Brotherhood of St Laurence

Working for an Australia free of poverty

FINANCIAL REPORT 2014

CONTENTS

Cover image: The Brotherhood's Social Inclusion program offers participants the chance to connect with others.

ORGANISATIONAL INFORMATION

ABN 24 603 467 024

The Brotherhood is incorporated under the *Brotherhood of St Laurence (Incorporation) Act 1971*, number 8188 of the Victorian Parliament, and is domiciled in Australia. The registered office of the Brotherhood is at 67 Brunswick Street, Fitzroy Victoria 3065.

The Brotherhood conducts the majority of its activities in metropolitan Melbourne.

The financial report incorporates all activities undertaken by the Brotherhood. The organisation's functional and presentation currency is AUD($).

A description of the organisation's operations and its principal activities is included in the review of operations and activities in the Directors' Report on pages 3 to 8. The Directors' Report forms part of the Annual Financial Report.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Brotherhood of St Laurence (the 'Brotherhood') for the financial year ended 30 June 2014 and the auditor's report thereon.

Lady Southey AC is Patron of the Brotherhood.

The President of the Brotherhood is the Anglican Archbishop of Melbourne.

1 Directors

The names and details of the Brotherhood's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated. All Directors serve the Brotherhood on a voluntary basis except for the Executive Director. No Director holds any legal interest in the Brotherhood.

Bishop Philip Huggins MA, BEc
(Non-executive Chair from December 2005)

Bishop of the Northern and Western Regions, Diocese of Melbourne. Member of Christian World Service Commission. Member, Board of Centre for Dialogue, La Trobe University. Member, Multi-faith Advisory Group – Office of Multiculturalism and Citizenship. Member, Board of St Laurence Community Services. President, Lowther Hall Anglican Grammar School. Member, Brotherhood Nomination and Remuneration committees. Appointed to the Brotherhood Board in November 2004. Appointed Chair in December 2005 and re-appointed in December 2010.

Mr Mike James BCom (Deputy Chair)

Fellow, Institute of Chartered Accountants. Member, Certified Practising Accountants of Australia. Retired Partner, PricewaterhouseCoopers Australia. Chair, Social Traders Limited. Chair, Brotherhood Finance Committee. Member, Brotherhood Remuneration Committee. Appointed to the Board in March 2007 and reappointed in December 2013.

Mr Tony Nicholson BA, BSW (Executive Director)

Executive Director, Brotherhood of St Laurence since October 2004. Member, Brotherhood Finance, Audit and Risk Management, Nomination, Remuneration and Social Enterprises Committees. Appointed to the Board in October 2004.

Professor Judith Chapman AM, BA, BEd, EdDd, FACE, FACEA, FWAIEA

Professor of Education, Australian Catholic University (ACU). Previously Dean of Faculty of Education at ACU. Previously Professor of Education and Associate Dean (Teaching & Learning) of the combined faculties of Economics, Commerce, Education and Law at the University of WA. Previously Director of the Centre of School Decision Making and Management, Monash University. Member, Council of St Catherine's School. Member, Academic Reference Group of the Bishop Perry Institute for parish renewal in the Anglican Church. Appointed to the Board in November 2012.

Ms Celia Clarke BEc, LLB, MBA

Qualified lawyer and accountant with an MBA from the University of Melbourne. Fellow, Chartered Secretaries Australia. Fellow, Leadership Victoria's Williamson Community Leadership Program (2005). ACLA Australian Government Lawyer of the Year 2004. Member, Brotherhood The Women's Network Advisory Committee. Member, Brotherhood Audit and Risk Management Committee (to September 2013). Appointed to the Board August 2003 and reappointed in November 2008. Resigned from the Board September 2013.

Ms Christine Edwards BAppSc, Grad Cert P.S.M, MHealthAdmin

Fellow of the Australian Institute of Management. Associate Fellow of the Australian College of Health Service Management. Member of the Institute of Public Administration Australia. Member Advisory Committee of The Aspiration Initiative. Previously Deputy Chair Prime Minister's Council on Homelessness. Previously Chief Executive Officer, Myer Foundation and the Sidney Myer Fund. Previously Chief Executive Officer of St George's Hospital and Bethlehem Hospital. Previously Deputy Chair of the Asia-Pacific Philanthropy Consortium. Appointed to the Board in September 2011. Resigned from the Board March 2014.

Mr Stephen Grant Grad Dip (Marketing), FCA

Chief Executive Officer, Asia Pacific Business Coalition on AIDS (APBCA). Previously Chief Executive Officer, Victorian Transport Accident Commission (TAC). Previously Chair, Alfred Health. Previously Chair, Victorian Trauma Foundation (VTF). Previously Managing Director, Laura Ashley PLC (UK). Chair, Brotherhood Social Enterprises Committee. Appointed to the Board in April 2009.

Revd Dr J Hugh Kempster BEng, MTheol, PhD, Grad Dip (Education)

Vicar, St Peter's Eastern Hill. Area Dean, Diocese of Melbourne. Co-director, Kempster Consultants. Previously Senior Chaplain, Geelong Grammar School. Previously Vicar, Parish of St Columba, Auckland, New Zealand. Appointed to the Board in November 2012.

The Hon. Rob Knowles AO

Chair, Mental Health Council of Australia. President, Mental Illness Fellowship of Australia. Previously Commissioner, National Health and Hospital Reform Commission. Former Victorian Minister for Health, Aged Care and Housing. Member, Brotherhood Finance Committee. Appointed to the Board in December 2005, took up the position in March 2006, reappointed in December 2010.

Dr Fiona Macdonald BBSc, GradDipCounselPsych, MArts(SocPol), PhD

Research Fellow, Centre for Work + Life, University of South Australia. Previously Executive Director, Equity Research Centre. Previously Director, Victorian Welfare Rights Unit. Previously Director, Wesley Mission Victoria. Appointed to the Board in November 2012.

DIRECTORS' REPORT

Ms Freya Marsden BAgResEco (Hons), MCom (Specialising in Economics), GAICD

A policy economist with a strong interest in participation and social inclusion. Consultant, covering governance, strategy, policy and economic issues. Member, Australian Institute of Company Directors. Authority Member, Victorian Government's Metropolitan Planning Authority. Non-Executive Director and Deputy Chair, Victorian Abalone Central Zone Victorian Government's Interim Board. Non-Executive Director, Ruyton Girls School. Non-Executive Director, Waverley Industries (an Adult Disability Enterprise). Previously Director Policy, Business Council of Australia. Previously DLO Taxation Adviser, Federal Treasurer's Office. Previously Federal Treasury Economist. Previously Policy Adviser in State Government central and line agency roles and a consultant. Member, Brotherhood Finance Committee (from May 2014). Appointed to the Board in May 2014.

