Annual Report

2015/16

Jewish Care

My Community. My Choice.

Jewish Care (Victoria) Incorporated and Controlled Entities

REG: A00 407 05X

ABN: 78 345 431 247

Annual report for the financial year ended 30 June 2016

Consolidated general purpose financial report for the financial year ended 30 June 2016

Committee's report

The Committee of Management (the Committee) members of Jewish Care (Victoria) Incorporated submit herewith the annual financial report of Jewish Care (Victoria) Incorporated and Controlled Entities (collectively, the "Organisation") for the financial year ended 30 June 2016. The Committee members report as follows:

- Mr Frank Ajzensztat
- Mr Jeffrey Appel (OAM)
- Ms Leah Balter (Resigned May 2016)
- Mr Mike Debinski
- Mr Rohan Filer
- Ms Susie Ivany
- Ms Lisa Kennett
- Mr Simon T Morris (Resigned March 2016)
- Mr Greg Nankin
- Ms Marcia Pinskier
- Mr Michael Schoenfeld
- Mr Andrew Schwartz

The above named members held office during and since the end of the financial year unless otherwise stated.

Principal activities

The principal activities of the Organisation during the financial year ended 30 June 2016 were to promote and provide for the wellbeing of Jewish people in need of care in the State of Victoria, and attend to their physical, mental, emotional and spiritual needs.

Review of operations

Jewish Care is a not-for-profit entity relying on community support for its works. The financial report has been prepared on a going concern basis which assumes that the Organisation will be able to meets its obligations as and when they fall due. The Organisation's current liabilities exceed current assets by $5,024,578 as at 30 June 2016 (2015: $8,826,401). This mainly arises because of the requirement to classify Refundable Accommodation Deposits of $67,393,331 (2015: $72,811,543) as current liabilities (refer to Note 16 for further details).

Deficit from ordinary activities for the year of $3,075,296 (2015 deficit: $1,147,328) is made up as follows:

	2016 $	2015 $
Surplus after tax	**6,921,065**	**5,557,116**
Non-recurring items:		
- Capital appeal	(3,213,000)	(4,026,335)
- Loss on disposal of property, plant and equipment	33,867	-
Total non-recurring items	**(3,179,133)**	**(4,026,335)**
Recurring items:		
- Bequests	(5,005,528)	(2,236,645)
- Depreciation and amortisation	3,098,402	3,027,100
- Realised & unrealised (gain)/loss on foreign currency exchange	8,758	(21,516)
- Community annual appeal and donations	(4,918,860)	(3,447,048)
Total recurring items	**(6,817,228)**	**(2,678,109)**
Deficit from ordinary activities of the economic entity after related income tax	**(3,075,296)**	**(1,147,328)**

Net assets

Movement in net assets is made up of:	**2016**	**2015**
	$	**$**
Opening balance	80,573,037	75,053,269
Add: Surplus after tax	6,921,065	5,557,116
Less: Revaluation decrement in land and buildings	-	-
Add: Revaluation increment/(decrement) in investments	-	(37,348)
Closing balance	**87,494,102**	**80,573,037**

Changes in state of affairs

There was no significant change in the state of affairs of the Organisation during the financial year.

Subsequent events

During May 2016, the Organisation signed a contract to sell the Children's Respite facility at 234 Kooyong Rd, Caulfield, Victoria. Settlement occurred in August 2016 for a total of $1,420,000.

The Organisation has strategic development plans in place forecast to commence financial year 2017, including investment in community housing stock and to develop 2 Senior Living Precincts located in Melbourne and Carnegie.

A decision was made in April 2016 to bring forward the decommissioning of the Mark and Dina Munzer Community Residences at or before 31st January 2017.

A contract with the State of Victoria committing the organisation to purchase an allotment of Crown reservation land was signed in June 2016. The land situated at 619 St. Kilda Rd, Melbourne, allows the Windsor development to be built on freehold title. The Committee believes settlement will take place in October 2016.

Land was also acquired in Wahgoo Rd, Carnegie, and subsequently obtained an approved town planning permit to build a Senior Living Precinct new aged care facility. The land purchase also came with 60 bed licenses, which the Organisation holds at nil value in line with the Organisation's policy. Purchase of the land was settled on the 4th July 2016. A decision has been reached by the Committee to commence development works in March 2017.

Disclosure of further information regarding the strategic development plan is likely to result in unreasonable prejudice to the Organisation. As a result, this information has not been disclosed in this report.

Apart from the aforementioned funding proposal, there have not been any other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Organisation, the results of those operations, or the state of affairs of the Organisation in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Organisation in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Organisation. Accordingly, this information has not been disclosed in this report.

