



Brotherhood  
of St Laurence

2019

# FINANCIAL REPORT

[bsl.org.au](http://bsl.org.au)

# ORGANISATIONAL INFORMATION

ABN 24 603 467 024

The Brotherhood of St Laurence (the Brotherhood) is a not-for-profit entity 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 of St Laurence is registered under the Australian Charities and Not-for-profits Commission.

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

The Annual Financial Report incorporates all activities undertaken by the Brotherhood during the period 1 July 2018 to 30 June 2019. 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 2 to 10.

Isabelle volunteers as a mentor for our Stepping Stones to Small Business program. She uses her experience as a management consultant at KPMG to mentor participant, Mojgan. They meet up every few weeks to work on how Mojgan can go about making a living running her own IT business. *Photo: Craig Sillitoe*

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# 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 2019 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 2018-19 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.

### **The Most Revd Dr Philip L Freier** (Non-executive Chair)

In 2006 Philip Leslie Freier became the 13th Anglican Archbishop of Melbourne and in 2014 the Anglican Primate of Australia. He has a PhD from James Cook University, a Master of Educational Studies from the University of Newcastle, a Bachelor of Divinity from the Melbourne College of Divinity, a Diploma of Education from the University of Queensland and a Bachelor of Applied Science from the Queensland Institute of Technology. He is a Fellow of the Australian Institute of Company Directors.

From 1999 to 2006 The Most Revd Dr Philip Freier was Bishop of the Northern Territory. He has a particular concern for Indigenous people and, as Archbishop, has worked to bring about reconciliation. He has advocated for a new social contract for Australia, upholding a vision of the common good in which there is a sense of mutual obligation to one another and responsibility for one another. Chair, Brotherhood Nominations and Remuneration Committees. The Most Revd Dr Philip Freier was appointed to the Brotherhood Board in November 2015.

### **Mr Ian Paroissien**

BCom, CA ANZ (Deputy Chair)

Member of the Institute of Chartered Accountants Australia and New Zealand. Retired partner PricewaterhouseCoopers (PwC). Previously, Chair Brighton Grammar School, 2004-16. Chair of the David Scott School Council from February 2018 (member from May 2017). Member, Brotherhood Nominations, Remuneration, and Audit and Risk Management Committees. Appointed to the Brotherhood Board in March 2017.

### **Ms Conny Lenneberg**

DLitt (HC La Trobe University) (Executive Director)

Conny Lenneberg is the Executive Director of the Brotherhood of St Laurence, a role she took up in January 2018. Conny has 25 years' experience in the development and social justice sector, in Australia

and internationally, from service delivery in the field to leading large teams and Senior Executive and Board roles. In Australia, her achievements include enabling partnerships with Indigenous communities, government and business to build program strengths in Central Australia and the Pilbara. Internationally, for more than six years she led World Vision International's humanitarian, community development and advocacy programs across the Middle East and Eastern Europe. More recently, she was the interim CEO of World Vision New Zealand.

Conny has a Master of Arts (Research) and Honorary Doctorate (2017) from La Trobe University, a background that reinforces her commitment to seeking out the best evidence to frame solutions for complex social challenges in the community. Member Brotherhood Finance and Investment Committee (from January 2018 to May 2019), Social Enterprises (from January 2018 to November 2018), Nominations and Remuneration Committees.

#### **Dr Stephen Duckett**

PhD, DSc, FASSA, FAHMS, FAICD  
(from October 2018)

Director of the Health Program at Grattan Institute. MA (Chicago Theological Seminary). Chair of the Board of Eastern Melbourne Primary Health Network, member of Council of RMIT University. Vicar's Warden and Chair of Parish Council at St Peter's Eastern Hill. Former Director of the Brotherhood Board from 1996 to 2005 and Chair of the Brotherhood Board from 2000 to 2005. Reappointed to the Brotherhood Board in October 2018.

#### **Associate Professor Jane Freemantle**

SRN, MPH, PhD, LMPHAA

A paediatric epidemiologist whose academic career has been directed to using linked population data to provide a solid foundation from which to develop evidence-based policy and evaluate clinical practice and public health initiatives particularly in the area of Aboriginal and Torres Strait Islander children and communities, nationally and internationally. Dr Freemantle was most recently the Senior Data Analyst at Kaiela Institute, Shepparton. She holds the position of (Hon) Principal Research Fellow at the School of Population and Global Health at the University of Melbourne. She also holds the positions of Associate Professor, Department of Paediatrics and Child Health at the University of Western Australia. Dr Freemantle is an Examining Chaplain within the Anglican Diocese of Melbourne and holds numerous lay positions within the Anglican Dioceses of Melbourne and Wangaratta. She is a Director of the Mansfield District Hospital

Board and the Beolite Village Independent Living Aged Care facility. Appointed to the Brotherhood Board in December 2017.

#### **Ms Zac Hatzantonis**

BCom, MCom (Specialising in Industrial and Employee Relations)  
(from October 2018)

Partner of PwC. One of the leading business operations advisors in the Australian early childhood sector. Zac spent over 10 years in senior public-sector roles in both the Victorian Department of Premier and Cabinet and in Treasury and Finance. Member of the Brotherhood Finance and Investment Committee. Appointed to the Brotherhood Board in October 2018.

#### **Mr Tony Hallam**

BEC, ACA  
(from October 2018)

Tony was a PwC partner for nine years before working in the sports and major events industry including executive positions with Football Federation of Australia and Golf Australia. Former Chairperson of Melbourne Stadiums Limited and current Chairperson of Melbourne Boomers WNBL Club. Member, Brotherhood Finance and Investment Committee (since 2016) and Chair since February 2019. Appointed to the Brotherhood Board in October 2018.

#### **Ms Dana Hlavacek**

BCom (Hons), MAcc, FCA, GAICD

An experienced corporate executive and independent director with expertise in international treasury and finance, audit, risk and compliance. Her executive career includes roles in the resources sector and audit and assurance. Dana is a director of Zoos Victoria. She is a Member of the Greater Metropolitan Cemeteries Trust where she is the Chair of the Audit and Risk Management Committee. Member of the Salvation Army Corporate and Philanthropy Committee. Previously a director of Melbourne Water Corporation, RSPCA Victoria, Trustee of the Victorian Arts Centre Trust. Member, Brotherhood Audit and Risk Management Committee since June 2011 and Chair since March 2014. Appointed to the Brotherhood Board in March 2017.

#### **Mr Mike James**

BCom, FCA, CPA, GAICD  
(to August 2018)

Retired Partner, PwC. Chair, Social Traders Limited. Chair, The Barnett Foundation. Member (Chair to February 2018), David Scott School Council. Former Chair, Brotherhood Finance Committee. Appointed to the Brotherhood Board in March 2007 and

reappointed in December 2013. Reappointed for a further period of up to one year in November 2017. Extra term completed in August 2018.

#### **Dr Fiona Macdonald**

BBSoc, GradDipCounselPsych, MArts (SocPol), PhD, GAICD

Vice-Chancellor's Senior Research Fellow, Centre for People, Organisation and Work RMIT University. Previously, Executive Director, Equity Research Centre; Director, Victorian Welfare Rights Unit; Director, Wesley Mission Victoria; Director, AFL SportsReady Group Training Company. Australian Institute of Company Directors graduate, 2016. Appointed to the Brotherhood Board in November 2012 and reappointed in November 2017.

