TeamHEALTH

TOP END ASSOCIATION FOR MENTAL HEALTH INCORPORATED

ABN: 16 345 352 064

Special Purpose Financial Report

for the year ended 30 June 2019

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Board of Management's Report

The Board of Management of the Top End Association for Mental Health Incorporated (the "Association") submit herewith the annual report of the Association for the financial year ended 30 June 2019. In order to comply with the provisions of the *Associations Act (NT)* and the *Australian Charities and Not-for-Profit Commission Act 2012*, the Board of Management reports as follows:

Board members

The names of the members of the Board of Management of the Association during the year and to the date of this report are:

Markus Spazzapan

Janet Hanigan

Aminul Islam

David Malone

David Chapman (resigned on 15 November 2018)

Kim Hill

Tracey Myles

Jessica Silvester (appointed on 13 May 2019)

Karen Elligett (resigned on 15 November 2018)

Principal Activities

The principal activity of the Association during the financial year was to provide a range of recovery focused support including residential services for people with severe and persistent mental illness, a community housing service, individual recovery and group based support, together with early intervention support and home based aged care support.

Review of Operations

During the year, the Association continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

The net current year operating surplus of the Association for the financial year ended 30 June 2019 amounted to $1,038,025 (2018: $167,915).

Changes in state of affairs

There were no significant changes in the state of affairs of the Association during the financial year.

This statement is made in accordance with a resolution of the Board of Management and is signed for and on behalf of the Board of Management by;

On behalf of the Board of Management:

Dated: 18 October 2

Chairperson

Building 4, Darwin Corporate Park

631 Stuart Highway, BERRIMAH 0828

Dated: 15 October 2019

Treasurer

Building 4, Darwin Corporate Park

631 Stuart Highway, BERRIMAH 0828

merit
chartered accountants

Independent Auditor's Report to the Members of Top End Association for Mental Health Incorporated

Opinion

We have audited the financial report of Top End Association for Mental Health Incorporated (the "Association"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Board of Management's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of Top End Association for Mental Health Incorporated as at 30 June 2019 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial report.is in accordance with the *Associations Act NT*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Association in accordance with 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Board of Management for the Financial Report

The Board of Management of the Association are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Associations Act NT* and for such internal control as the Board of Management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Conclude on the appropriateness of the Board of Management's 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 Association'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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Management 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.

Merit Partners

Merit Partners

MunLi Chee
Director

DARWIN

18 October 2019

Board of Management's Declaration

As detailed in Note 3 to the financial statements, the Association is not a reporting Association because in the opinion of the Board of Management there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Board of Management's reporting requirements under the *Associations Act (NT)* and *the Australian Charities and Not-for-Profit Commission Act 2012.*

The Board of Management declare that:

(a) the accounts of the Association have been properly prepared and are in accordance with the books of account of the Association;

(b) in the Board of Management's opinion, there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(c) the Board of Management's opinion, the attached financial statements and notes thereto are in accordance with the *Associations Act (NT)* and the *Australian Charities and Not-for-Profit Commission Act 2012*, including compliance with accounting standards and presenting fairly the financial position and performance of the Association.

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

On behalf of the Board of Management:

Dated: 18 October 2019

Chairperson
Building 4, Darwin Corporate Park
631 Stuart Highway, BERRIMAH 0828

Dated: 15 October 2019

Treasurer
Building 4, Darwin Corporate Park
631 Stuart Highway, BERRIMAH 0828

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
Revenue	4.1	8,202,820	7,377,345
Other income	4.2	136,816	169,892
Total Revenue		8,339,636	7,547,237
Employee benefits expense	4.3	(4,741,943)	(5,016,884)
Operation expenses		(569,412)	(578,808)
Vehicle expenses		(197,673)	(236,895)
Travel expenses		(73,291)	(122,295)
IT expenses		(126,590)	(106,962)
Insurance		(56,991)	(11,476)
Premises expenses		(444,584)	(472,277)
Program expenses		(454,404)	-
Client support services		(125,567)	(168,479)
Consultancy expenses		(215,492)	(388,593)
Depreciation		(138,814)	(185,910)
Amortisation		-	(2,210)
Low value assets		(156,850)	(88,533)
Total Expenses		(7,301,611)	(7,379,322)
Operating surplus for the year		1,038,025	167,915
Prescribed capital grant income	12	1,900,000	-
Surplus for the year		2,938,025	167,915
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of property	12	-	(160,375)
Total other comprehensive income for the year		-	(160,375)
Total comprehensive income for the year		2,938,025	7,540