Indemnification of officers and auditors

The Organisation has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Organisation:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs or expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings, with the exception of the following:

A policy has been contracted with the Victorian Managed Insurance Authority to indemnify Committee members and officers against loss for which they may not be legally indemnified by the Organisation arising out of any claim, by reason of any wrongful act committed by them, in their capacity as a director or officer, first made against them jointly or severally during the period of insurance and notified to the insurer during the indemnity period.

Further details of the policy, the level of cover and the premium paid cannot be disclosed under the terms and conditions of the contract held with the Victorian Managed Insurance Authority.

Committee's meetings

The following table sets out the number of committee meetings held during the financial year and the number of meetings attended by each director (while they were a committee member). During the financial year, 12 committee meetings were held.

	Committee Meetings	
Directors	**Eligible to attend**	**Attended**
Mr Frank Ajzensztat	12	12
Mr Jeffrey Appel	12	9
Ms Leah Balter	2	0
Mr Mike Debinski	12	12
Mr Rohan Filer	12	10
Ms Susie Ivany	12	10
Ms Lisa Kennett	12	11
Mr Simon T Morris	8	7
Mr Greg Nankin	12	9
Ms Marcia Pinskier	12	8
Mr Michael Schoenfeld	12	11
Mr Andrew Schwartz	12	8

Proceedings on behalf of the Organisation

No person has applied for leave of Court to bring proceedings on behalf of the Organisation or intervene in any proceedings to which the Organisation is party for the purpose of taking responsibility on behalf of the Organisation for all or any part of those proceedings.

The Organisation was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Committee.

On behalf of the Committee

Committee Member
Melbourne, 27 September 2016

Committee Member
Melbourne, 27 September 2016

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Auditor's Independence Declaration to the members of Jewish Care (Victoria) Incorporated

As lead auditor for the audit of Jewish Care (Victoria) Incorporated for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Associations Incorporation Reform Act 2012 (and its associated Regulations)* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Jewish Care (Victoria) Incorporated and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Paul Gower

Paul Gower
Partner
27 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Fees and charges		16,377,410	12,930,864
Government subsidies		39,540,012	36,042,140
Other revenues	4	15,202,205	13,805,345
Total revenues		**71,119,627**	**62,778,349**
Employee benefits expense	6	(40,020,195)	(33,189,400)
Depreciation and amortisation expenses	5	(3,098,402)	(3,027,100)
Community development expenses		(2,265,367)	(2,172,116)
External services expenses		(4,540,558)	(4,760,716)
Food expenses		(5,160,957)	(5,187,850)
Repairs and maintenance expenses		(3,213,831)	(3,089,027)
Medical and other supplies		(658,011)	(587,560)
Consulting expenses		(771,965)	(654,852)
Energy expenses		(527,434)	(555,532)
Administration expenses		(2,128,263)	(1,882,203)
Laundry expenses		(593,057)	(676,981)
Other expenses	7	(1,220,522)	(1,437,896)
Total expenses		**(64,198,562)**	**(57,221,233)**
Surplus before tax		**6,921,065**	**5,557,116**
Income tax expense	8	-	-
Surplus after tax		**6,921,065**	**5,557,116**
Other comprehensive income			
Other comprehensive income to be reclassified to profit & loss in subsequent periods:			
		-	-
Other comprehensive income not to be reclassified to profit & loss in subsequent periods:			
Movement in available for sale investments		-	(37,348)
Other comprehensive income for the year		-	(37,348)
Total comprehensive income for the year		**6,921,065**	**5,519,768**

Consolidated Statement of Financial Position as at 30 June 2016

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Current assets			
Cash and cash equivalents	20	10,466,195	8,963,449
Trade and other receivables	9	7,247,283	6,106,222
Assets held for sale	11	987,843	-
Financial assets	10	52,511,573	56,780,463
Other assets	13	160,927	203,320
Total current assets		**71,373,821**	**72,053,454**
Non-current assets			
Trade and other receivables	9	2,213,089	1,654,729
Other assets	13	844,801	888,577
Property, plant and equipment	11	89,754,675	87,147,204
Intangible Assets	12	820,974	732,648
Total non-current assets		**93,633,539**	**90,423,158**
Total assets		**165,007,360**	**162,476,612**
Current liabilities			
Trade and other payables	14	5,404,576	4,380,550
Provisions	15	3,600,492	3,280,977
Refundable accommodation deposits	16	67,393,331	72,811,543
Financial liability	10	-	406,785
Total current liabilities		**76,398,399**	**80,879,855**
Non-current liabilities			
Provisions	15	1,114,859	1,023,720
Total non-current liabilities		**1,114,859**	**1,023,720**
Total liabilities		**77,513,258**	**81,903,575**
Net assets		**87,494,102**	**80,573,037**
Equity			
Reserves	17	28,731,295	28,731,295
Accumulated funds		58,762,807	51,841,742
Total equity		**87,494,102**	**80,573,037**