Ms Catherina Toh BA(Hons), LLB(Hons), GAICD Practising Member LIV

A lawyer with her own practice specialising in legal and regulatory compliance in the financial services sector. Member, Audit Committee of the State Electricity Commission of Victoria. Chair, Social Venture Partners Melbourne, The Trustee Board of Public Ancillary Fund and The Social Venture Partners Australia Fund. Previously Director and Chair of Compliance & Risk Committee, Nillumbik Community Health Service. Previously member, Risk & Finance Committee, Jesuit Social Services. Member (Chair to February 2014), Brotherhood Audit and Risk Management Committee. Appointed to the Board in December 2013.

2 Company secretary

Ms Jennifer Grayling LLB

Jenny Grayling has held a range of senior management roles in publicly listed companies in Australia and Asia. Former Non-executive Director of Hanover Welfare Services for five years. Former Non-executive Director of East Ivanhoe Community Bank for three years. Former Non-executive Director of Foodbank Victoria for seven years. Appointed Company Secretary in October 2005.

3 Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	DIRECTORS' MEETINGS		FINANCE		AUDIT AND RISK		SOCIAL ENTERPRISES	
Number of meetings held during the year:		11		11		4		4
	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*
The Rt Revd Philip Huggins	9	11	–	–	–	–	–	–
Mr Mike James	10	11	11	11	–	–	–	–
Mr Tony Nicholson	11	11	9	11	1	4	2	4
Professor Judith Chapman AM	8	11	–	–	–	–	–	–
Ms Celia Clarke*	2	3	–	–	–	1	–	–
Ms Christine Edwards*	4	8	–	–	–	–	–	–
Mr Stephen Grant	7	11	–	–	–	–	4	4
Revd Dr Hugh Kempster	9	11	–	–	–	–	–	–
The Hon. Rob Knowles	9	11	5	11	–	–	–	–
Dr Fiona Macdonald	10	11	–	–	–	–	–	–
Ms Freya Marsden*	2	2	2	2	–	–	–	–
Ms Catherina Toh*	4	5	–	–	4	4	–	–

* Held while the Board Member was eligible to attend. Eligibility to attend takes account of leave of absence.

Additional Board sub-committees include the Nominations and Remuneration committees.

4 Principal activities

The principal activities of the Brotherhood during the course of the financial year were the provision of community services across the four life transition stages, the early years, the transition from school to work, the shifts in and out of work and retirement and ageing; together with the recycling and sale of recycled goods, and undertaking research and social advocacy work on behalf of all Australians.

There have been no significant changes in the nature of those activities during the year.

5 Operating and financial review

Organisational overview

Established during the Great Depression over 80 years ago, the Brotherhood was the vision and creation of Father Gerard Tucker, a man who combined Christian faith with a vigorous determination to promote social justice.

Today the Brotherhood is an independent organisation dedicated to broad service delivery. This includes getting people into work, caring for older people, supporting communities, helping families with early childhood programs, and carrying out research and advocacy to improve the wellbeing of our communities.

Performance indicators

Management and the Board monitor the organisation's performance, from implementation of the mission statement and strategic plan through to the performance of the organisation against operating plans and financial budgets. Performance indicators are reported to the Board on a monthly basis using a Balanced Scorecard approach. This enables Directors to monitor the Brotherhood's performance in four main areas: strategic priorities, governance, organisational capacity and health, and the impact of our work.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Brotherhood that occurred during the financial year under review.

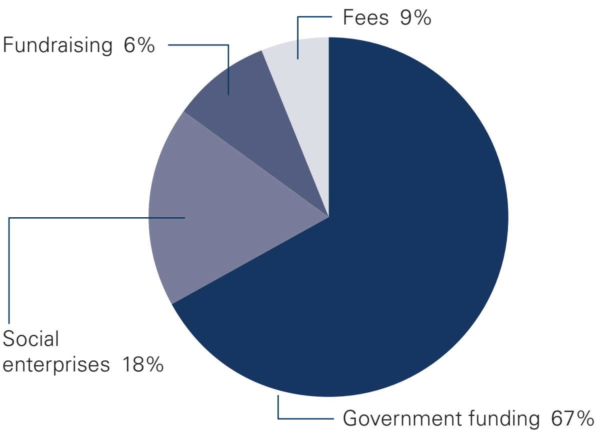
Results for the year

The surplus for the year is $1.8 million compared to $1.1 million in 2012–13. This improvement is due to an increase in net finance income and bequest income, partly offset by an increase in the deficit from operating activities. The operating deficit is $4.4 million in 2013–14, which is $1.4 million higher than in 2012–13. This increase is largely due to a reduction in net return from Social Enterprises.

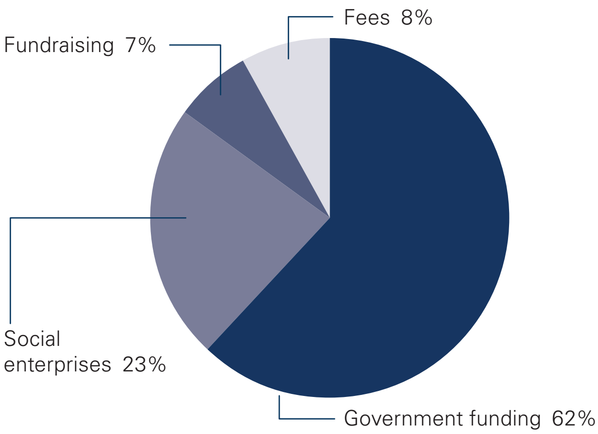
Total donations, excluding bequests, were $5.2 million in 2013–14 (2012–13: $5.4 million), including specified funds for designated programs and unspecified discretionary funds.

Sources and uses of operating funds for the current and previous financial years are shown graphically below. The reduction in the return from Social Enterprises is illustrated in a decrease in the percentage of operating funds and a decrease in the percentage of operating expenditure, although this decrease is to a lesser extent. The 5% increase in the use of operating funds by Children Youth and Families was largely funded by an increase in related government funding.