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019	2018
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	14(a)	3,901,371	5,412,184
Trade and other receivables	5	987,999	139,630
Other current assets	6	468,189	288,794
TOTAL CURRENT ASSETS		5,357,559	5,840,608
NON-CURRENT ASSETS			
Property, Plant and equipment	7	6,679,895	3,111,738
TOTAL NON-CURRENT ASSETS		6,679,895	3,111,738
TOTAL ASSETS		12,037,454	8,952,346
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	8	808,046	464,922
Borrowings	9	58,509	33,776
Employee benefits	10	271,838	261,886
Deferred revenue	11	1,587,191	1,722,879
TOTAL CURRENT LIABILITIES		2,725,584	2,483,463
NON-CURRENT LIABILITIES			
Borrowings	9	32,677	86,107
Employee benefits	10	79,467	121,075
TOTAL NON-CURRENT LIABILITIES		112,144	207,182
TOTAL LIABILITIES		2,837,728	2,690,645
NET ASSETS		9,199,726	6,261,701
EQUITY			
Reserves	12	6,537,342	1,483,061
Retained surplus	13	2,662,384	4,778,640
TOTAL EQUITY		9,199,726	6,261,701

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve – Prescribed properties	Prescribed properties reserve	Retained earnings	Total
	$	$	$	$
Balance at 1 July 2017	1,643,436	-	4,610,725	6,254,161
Surplus for the year	-	-	167,915	167,915
Other comprehensive income for the year	(160,375)	-	-	(160,375)
Total comprehensive income for the year	(160,375)	-	167,915	7,540
Balance at 30 June 2018	1,483,061	-	4,778,640	6,261,701
Balance at 1 July 2018	1,483,061	-	4,778,640	6,261,701
Transfers	-	3,154,281	(3,154,281)	-
Operating surplus for the year	-	-	1,038,025	1,038,025
Prescribed capital grant income	-	1,900,000	-	1,900,000
Total comprehensive income for the year	-	5,054,281	(2,116,256)	2,938,025
Balance at 30 June 2019	1,483,061	5,054,281	2,662,384	9,199,726

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Grants received		5,927,373	7,081,286
Other income received		1,208,539	415,103
Payments to suppliers and employees		(6,949,970)	(7,106,083)
Interest received		138,912	111,138
Net cash (used in)/generated from operating activities	14	324,854	501,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	40,273
Payments for property, plant and equipment		(3,706,970)	(113,807)
Prescribed capital grant income received		1,900,000	-
Net cash used in investing activities		(1,806,970)	(73,534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(28,697)	(18,618)
Net cash used in financing activities		(28,697)	(18,618)
Net increase in cash held		(1,510,813)	409,292
Cash on hand at the beginning of the financial year		5,412,184	5,002,892
Cash on hand at the end of the financial year	14(a)	3,901,371	5,412,184

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General Information

Top End Association for Mental Health Incorporated (the "Association") is an Association, incorporated under the *Associations Act (NT)* and is a registered entity under the *Australian Charities and Not-for-Profits Commission Act 2012*. The Association's registered office and its principal place of business are as follows

Registered office & Principal place of business
Building 4, Darwin Corporate Park
631 Stuart Highway, BERRIMAH 0828

The principal activities of the Association during the financial year were to provide a range of recovery focused support including residential services for people with severe and persistent mental illness, a community housing service, individual recovery and group based support, together with early intervention support and home based aged care support.

2. Application of new and revised Accounting Standards

In the current year, the Association has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no significant changes to the Association's accounting policies.

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position of the Association may change on adoption of these pronouncements as they require amendments to the Association's existing accounting policies. Adoption will also result in changes to information currently disclosed in the financial statements.