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Asset revaluation reserve $	General reserves $	Other reserves $	Accumulated funds $	Total $
Balance at 1 July 2014	24,324,301	1,369,550	3,074,792	46,284,626	75,053,269
Surplus for the year	-	-	-	5,557,116	5,557,116
Other comprehensive income/(loss) for the year	(37,348)	-	-	-	(37,348)
Total comprehensive income for the year	**(37,348)**	**-**	**-**	**5,557,116**	**5,519,768**
Balance at 30 June 2015	**24,286,953**	**1,369,550**	**3,074,792**	**51,841,742**	**80,573,037**
Surplus for the year	-	-	-	6,921,065	6,921,065
Other comprehensive (loss) for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**6,921,065**	**6,921,065**
Balance at 30 June 2016	**24,286,953**	**1,369,550**	**3,074,792**	**58,762,807**	**87,494,102**

Consolidated Statement of Cash Flows for the year ended 30 June 2016

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $
Cash flows from operating activities			
Receipts from residents and government subsidies		67,824,674	55,901,264
Payments to suppliers and employees		(59,952,228)	(54,295,976)
Interest received		1,298,506	2,243,263
Proceeds from accommodation bonds held in trust		10,175,078	16,684,780
Repayment of accommodation bonds held in trust		(15,593,290)	(11,721,360)
Net cash flows from operating activities		**3,752,740**	**8,811,971**
Cash flows from investing activities			
Proceeds from Financial assets		4,565,916	1,927,843
Purchase of property, plant and equipment		(6,407,156)	(5,758,471)
Purchase of Intangibles		(408,754)	(615,246)
Net cash flows used in investing activities		**(2,249,994)**	**(4,445,874)**
Net increase in cash and cash equivalents		**1,502,746**	**4,366,097**
Cash and cash equivalents at the beginning of the year		**8,963,449**	**4,597,352**
Cash and cash equivalents at the end of the year	20	**10,466,195**	**8,963,449**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

1. Corporate information
The consolidated financial statements of Jewish Care (Victoria) Incorporated and its subsidiaries (collectively, the Organisation) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the committee members on 27 September 2016.

Jewish Care (Victoria) Incorporated (the parent) is a "not-for-profit" entity, incorporated in Australia under the *Associations Incorporation Reform Act 2012* (and its associated regulations). The Organisation's principal place of business is:

619 St Kilda Road
Melbourne, Victoria 3004
Australia

The nature of the operations and principal activities of the Organisation are described in the committee's report.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Associations Incorporation Reform Act 2012* (and is associated regulations), Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for land and buildings and available-for-sale (AFS) investments which have been measured at fair value.

The consolidated financial statements provide comparative information in respect of the previous period.

The financial report has been prepared on a going concern basis which assumes the Organisation will be able to meet its obligations as and when they fall due.

The consolidated statement of financial position discloses a net current working capital deficiency of $5,024,578 as at 30 June 2016 (2015: $8,826,401) for the Organisation. This mainly arises as a result of the requirement to classify refundable accommodation deposits as current liabilities. While the refundable accommodation deposits are repayable on demand, they form the basis of long term funding and are generally replaced by incoming residents. The Committee therefore believes that the going concern basis of preparation is appropriate.

2.2 Statement of Compliance

The Organisation has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 July 2014.

The Organisation is a not-for-profit, private sector entity which is not publicly accountable as defined under Appendix A of AASB 1053 *Application of Tiers of Australian Accounting Standards*. Therefore the consolidated financial statement for the Organisation are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the *Australian Accounting Standards Board* (AASB) and the *Associations Incorporation Reform Act 2012 (and is associated regulations).*

2.3 New Accounting Standards and Interpretations

i) Changes in accounting policy, disclosures, standards and interpretations
The Organisation has adopted the following new or amended Australian accounting standards and AASB interpretations as of 1st July 2015:

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*

The application of these new standards or amendments has not materially impacted the consolidated financial statements of the Organisation.

ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted for the annual reporting period ending 30 June 2016 are outlined in the following table:

Reference	Title	Impact on the Organisation's Financial Report	Application date of standard	Application date for Organisation
AASB 9	*Financial Instruments*	The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ▸ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▸ The remaining change is presented in profit or loss d. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. e. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	1 July 2018
AASB 15	*Revenue from Contracts with Customers*	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs* in the Telecommunications Industry). AASB 15 incorporates	1 January 2018	1 July 2018

Reference	Title	Impact on the Organisation's Financial Report	Application date of standard	Application date for Organisation
		the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.		
AASB 1057	*Application of Australian Accounting Standards*	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014*	The subjects of the principal amendments to the Standards are set out below:	1 January 2016	1 July 2016

Reference	Title	Impact on the Organisation's Financial Report	Application date of standard	Application date for Organisation
	Cycle	AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 119 *Employee Benefits*: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.		
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 July 2016	1 July 2016
AASB 2015-6	*Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]*	This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	1 July 2016
AASB 2015-7	*Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]*	This Standard makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016	1 July 2016
AASB 2015-9	*Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 July 2016	1 July 2016

Reference	Title	Impact on the Organisation's Financial Report	Application date of standard	Application date for Organisation
AASB 16	*Leases*	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. AASB 16 supersedes: (a) AASB 117 *Leases* (b) Interpretation 4 *Determining whether an Arrangement contains a Lease* (c) SIC-15 *Operating Leases—Incentives* (d) SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2019	1 July 2019

2.4 Significant accounting judgements, estimates and assumptions
The preparation of the Organisation's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the Organisation's disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. 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.

Information about critical judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2016 are included in the following notes:

- Note 9 – Allowance for doubtful debts
- Note 10 – Financial assets; and
- Note 11 – Property, plant and equipment
- Note 15 - Provisions

3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements for the year ending 30 June 2016:

(a) Basis of consolidation

A controlled entity is any entity controlled by Jewish Care (Victoria) Incorporated. The consolidated financial statements comprise the financial statements of the Organisation and its subsidiaries as at 30 June 2016. Control is achieved when the Organisation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Organisation controls an investee only if the Organisation has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Details of the controlled entities are contained in Note 19.

All inter-Organisation balances and transactions between entities in the Organisation, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the Organisation during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Current versus non-current classification

The Organisation presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the
- reporting period

The Organisation classifies all other liabilities as non-current.

(c) Property, Plant and Equipment

Land and buildings

Land and buildings forming part of the entity's future direction are measured on the fair value basis, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the policy of the Organisation to have an independent valuation performed every three years, with annual appraisals being made by the Committee. In assessing the fair value of the Crown grant land at 619 St Kilda Road Melbourne, the restrictions on use have been considered.

Based on the revaluation result, the Organisation reviews the carrying amounts of land and buildings. In the situation if the market value is above its carrying amount, any net revaluation increment arising may be credited to the asset revaluation reserve, at management discretion, except where a net revaluation decrement has previously been recognised as an expense for that particular class of assets, in which case the net revaluation increment is recognised as revenue, but only to the extent of the previous revaluation decrement.

Any net revaluation decrement arising is recognised as an expense for the period, except where a credit balance exists in the asset revaluation reserve for that particular class of assets, in which case the net revaluation decrement is debited to the reserve, but only to the extent of the previous revaluation increment.

3. Significant accounting policies (continued)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings under construction represent the accumulated cost of materials and any other costs incurred relating to the construction. These costs, amongst others, include labour, import duties, installation, assembly and professional fees incurred to bring the asset to the location and condition needed for it to operate in the manner intended by management. When the construction is completed and the assets are ready for its intended use, these costs are then transferred to the relevant accounts. Depreciation of these assets starts when they are available for use and is computed using the straight-line method.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.
The carrying amount is reviewed by the Committee to ensure that it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected cash flows which will be received from the assets employed and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over the useful lives of the assets to the Organisation commencing from the time the asset was held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings	4.0 %	Straight Line
Motor vehicles	20.0 %	Straight Line
Furniture fixtures and fittings	10.0 %	Straight Line
Computer equipment	33.3 %	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated funds.

(d) Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, at the cash-generating unit level.

Bed licenses

The accounting recognition and measurement of bed licenses are covered by Accounting Standard AASB 138 on *Intangible Assets*. Paragraph 24 of AASB 138 requires an intangible asset to be measured initially at cost. For not-for-profit providers, paragraph 24.1 of AASB 138 states: *"Where an asset is acquired at no cost, or for nominal cost, the cost is its fair value as at the date of acquisition"*. It is the opinion of management that the likelihood of a changing regulatory environment may lead to material fluctuations in the carrying value of bed licenses, therefore a carrying value of nil has been applied to bed licenses consistent with the prior year.