WHERE OUR OPERATING FUNDS CAME FROM IN 2014

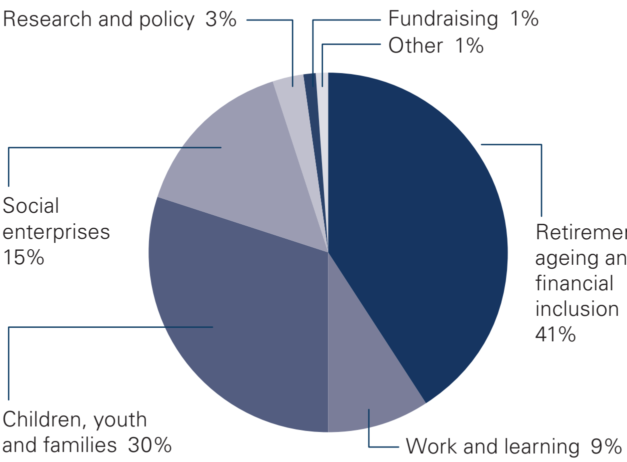


WHERE OUR OPERATING FUNDS CAME FROM IN 2013

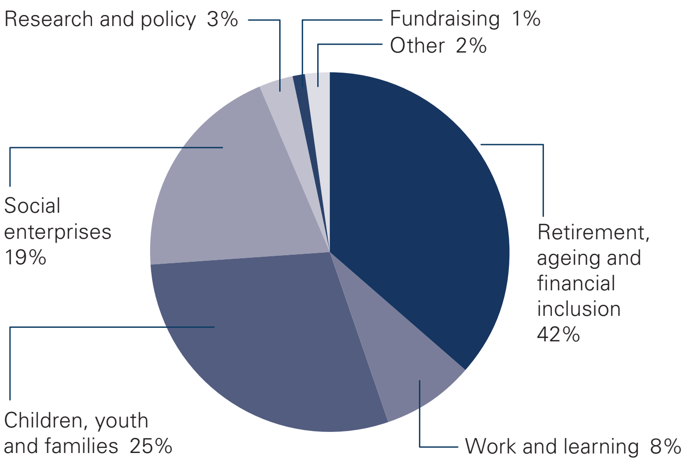


The above charts classify operating funds received on the basis of the specific type of external funding source, rather than by the Brotherhood's internal service activity, the latter being the basis of revenue classification adopted in the statement of profit or loss and other comprehensive income.

WHERE OUR OPERATING FUNDS WERE SPENT IN 2014



WHERE OUR OPERATING FUNDS WERE SPENT IN 2013



DIRECTORS' REPORT

Review of financial condition

The total equity of the organisation has increased by $4.5 million from the 2013 financial year end, to $100.1 million as at 30 June 2014. This increase is mainly as a result of the net increase in the fair value of investments held and the surplus generated for the period.

6 Corporate governance statement

The following principles, practices and structures establish the framework for the governance of the Brotherhood.

Charter Members

Up to 40 Charter Members are permitted under the Brotherhood's Constitution, including the Executive Director.

The Charter Members at any time during or since the end of the 2013–14 financial year are:

Ms Joanna Baevski
Ms Diana Batzias
Ms Cath Bradley
Mr David Buxbaum
Prof. Judith Chapman AM
Ms Celia Clarke
The Revd Barbara Colliver
Dr Terry Cutler (to December 2013)
Ms Christine Edwards
The Rt Revd David Farrer (leave of absence)
Mr William Ford
Mr Carrillo Gantner AO (to December 2013)
Mr Stephen Grant
Mr David Green
Ms Sarina Greco (from December 2013)
Ms Susan Gribben (to December 2013)
The Rt Revd Philip Huggins
Mr James Jacoby
Mr Mike James
Mr Roger Johnson
The Revd Dr J. Hugh Kempster
The Hon. Rob Knowles AO
Ms Alison McClelland
Mr John McInnes OAM
Dr Fiona Macdonald
Dr Ian Manning
Ms Freya Marsden (from May 2014)
Mr Tony Nicholson
Dr Apollo Nsubuga-Kyobe
Dr Nouria Salehi OAM
Ms Fiona Smith
The Revd Clemence Taplin
Mr Evan Thornley
Ms Catherina Toh (from December 2013)
Ms Jenny Trethewey
Mr David Triplow APM
The Revd Janet Turpie-Johnstone
Dr Jonathon Welch AM
Mr Trevor Williams
Mr John Wilson
Mr Michael Wilson
Mr Graeme Wise
Ms Caterina Wooden (from December 2013)

Life Members

Life membership has been conferred on the following members who have given significant service to the Brotherhood:

Mr Ernest Barr
The Rt Revd Michael Challen AM
Mr Sandy Clark
Dr Stephen Duckett
Mr Michael Feeney
The Revd Nicolas Frances MBE
Mr Eric Hart
The Rt Revd Dr Peter Hollingworth AC OBE
The Hon. Professor Brian Howe AO
Ms Elizabeth Loftus
Father James Minchin
Mr Ian Reid
The Rt Revd Andrew St John
Mrs Thelma Tuxen

Under the Constitution of the Brotherhood, the Life and Charter Members receive and adopt the reports of the Board and of the auditors, receive and adopt the annual financial statements, elect Board Members and fix the remuneration of the auditors, as well as transacting any other business at general meetings.

Role of the Board

The Board is responsible for setting the strategic direction and establishing the policies of the Brotherhood. It is responsible for monitoring the performance of the activities of the Brotherhood and overseeing its financial state on behalf of the Charter and Life Members. It is also responsible for ensuring that risks are adequately managed. The Board meets monthly.

Composition of the Board

The Brotherhood's Constitution limits the number of Board Members to 14, including the Executive Director and at least two people who are clerics in Holy Orders of the Anglican Church of Australia. Further, the Chair is required to be a communicant member of the Anglican Church of Australia. Currently there are 10 Directors including the Executive Director.

Board sub-committees

Audit and Risk Management Committee

Formed as a committee of the Board, the Audit and Risk Management Committee's role is to ensure that all significant financial and non-financial risks are identified and properly addressed by management on a timely basis. The committee is made up of Board Members and external members who bring independence and external expertise to the committee. Members during or since the end of the financial year are Catherina Toh (Committee Chair to February 2014), Dana Hlavacek (Committee Chair from March 2014), Roger Johnson, Guy Mendelson, David Errington, Celia Clarke (to September 2013) and Tony Nicholson. The Committee meets quarterly.