New and Amended Accounting Policies Adopted by the Association

Initial application of AASB 9: *Financial Instruments*

The Association has adopted AASB 9 with a date of initial application of 1 July 2018. As a result the Association has updated its accounting policies as detailed in this note.

Early adoption of AASB 15: *Revenue from Contracts with Customers* and AASB 1058*: Income of Not-for-Profit Entities.*

The Association has elected to early adopt AASB 15 and AASB 1058. As a result the Association has updated its accounting policies as detailed in this note.

There has not been any material financial impact on the Association from the adoption of AASB 9, AASB 15 and AASB 1058.

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Association. The Board of Management have decided not to early adopt any of the new and amended pronouncements. The following sets out their assessment of the pronouncements that are relevant to the Association and applicable in future reporting periods.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The main changes introduced by the new Standard are as follows:
  - recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Board of Management anticipate that the adoption of AASB 16 will impact the Association's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3. Summary of Significant Accounting Policies

Financial Reporting Framework

The Association is not a reporting entity because in the opinion of the Board of Management there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the Board of Management's reporting requirements under the *Associations Act (NT)* and the *Australian Charities and Not for Profits Commission Act 2012*.

For the purposes of preparing the financial statements, the Association is a not-for-profit entity.

Statement of Compliance

The financial statements have been prepared in accordance with the *Associations Act (NT)* and the *Australian Charities and Not for Profits Commission Act 2012*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *'Presentation of Financial Statements'*, AASB 107 '*Statement of Cash Flows'*, AASB 108 *'Accounting Policies, Changes in Accounting Estimates and Errors'*, AASB 1031 '*Materiality*', and AASB 1054 *'Australian Additional Disclosures'*.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Association takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The following is significant accounting policies have been adopted in the preparation and presentation of the financial report:

Accounting Policies

a. **Revenue**

The Association has elected to early adopt AASB 15: *Revenue from Contracts with Customers* and AASB 1058*: Income of Not-for-Profit Entities*. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

3. Summary of Significant Accounting Policies

i. Grants
Grant revenue is recognised in profit or loss when the Association satisfies performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the Association is eligible to receive the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

Where the Association receives contributions of assets from the government and other parties for zero or a nominal value, these assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

i. Rent Received
Rental income is recognised in the statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease.

ii. Interest Income
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

iii. Other Income
Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax.

b. **Property, Plant and Equipment**

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated.

Plant and equipment is stated at cost less accumulated depreciation and impairment.

New property, plant and equipment acquired during the year with a value of less than $5,000 are expensed in the profit and loss. They are maintained in a low value asset register.
Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less

3. Summary of Significant Accounting Policies

their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rates
Plant and equipment	13.00% - 33.33%
Motor vehicles	20.00% - 33.33%
Buildings	2.50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

c. **Leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Association as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Association as lessee

Assets held under finance leases are initially recognised as assets of the Association at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Association's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Summary of Significant Accounting Policies

d. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Association commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

3. Summary of Significant Accounting Policies

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Association no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Association elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Association recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. This expected credit loss approach with the adoption of AASB 9 replaces AASB 139's incurred loss approach.

Recognition of expected credit losses in financial statements

At each reporting date, the Association recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

e. **Impairment of Assets**

At each reporting date, the Association reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Association estimates the recoverable amount of the cash-generating unit to which the

3. Summary of Significant Accounting Policies

asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. All impairment losses are recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f. **Employee Benefits**

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h. **Accounts Receivable and Other Debtors**

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from customers for goods sold and services rendered in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 3(d) for further discussion on the determination of impairment losses.

3. Summary of Significant Accounting Policies

i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

j. **Income Tax**

The Association is exempted from income tax under section 50-10 of the *Income Tax Assessment Act 1997*.

k. **Critical Accounting Estimates and Judgements**

In the application of the Association's accounting policies, which are described in Note 1, the Board of Management of the Association are required to make judgments, estimates and assumptions about carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

l. **Asset reserves**

The asset revaluation reserve is used to record revalued increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses).