Software

The cost of computer software is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software is amortised on a straight line basis over 3 years after it is commissioned.

3. Significant accounting policies (continued)

(e) Leases

Operating lease payments are recognised as an operating 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.

(f) Employee provisions

Salaries and wages

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

The Organisation does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The liability for long service leave and annual leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the

reporting date on national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. In line with AASB 119 *Employee Benefits*, the Organisation had adopted the corporate bond rates for discounting purposes in the current year, whereas the government bond rate was used in years preceding. The Organisation has assessed that there is no material impact of the change in discounting methodology from prior years.

(g) Provisions

Provisions are recognised when the Organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

(i) Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. Significant accounting policies (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Organisation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Organisation's documented risk management or investment strategy, and information about the Organisation is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. Significant accounting policies (continued)

Derecognition of financial assets

The Organisation derecognises a financial asset where the contractual rights to receipt of cash flow expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Term Deposits

Investments in term deposits are cash held more than three months which are measured using the amortised cost basis.

(j) Impairment of assets

At each reporting date, the Organisation 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 Organisation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

The 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Revenue recognition

Government grant revenue is recognised when the Organisation gains control of the funds. Aged care facility revenue comprises daily resident contributions and Government funding which are both determined in accordance with Government authorised rates. Revenue from the rendering of a service is recognised upon the delivery of the service or a supply of a good to the residents and clients of the Organisation. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue on sale of non-current assets is recognised when an unconditional sale contract is signed and the risks and rewards of ownership have transferred to the purchaser.

Funding for capital projects is recognised in profit or loss in the financial year in which the entity gains control of the funds.
All revenue is stated net of the amount of goods and services tax (GST).

(l) Refundable accommodation deposits

Refundable Accommodation Deposits ("RADs") are accommodation bonds received from incoming residents which are held in trust for each individual resident and recognised as a current liability at the amount that would be payable upon discharge of the resident. This is the amount received on entry of the resident less deductions for fees/retentions from each bond account according to the statutory requirements. These liabilities are considered to be current as the Organisation does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The fees/retentions are recognised as revenue in profit and loss.

3. Significant accounting policies (continued)

(m) Bequests and donations

Bequests and donations received that do not have stringent and legally enforceable spending requirements are recognised as revenue when received.

(n) Income taxes

Jewish Care (Victoria) Incorporated is a recognised Public Benevolent Institution and its controlled entities are exempt charitable trusts under the provisions of the Income Tax Assessment Act 1997 (as amended) and are therefore not subject to income taxes at this time. Accordingly, no income tax has been provided for the Organisation in these financial statements.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 the asset or as part of an item of the expense; or

(ii) for receivables and payables in the statement of financial position are shown 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.

(p) Operating Cash Flow

Daily inflows and outflows of refundable accommodation deposits are considered by the Organisation to be a normal part of the operations of the business and are utilised at the discretion of the Organisation within the guidelines set out by the Prudential Compliance Standards and are therefore classified as an operating activity.

(q) Comparatives

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

4. Revenue	**2016 $**	**2015 $**
Other revenues		
Donations	1,812,079	515,656
Bequests	5,005,528	2,236,645
Appeals	3,106,781	2,931,392
Interest revenue	1,298,506	2,243,263
Capital appeal	3,213,000	4,026,335
Foreign currency exchange gain/(loss)	(8,758)	21,516
Gain on investment	297,026	1,310,979
Other	478,043	519,559
Total Revenues	**15,202,205**	**13,805,345**
5. Depreciation and amortisation of non-current assets		
Computer equipment	(410,007)	(386,135)
Buildings	(1,601,197)	(1,691,697)
Software	(320,428)	(239,457)
Furniture, fixtures, fittings	(766,770)	(709,811)
Total depreciation and amortisation	**(3,098,402)**	**(3,027,100)**
6. Employee benefits expenses		
Salary, wages and related costs	(36,318,008)	(29,774,723)
Superannuation	(2,719,640)	(2,497,826)
Workcover expenses	(982,547)	(916,851)
Total employee benefits expenses	**(40,020,195)**	**(33,189,400)**
7. Other expenses		
Security services	(868)	(4,003)
Travel and motor vehicle expenses	(446,391)	(388,888)
Rates and insurance	(455,872)	(510,686)
Rental expenses	(87,505)	(226,072)
Loss on disposal of fixed assets	(33,867)	-
Other expenses	(196,019)	(308,247)
Total other expenses	**(1,220,522)**	**(1,437,896)**

8. Income taxes

Jewish Care (Victoria) Incorporated is a recognised Public Benevolent Institution and the controlled entities are exempt charitable trusts under the provisions of the *Income Tax Assessment Act 1997* (as amended) and are therefore not subject to income taxes at this time. Accordingly, no income tax has been provided for the Organisation in these financial statements.