Finance Committee

Formed as a committee of the Board, the Finance Committee assists the Board in overseeing the proper financial management of the organisation. The committee members during or since the end of the financial year are Mike James (Committee Chair), Gayle Wilson, Hon. Rob Knowles, Catherine McKean, Freya Marsden (from May 2014) and Tony Nicholson. The Committee meets monthly. The Finance Committee meets as a Finance and Investment Committee at least twice yearly, with Mark Dutton as an additional member.

Nominations Committee

This committee of the Board reviews and recommends nominations for Board membership. The members during or since the end of the financial year are Bishop Philip Huggins (Committee Chair), Christine Edwards (to March 2014), Sandy Clark and Tony Nicholson. The Committee meets at least annually.

Remuneration Committee

This committee of the Board is responsible for the remuneration policy for senior management of the organisation, and reviewing and approving remuneration packages of senior management. The members during or since the end of the financial year are Bishop Philip Huggins (Committee Chair), Mike James and Tony Nicholson. The Committee meets at least annually.

Social Enterprise Committee

This committee of the Board is responsible for providing strategic advice in relation to social enterprises. The members during or since the end of the financial year are Stephen Grant (Committee Chair), David Errington (from October 2013), Joe Gehrig (from October 2013), Michael Tucker, John Mann and Tony Nicholson. The Committee meets at least three times a year.

Other committees

A number of other committees or workgroups are established by the Board from time to time to oversee a particular task or project. These committees operate only for the period of time required to complete the task or project, and are not ongoing Board sub-committees.

Executive team

The Executive Director is responsible for the day-to-day management of the activities of the Brotherhood as delegated by the Board. The following management team is responsible for the implementation of organisational strategies, development of policies and management of issues and of the performance of the organisation:

Mr Tony Nicholson, Executive Director

Ms Lyn Amy, General Manager Communications and Development (to July 2013)

Ms Vicky Carmody, General Manager Children, Youth and Families

Ms Katrina Currie, General Manager Work and Learning

Ms Michelle Eunson, General Manager Communications and Development (from October 2013)

Ms Farah Farouque, Senior Advisor Public Affairs and Policy

Ms Jenny Grayling, Group General Manager Organisational Services; Company Secretary

Mr Rob Hudson, Group General Manager Programs and Policy

Mr Jonathan Lee, Chief Financial Officer

Ms Shelley Mallett, General Manager Research and Policy (from May 2014)

Ms Christine Morka, General Manager Retirement and Ageing and Financial Inclusion

Father Jeff O'Hare, General Manager Chaplaincy and Diocesan Partnerships (to February 2014)

Ms Marian Pettit, National Manager HIPPY Australia (from August 2013)

Ms Debra Saffrey-Collins, Acting General Manager Chaplaincy and Diocesan Partnerships (from February 2014)

Professor Paul Smyth, General Manager Research and Policy (to December 2013)

Mr Rodney Weston, General Manager Business Planning and Social Enterprises

Planning and control

The Brotherhood produces a three-year strategic plan, annual plans and detailed budgets, which are approved and regularly monitored by the Board and its committees.

Risk assessment

The Board, its sub-committees and the Executive Team are responsible for identifying, measuring and assessing business, legal, financial, environmental and other risks in the activities of the Brotherhood. In particular, the Audit and Risk Management Committee and the Board consider all significant risks, their implications and strategies, and the Finance Committee oversees the financial affairs of the organisation.

Independent professional advice

The Board, General Managers and senior staff have access to appropriate external professional advice. Legal, risk, investment, and tax and accounting advice is coordinated by the Chief Financial Officer and the Company Secretary through Freehills, M+K Lawyers Pty Ltd, K+L Gates and HWL Ebsworth Lawyers; Deloitte; Deutsche Bank and JBWere; and KPMG, respectively. Some legal advice is provided by Freehills and M+K Lawyers Pty Ltd on a pro bono basis.

Audit and accounts

The Brotherhood's Constitution requires that proper books of accounts are kept, true and complete accounts are maintained and audited annually by a registered company auditor, and the financial statements and the auditor's report are laid before the Annual General Meeting. In order that monthly management and annual accounts represent best practice and are of the highest standard, the Brotherhood complies with all applicable accounting standards and guidelines. The Brotherhood's external auditors are KPMG. In addition, the Brotherhood engages Deloitte for internal audit services.

DIRECTORS' REPORT

7 Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Brotherhood, to affect significantly the operations, the results of those operations, or the state of affairs of the Brotherhood, in future financial years.

8 Likely developments

There are no likely developments or foreshadowed developments that have not otherwise been disclosed in this report.

9 Environmental regulation and performance

The Brotherhood's operations are subject to environmental regulations under both state and Commonwealth legislation. The Brotherhood has a policy of complying with its environmental performance obligations. No environmental breaches have been notified by any government agency during the year ended 30 June 2014.

10 Indemnification and insurance of Directors and officers

The Brotherhood has agreed to indemnify, to the extent permitted by law, each current and former officer. The indemnity of these officers is against any claim or for any expense or cost that may arise in the discharge of the duties of the officers in relation to the Brotherhood.

Insurance is provided to the Brotherhood through the Department of Human Services' Insurance Scheme for Non-government Organisations.

11 Indemnification of auditors

The Brotherhood has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Brotherhood.

12 Remuneration report

The Brotherhood Directors volunteer their time and skills to the organisation and as such no remuneration was paid or is payable to the Directors in their capacity as Board Members.

13 Non-audit services

KPMG did not provide any non-audit services to the organisation during the year.

14 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 27 and forms part of the Directors' report for the financial year ended 30 June 2014.

15 Rounding off

Amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors.