The prescribed property reserve is used to record the contribution received in respect of prescribed properties.

m. **Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

n. **Economic Dependency**

The future operations of the Association are dependent upon the continuation of adequate funding from the Commonwealth and Northern Territory Governments. The Board of Management has no reason to believe that support from the Commonwealth and Northern Territory Governments will not continue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: SURPLUS FOR THE YEARS

Surplus for the year has been arrived at after crediting / (charging):

		Note	2019	2018
			$	$
4.1	**Revenue**			
	Grants			
	Northern Territory grants		2,549,003	2,545,165
	Commonwealth grants		4,198,944	4,536,121
	Net grant revenue carried forward		183,818	(281,073)
	Total grants		6,931,765	6,800,213
	Other			
	Rent		321,469	277,054
	Fee for Services		113,724	94,233
	NDIS	4.4	835,862	205,845
	Total revenue		8,202,820	7,377,345
4.2	**Other Income**			
	Bank interest income		122,435	111,138
	Other income		14,381	18,481
	Proceeds from sale of property, plant and equipment		-	40,273
	Total other income		136,816	169,892
4.3	**Employee benefits expense**			
	Post-employment benefits			
	Defined contribution plans (Superannuation)		(375,322)	(386,822)
	Other employee benefits		(4,366,621)	(4,630,062)
	Total employee benefits expense		(4,741,943)	(5,016,884)

4.4 This NDIS income includes $407,680 (2018: $Nil) of Plan management income. Program expenditure of $407,680 (2018: $Nil) has also been incurred during the year.

NOTE 5: ACCOUNTS RECEIVABLE AND OTHER DEBTORS

	2019	2018
	$	$
CURRENT		
Accounts receivable	111,859	63,671
Less: Expected Credit Losses	(52,046)	-
Accrued income	928,186	75,959
Total current accounts receivable and other debtors	987,999	139,630

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: OTHER CURRENT ASSETS

	2019	2018
	$	$
Prepayments	389,690	275,404
Goods and services tax receivable	69,697	4,588
Other	8,802	8,802
Total employee benefits expense	468,189	288,794

NOTE 7:PROPERTY, PLANT AND EQUIPMENT

2019

	Prescribed Land at fair value	Prescribed Buildings at fair value	Leasehold Improvements at cost	Plant and Equipment at cost	Motor Vehicles at cost	Prescribed WIP	Total
	$	$	$	$	$	$	$
Cost/Valuation							
Balance at 1 July 2018	1,390,000	1,475,000	55,377	307,350	1,237,845	-	4,465,572
Additions	-	-	-	-	-	3,706,971	3,706,971
Balance at 30 June 2019	**1,390,000**	**1,475,000**	**55,377**	**307,350**	**1,237,845**	**3,706,971**	**8,172,543**
Less: Accumulated Depreciation							
Balance at 1 July 2018	-	-	39,705	244,262	1,069,867	-	1,353,834
Depreciation	-	34,629	(27,118)	17,485	113,818	-	138,814
Balance at 30 June 2019		**34,629**	**12,587**	**261,747**	**1,183,685**	**-**	**1,492,648**
Net book value	**1,390,000**	**1,440,371**	**42,790**	**45,603**	**54,160**	**3,706,971**	**6,679,895**

2018

	Prescribed Land at fair value	Prescribed Buildings at fair value	Leasehold Improvements at cost	Plant and Equipment at cost	Motor Vehicles at cost	Prescribed WIP	Total
	$	$	$	$	$	$	$
Cost/Valuation							
Balance at 1 July 2017	1,771,680	1,288,320	29,242	266,003	1,297,996	-	4,653,241
Additions	-	-	26,135	41,347	46,325	-	113,807
Disposals	-	-	-	-	(106,476)	-	(106,476)
Revaluations	(381,680)	186,680	-	-	-	-	(195,000)
Balance at 30 June 2018	**1,390,000**	**1,475,000**	**55,377**	**307,350**	**1,237,845**	**-**	**4,465,572**
Less: Accumulated Depreciation							
Balance at 1 July 2017	-	-	29,242	222,626	1,057,157	-	1,309,025
Depreciation	-	34,625	10,463	21,636	119,186	-	185,910
Disposals	-	-	-	-	(106,476)	-	(106,476)
Revaluations	-	(34,625)	-	-	-		(34,625)
Balance at 30 June 2018	**-**	**-**	**39,705**	**244,262**	**1,069,867**	**-**	**1,353,834**
Net book value	**1,390,000**	**1,475,000**	**15,672**	**63,088**	**167,978**	**-**	**3,111,738**