9. Trade and other receivables	**2016 $**	**2015 $**
<u>Current</u>		
Accommodation debtors	816,350	757,773
Less allowance for doubtful debts	(114,905)	(113,429)
	701,445	**644,344**
Goods and services tax recoverable	178,004	205,092
Other debtors	322,387	486,596
Accrued income	1,437,904	1,740,843
Claims Conference funding receivable	4,607,543	3,029,347
	7,247,283	**6,106,222**
<u>Non-current</u>		
Loan debtors	2,213,089	1,654,729
Less allowance for doubtful debts	-	-
	2,213,089	**1,654,729**

No interest is charged on the trade receivables. An allowance has been made for estimated non-recoverable amounts arising from the past allowance of accommodation and services, determined by reference to past default experience. The Organisation has allowed for specific receivables over 90 days determined by reference to their re-payment history.

Movement in the provision for doubtful debts		
Balance at the beginning of the year	113,429	167,660
Charge for the year	156,787	53,845
Written Off	(155,311)	(108,076)
As at 30 June 2016	**114,905**	**113,429**

In determining the recoverability of a trade receivable, the Organisation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Committee believes that there is no further credit provision required in excess of the allowance for doubtful debts.

	2016	2015
	$	$
10. Financial assets		
Financial investments held for trading	51,407,862	55,493,174
Term deposits	1,103,711	858,988
Forward exchange contract	-	428,301
	52,511,573	**56,780,463**
Financial liabilities		
Forward exchange contract	-	(406,785)
11. Property, plant and equipment		
Land and buildings at fair value	88,957,693	84,393,936
Accumulated depreciation	(9,064,865)	(7,525,825)
	79,892,828	**76,868,111**
Buildings under construction	5,167,722	5,781,936
Motor vehicles	46,787	46,787
Accumulated depreciation	(46,787)	(46,787)
	-	-
Furniture and fittings	12,428,621	11,482,249
Accumulated depreciation	(8,205,771)	(7,479,180)
	4,222,850	**4,003,069**
Computer equipment	2,736,611	2,412,269
Accumulated depreciation	(2,265,336)	(1,918,181)
	471,275	**494,088**
Total property, plant and equipment	**89,754,675**	**87,147,204**

The Organisation internally assessed the land and buildings values as at 30 June 2016 using the CPI Melbourne Housing sub-classification, to uplift 30 June 2015 independent valuations. This assessment result indicates there is no indication of impairment in regards to the net carrying value of land and buildings.

Jewish Care (Victoria) Incorporated
Notes to the consolidated financial statements

11. Property, plant and equipment (continued)

	Land and buildings at fair value	Buildings under construction	Furniture and fittings at cost	Computer equipment	Total
	$	$	$	$	$
Balance at 30 June 2015	76,868,111	5,781,936	4,003,069	494,088	87,147,204
Additions	78,239	4,921,304	1,020,419	387,194	6,407,156
Assets held for sale	(987,843)				(987,843)
Disposals	-	-	(74,047)	-	(74,047)
Transfers	5,535,518	(5,535,518)	-	-	-
Depreciation on disposal	-	-	40,179	-	40,179
Depreciation expense	(1,601,197)	-	(766,770)	(410,007)	(2,777,974)
Balance at 30 June 2016	**79,892,828**	**5,167,722**	**4,222,850**	**471,275**	**89,754,675**

Assets held for sale relates to the sale of the Children's Respite facility at 234 Kooyong Rd, Caulfield, Victoria. Settlement occurred in August 2016. Refer to Note 23 for detail.

12. Intangible assets

	2016	2015
	$	$
Software work in progress	509,932	168,741
Software	1,106,638	976,223
Accumulated depreciation	(795,596)	(412,316)
	311,042	563,907
Total intangibles	**820,974**	**732,648**

	Software	Software WIP	Total
	$	$	$
Balance at 30 June 2015	563,907	168,741	732,648
Additions	65,207	343,547	408,754
Disposals	-	-	-
Transfers	2,356	(2,356)	-
Amortisation expense	(320,428)	-	(320,428)
Balance at 30 June 2016	**311,042**	**509,932**	**820,974**

13. Other assets	2016 $	2015 $
Current		
Other	-	13,623
Prepayments and deposits	160,927	189,697
Total current prepayments and deposits	**160,927**	**203,320**
Non-current		
Prepayments and deposits	844,801	888,577

14. Trade and other payables		
Trade payables	1,034,275	1,033,563
Sundry payables and accruals	4,362,388	3,336,221
Resident funds	7,913	10,766
Total trade and other payables	**5,404,576**	**4,380,550**

The average credit period on purchases of goods and services is 60 days. No interest is charged on the trade payables for the first 60 days from the date of the invoice. Specific suppliers may choose to charge interest after that period. The continuous monitoring of cash flow ensures that all payables are paid within the credit timeframe.