#### **Ms Freya Marsden**

BAGResEco (Hons), MCom (Specialising in Economics), GAICD (to May 2019)

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. Chair of the Victorian Government Sustainability Fund, Authority Member and Chair Risk and Audit for the Victorian Government's Victorian Planning Authority. Non-executive Director and Chair of Finance, Assurance and Risk Management South East Water. Committee Member Vic Roads Risk Assurance and Governance Committee. Previous positions include Non-executive Director, Ruyton Girls School; Non-executive Director and Deputy Chair Waverley Industries (an Adult Disability Enterprise); Director Policy, Business Council of Australia; DLO Taxation Adviser Federal Treasurer's Office; Federal Treasury Economist; Policy Adviser State Government central and line agency roles. Appointed to the Brotherhood Board in May 2014. Resigned from the Brotherhood Board in May 2019.

#### **Bishop Kate Prowd**

(from November 2018)

Bishop Prowd was ordained a deacon (1986) and priest (1992) during years of intense debate over the ordination of women. Her consecration took place in October 2018 as Bishop of the Oodthenong Episcopate, which covers parishes and schools in the west and north west of Melbourne and parts of the north east. She is also a Clinical Psychologist and, prior to her consecration, worked for six years as a clinical psychologist in palliative care and with people diagnosed with progressive neurological

diseases at Calvary Health Care Bethlehem. Her interests are in clergy wellbeing, mission, and exploring the connections between spirituality and psychology. Appointed to the Brotherhood Board in November 2018.

#### **Ms Catherina Toh**

BA (Hons), LLB (Hons), GAICD Practising Member LIV (to November 2018)

Co-founder of start-up cyber security venture capital firm, 5i Capital, licensed in Singapore with an Asia-Pacific focus. Director, Independence Australia, a disability services social enterprise, and Chair of its Audit Committee. Director, AMES Australia, a Victorian government statutory body providing education, employment, settlement and support services to migrants and refugees since 1951. Chair, Brotherhood Finance and Investment Committee (to November 2018). Appointed to the Brotherhood Board in December 2013. Resigned from the Brotherhood Board in November 2018.

#### **Mr Mike Tucker**

BBm, MAICD, AFAIM (to May 2019)

A career in assessing the efficacy of global inbound supply chains, identifying the value to the customer, establishing any uncalculated additional costs to society, developing governance and excellence processes and providing a perspective of complete life cycle analysis. Previously, owner and Managing Director (20 years) of an Australian mentoring, training and supply chain assessment business working in Australia, Singapore, Malaysia, India, China, and USA. Chair, Brotherhood Social Enterprises Committee (to November 2018). Appointed to the Brotherhood Board in February 2016. Resigned from the Brotherhood Board in May 2019.

## **2. COMPANY SECRETARY**

#### **Ms Jennifer Grayling**

LLB (to February 2019)

Jennifer Grayling has held a range of senior management roles in publicly listed companies in Australia and Asia. Previously Non-executive Director of Hanover Welfare Services for five years; Non-executive Director of East Ivanhoe Community Bank for three years; Non-executive Director of Foodbank Victoria for seven years. Appointed Company Secretary in October 2005, and resigned in February 2019.

### Ms Naomi Nayagam

DipEco, BSc (Hons), MA, MSc (Public Policy)  
(February 2019 to May 2019)

### Ms Philippa Allen

BA (Hons) Dunelm, Dip CFS Event Man  
(from May 2019)

Since moving to Australia and joining the Brotherhood in September 2011, Philippa has enjoyed numerous varied roles working in social enterprises, volunteer services, events management, youth transitions and acting as EA to many divisions. She has held the role of Executive Assistant to the Executive Director for over three years.

Previously Committee member and Fundraising Committee member of the Melbourne Symphony Orchestra Chorus. Previously Secretary of the Durham University Choral Society. Having provided secretariat support to the Brotherhood Board for the past six years, she was appointed as Company Secretary in May 2019.

## 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 is shown on the table below.

	DIRECTORS' MEETING		FINANCE AND INVESTMENT		AUDIT AND RISK MANAGEMENT		SOCIAL ENTERPRISES		DAVID SCOTT SCHOOL COUNCIL	
Number of meetings held during the year		10		10		4		2		8
	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED	HELD*
The Most Revd Dr Philip Freier	8	10								
Dr Stephen Duckett	5	7								
A/Prof. Jane Freemantle	9	10								
Mike James	2	2								
Mr Tony Hallam	4	7	9	10						
Ms Dana Hlavacek	10	10			4	4				
Ms Zac Hatzantonis	5	7	9	10						
Ms Conny Lenneberg	10	10	8	9			-	2		
Dr Fiona Macdonald	6	9								
Ms Freya Marsden	9	9								
Mr Ian Paroissien	9	10			4	4			8	8
Bishop Kate Prowd	3	6								
Ms Catherina Toh	4	5	5	5						
Mr Mike Tucker	9	9					2	2		

\* 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, each of which met only once during the year and was attended by all three Directors.

## 4. PRINCIPAL ACTIVITIES

The principal activities of the Brotherhood during the 2018-19 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 working with people with disability, 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

and an approach informed by the best available evidence. This includes getting people into work, caring for older people, supporting communities, helping families with early childhood programs, working with people living with disability and carrying out research and advocacy to improve the wellbeing of our communities.

## Monitoring of performance

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 divisional business plans and financial budgets. Performance against these measures are regularly reported to the Board, which 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 2018-19 financial year.

## Review of financial condition

The total equity of the organisation increased by \$6.7 million from 1 July 2018, to \$127.1 million as at 30 June 2019. This increase is mainly due to a \$7.0 million increase in the fair value of property.

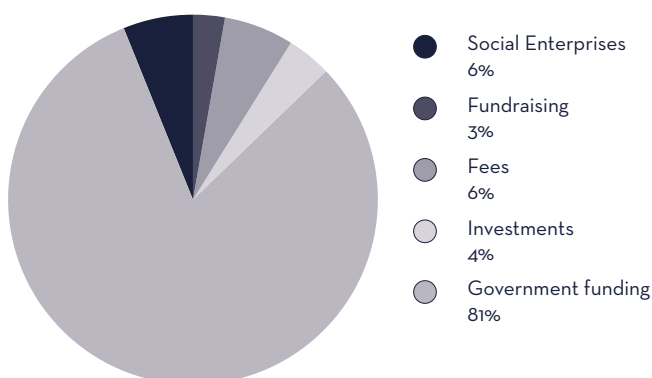
## Results for the year

The deficit for the year is \$0.2 million compared to a \$4.8 million surplus in 2017-18. This decrease in result is mainly due to an increase in the investment in service activities and a decrease in income from bequests.

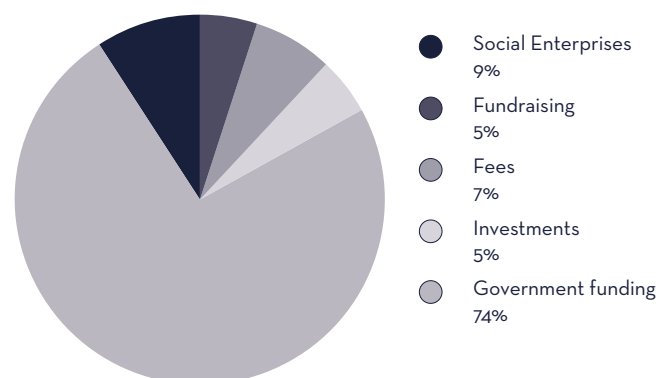
Total donations, excluding bequests, were \$4.4 million in 2018-19 (2017-18: \$4.6 million), including specified funds for designated programs and unspecified discretionary funds.