+Philip Huggins

Rt Revd Philip Huggins
Chair, Board of Directors

Tony Nicholson
Executive Director

Dated at Melbourne on this 25th day of September 2014

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	NOTE	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	17	10,717	12,079
Trade and other receivables	15	6,798	8,870
Inventories	14	736	648
Investments	13	46,296	40,232
Assets held for sale	9	291	–
Total current assets		64,838	61,829
Non-current assets			
Property, plant and equipment	11	54,267	54,669
Intangible assets	12	1,720	1,960
Trade and other receivables	15	6,731	7,198
Total non-current assets		62,718	63,827
Total assets		**127,556**	**125,656**
LIABILITIES			
Current liabilities			
Trade and other payables	19	2,724	3,684
Auspice and resident funds	20	2,693	3,038
Employee benefits	21	5,418	4,680
Deferred income	22	16,321	18,095
Total current liabilities		27,156	29,497
Non-current liabilities			
Employee benefits	21	325	581
Total non-current liabilities		325	581
Total liabilities		**27,481**	**30,078**
Net assets		**100,075**	**95,578**
EQUITY			
Accumulated surplus		67,702	65,925
Reserves		32,373	29,653
Total equity		**100,075**	**95,578**

The notes on pages 13 to 24 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
REVENUE			
Service activities			
Work and Learning		4,794	3,880
Retirement, Ageing and Financial Inclusion		28,642	26,785
Children, Youth and Families		18,552	14,048
Research and Policy		497	694
Other activities			
Fundraising	7	2,341	2,677
Social Enterprises:			
- Sales of goods		6,008	5,755
- Services		4,831	7,786
Other revenue and income		437	177
Revenue and other income from operating activities		66,102	61,802
EXPENSES			
Service activities			
Work and Learning		6,104	4,926
Retirement, Ageing and Financial Inclusion		28,618	27,175
Children, Youth and Families		20,777	16,352
Research and Policy		2,126	2,110
Other activities			
Fundraising		1,053	897
Cost of goods of Social Enterprises sales		1,267	1,061
Social Enterprises expenses		9,569	11,168
Other expenses		996	1,162
Expenses for operating activities		70,510	64,851
Deficit from operating activities		**(4,408)**	**(3,049)**
Finance income		4,237	3,499
Finance expenses		(225)	(700)
Net finance income	10	4,012	2,799
Bequests income	8	2,326	1,524
Bequests costs		(153)	(180)
Net bequests		2,173	1,344
Surplus for the year		**1,777**	**1,094**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Net change in fair value of property		–	971
Items that may be reclassified to profit or loss:			
Net change in fair value of available-for-sale assets	10	2,720	3,823
Other comprehensive income for the year		2,720	4,794
Total comprehensive income for the year		**4,497**	**5,888**

The notes on pages 13 to 24 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	ACCUMULATED SURPLUS $'000	ASSET REVALUATION RESERVE $'000	FAIR VALUE RESERVE $'000	TOTAL $'000
Balance at 1 July 2012	62,425	30,127	(2,862)	89,690
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	1,094	–	–	1,094
Other comprehensive income				
Net change in fair value of available-for-sale assets	–	–	3,823	3,823
Sale of property, plant and equipment	2,406	(2,406)	–	–
Net change in fair value of property	–	971	–	971
Total other comprehensive income	2,406	(1,435)	3,823	4,794
Total comprehensive income for the year	3,500	(1,435)	3,823	5,888
Balance at 30 June 2013	**65,925**	**28,692**	**961**	**95,578**
Balance at 1 July 2013	65,925	28,692	961	95,578
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	1,777	–	–	1,777
Other comprehensive income				
Net change in fair value of available-for-sale assets	–	–	2,720	2,720
Total other comprehensive income	–	–	2,720	2,720
Total comprehensive income for the year	1,777	–	2,720	4,497
Balance at 30 June 2014	**67,702**	**28,692**	**3,681**	**100,075**

The notes on pages 13 to 24 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		72,619	70,912
Cash paid to suppliers and employees		(76,671)	(69,996)
Net cash from/(used in) operations		**(4,052)**	**916**
Bequests income		2,226	3,252
Bequests costs		(153)	(180)
Interest and fees on bank borrowings		–	(174)
Dividend, interest, trust and imputation credit income		3,912	3,238
Net cash from operating activities		**1,933**	**7,052**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,069)	(1,039)
Proceeds from sale of equity investment		458	–
Proceeds from sale of property, plant and equipment		–	3,072
Acquisition of available-for-sale investments		(15,131)	(22,662)
Proceeds from sale of available-for-sale investments		12,447	19,131
Net cash used in investing activities		**(3,295)**	**(1,498)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		–	(5,500)
Net cash used in financing activities		**–**	**(5,500)**
Net increase/(decrease) in cash and cash equivalents		(1,362)	54
Cash and cash equivalents at 1 July		12,079	12,025
Cash and cash equivalents at 30 June	**17**	**10,717**	**12,079**

The notes on pages 13 to 24 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

The Brotherhood of St Laurence (the 'Brotherhood') is an association domiciled in Australia and is not a for profit entity. The address of the entity's registered office is 67 Brunswick Street, Fitzroy, Victoria 3065.

The principal activities of the Brotherhood includes the provision of community services across the four life transition stages; the early years; the transition from school to work; the shifts in and out of work and retirement and ageing; together with the recycling and sale of recycled goods, and undertaking research and social advocacy work on behalf of all Australians.

2 Basis of accounting

a) Statement of compliance

In the opinion of the directors, the Brotherhood is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012 (ACNC). These financial statements comply with the Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were approved by the Board of Directors on 25 September 2014.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value
- property and bed licences are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Brotherhood's functional currency. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgements

In preparing these financial statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements, management has made 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 prospectively.

e) Changes in accounting policies

Except for the changes below, the Brotherhood has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

The Brotherhood has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

(i) AASB 13 Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7. As a result, the Brotherhood has included additional disclosures, where appropriate, in this regard.

In accordance with the transitional provision of AASB 13, the Brotherhood has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Brotherhood's assets and liabilities.

(ii) AASB 119 Employee Benefits (2011)

In the current year, the Brotherhood adopted AASB119 Employee Benefits (2011), which revised the definition of short-term employee benefits that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. As a result of the change, the annual leave liability for certain of the Brotherhood's employees is now considered to be an other long-term employee benefit, when previously it was a short-term benefit. The Brotherhood's obligation is determined as the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise. The Brotherhood has applied the new policy retrospectively in accordance with the transitional provision of the standard. The impact on the comparative figures and opening statement of financial position of the earliest comparative period presented (30 June 2013) is not material.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of consolidation

Investment in associates

Associates are those entities in which the Brotherhood has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Brotherhood holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Board has determined that the Brotherhood's interest in GoodStart Early Learning (refer to note 16) is not deemed to be of significant influence in that entity. This is based on the following:

- The Board does not have a blocking vote.
- Voting power is equal amongst all the founding members.
- There is no Board influence to distribute the assets of GoodStart in a non–arm's length transaction or to a related party.
- There are no agreements established with GoodStart in the current financial year to make any distributions to the Brotherhood or to any of the Brotherhood's affiliated entities.
- The Brotherhood does not currently have representation on the GoodStart Board.