15. Provisions	2016 $	2015 $
Current		
Employee benefits	3,600,492	3,280,977
Non-current		
Employee benefits	1,114,859	1,023,720

16. Refundable accommodation deposits		
Refundable accommodation deposits	67,393,331	72,811,543

Terms and conditions relating to refundable accommodation deposits (RADs)

RADs are paid by residents upon their admission to facilities and are settled after a resident vacates the premises in accordance with the *Aged Care Act 1997*. Providers must pay a base interest rate on all refunds on RADs within legislated timeframes and must pay a penalty on refunds made outside legislated timeframes. RAD balances held prior to 1 July 2014 are reduced by annual retention fees charged in accordance with the *Aged Care Act 1997*.

RAD refunds are guaranteed by the Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure that they can refund bond balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy. This is updated on a quarterly basis.

While refundable accommodation deposits are classified as a current liability given the possible timeframe for repayment of an individual RAD, it is unlikely that the RAD liability will be significantly reduced over the next twelve months. However, as the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, it is classified as a current liability in accordance with the accounting standard AASB 101 *Presentation of Financial Statements*.

		2016 $	2015 $
17. Reserves			
General reserve	(a)	1,369,550	1,369,550
Asset revaluation	(b)	24,286,953	24,286,953
Other reserve	(c)	3,074,792	3,074,792
		28,731,295	**28,731,295**

(a) General reserve		
Balance at the beginning and the end of the year	1,369,550	1,369,550

(b) Asset revaluation reserve		
Balance at the beginning of the year	24,286,953	24,324,301
Gain on revaluation of investments	-	(37,348)
Loss on revaluation of property	-	-
Balance at the end of the year	**24,286,953**	**24,286,953**

The asset revaluation reserve arises on the revaluation of Available For Sale financial assets ("AFS") and land and buildings. Where revalued AFS, land or buildings are sold, that portion of the asset revaluation reserve which relates to that asset, is effectively realised and transferred directly to accumulated surplus.

(c) Other reserve	2016 $	2015 $
Balance at beginning of financial year	3,074,792	3,074,792
(Distributed)/undistributed reserves	-	-
Balance at the beginning and the end of financial year	**3,074,792**	**3,074,792**

Other reserves represent donations received from Montefiore Home for the Aged Foundation Inc. (The Foundation) for the Organisation with the following conditions attached.

Commitments - Montefiore Home for the Aged Foundation Inc. (The Foundation)
The merger of the former Montefiore Homes for the Aged Incorporated and Jewish Community Services Incorporated to create Jewish Care (Victoria) Incorporated (JCV) led to the winding up of the former Foundation. It was recognised prior to the winding up that some donations were made to the Foundation for certain specific purposes and although it was not a requirement of the winding up of the Foundation that the monies be used for the specific purpose, the Foundation and JCV agreed that it would be appropriate to fulfil in spirit the conditions attached to the specific purpose donations by obliging JCV to dedicate funds to the specific purposes on an ongoing basis. Therefore, certain funds included in investments can only be used for specific purposes. The conditions for the specific purpose donations have been met by JCV for the year ended 30 June 2016.

	2016	2015
	$	$
18. Commitments for expenditure		
(a) Capital expenditure commitments		
Not longer than 1 year	9,852,544	3,825,253
Greater than 1 year and not longer than 5 years	-	-
	9,852,544	**3,825,253**

At 30 June 2016, Jewish Care Committee has an intention to commit to various capital developments. These intentions over the next five years currently equate to $127,768,456 relating to the Windsor development, Carnegie development, Fulton Street Community Housing project and Gary Smorgon House extension. The timing and cost of the projects are subject to change, and require further Committee approval.

(b) Other expenditure commitments

Rental Commitments		
Not longer than 1 year	-	48,750
Longer than 1 year and not longer than 5 years	-	-
	-	**48,750**

Lease for 76-78 Kooyong Road, North Caulfield expired on 30th June 2015 and was extended for a further 3 months.