Sources and uses of funds for the current and previous financial years are shown graphically below and on the next page. Total revenue (excluding bequest income) has increased by 32% from 2017-18 which is mainly due to an increase in Government funding, most significantly in National Disability Insurance Scheme (NDIS) but also in a range of areas in Community Programs. The 34% increase in operating expenditure is a reflection of the growth in Brotherhood services in NDIS and Community Programs, and is matched by an equivalent increase in funding, as highlighted above.

## WHERE OUR FUNDS CAME FROM 2019



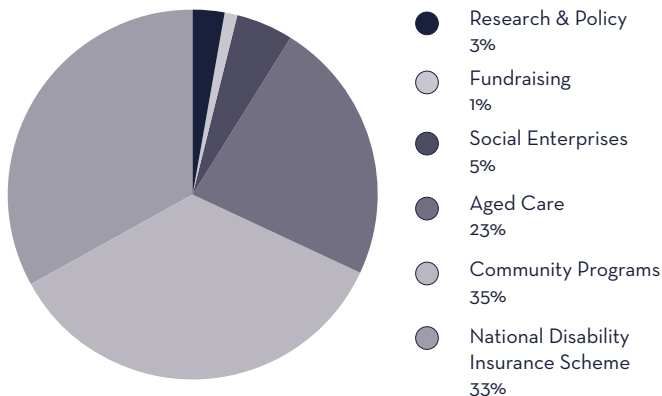
## WHERE OUR FUNDS CAME FROM 2018



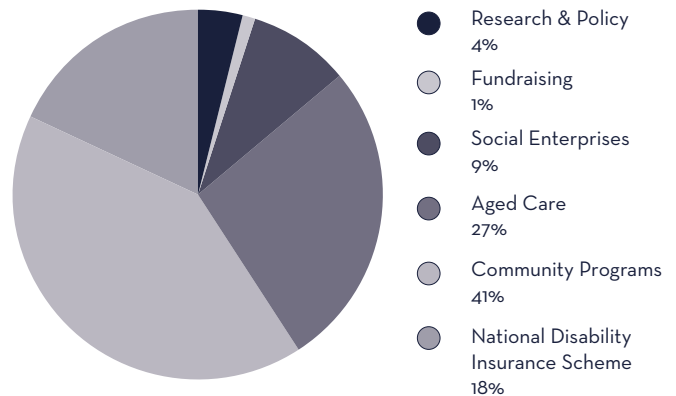
The charts above classify funds received, excluding bequests, based on the specific type of external funding source, rather than by the Brotherhood's internal service activity, the latter being the basis of revenue classification adopted in the Statement of Profit or Loss and Other Comprehensive Income.



## WHERE OUR OPERATING FUNDS WERE SPENT 2019



## WHERE OUR OPERATING FUNDS WERE SPENT 2018



## 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, including the Executive Director, are permitted under the Brotherhood's Constitution. At least eight of them must be clerics in Holy Orders of the Anglican Church in Australia.

The Charter Members at any time during or since the end of the 2018-19 financial year were:

Ms Joanna Baevski  
 Professor Jan Carter AM  
 Emeritus Professor Judith Chapman AM  
 The Revd Barbara Colliver  
 The Revd Don Edgar  
 Ms Christine Edwards  
 The Rt Revd David Farrer  
 Associate Professor Jane Freemantle  
 The Most Revd Dr Philip L Freier  
 Ms Celia Gerreyn  
 Ms Sarina Greco  
 Mr David Green AM, PSM  
 Ms Dana Hlavacek  
 Mr James Jacoby  
 Mr Mike James  
 The Revd Dr J Hugh Kempster  
 Ms Conny Lenneberg  
 Mr John McInnes OAM  
 Dr Fiona Macdonald  
 Dr Ian Manning  
 Ms Freya Marsden  
 Dr Apollo Nsubuga-Kyobe

Mr Ian Paroissien  
 Dr Nouria Salehi AM, OAM  
 Ms Fiona Smith AM  
 The Revd Clemence Taplin  
 Ms Catherina Toh  
 Mr David Triplow APM  
 Mr Mike Tucker  
 Mr Trevor Williams  
 Mr John Wilson  
 Mr Michael Wilson

### Life Members

Life membership has been conferred on a number of members who have given significant service to the Brotherhood. Life Members act as 'friends of the Brotherhood', often providing advice and ongoing support to the organisation:

The Rt Revd Michael Challen AM  
 Mr Sandy Clark  
 Dr Stephen Duckett  
 Mr Michael Feeney  
 Mr Nicolas Frances MBE  
 The Rt Revd Dr Peter Hollingworth AC, OBE  
 The Hon. Professor Brian Howe AO  
 The Rt Revd Philip Huggins  
 The Hon. Rob Knowles AO  
 Ms Elizabeth Loftus  
 Ms Alison McClelland AM  
 Father James Minchin  
 Mr Ian Reid  
 The Rt Revd Andrew St John  
 Ms Jenny Trethewey  
 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.

## 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

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 2018-19 financial year are Dana Hlavacek (Committee Chair), Malcolm Haynes, Guy Mendelson and Ian Paroissien. The Committee meets quarterly.

### Finance and Investment Committee

The Finance and Investment Committee assists the Board in overseeing the proper financial management of the organisation. The Committee members during or since the end of the 2018-19 financial year are Catherina Toh (Committee Chair to December 2018), Tony Hallam (Committee Chair from February 2019), Zac Hatzantonis, Conny Lenneberg (to May 2019), Richard Wilson, Christina Manonian (from February 2019) and Nick Ward (from May 2019). The Committee is scheduled to meet bi-monthly.

### Nominations Committee

The Nominations Committee reviews and recommends nominations for Board and sub-committees' membership. The members

during or since the end of the 2018-19 financial year are The Most Revd Dr Philip Freier (Committee Chair), Ian Paroissien, Jenny Trethewey and Conny Lenneberg. The Committee meets at least annually.

### Remuneration Committee

The Remuneration Committee 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 2018-19 financial year are The Most Revd Dr Philip Freier (Committee Chair), Conny Lenneberg, Ian Paroissien. The Committee meets as required.

### Social Enterprise Committee (to November 2018)

The Social Enterprises Committee is responsible for providing strategic advice in relation to social enterprises. The members during the 2018-19 financial year were Mike Tucker (Committee Chair), Mandy Glasson, Conny Lenneberg, Steve Audsley (from January 2018) and Helen Wong. The Committee ceased as a sub-committee to the Board in November 2018.