The Board assesses the extent of its influence regarding its interest in GoodStart each year.

b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currency of the Brotherhood at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and not retranslated at reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments.

c) Financial instruments

(i) Non-derivative financial assets

The Brotherhood initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Brotherhood becomes a party to the contractual provisions of the instrument.

The Brotherhood derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the transferred asset. Any interest in transferred financial assets that is created or retained by the Brotherhood is recognised as a separate asset or liability.

Non-derivative financial assets comprise loans and receivables, cash and cash equivalents and available-for-sale financial assets. Cash and cash equivalents comprise cash on hand, cash balances and at call deposits.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Brotherhood in the management of its short term commitments.

Available-for-sale financial assets

The Brotherhood's investments in equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Brotherhood becomes a party to the contractual provisions of the instrument. The Brotherhood derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Brotherhood has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise trade and other payables and auspice and resident funds.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

d) Property, plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment loss recognised after the date of revaluation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour.
- Any other costs directly attributable to bringing the assets to a working condition for their intended use.
- When the Brotherhood has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.
- Capitalised borrowing costs.

When significant 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 'other revenue and income' or 'other expenses' in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserve are transferred to accumulated surplus.

(ii) Revaluation

Formal revaluations of land and buildings are performed every three years. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by independent professional qualified valuers. The Directors review the carrying value of land and buildings at each balance date to assess whether there has been a material change in valuation of land and buildings that is required to be recorded in the financial statements.

If the carrying amount of land and buildings has increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the land and buildings previously recognised in profit or loss.

If the carrying amount of land and buildings has decreased as a result of a revaluation, the net revaluation decrease is recognised in profit and loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of land and buildings. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

(iii) 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 the Brotherhood, and its cost can be measured reliably. The costs of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

• buildings	40 years
• plant and equipment	7 to 10 years
• leasehold improvements	3 to 10 years

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

e) Intangible assets

(i) Bed licences

Bed licences were granted by the government to the Brotherhood for no consideration. Bed licences are carried at a revalued amount, being its fair value at the date of revaluation, less any subsequent accumulated impairment loss. The useful life of bed licences is considered to be indefinite and hence they are not amortised. Bed licences are tested for impairment annually and reviewed to determine whether indefinite life assessment continues to be supportable.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specified asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

f) Inventories

Inventories are measured at the lower of cost/replacement cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure in acquiring the inventories and production or conversion costs and other costs incurred in bringing them to their existing location and condition. Conversion costs for donated goods typically comprise the cost of sorting goods received. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

g) Impairment

(i) Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Brotherhood on terms that the Brotherhood would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Brotherhood uses the criteria of nine months and a decline of 30% as its criteria for assessing impairment.

Financial assets measured at amortised cost

The Brotherhood considers evidence of impairment for receivables at both an individual asset and a collective level. All individually significant receivables are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Brotherhood uses its historical knowledge of impairment in the specific program area and management's assessment of current economic and credit conditions in determining likely actual losses.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When the Brotherhood considers that there are no realistic prospects of the recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the decrease in impairment loss is reversed through the profit or loss.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Impairment losses on available-for-sale assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Brotherhood'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. Intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is determined as the depreciated replacement costs of the assets. Refer to note 3(d)(ii) for revaluations of land, buildings and leasehold improvements. For 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 CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognised in previous periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

h) Non-current 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 the Brotherhood's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair values less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

i) Employee benefits

(i) Defined contribution superannuation funds

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 expensed as the related service is provided.

(ii) Other long-term employee benefits

The Brotherhood'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; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Brotherhood's obligations. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Brotherhood can no longer withdraw the offer of those benefits and when the Brotherhood recognises cost for restructuring.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

j) Provisions

A provision is recognised if, as a result of a past event, the Brotherhood 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 pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Auspice and resident funds

The Brotherhood provides accounting services and holds funds on behalf of a number of projects and organisations that are operated and managed externally to the administration of the Brotherhood. Any unutilised funds of these projects are disclosed under 'Auspice and resident funds'.

The Brotherhood holds accommodation bonds paid by some residents for permanent entry to its residential aged care facilities. The Brotherhood also holds funds on behalf of some residents for their personal expenses. These are both disclosed under 'Auspice and resident funds'.

l) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Government funding and specified donations

Government funding received is brought to income in the financial year in which the Brotherhood has control of the contribution. Government funds and specified donations for which control has not yet passed to the Brotherhood in that they are tied to a specific project obligation that has not yet been completed, are treated as a liability until the project obligation has been met and are disclosed as Government funds in advance under 'Deferred Income'.

Funding for capital projects is recognised in profit or loss in the financial year in which the work being funded is carried out.

Aged care facility concessional subsidies and accommodation bond income is brought to account as operating income as earned.

(iii) Bequests

Bequests are recognised as revenue upon control of the bequest assets being transferred to the Brotherhood.

m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

n) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, trust income, imputation credit income and net gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Brotherhood's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise management fees on investments, interest expense and fees on borrowings, and net loss on disposal of available-for-sale financial assets. Interest expense is recognised using the effective interest method.

o) Income tax

The Brotherhood is a Public Benevolent Institution as defined in the *Income Tax Assessment Act 1936* and is therefore exempt from Income Tax. As a Public Benevolent Institution, the Brotherhood has also been endorsed as a Deductible Gift Recipient.

p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

q) Segment reporting

The Brotherhood does not qualify for the criteria required to adopt AASB 8 *Operating Segments*.

r) Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying value and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

s) Comparatives

The following figures have been adjusted in the comparative statement of profit or loss and other comprehensive income:

- the revenue and expenses of Retirement, Ageing and Financial Inclusion (increased/decreased by $1,833 thousand) and Children, Youth and Families (decreased/increased by $1,833 thousand) to reflect the current allocation of programs within these service activities.
- the revenue of Social Enterprises to separately disclose sales of goods and services.
- the cost of goods of Social Enterprises sales and Social Enterprises expenses (decreased/increased by $4,496 thousand) due to the above change in revenue disclosure.

t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Brotherhood are set out below. The Brotherhood does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010),
AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Brotherhood's financial assets, but no impact on the Brotherhood's financial liabilities.

