AASB 1058 did not have a significant impact on BaptistCare's accounting policies with respect to revenue streams with the exception of capital grants (below). BaptistCare has disaggregated revenue based on the funding source and nature of the revenue stream, except for the following changes in accounting policy:

Capital grants

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where BaptistCare has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by BaptistCare and there is a refund liability if the terms and conditions are not met then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligations to acquire or construct the asset is completed.

This has resulted in deferral of revenue and recognition of a contract liability for funds which have not been fully spent at transition date.

As at 1 July 2019, BaptistCare recognised an ongoing retained earnings adjustment of \$6,824,000 for revenue that has been previously been deferred as the performance obligation to construct the asset has been completed in previous years. The amount has been recognised in the beginning balance of the retained earnings as an adjustment on initial application of AASB 1058.

Revenue recognition policy

Aged care, home care and other service revenue

BaptistCare recognises revenue from aged care, home care and other services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services as agreed in contractual agreements with residents and clients. Fees received in advance of services performed are recognised as contract liabilities are included within Payables.

Recurrent grants

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised over time as the performance obligations to the grant agreement are fulfilled.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Summary of significant accounting policies (continued)Nature of revenue and cash flows

Further detail on the nature of revenue and cash flows is included in the table below.

Type of revenue	Description
Government revenue – aged care and home care	Government revenue reflects BaptistCare's entitlement to revenue from the Australian Government under the Aged Care Act 1997 based upon the specific care needs of residents and clients. Revenue is recognised over time as services are provided. Funding claims are submitted to the Government and is usually payable within one month of services being performed.
Government revenue – recurrent grants	Recurrent grants are received from the State and Federal Government to deliver outcome based services on a range of programs to provide support to those most vulnerable in the community. Revenue is recognised over time as performance obligations are met. Funding is usually received in advance with a contract liability recorded for unspent funds.
Resident and client income	Residents and clients are charged a basic daily fee as a contribution to the provision of care. The quantum of resident and client fees is regulated by the Government. Basic daily fees are invoiced on a monthly basis and revenue is usually payable within 30 days.

*(iii) AASB 1058 - Income of not-for-profit entities*Grants - capital

Capital grants received under an enforceable agreement to enable BaptistCare to acquire or construct an item of property, plant and equipment to identified specifications which will be controlled by BaptistCare are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred.

For acquisition of assets, the revenue is recognised when the asset is acquired and controlled by BaptistCare.

Donations, bequests and other grants

Other grants such as donations, bequests and legacies and funding agreements which are not enforceable and do not contain sufficiently specific performance obligations are recognised at their fair value when the asset is received. These assets are generally cash, but may be property which has been donated or sold to BaptistCare at significantly below its fair value.

Once the asset has been recognised, BaptistCare recognises any related liability amounts. Income is then recognised for any difference between the recorded asset and liability.

Volunteer services

No amounts are included in the financial report for services donated by volunteers.

4. Revenue

Reconciliation of revenue and other income

<i>In thousands of AUD</i>	2020	2019
Revenue from contracts with customers		
<i>Government Income</i>		
Department of Health funding	201,387	191,349
Other government funding	11,959	11,727
Total government income	<u>213,346</u>	<u>203,076</u>
<i>Resident income</i>		
Basic daily care fee	46,316	45,592
Other resident fee income	2,368	2,777
Total resident income	<u>48,684</u>	<u>48,369</u>
	<u>262,030</u>	<u>251,445</u>
<i>Lease income</i>		
Accommodation income – Resident	12,696	12,256
Rental income	3,486	2,131
	<u>16,182</u>	<u>14,387</u>
Total revenue	<u>278,212</u>	<u>265,832</u>
<i>Other income</i>		
Donations and bequests	2,580	3,015
Net gain on disposal of assets	3,263	4,569
Net gain on acquisition through business combination (refer note 18)	1,190	-
Jobkeeper subsidy	27,890	-
Other income	2,675	3,635
	<u>37,598</u>	<u>11,219</u>
Total revenue and other income	<u>315,810</u>	<u>277,051</u>

After transition to AASB16, BaptistCare now discloses income received under AASB 16 separately from revenue from contracts with customers. These amounts relate to income received in relation to the provision of accommodation to residents. The prior period comparatives have been restated for comparison purposes with no change to the overall revenue recognised.