### David Scott School Council

The David Scott School commenced from the start of the 2017 school year, following registration being granted in December 2016 by the Victorian Registration and Qualifications Authority (VRQA). The school is governed by the David Scott School Council. The School Council is comprised of one member of the Brotherhood Board, a Brotherhood senior manager and other external members from the education and community sectors. The Council members during or since the end of the 2018-19 financial year are Ian Paroissien (Committee Chair), Mike James, Sally James, Noelene Horton, Stuart Jones (to February 2019), Carol Smith and Claire Murray (from March 2019). The Committee is scheduled to meet at least eight times every calendar 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 Executive Team is responsible for the implementation of organisational strategies, development of policies and management of issues and of the performance of the organisation. During the year the organisation conducted a review of its strategy and operating model, which resulted in a restructure of the Executive Team.

The members of the Executive Team at any time during or since the end of 2018-19 financial year were:

**Ms Conny Lenneberg**, Executive Director

**Ms Sonia Bijelic**, Director Marketing and Engagement (from August 2018)

**Dr Lucia Boxelaar**, Director Community Programs (from November 2018)

**Julie Connolly**, Deputy General Manager Research and Policy (from July 2017) (member of Executive Team to August 2018), Deputy Director Research and Policy Centre (from September 2018)

**Ms Katrina Currie**, General Manager Work and Learning (to August 2018)

**Ms Mara Erhardt-Rumpe**, General Manager Service Development (to August 2018) (member of Executive Team to August 2018), Head of Strategic Partnerships (from September 2018)

**Ms Farah Farouque**, Principal Advisor, Public Affairs and Policy (member of Executive Team to August 2018)

**Ms Jenny Grayling**, Group General Manager Organisational Services (to August 2018)

**Mr Rob Hudson**, Group General Manager Programs and Policy (to July 2018)

**Mr Jonathan Lee**, Chief Financial Officer

**Mr Daniel Leighton**, General Manager Local Area Coordination (to August 2018) (member of Executive Team to August 2018), Head of Local Area Coordination (from September 2018 to December 2018)

**Professor Shelley Mallett**, General Manager Research and Policy (to August 2018), Director Research and Policy Centre (from September 2018)

**Ms Melinda Moore**, Acting General Manager Work and Learning (August 2018) (member of Executive Team to August 2018), Head of Work, Economic Security and Social Inclusion (from September 2018)

**Mr Tim Nayton**, General Manager Retirement and Ageing (to July 2018), Acting Director Programs (from July 2018 to November 2018), Director Aged Care and Business Architecture (from November 2018)

**Ms Niamh O'Malley**, General Manager Social Enterprises (to August 2018), Director Shared Services (from September 2018)

**Ms Helen Page**, Acting General Manager Retirement and Ageing (from July 2018) (member of Executive Team to August 2018)

**Ms Marian Pettit**, General Manager HIPPY and Financial Inclusion (to August 2018) (member of Executive Team to August 2018), National Manager HIPPY (from September 2018)

**Ms Debra Saffrey-Collins**, General Manager Chaplaincy and Diocesan Partnerships (to August 2018) (member of Executive Team to August 2018), Head of Chaplaincy (from September 2018)

**Dr Tricia Szirom**, General Manager Children, Youth and Families (to August 2018)

**Mr Rodney Weston**, General Manager Business Development (to August 2018), Director NDIS (from September 2018)

## Planning and control

The Brotherhood produces a five-year strategic plan, annual plans and detailed budgets, which are approved and regularly monitored by the Board and its sub-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 and Investment Committee oversees the financial affairs of the organisation.

## Independent professional advice

The Board, its sub-committees, senior management and 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 and Rigby Cooke; Pitcher Partners; Koda Capital, and JBWere; and KPMG, respectively.

## 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 auditors' 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 and internal auditors are Pitcher Partners.

## 7. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interim between the end of the financial year and the date of the 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 or reported to any government agency during the year ended 30 June 2019.

## 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 Victorian government's 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. NON-AUDIT SERVICES

KPMG has performed other services in addition to the audit of the financial statements. These services were evaluation work regarding the Education First Youth Foyer program (\$31,994) and support to the Brotherhood and Anglicare Victoria in developing a joint response to a RFP for social impact bonds (\$75,587).

## 13. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 39 and forms part of the Directors' Report for the financial year ended 30 June 2019.

## 14. 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.



**The Most Revd Dr Philip Freier**  
Chair, Board of Directors



**Conny Lenneberg**  
Executive Director

Dated at Melbourne on this 24th day of September 2019.

# FINANCIAL STATEMENTS

## Statement of financial position

As at 30 June 2019	Note	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	16	11,953	18,038
Trade and other receivables (CA)	14	7,526	3,913
Inventories	13	1,022	794
Investments	12	77,099	75,819
Assets held for sale	9	5,967	6,500
<b>TOTAL CURRENT ASSETS</b>		<b>103,567</b>	<b>105,064</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	77,454	57,549
Intangible assets	11	1,720	1,720
Trade and other receivables (NCA)	14	3,366	3,366
<b>TOTAL NON-CURRENT ASSETS</b>		<b>82,540</b>	<b>62,635</b>
<b>TOTAL ASSETS</b>		<b>186,107</b>	<b>167,699</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	11,229	6,474
Auspice and resident funds	19	2,190	2,280
Employee benefits (CL)	20	9,463	9,513
Deferred income	21	35,439	28,586
<b>TOTAL CURRENT LIABILITIES</b>		<b>58,321</b>	<b>46,853</b>
<b>Non-Current Liabilities</b>			
Employee benefits (NCL)	20	642	450
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>642</b>	<b>450</b>
<b>TOTAL LIABILITIES</b>		<b>58,963</b>	<b>47,303</b>
<b>NET ASSETS</b>		<b>127,144</b>	<b>120,396</b>
<b>EQUITY</b>			
Accumulated surplus		77,787	78,007
Reserves		49,357	42,389
<b>TOTAL EQUITY</b>		<b>127,144</b>	<b>120,396</b>

The notes on pages 16 to 36 are an integral part of these Financial Statements.

# Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019	Note	2019 \$'000	2018 \$'000
<b>REVENUE</b>			
<b>Service activities</b>			
Aged Care		33,728	31,969
Community Programs		52,845	47,384
National Disability Insurance Scheme	6a	53,952	21,779
Research and Policy		2,825	1,988
<b>Other activities</b>			
Fundraising	6b	2,215	2,145
Social Enterprises:			
- Sales of goods		8,488	8,414
- Services		-	1,699
Other revenue and income		433	444
<b>REVENUE AND OTHER INCOME FROM OPERATING ACTIVITIES</b>		<b>154,486</b>	<b>115,822</b>
<b>EXPENSES</b>			
<b>Service activities</b>			
Aged Care		35,711	32,411
Community Programs		55,894	50,359
National Disability Insurance Scheme		53,866	21,779
Research and Policy		5,299	4,147
<b>Other activities</b>			
Fundraising		1,170	987
Social Enterprises:			
- Cost of goods		2,549	2,087
- Expenses		5,746	7,904
Impairment loss on trade receivables		7	-
Other expenses		804	536
<b>EXPENSES FOR OPERATING ACTIVITIES</b>		<b>161,046</b>	<b>120,210</b>
<b>DEFICIT FROM OPERATING ACTIVITIES</b>		<b>(6,560)</b>	<b>(4,388)</b>
Finance income		5,961	5,724
Finance expenses		(188)	(308)
<b>NET FINANCE INCOME</b>	8	<b>5,773</b>	<b>5,416</b>
Bequests income	7	667	3,813
Bequests costs		(100)	(72)
<b>NET BEQUESTS</b>		<b>567</b>	<b>3,741</b>
<b>(DEFICIT)/SURPLUS</b>		<b>(220)</b>	<b>4,769</b>

## Statement of profit or loss and other comprehensive income (continued)

For the year ended 30 June 2019	Note	2019 \$'000	2018 \$'000
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss:			
Net change in fair value of property		7,022	2,371
Equity investments at FVOCI – net change in fair value		(819)	-
Equity investments at FVOCI – realised net gain		517	-
Items that may be reclassified to profit or loss:			
Debt investments at FVOCI – net change in fair value		248	-
Net change in fair value of available for sale assets		-	1,869
<b>OTHER COMPREHENSIVE INCOME</b>		<b>6,968</b>	<b>4,240</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,748</b>	<b>9,009</b>

The notes on pages 16 to 36 are an integral part of these Financial Statements.