4 Determination of fair values

A number of the Brotherhood's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property—land and buildings

The fair value of property is based on market values and replacement cost values derived from independent valuations. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The replacement cost value is the estimated amount for which a property can be replaced.

The highest and best use of fair value is considered for land and buildings based on whether the use of the asset by another market participant is physically possible, legally permissible and financially feasible.

(ii) Intangible assets

The fair value of bed licences is based on external evidence of market values, such as current independent broker quotations.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(v) Investments in equity and debt securities

The fair value of available-for-sale financial assets, which largely comprise listed equity and debt securities, is determined by reference to their quoted closing bid (market) price at the reporting date, or, where acquired as part of a business combination, the quoted closing bid (market) price on the date of acquisition.

5 Financial risk management

a) Interest rate risk

The Brotherhood uses a combination of variable and fixed rate bills within any bank borrowings to manage its interest rate risk. There are no bank borrowings owing at balance date.

b) Operational risk

The Brotherhood's Board of directors has overall responsibility for the establishment and oversight of the Brotherhood's risk management framework.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Brotherhood's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Brotherhood operations.

The Brotherhood's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Brotherhood's reputation with overall cost-effectiveness, and to avoid control procedures that restrict initiative and creativity.

The Brotherhood's risk management policies are established to identify and analyse the risks faced by the Brotherhood, to set appropriate risk limits and controls and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Brotherhood's activities. The Brotherhood, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by a program of periodic reviews undertaken by Deloitte as the Brotherhood's internal auditor. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Risk Management Committee and senior management of the Brotherhood.

6 Residential aged care operations

The following disclosure is in respect to the residential aged care operations RACS ID's 3307 and 3309 with Provider ID 486.

	2014 $'000	2013 $'000
Revenue	5,362	4,802
Depreciation	250	243
Result	(276)	(609)
Assets	15,656	15,732 *
Liabilities	6,130	5,930 *
Capital expenditure	173	214

*The figures for assets and liabilities in the comparative statement have been restated due to reclassification. The net asset position has remain unchanged.

7 Fundraising income

The following income excludes bequests.

	2014 $'000	2013 $'000
Total fundraising income	5,151	5,378
Less: specified fundraising income transferred to Service Activities	(2,810)	(2,701)
Unspecified fundraising income	**2,341**	**2,677**

8 Bequest income

Bequest income includes the following:

	2014 $'000	2013 $'000
Cash bequests	2,226	1,460
Investment bequests	100	64
	2,326	**1,524**

9 Assets held for sale

In May 2014 the Brotherhood entered into a contract to sell 12 bed licences for $300 thousand (less commission of $9 thousand). The execution of the sale is dependant on the Department of Social Services ('Department') approving the transfer, the purchaser securing the appropriate finance and the purchaser receiving approved provider status from the Department. These conditions were yet to be met at 30 June 2014.

	2014 $'000	2013 $'000
Bed licences	291	–
Net assets held for sale	**291**	**–**

NOTES TO THE FINANCIAL STATEMENTS

10 Finance income and costs recognised in surplus

	2014 $'000	2013 $'000
Recognised in surplus		
Dividend income on available-for-sale financial assets	964	904
Interest income on available-for-sale financial assets	760	790
Trust income on available-for-sale financial assets	339	242
Imputation credit income	413	378
Interest income on bank deposits	197	187
Interest income from subordinated debt	1,004	998
Net gain on disposal of available-for-sale financial assets transferred from equity	560	–
Total finance income	4,237	3,499
Management expense	(225)	(197)
Interest and fees on bank borrowings	–	(174)
Net loss on disposal of available-for-sale financial assets transferred from equity	–	(329)
Total finance expense	(225)	(700)
Net finance income recognised in surplus	**4,012**	**2,799**
Recognised in other comprehensive income		
Net change in fair value of available-for-sale assets	2,720	3,823
Net finance income recognised in other comprehensive income	**2,720**	**3,823**

11 Property, plant and equipment

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Fair value or cost			
Balance at 1 July 2013	56,223	3,910	60,133
Additions	877	192	1,069
Disposals/write offs	(271)	–	(271)
Balance at 30 June 2014	**56,829**	**4,102**	**60,931**
Depreciation and impairment losses			
Balance at 1 July 2013	2,874	2,590	5,464
Depreciation for the year	886	367	1,253
Disposals/write offs	(53)	–	(53)
Balance at 30 June 2014	**3,707**	**2,957**	**6,664**
Carrying amounts			
At 1 July 2013	53,349	1,320	54,669
At 30 June 2014	53,122	1,145	54,267

Land and buildings were revalued based on independent valuations determined using market values and replacement cost values on 30 June 2013 by Armstrong Biggs Valuers Pty Ltd. The Directors have re-assessed the fair value of land, buildings and leasehold improvements again at 30 June 2014 and it has been assessed that no material adjustments to fair value are required as at 30 June 2014.

12 Intangible assets

	BED LICENCES $'000
Balance at 1 July 2013	1,960
Disposals	(240)
Balance at 30 June 2014	**1,720**
Carrying amounts	
At 30 June 2013	1,960
At 30 June 2014	1,720

Bed licence fair values are based on market values in an actively traded market (fair value less costs to sell), taking into account the number of bed licences that would be available for sale, location and any other considerations required to determine an appropriate fair value. The Directors have based their 30 June 2014 valuation of bed licences on external market evidence and the selling price of bed licences contracted in May 2014 to be disposed of. Refer to note 3(e)(i) and note 4(ii). The carrying value of the bed licenses approximate the original deemed cost, accordingly there are no valuation reserves attached to bed licences.

13 Investments

	2014 $'000	2013 $'000
Current investments—available-for-sale assets		
Equity securities	27,463	23,356
Debt securities	18,833	16,876
Total, at fair value	**46,296**	**40,232**

Investments within the available-for-sale (AFS) financial asset class were reviewed for impairment at balance date. The Directors have assessed that no material impairment adjustment is required in 2013–14 (2012-13 $nil).

14 Inventories

	2014 $'000	2013 $'000
Finished goods	736	648
Inventories stated at lower of cost and net realisable value	**736**	**648**

At 30 June 2014 there was no write-down of inventories to net realisable value (2013: $nil).

15 Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade receivables	5,054	7,107
Non trade receivables	392	–
Other receivables and prepayments	1,352	1,126
Receivable from equity accounted investee	–	637
Total	**6,798**	**8,870**
Non-current		
GoodStart Early Learning subordinated debt	6,731	6,985
Receivable from equity accounted investee	–	213
Total	**6,731**	**7,198**

Refer to note 16 for details on the GoodStart Early Learning subordinated debt.