5. Personnel expenses

<i>In thousands of AUD</i>	2020	2019
Wages and salaries	171,287	160,797
Other associated personnel expenses	21,678	20,131
Workers compensation	6,165	3,413
Contributions to defined contribution plans	16,353	15,186
	<u>215,483</u>	<u>199,527</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Finance income and finance costs

<i>In thousands of AUD</i>	2020	2019
Interest income	1,944	7,695
Dividend income from investment portfolio	6,883	3,189
Other	17	123
Finance income	<u>8,844</u>	<u>11,007</u>
Write off of capitalised bank fees	1,633	-
Interest on lease liability	382	-
Others	1,264	93
Finance costs	<u>3,279</u>	<u>93</u>
Net finance income	<u>5,565</u>	<u>10,914</u>

7. Cash and cash equivalents

<i>In thousands of AUD</i>	2020	2019
Cash at bank and on hand	77	107
Bank deposits at call	95,331	13,566
Cash and cash equivalents	<u>95,408</u>	<u>13,673</u>

8. Receivables

<i>In thousands of AUD</i>	2020	2019
Current		
Receivables - Clients	873	1,652
Receivables - Residents	280	1,265
Deposits Receivable	18,892	14,315
Jobkeeper subsidy receivable	27,890	-
Other receivables and prepayments	11,097	13,335
Provision for impairment losses	<u>(166)</u>	<u>(301)</u>
	<u>58,866</u>	<u>30,266</u>

The movement in the allowance for impairment in respect of receivables during the year was as follows:

<i>In thousands of AUD</i>	2020	2019
Balance at beginning of the year	301	712
Impairment loss recognised	80	19
Amounts written off	<u>(215)</u>	<u>(430)</u>
Balance at end of the year	<u>166</u>	<u>301</u>

9. Investments

In thousands of AUD

	2020	2019
Current		
Interest bearing term deposits	14,000	114,000
	<u>14,000</u>	<u>114,000</u>
Non-current		
Interest bearing term deposits	-	40,245
Investment portfolio at fair value through other comprehensive income	195,528	132,080
	<u>195,528</u>	<u>172,325</u>

The carrying value of the investment portfolio is equal to its fair value at 30 June 2020 and 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, plant and equipment

<i>In thousands of AUD</i>	Freehold land & improvements	Buildings	Plant, furniture & equipment	Computer equipment	Motor vehicles	Leased assets	Capital works in progress	Total
Cost or deemed cost								
Balance at 1 July 2019	62,716	447,005	76,886	11,290	7,180	20,618	79,730	705,425
Initial recognition of right-of-use assets	-	-	-	-	-	14,451	-	14,451
Additions	31	132	979	1,365	649	116	119,655	122,927
Transfer (from)/to capital works in progress	80	21,687	4,848	-	-	143	(26,758)	-
Disposals	(205)	(573)	(93)	(308)	(678)	-	(705)	(2,562)
Acquisition through business combination	3,000	26,500	808	-	-	-	-	30,308
Adjustment on initial adoption of AASB 15 (Refer note 15)	-	-	-	-	-	(6,216)	-	(6,216)
Balance at 30 June 2020	65,622	494,751	83,428	12,347	7,151	29,112	171,922	864,333
Depreciation								
Balance at 1 July 2019	427	127,568	43,598	9,207	3,764	10,298	-	194,862
Depreciation for the year	147	17,628	6,451	976	1,068	2,637	-	28,907
Disposals	-	(245)	(93)	(70)	(461)	-	-	(869)
Adjustment on initial adoption of AASB 15 (Refer note 15)	-	-	-	-	-	(1,162)	-	(1,162)
Balance at 30 June 2020	574	144,951	49,956	10,113	4,371	11,773	-	221,738
Carrying amounts								
At 1 July 2019	62,289	319,437	33,288	2,083	3,416	10,320	79,730	510,563
At 30 June 2020	65,048	349,800	33,472	2,234	2,780	17,339	171,922	642,595

11. Intangible assets

In thousands of AUD

	Computer software	Other	Total
Cost			
Balance at 1 July 2019	16,392	2,547	18,939
Additions	1,084	-	1,084
Disposals	(4)	-	(4)
Transfer to right of use asset	-	(2,039)	(2,039)
Balance at 30 June 2020	17,472	508	17,980
Amortisation			
Balance at 1 July 2019	12,064	1,147	13,211
Amortisation for the year	1,290	24	1,314
Disposals	(4)	-	(4)
Transfer to right of use asset	-	(917)	(917)
Balance at 30 June 2020	13,350	254	13,604
Carrying amounts			
At 1 July 2019	4,328	1,400	5,728
At 30 June 2020	4,122	254	4,376