## Statement of changes in equity

For the year ended 30 June 2019	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Total \$'000
Balance at 1 July 2017	73,238	34,787	3,362	111,387
<b>TOTAL COMPREHENSIVE INCOME</b>				
Surplus	4,769	-	-	4,769
<b>Other comprehensive income</b>				
Net change in fair value available for sale assets	-	-	1,869	1,869
Net change in fair value property	-	2,371	-	2,371
Total other comprehensive income	-	2,371	1,869	4,240
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,769</b>	<b>2,371</b>	<b>1,869</b>	<b>9,009</b>
<b>BALANCE AT 30 JUNE 2018</b>	<b>78,007</b>	<b>37,158</b>	<b>5,231</b>	<b>120,396</b>
Balance at 1 July 2018	78,007	37,158	5,231	120,396
<b>TOTAL COMPREHENSIVE INCOME</b>				
Deficit	(220)	-	-	(220)
<b>Other comprehensive income</b>				
Net change in fair value of equity and debt investments	-	-	(571)	(571)
Net realised gain on equity investments	-	-	517	517
Net change in fair value property	-	7,022	-	7,022
Total other comprehensive income	-	7,022	(54)	6,968
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(220)</b>	<b>7,022</b>	<b>(54)</b>	<b>6,748</b>
<b>BALANCE AT 30 JUNE 2019</b>	<b>77,787</b>	<b>44,180</b>	<b>5,177</b>	<b>127,144</b>

The notes on pages 16 to 36 are an integral part of these Financial Statements.



# Statement of cash flows

For the year ended 30 June 2019	Note	2019 \$'000	2018 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		175,530	136,246
Cash paid to suppliers and employees		(171,965)	(125,940)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>3,565</b>	<b>10,306</b>
Bequests income	7	667	3,773
Bequests costs		(100)	(72)
Dividend, interest, trust and imputation credit income		5,729	3,763
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>9,861</b>	<b>17,770</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(14,696)	(3,883)
Acquisition of available-for-sale investments		(36,833)	(49,498)
Proceeds from sale of available-for-sale investments		35,583	34,429
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(15,946)</b>	<b>(18,952)</b>
Net (decrease)/increase in cash and cash equivalents		(6,085)	(1,182)
Cash and cash equivalent at 1 July		18,038	19,220
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	16	<b>11,953</b>	<b>18,038</b>

The notes on pages 16 to 36 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 a not-for-profit entity. The address of the entity's registered office is 67 Brunswick Street, Fitzroy, Victoria 3065.

The principal activities of the Brotherhood during the year include 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 working with people living with disability, the recycling and sale of recycled goods. This work is underpinned by research and social advocacy 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 that 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. This is the first set of the Brotherhood's annual financial statements in which AASB 9 Financial Instruments have been applied. Changes to significant accounting policies are described in note 25.

The Financial Statements were approved by the Board of Directors on 24 September 2019.

### b) Basis of measurement

The Financial Statements have been prepared on

the historical cost basis except for the following material items which are measured on an alternative basis on each reporting date:

- Property and bed licences are measured at fair value.
- Investments in equity and debt securities 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, management has made judgements, estimates and assumptions that affect the application of Brotherhood's 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise stated. Certain comparative amounts in the Statement of profit or loss have been reclassified to achieve consistency in disclosure.

### a) Basis of consolidation

#### Interests 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. Interests 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 15) 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 among 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 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 into 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 into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into 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 at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss, except for differences arising from the translation of available for sale equity instruments, which are recognised in other comprehensive income.

## **c) Financial instruments**

### **(i) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Brotherhood becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value

plus, for an item not at Fair Value Through Profit and Loss (FVTPL), 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 measurement**

#### **Financial assets – Policy applicable from 1 July 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Other Comprehensive Income (FVOCI)-debt investment; FVOCI-equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Brotherhood changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- It is held within a business model the objective of which is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms 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 equity investment that is not held for trading, the Brotherhood 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.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Brotherhood may irrevocably designate a financial

asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### **Financial assets – Business model assessment: Policy applicable from 1 July 2018**

The Brotherhood makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Brotherhood's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Brotherhood's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **Financial assets – Assessment whether contractual cash flows are solely payments of principle and interest: Policy applicable from 1 July 2018**

For the purpose of this assessment, 'principle' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principle

amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Brotherhood considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Brotherhood considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Brotherhood's claim to cash flows from specified assets (e.g. non-recourse features).

#### **Financial assets – Subsequent measurement and gains and losses**

##### **Policy applicable from 1 July 2018**

##### ***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### ***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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### ***Debt investments at FVOCI***

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### ***Equity investments 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 profit or loss.

#### **Financial assets – Policy applicable before 1 July 2018**

The Brotherhood classified its financial assets into one of the following categories:

- Loans and receivables
- Available for sale
- At FVTPL.

#### ***Financial assets at amortised cost and 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.

#### ***Available for sale financial assets***

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

#### ***Financial assets at FVTPL***

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

#### **Financial liabilities – Classification, subsequent measurement and gains and losses**

##### **Policy applicable before and after 1 July 2018**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **(iii) Derecognition**

##### **Policy applicable before and after 1 July 2018**

#### ***Financial assets***

The Brotherhood derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Brotherhood neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

#### ***Financial liabilities***

The Brotherhood derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Brotherhood also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### **(iv) Offsetting**

##### **Policy applicable before and after 1 July 2018**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Brotherhood currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### **d) Property, plant and equipment**

##### **(i) Recognition and measurement**

Plant and equipment are measured at cost less accumulated depreciation and any 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. Buildings under construction are recorded at cost, upon completion these are recorded at fair value.

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.

If 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 or 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 expenditure**

Subsequent expenditure is only capitalised if it is probable that the future economic benefits associated will flow to the Brotherhood.

## **(iv) Depreciation**

Depreciation is recognised in profit or loss and calculated 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 nil consideration. Bed licences are carried at fair value at the date of acquisition, 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.

## g) Impairment

### (i) Non-derivative financial assets

Policy applicable from 1 July 2018

#### *Financial instruments*

The Brotherhood recognises loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortised cost.
- Debt investments measured at FVOCI.

The Brotherhood measures loss allowances at an amount equal to lifetime ECLs except for the following that are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Brotherhood 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 the Brotherhood's historical experience and informed credit assessment and including forward-looking information.

The Brotherhood assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Brotherhood assesses the credit risk based on individual customers including the timing and

the amount and whether there is reasonable expectation of recovery.