NOTES TO THE FINANCIAL STATEMENTS

Impairment losses

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

	2014 $'000	2013 $'000
Balance at 1 July	6	65
Impaired receivables written off	(5)	(5)
Impairment loss de-recognised	–	(54)
Balance at 30 June	**1**	**6**

16 GoodStart Early Learning subordinated debts

GoodStart Early Learning Limited ('GoodStart') was formed in 2009–10 to acquire substantially all of the business of the ABC Learning Centres Limited. GoodStart was established by Social Ventures Limited, Mission Australia, the Benevolent Society and the Brotherhood of St Laurence as the founding members of GoodStart.

In 2009–10, the Brotherhood of St Laurence provided in cash $2.5 million to contribute to the purchase price and in return received $2.5 million of Members' Subordinated Notes. The repayment term of this facility is a bullet repayment at eight plus years from the date of acquisition. Interest of 15% per annum is to be capitalised on the outstanding principal. Whilst interest is only required to be repaid at the time of the bullet repayment, Goodstart commenced repayment of interest during 2012–13.

In 2009–10, GoodStart engaged all founding members to provide services in order to successfully complete the transaction of acquiring the business of ABC Learning Centres Limited. The fee charged for these services by each founding member was $2.5 million and payment was made by GoodStart through the issue of $2.5 million Members' Deeply Subordinated Notes. The repayment term of this facility is a bullet payment at 20 years from the date of acquisition. Interest of 15% per annum is to be capitalised on the outstanding principal. Whilst interest is only required to be repaid at the time of the bullet repayment, Goodstart commenced repayment of interest during 2012–13.

The loans are disclosed as non-current receivables and as at 30 June 2014 have a balance of $6,731 thousand (2013: $6,985 thousand) comprising $5,000 thousand principal and $1,731 thousand capitalised interest.

17 Cash and cash equivalents

	2014 $'000	2013 $'000
Cash on hand	41	56
Cash at bank	6,130	6,859
Call deposits	2,891	3,034
Cash management accounts	1,655	2,130
Cash and cash equivalents in the statement of cash flows	**10,717**	**12,079**

The deposits have an average maturity of 90 days (2013: 90 days).

18 Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Asset revaluation reserve

The revaluation reserve represents the net revaluation increment in respect of property.

19 Trade and other payables

	2014 $'000	2013 $'000
Current		
Trade payables	1,682	1,604
Non-trade payables and accrued expenses	1,042	2,080
Total	**2,724**	**3,684**

20 Auspice and resident funds

	2014 $'000	2013 $'000
Residents	124	75
Accommodation bonds—aged care	2,334	2,687
External entities *	203	244
Other	32	32
Total	**2,693**	**3,038**

*The Brotherhood provides accounting services and holds funds on behalf of a number of organisations. These organisations are run and managed externally to the administration of the Brotherhood.

21 Employee benefits

	2014 $'000	2013 $'000
Current		
Salaries and wages accrued	1,311	852
Liability for long service leave	1,574	1,261
Liability for annual leave	2,533	2,567
Total employee benefits—current	**5,418**	**4,680**
Non-current		
Liability for long service leave	325	581
Total employee benefits—non-current	**325**	**581**

The Brotherhood has paid contributions of $2,619 thousand to defined contributions plans on behalf of employees for the ended 30 June 2014 (2013: $2,341 thousand).

22 Deferred income

	2014 $'000	2013 $'000
Current		
Specified donations	2,466	1,860
Government grants and project funds in advance	13,855	16,235
Total	**16,321**	**18,095**

NOTES TO THE FINANCIAL STATEMENTS

23 Operating leases

Leases as lessee

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	2014 $'000	2013 $'000
Less than one year	3,550	4,086
Between one and five years	4,852	4,661
More than five years	956	1,046
Total	**9,358**	**9,793**

Operating lease commitments relate to property rentals and to the lease of motor vehicles, computers and office equipment. The leases typically have an average term of approximately three years, several with options to renew the lease after end of the original lease period. Leases provide for additional rent payments that are based on changes in local price index.

During the year ended 30 June 2014, an amount of $4,427 thousand (2013: $4,106 thousand) was recognised as an operating lease expense in the statement of profit or loss and other comprehensive income.

24 Related parties

Transactions with related parties

There were no transactions with related parties during the year.

Transactions with key management personnel

There were no directors or other members of key management personnel that had control over the Brotherhood's operations.

There were no transactions with, or loans to and from, key management personnel.

Key management personnel compensation

No salaries, compensations or other benefits were paid or are payable to the Directors in their capacity as Board Members.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Brotherhood of St Laurence:

(a) the Brotherhood is not publicly accountable;

(b) the financial statements and notes that are set out on pages 9 to 24, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*; including:

- (i) giving a true and fair view of the Brotherhood's financial position as at 30 June 2014 and of its performance, for the year ended on that date;
- (ii) complying with Australian Accounting Standards–Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- (iii) comply with the *Brotherhood of St Laurence (Incorporation) Act 1971 (Vic)* and the Brotherhood of St Laurence's Constitution; and

(c) there are reasonable grounds to believe that the Brotherhood of St Laurence will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

+ Philip Huggins

Rt Revd Philip Huggins
Chair, Board of Directors

Tony Nicholson
Executive Director

Dated at Melbourne on this 25th day of September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BROTHERHOOD OF ST LAURENCE

Report on the financial report

We have audited the accompanying financial report of the Brotherhood of St Laurence (the Entity), which comprises the statement of financial position as at 30 June 2014, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Entity.

This audit report has also been prepared for the members of the Entity in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the financial report that gives a true and fair view 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report gives a true and fair view, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and the ACNC, a true and fair view which is consistent with our understanding of the Entity's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012.*

Auditor's opinion

In our opinion, the financial report of the Brotherhood of St Laurence is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

(a) giving a true and fair view of the Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

KPMG

KPMG

Tony Batsakis
Partner

Melbourne
25 September 2014

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 the Brotherhood of St Laurence

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

Tony Batsakis
Partner

Melbourne
25 September 2014

BROTHERHOOD OF ST LAURENCE

FINANCIAL REPORT 2014

Brotherhood of St Laurence

Working for an Australia free of poverty

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