12. Payables

In thousands of AUD

	2020	2019
Current		
Trade payables and accrued expenses	33,859	34,785
Refundable residential aged care accommodation bonds	378,653	345,772
Refundable retirement village ingoing contributions	161,786	165,685
Capital works fund – Retirement Villages	363	349
	574,661	546,591

Capital works fund – Retirement Village

In accordance with the Retirement Villages Act 1999 (NSW) (the Act) the operator of a retirement village may maintain a capital works fund. Section 99 (5) of the Act stipulates that the operator of the retirement village must not use the capital works fund except to meet the cost of capital maintenance, or as agreed by the residents of the retirement village, or as prescribed by the Regulations.

Refundable residential aged care accommodation bonds and retirement village ingoing contributions

Residential aged care deposits (RADs) and accommodation bonds and retirement village ingoing contributions are classified as current liabilities as they may be contractually refundable within twelve months. It is anticipated that only a portion of the balance will be required to be repaid in that period and based on previous experience, the repayments are offset by inflows of accommodation bonds and ingoing contributions from residents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Loans and borrowings

<i>In thousands of AUD</i>	2020	2019
Current		
Lease liability	1,756	-
Charitable loan funds	2	2
Finance lease liability	-	84
	<u>1,758</u>	<u>86</u>
Non-current		
Lease liability	12,463	-
Finance lease liability	-	1,565
Borrowings	143,428	40,499
	<u>155,891</u>	<u>42,064</u>

Borrowings in 2019 relate to the loan facility established on 1 February 2017 to provide liquidity for the financing of the NSW State Government's Social and Affordable Housing Fund (SAHF) project. Towards the end of the year, the loan has been replaced by a loan facility of \$144,000,000 from National Housing Finance and Investment Corporation (NHFIC). Debt set up costs of \$572,000 have been incurred in relation to the new loan which has been capitalised as part of the borrowings. The unamortised loan transaction costs of the previous loan amounting to \$1,633,000 have been written off in the statement of profit or loss and other comprehensive income on extinguishment of the loan.

14. Employee benefits

<i>In thousands of AUD</i>	2020	2019
Current		
Salary, wages and superannuation payable	8,034	6,160
Liability for annual leave	16,850	13,475
Liability for long-service leave	11,423	11,137
	<u>36,307</u>	<u>30,772</u>
Non-current		
Liability for long-service leave	3,072	2,751
	<u>3,072</u>	<u>2,751</u>

15. Contract liabilities

<i>In thousands of AUD</i>	2020	2019
Current		
Client funds – Consumer Directed Care	24,852	15,147
Independent Living Unit Deferred Management Fees	794	1,308
Government grants	7,441	213
Government contributions	-	66
	<u>33,087</u>	<u>16,734</u>
Non-current		
Independent Living Unit Deferred Management Fees	8,673	6,843
Government grants	-	6,611
Government contributions	-	5,137
	<u>8,673</u>	<u>18,591</u>

In 2011, BaptistCare received \$8,530,000 for the construction of community housing at Goulburn and Lismore. The grant was previously recognised as deferred income and was being amortised over 40 years. BaptistCare has agreed to provide the community housing for a period of 40 years and this obligation is secured by way of registered mortgages over the relevant properties. At the end of 40 years, the mortgages will be discharged and the properties will belong unencumbered to BaptistCare. BaptistCare have adopted AASB 1058 using the cumulative effect method and have recognised \$6,824,000 as a transition adjustment in retained earnings as at 1 July 2019 as the performance obligation to complete the construction has been completed.

BaptistCare is a party to approximately 7 arrangements which would meet the definition of a peppercorn or concessionary lease. AASB 16 Leases and AASB 1058 Income of not-for-profit entities originally required not-for-profit entities to record the fair value of peppercorn or concessionary leases as a right of use asset, and as income when the lease is obtained. However in January 2019, following feedback on the absence of guidance on how to value leases of this type, the AASB issued a temporary option for not-for-profit entities to measure these leases at either fair value or cost. Cost represents the measurement of the lease liability and hence would be a negligible amount. BaptistCare has adopted the temporary option of recognising the concessionary leases at cost and adjusted the deferred revenue and the written down value of the assets.

16. Reserves

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of the investment portfolio.