The Brotherhood considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Brotherhood in full, without recourse by the Brotherhood to actions such as realising security (if any is held).

The Brotherhood considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Brotherhood considers this to be BBB- or higher (S&P or equivalent).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Brotherhood is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Brotherhood expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Brotherhood assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default;
- The restructuring of a loan or advance by the Brotherhood on terms that the Brotherhood would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- The disappearance of an active market for a security because of financial difficulties.

### **Presentation of allowance for ECL in the statement of financial position**

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### **Write-off**

The gross carrying amount of a financial asset is written off when the Brotherhood has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Brotherhood individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Brotherhood expects no significant recovery from the amount written off.

Policy applicable before 1 July 2018

### **Non-derivative financial assets**

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- 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 would enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Brotherhood considers a decline of 30% to be significant and a period of nine months to be prolonged.

### **Financial assets measured at amortised cost**

The Brotherhood considers evidence of

impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Brotherhood uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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. When the Brotherhood considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

### **Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

## **(ii) Non-financial assets**

### **Policy before and after 1 January 2018**

At each reporting date, the Brotherhood reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is



any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment.

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 cash generating units (CGUs).

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 based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. 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) 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. 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 value less cost to sell and are no longer depreciated or amortised. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

## **i) Employee benefits**

### **(i) Defined superannuation contribution plans**

A defined superannuation 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 superannuation 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 using corporate bond rates. 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 benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Brotherhood 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.

## **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' in note 19.

The Brotherhood holds refundable accommodation deposits 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' in note 19.

## **l) Revenue**

### **(i) Sale of goods**

Revenue is measured net of returns and allowances. 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, 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 or specified donations under 'Deferred income'.

Aged care facility concessional subsidies and refundable accommodation deposit 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.

### **(iv) Capital funding**

Funding for capital projects is netted off against property, plant and equipment and not included in revenue. Refer to note 6(a).

### **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 gain on disposal of investments in debt securities carried at FVOCI. 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.

Finance costs comprise management fees on investments, interest expense, fees on borrowings, net loss on disposal and impairment losses on

investments in debt securities carried at FVOCI. 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 is not required to adopt AASB 8 *Operating Segments*.

### **r) New standards issued but not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2018, 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 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

AASB 15 is effective for not-for-profits (NFP) for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. The Brotherhood has not early adopted this new standard and is assessing the potential impact on its financial statements resulting from its application.

## **AASB 1058 Income for Not-For-Profit Entities**

Where a transaction does not meet the requirement to be accounted for under AASB 15 as it is either not an enforceable contract or the performance obligations are not sufficiently specific, a NFP entity needs to assess whether the transaction should be accounted for under AASB 1058. This standard replaces the income recognition requirements relating to private sector NFP entities.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. The Brotherhood has not early adopted this new standard and is assessing the potential impact on its financial statements resulting from its application.

## **AASB 16 Leases**

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Brotherhood is assessing the potential impact on its financial statements resulting from the application of AASB 16.

AASB 16 is effective for annual reporting periods beginning on or after 1 July 2019 with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Brotherhood has not early adopted this new standard and is assessing the potential impact on its financial statements resulting from its application.

## **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 land is valued using the market approach. 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 buildings are valued using the cost approach. The cost approach considers the current replacement cost of buildings.

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) Investments in equity and debt securities**

The fair value of equity and debt securities are determined by reference to their quoted closing bid (market) price at the reporting date.

## **5. FINANCIAL RISK MANAGEMENT**

### **a) Risk management framework**

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.

The Brotherhood's risk management policy and practices are established to identify and analyse the risks faced by the Brotherhood, to set appropriate risk limits and controls and adherence to limits. The risk management policy, practices 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 internally by the Risk and Quality department. It is supported externally by a program of periodic reviews undertaken by the Brotherhood's internal auditor. The results of the reviews completed by the Risk and Quality department and internal auditors 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 for review.

## **b) Market risk**

### **(i) 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.

### **(ii) Currency risk**

The Brotherhood is not significantly exposed to currency risk.

### **(iii) Other market price risk**

The Brotherhood is exposed to equity price risk, which arises from available for sale equity securities held as investments. The Brotherhood's Finance and Investment Committee is responsible for setting the organisation's investment strategy and ensuring this is adhered to through compliance with its investment policy. The proportion of equity securities in its investment portfolio is determined by the asset allocation strategy within the Brotherhood's investment policy.

The broad objective of the Brotherhood's investment strategy is to maximise real returns but to achieve this within appropriate risk and liquidity constraints. The Finance and Investment Committee and management are assisted by external investment advisors.

## **c) Credit risk**

The Brotherhood engages reputable institutions with regard to its financial transactions. The carrying amount of the financial assets represents the maximum credit exposure.

## **6A. CAPITAL INCOME**

The following capital income has been excluded from revenue and netted off against property, plant and equipment:

- National Disability Insurance Scheme \$3.335 million (2017-18: \$3.050 million); and
- Aged Care (Sambell Lodge Redevelopment) \$1.500 million (2017-18: nil).

## 6B. FUNDRAISING INCOME

	2019 \$'000	2018 \$'000
Total fundraising income	4,378	4,632
Less: specified fundraising income transferred to Service Activities	(2,163)	(2,487)
<b>UNSPECIFIED FUNDRAISING INCOME</b>	<b>2,215</b>	<b>2,145</b>

## 7. BEQUEST INCOME

Bequest income includes the following:

	2019 \$'000	2018 \$'000
Cash bequests	790	4,942
Less: specified fundraising income transferred to Service Activities	(123)	(1,169)
<b>UNSPECIFIED CASH BEQUESTS</b>	<b>667</b>	<b>3,773</b>
Investment bequests	-	40
<b>TOTAL BEQUESTS</b>	<b>667</b>	<b>3,813</b>

## 8. FINANCE INCOME AND EXPENSE RECOGNISED IN SURPLUS/DEFICIT

	2019 \$'000	2018 \$'000
<b>Recognised in surplus</b>		
Dividend income on available-for-sale financial assets	-	1,788
Interest income on available-for-sale financial assets	-	573
Trust income on available-for-sale financial assets	-	411
Dividend income on equity securities	3,287	-
Interest income on debt securities	441	-
Trust income on equity securities	714	-
Imputation credit income	715	517
Interest income on bank deposits	217	49
Interest income from subordinated debt	505	506
Net gain on disposal of available-for-sale financial assets reclassified from other comprehensive income	-	1,880
Debt securities at FVOCI - net gain on disposal reclassified from other comprehensive income	82	-
<b>TOTAL FINANCE INCOME</b>	<b>5,961</b>	<b>5,724</b>
Management expense	(188)	(308)
<b>TOTAL FINANCE EXPENSE</b>	<b>(188)</b>	<b>(308)</b>
<b>NET FINANCE INCOME RECOGNISED IN SURPLUS</b>	<b>5,773</b>	<b>5,416</b>

## 9. ASSETS HELD FOR SALE

	2019 \$'000	2018 \$'000
Property, plant and equipment	5,967	6,500
<b>NET ASSETS HELD FOR SALE</b>	<b>5,967</b>	<b>6,500</b>

### 2019

In March 2019 the Brotherhood Board approved a variation on the contract of sale regarding the land at 1 South Terrace Clifton Hill, reducing the sales price from \$6.500 million to \$6.357 million. Settlement occurred on 30 August 2019 and on this basis the asset has been presented as held for sale as at 30 June 2019. The \$5.967 million value is equal to the sales price of \$6.357 million less estimated costs of sale of \$0.390 million. An impairment loss of \$0.533 million (2017-18: nil) is recognised under the other expenses category.