Encumbrances

Grant funding used for the purchase of Land and Buildings (prescribed) was given to the Association on the condition that the Association shall not sell, encumber or otherwise deal with the Properties in any manner without the written consent of the of the Northern Territory Government Chief Executive Officer (Housing and Health).

Fair value measurement of the Association's prescribed land and buildings

The three properties that comprise prescribed land and buildings were valued in May 2018 by an external valuer, McGees Property. The methodology used was the capitalisation approach for one property and the direct comparison approach for the other two properties. The loss arising on revaluation has been taken directly to reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: ACCOUNTS PAYABLE AND OTHER PAYABLES

	2019	2018
	$	$
CURRENT		
Accounts payable	31,481	35,058
Other creditors and accruals	718,737	372,405
PAYG tax payable	57,828	57,459
	808,046	464,922

NOTE 9: BORROWINGS

	2019	2018
	$	$
Secured – at amortised cost		
Finance lease liabilities	91,186	119,883
Other creditors and accruals	91,186	119,883
Current	58,509	33,776
Non-Current	32,677	86,107
	91,186	119,883

NOTE 10: EMPLOYEE BENEFITS

	2019	2018
	$	$
Current		
Provision for Annual leave liabilities	214,886	217,946
Provision for Long service leave liabilities	56,952	43,940
	271,838	261,886
Non-Current		
Provision for Long service leave liabilities	79,467	121,075
	351,305	382,961

NOTE 11: DEFERRED REVENUE

	2019	2018
	$	$
Grant funding carried forward		
Grants	1,587,191	1,722,879
	1,587,191	1,722,879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: RESERVES

	2019	2018
	$	$
Revaluation reserve – Prescribed properties		
Balance at the beginning of year	1,483,061	1,643,436
Impairment arising on revaluation of properties	-	(160,375)
Balance at the end of year	1,483,061	1,483,061
Prescribed properties reserve		
Balance at the beginning of year	-	-
Transfer of prescribed properties from retained earnings	3,154,281	-
Prescribed funding received during the year	1,900,000	-
Balance at the end of year	5,054,281	-
Total reserves	6,537,342	1,483,061

NOTE 13: ACCUMULATED FUNDS

	2019	2018
	$	$
Accumulated funds	2,662,384	4,778,640
Balance at the beginning of year	4,778,640	4,610,725
Transfer to prescribed properties reserve	(3,154,281)	-
Operating surplus for the year	1,038,025	167,915
Balance at the end of year	2,662,384	4,778,640

NOTE 14: CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items at the general ledger level as follows:

	2019	2018
	$	$
Cash on hand	3,549	4,499
Cash at bank	135,804	3,154
Investment accounts	3,762,018	5,404,531
Total Cash and cash equivalents	3,901,371	5,412,184

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(b) Reconciliation of operating surplus for the year to net cash flows from operating activities

	2019	2018
	$	$
Net current year operating surplus	1,038,025	167,915
Proceeds from sale of property, plant and equipment	-	(40,273)
Depreciation expense	138,814	185,910
Amortisation expense	-	2,210
(Increase)/decrease in assets:		
Accounts receivable and other debtors	(913,479)	(73,083)
Other assets	(114,286)	(107,428)
(Decrease)/increase in liabilities		
Accounts payable and other payables	343,124	51,467
Employee benefits	(31,656)	33,653
Deferred revenue	(135,688)	281,073
	324,854	501,444

NOTE 15: REMUNERATION OF AUDITORS

	2019	2018
	$	$
Audit of the financial statements	16,500	26,800
Balance at the beginning of year	16,500	26,800

NOTE 16: EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Association, the results of those operations, or the state of affairs of the Association in future financial years.