Hedging reserve

Under the terms of the Social and Affordable Housing Fund (SAHF) financing facility, BaptistCare was required to maintain an interest rate hedging strategy to address the risk of adverse interest rate movements. The hedging reserve includes the difference between the change in the fair value of the loan to that of the hedging instrument. As at 30 June 2020, the cumulative balance of the hedging reserve was transferred to profit or loss as a result of the settlement of the initial SAHF financing facility, and the forecast transaction no longer being probable of occurring.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Capital and other commitments

<i>In thousands of AUD</i>	2020	2019
Capital expenditure commitments	<u>148,017</u>	<u>157,397</u>

Included in capital expenditure commitments are costs for the design and construction for major projects associated with the Social and Affordable Housing Fund (SAHF) program.

18. Acquisition through business combination

On 31 January 2020, BaptistCare acquired the net assets and ongoing business of "Bethshan Gardens" facility.

(a) Consideration transferred

<i>In thousands of AUD</i>	2020
Cash	<u>14,149</u>
Total consideration transferred	<u>14,149</u>

(b) Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of the assets acquired and liabilities assumed at the acquisition date

<i>In thousands of AUD</i>	
Land and buildings	29,500
Plant and equipment	808
Trade and other receivables	1,377
Refundable accommodation deposits	(15,532)
Employee benefits provision	<u>(814)</u>
Total net assets acquired	<u>15,339</u>

Discount on acquisition amounting to \$1,190,000 has been recognised under other income in the statement of profit or loss and other comprehensive income within other income.

19. Contingent liabilities

Where Government capital grants have been made towards buildings, they may be refundable to the Government in the event of sale of the property on which these buildings have been constructed or in the event of a change in the usage of the property for purposes not in accordance with the grants. The Directors have no future plans which would trigger the refund of capital grants.

Certain recent court decisions, not involving BaptistCare, regarding the correct application of various employee entitlements may have an impact on BaptistCare. BaptistCare does not consider the majority of the principles relating to these court decisions directly apply to the BaptistCare's employment arrangements. No provision has therefore been recognised in relation to these matters at 30 June 2020.

20. Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 5) was \$2,301,709 for the year ended 30 June 20 (2019: \$2,047,182).

As part of their remuneration package, BaptistCare also provides non-cash benefits to key management personnel and contributes to a superannuation fund on their behalf.

Transactions with other related parties

B.C.S. Foundation Pty. Limited acts as a trustee and custodian trustee for seven charitable trusts, including the BCS Foundation. These trusts collectively distributed \$1,201,071 (2019: \$1,015,434) during the year ended 30 June 2020 to BaptistCare.

21. Auditor's remuneration

<i>In dollars</i>	2020	2019
Fees paid to auditors of BaptistCare – KPMG		
Audit of financial statements	166,700	143,500
Other regulatory audit services	42,800	41,000
	<u>209,500</u>	<u>184,500</u>
Other services		
Other assurance and advisory services	<u>204,000</u>	<u>52,000</u>

22. Subsequent events

As at the date of this report, the future impact of COVID-19 on the domestic economy and the impact on BaptistCare remains uncertain. BaptistCare has and continues to monitor this situation.

Apart from the above, no other items, transactions or events of a material or unusual nature that, in the opinion of BaptistCare, are likely to significantly affect operations, the results of those operations or the state of affairs of BaptistCare that have arisen in the period from 30 June 2020 to the date of this report.

Directors' declaration

In the opinion of the Directors of BaptistCare NSW & ACT (BaptistCare):

- (a) the financial statements and notes that are set out on pages 15 to 39 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (i) giving a true and fair view of BaptistCare's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (b) there are reasonable grounds to believe that BaptistCare will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'R Dunn', with a stylized flourish at the end.

Robert Dunn
Chair

Dated at Sydney, this 28th day of September 2020



Independent Auditor's Report

To the members of BaptistCare NSW & ACT

Opinion

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

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

- i. 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
- ii. 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:

- i. Statement of financial position as at 30 June 2020.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration 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* (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 BaptistCare NSW & ACT'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 an audit opinion or 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:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.
- ii. 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.
- iii. 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:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. 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 skepticism throughout the audit.

Our responsibilities include:

- i. Identifying 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.

- ii. Designing and performing 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.
- iii. Obtaining 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 its effectiveness.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. Concluding 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.
- vi. Evaluating 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.

KPMG

Stephen Isaac
Partner

Sydney
28 September 2020



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