### 2018

In June 2018 the Brotherhood received an offer to purchase the land at 1 South Terrace, Clifton Hill. The Brotherhood Board has approved the acceptance of the final offer of \$6.5 million and expects settlement to occur before the end of 2018. On this basis the asset has been presented as held for sale as at 30 June 2018.

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements \$'000	Work in progress \$'000	Plant and equipment \$'000	Total \$'000
<b>Fair value or cost</b>				
Balance at 1 July 2018	59,939	1,962	5,638	67,539
Additions	1,420	9,190	4,086	14,696
Write-offs	(276)	-	(55)	(331)
Revaluation	7,022	-	-	7,022
<b>BALANCE AS AT 30 JUNE 2019</b>	<b>68,105</b>	<b>11,152</b>	<b>9,669</b>	<b>88,926</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2018	6,279	-	3,711	9,990
Depreciation for the year	1,058	-	668	1,726
Write-offs	(146)	-	(98)	(244)
<b>BALANCE AS AT 30 JUNE 2019</b>	<b>7,191</b>	<b>-</b>	<b>4,281</b>	<b>11,472</b>
<b>Carrying amounts</b>				
At 1 July 2018	53,660	1,962	1,927	57,549
<b>At 30 June 2019</b>	<b>60,914</b>	<b>11,152</b>	<b>5,388</b>	<b>77,454</b>

Land and buildings, with the exception of property under construction, were revalued based on independent valuations determined using market values on 30 June 2019 by certified valuers Armstrong Biggs Valuers Pty Ltd. The land carrying value of the property under construction was independently revalued at 30 June 2018 and the Directors have re-assessed that there are no material changes to the land carrying value at 30 June 2019.

## 11. INTANGIBLE ASSETS

	Bed licences \$'000
Balance at 1 July 2018	1,720
<b>BALANCE AS AT 30 JUNE 2019</b>	<b>1,720</b>

### Carrying amounts

At 1 July 2018	1,720
<b>At 30 June 2019</b>	<b>1,720</b>

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 2019 carrying value of bed licences on external market evidence. Refer to notes 3(e)(i) and 4(ii). The carrying value of the bed licences approximate the original deemed cost. Accordingly, there are no valuation reserves attached to bed licences.

## 12. INVESTMENTS

	2019 \$'000	2018 \$'000
<b>Current investments - FVOCI</b>		
Equity securities	61,752	54,152
Debt securities	15,347	21,667
<b>TOTAL, AT FAIR VALUE</b>	<b>77,099</b>	<b>75,819</b>

Debt securities were reviewed for impairment at balance date. The Directors have assessed that no material impairment adjustment is required in 2018-19 (2017-18 \$Nil). Impairment on debt securities have been measured on a 12-month expected loss basis. These debt securities are assessed to have low credit risk based on the external credit ratings of the counter parties.

## 13. INVENTORIES

	2019 \$'000	2018 \$'000
Finished goods	1,022	794
<b>INVENTORIES STATED AT LOWER OF COST AND NET REALISABLE VALUE</b>	<b>1,022</b>	<b>794</b>

At 30 June 2019 there was no write-down of inventories to net realisable value (2017-18: \$Nil).

## 14. TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
<b>Current - Amortised Cost</b>		
Trade receivables	1,421	1,031
Other receivables and prepayments	6,105	2,882
<b>TOTAL</b>	<b>7,526</b>	<b>3,913</b>
<b>Non-Current Receivables - Amortised Cost</b>		
GoodStart Early Learning subordinated debt	3,366	3,366
<b>TOTAL</b>	<b>3,366</b>	<b>3,366</b>

Refer to note 15 for details on the GoodStart Early Learning subordinated debt.

### Impairment Losses

The movement in the allowance for ECLs in respect to trade receivables during the year was as follows:

	2019 \$'000	2018 \$'000
Balance at 1 July	45	1
Impaired receivables written off	-	(1)
Impairment loss recognised	7	45
<b>TOTAL</b>	<b>52</b>	<b>45</b>

## 15. 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.

In 2009-10, the Brotherhood of St Laurence provided \$2.5 million in cash to contribute to the purchase price and in return received \$2.5 million of Members' Subordinated Notes. The repayment term of this facility was a bullet repayment at eight plus years from the date of acquisition. Interest of 15% per annum was capitalised on the outstanding principal. While repayment of the loan note and accrued interest was not due until the end of the term, the loan and the related accrued interest was fully repaid by GoodStart in October 2014.

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 and matures on 28 May 2030. Interest of 15% per annum is capitalised on the outstanding principal. While interest is only required to be repaid at the time of the bullet repayment, GoodStart commenced repayment of interest during 2012-13.

The loan is disclosed as a non-current receivable and as at 30 June 2019 and has a balance of \$3.366 million (2017-18: \$3.366 million) comprising \$2.5 million Members' Deeply Subordinated Notes principal and \$0.866 million capitalised interest.



## 16. CASH AND CASH EQUIVALENTS – AMORTISED COST

	2019 \$'000	2018 \$'000
Cash on hand	45	43
Cash at bank	7,192	9,676
Call deposits*	2,332	2,983
Cash management accounts	2,384	5,336
<b>TOTAL</b>	<b>11,953</b>	<b>18,038</b>

\* The deposits at call can be recalled within three months or less. Included in this is an amount of \$1.430 million (2017-18: \$1.500 million), representing cash from refundable accommodation deposits, which the Brotherhood is prohibited to use, for a purpose other than to fund the operations of its residential aged care facilities.

## 17. RESERVES

### Fair value reserve

The Fair Value Reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI (2017-18: available-for-sale financial assets);
- the cumulative net change in the fair value of debt securities at FVOCI (2017-18: available-for-sale financial assets) until the assets are derecognised or reclassified, this amount is reduced by the amount of the loss allowance; and
- the net realised gains or losses on equity investments (2017-18: nil).

### Asset revaluation reserve

The Asset Revaluation Reserve represents the net revaluation increment in respect of land and buildings.

## 18. TRADE AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
<b>Current - Amortised Cost</b>		
Trade payables	4,953	2,626
Non-trade payables and accrued expenses	6,276	3,848
<b>TOTAL</b>	<b>11,229</b>	<b>6,474</b>

## 19. AUSPICE AND RESIDENT FUNDS

	2019 \$'000	2018 \$'000
Residents	90	79
Refundable accommodation deposits – aged care	1,882	1,843
External entities*	172	182
Other	46	176
<b>TOTAL</b>	<b>2,190</b>	<b>2,280</b>

\* 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.

## 20. EMPLOYEE BENEFITS

	2019 \$'000	2018 \$'000
<b>Current</b>		
Salaries and wages accrued	2,446	3,503
Liability for long service leave	1,835	2,055
Liability for annual leave	5,182	3,955
<b>TOTAL EMPLOYEE BENEFITS - CURRENT</b>	<b>9,463</b>	<b>9,513</b>
<b>Non-Current</b>		
Liability for long service leave (NCL)	642	450
<b>TOTAL EMPLOYEE BENEFITS - NON-CURRENT</b>	<b>642</b>	<b>450</b>

The Brotherhood has paid contributions of \$7.97 million to defined contributions plans on behalf of employees for the year ended 30 June 2019 (2017-18: \$5.13 million).

## 21. DEFERRED INCOME

	2019 \$'000	2018 \$'000
<b>Current</b>		
Specified donations	4,090	3,666
Government grants and project funds in advance	31,349	24,920
<b>TOTAL</b>	<b>35,439</b>	<b>28,586</b>

## 22. OPERATING LEASES

### Leases as lessee

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

	2019 \$'000	2018 \$'000
Less than one year	5,107	4,676
Between one and five years	7,057	7,125
More than five years	655	725
<b>TOTAL</b>	<b>12,819</b>	<b>12,526</b>

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. Several leases provide for increases in future payments which are based on changes in the local price index.

During the year ended 30 June 2019, an amount of \$6.869 million (2017-18: \$4.863 million) was recognised as an operating lease expense in the statement of profit or loss and other comprehensive income.

## **23. 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 or joint 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. The key management personnel compensation was \$1,916,122 for the year ended 30 June 2019 (2017-18: \$2,725,511).

## **24. CAPITAL COMMITMENTS**

In July 2018 the Brotherhood entered into a construction contract for \$23.1 million for the development of the Sambell Lodge Residential Aged Care facility in Clifton Hill. During 2018-19 \$9.8 million was incurred relating to this contract, with the remaining \$13.3 million expected to be incurred in 2019-20. In September 2018 the Brotherhood established a loan facility with the ANZ bank for \$12.5 million to assist with the funding of the development. The loan is expected to be progressively drawn down over 2019-20 and has a termination date of 30 July 2023. A funding contract with the Government for a \$3.5 million capital grant is also in place, with \$1.5 million received in 2018-19.

In June 2019 the Brotherhood entered into a contract to purchase the land and buildings at 87 Brunswick Street Fitzroy for \$1.080 million. A deposit of \$0.108 million was paid in June 2019 with the remaining \$0.972 million to settle in September 2019.

## 25. CHANGE IN ACCOUNTING POLICIES

### AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of AASB 9, the Brotherhood has adopted consequential amendments to AASB 101 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Brotherhood's approach was to include the impairment of trade receivables in the expenses of the service area they related to. Impairment losses on other financial assets are presented under 'financial costs', similar to the presentation under AASB 139, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Brotherhood has adopted consequential amendments to AASB 7 *Financial Instruments: Disclosure* that are applied to disclosure about 2019 but have not been generally applied to comparative information. The following table summarises the impact of transition to AASB 9 on opening balances.

	<b>Impact of adopting AASB 9 at 1 July 2018 \$'000s</b>
<b>Fair value reserve and accumulated surplus</b>	
Recognition of expected credit losses under AASB 9 for debt financial assets at FVOCI	-
<b>IMPACT AT 1 JULY 2018</b>	<b>-</b>

### Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification of financial assets measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables, and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant financial impact on the Brotherhood's accounting policies related to financial assets and financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Brotherhood's financial assets and financial liabilities as at 1 July 2018.

## 25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$'000s	New carrying amount under AASB 9 \$'000s
<b>Financial assets</b>					
Trade and other receivables	14	Loans and receivables	Amortised cost	7,279	7,279
Cash and cash equivalents	16	Loans and receivables	Amortised cost	18,038	18,038
Debt securities	12	Available for sale	FVOCI - debt instrument	21,667	21,667
Equity securities	12	Available for sale	FVOCI - equity instrument	54,152	54,152
<b>TOTAL FINANCIAL ASSETS</b>				<b>101,136</b>	<b>101,136</b>
<b>Financial liabilities</b>					
Trade and other payables	18	Other financial liabilities	Other financial liabilities	6,474	6,474
<b>TOTAL FINANCIAL LIABILITIES</b>				<b>6,474</b>	<b>6,474</b>

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. No increase in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 July 2018 on transition to AASB 9.

The corporate debt securities categorised as available-for-sale under AASB 139 are held to provide interest income but may be sold to meet liquidity requirements arising in the normal course of business. The Brotherhood considers that these securities are held within a business model the objective of which is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under AASB 9. On transition to AASB 9, no allowance for impairment was recognised in the opening accumulated surplus or in fair value reserves at 1 July 2018.

The equity securities represent investments that the Brotherhood intends to hold for strategic and continuous operating purposes. As permitted by AASB 9, the Brotherhood has designated these investments at the date of initial application as measured at FVOCI. Unlike AASB 139, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

## 25. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The following table reconciles the carrying amounts of financial assets under AASB 139 to the carrying amounts under AASB 9 on 1 July 2018.

	AASB 139 carrying amount at 30 June 2018 \$'000s	Reclassification	Remeasurement	AASB 9 carrying amount at 1 July 2018 \$'000s
<b>Financial assets</b>				
<i>Amortised cost</i>				
Trade and other receivables:				
Brought forward: Loans and receivables	7,279	(7,279)	-	-
Carried forward: Amortised cost	-	7,279	-	7,279
Cash and cash equivalents:				
Brought forward: Loans and receivables	18,038	(18,038)	-	-
Carried forward: Amortised cost	-	18,038	-	18,038
<b>TOTAL AMORTISED COST</b>	<b>25,317</b>	<b>-</b>	<b>-</b>	<b>25,317</b>
<i>FVOCI</i>				
FVOCI - debt				
Investment securities:				
Brought forward: Available for sale	21,667	(21,667)	-	-
Carried forward: FVOCI - debt	-	21,667	-	21,667
FVOCI - equity				
Investment securities:				
Brought forward: Available for sale	54,152	(54,152)	-	-
Carried forward: FVOCI - equity	-	54,152	-	54,152
<b>TOTAL FVOCI</b>	<b>75,819</b>	<b>-</b>	<b>-</b>	<b>75,819</b>

### Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139 - see note 3.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. There was no significant impact as a result of the application of AASB 9's impairment requirement at 1 July 2018.

# 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 11 to 36, 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 2019 and of its performance, for the financial year ended on that date;
  - ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and
  - iii. complying 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:



**The Most Revd Dr Philip Freier**  
Chair, Board of Directors



**Conny Lenneberg**  
Executive Director

Dated at Melbourne on this 24th day of September 2019

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF THE BROTHERHOOD OF ST LAURENCE

### Opinion

We have audited the *Financial Report*, of The Brotherhood of St Laurence (the Entity).

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

- iv. giving a true and fair view of the Entity's financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended at that date; and
- v. 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 2019.
- 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 Entity.

### 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 Entity 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 The Brotherhood of St Laurence'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.

The Other Information that we obtained prior to the date of this Auditor's report was the Directors' Report.

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 Entity'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 Entity 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 scepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Entity's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Entity 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



**Dana Bentley**  
Partner  
Melbourne  
24 September 2019

# 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 2019 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



**Dana Bentley**  
Partner  
Melbourne  
24 September 2019





Brotherhood  
of St Laurence

Brotherhood of St Laurence  
67 Brunswick Street, Fitzroy  
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[bsl.org.au](http://bsl.org.au)