Motor Vehicle Leases		
Not longer than 1 year	149,894	149,894
Longer than 1 year and not longer than 5 years	124,912	274,806
	274,806	**424,700**

19. Controlled Entities

Name of entity	Country of Incorporation	Ownership interest	
		%	%
Parent entity			
Jewish Care (Victoria) Incorporated	Australia		
Subsidiaries			
The Melbourne Jewish Aid Society Incorporated	Australia	100	100

Principal activities of The Melbourne Jewish Aid Society include the provision of assistance to distressed, unemployed or needy Jewish persons in the State of Victoria with the grant of interest free loans.

	2016	2015
	$	$
20. Cash and cash equivalents		
Cash on hand	11,579	11,379
Cash at bank	10,454,616	8,952,070
	10,466,195	**8,963,449**

The Organisation has bank overdraft facilities organised with ANZ Bank amounting to $2.0 million at 30 June 2016 (2015: $1.5 million). None of the facility had been used as at balance date.

	2016	2015
21. Financial risk management	$	$
(a) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	10,466,195	8,963,449
Loans and receivables	9,460,372	7,760,951
Held to maturity investments	1,103,711	858,988
Available for sale financial assets	-	-
Financial Investments	51,407,862	55,921,475
	72,438,140	**73,504,863**
Financial liabilities		
Trade payables and refundable accommodation deposits and bonds	72,797,907	77,192,093
Finance instruments	-	406,785
	72,797,907	**77,598,878**

(b) Foreign Currency Risk Management

The Organisation undertook certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations. Exchange rate exposures were managed utilising forward foreign exchange contracts for transactions that are expected to occur within a maximum 3-month period. These forward exchange contracts ceased in January 2016.

(c) Interest Rate Risk Management

The Organisation is exposed to interest rate risk as it invests at both fixed and variable interest rates. The risk is managed by adopting a conservative approach with regards to long and short-term investment strategies.

22. Related party transactions

Transactions with key management personnel

	2016	2015
	$	$
Key management personnel compensation	1,795,717	2,147,925

There were no directors or other members of key management personnel that had control over the economic entities operations.
There were no transactions with, or loans to and from, key management personnel.
Mr Jeffrey Appel (OAM) in his capacity as a member of the Committee of Management is also a principal of SBA Law who has provided pro-bono legal services to the Organisation.

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

22. Related parties transactions (continued)

Committee of Management

Details of the Committee of Management are listed below. All members of the Committee of Management held office during the period in an honorary capacity.

- Mr Frank Ajzensztat
- Mr Jeffrey Appel (OAM)
- Ms Leah Balter (Resigned May 2016)
- Mr Mike Debinski
- Mr Rohan Filer
- Ms Susie Ivany
- Ms Lisa Kennett
- Mr Simon T Morris (Resigned March 2016)
- Mr Greg Nankin
- Ms Marcia Pinskier
- Mr Michael Schoenfeld
- Mr Andrew Schwartz

Transactions with other related parties

Other related parties include:

- Subsidiary: Jewish Aid Society Incorporated

During the financial year, the following transactions occurred between the Organisation and its other related parties:

- Jewish Care (Vic) Inc. provided administration services to Jewish Aid Society Inc. for the financial year with an administration charge of $18,316.

There were no transactions between the Organisation and its other related parties outstanding at 30 June 2016.
Transactions and balances between the association and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Organisation.

23. Subsequent events

During May 2016, the Organisation signed a contract to sell the Children's Respite facility at 234 Kooyong Rd, Caulfield, Victoria. Settlement occurred in August 2016 for a total of $1,420,000.

The Organisation has strategic development plans in place forecast to commence financial year 2017, including investment in community housing stock and to develop 2 Senior Living Precincts located in Melbourne and Carnegie.

A decision was made in April 2016 to bring forward the decommissioning of the Mark and Dina Munzer Community Residences at or before 31st January 2017.

A contract with the State of Victoria committing the organisation to purchase an allotment of Crown reservation land was signed in June 2016. The land situated at 619 St. Kilda Rd, Melbourne, allows the Windsor development to be built on freehold title. The Committee believes settlement will take place in October 2016.

Land was also acquired in Wahgoo Rd, Carnegie, and subsequently obtained an approved town planning permit to build a Senior Living Precinct new aged care facility. The land purchase also came with 60 bed licenses, which the Organisation holds at nil value in line with the Organisation's policy. Purchase of the land was settled on the 4th July 2016. A decision has been reached by the Committee to commence development works in March 2017.

Disclosure of further information regarding the strategic development plan is likely to result in unreasonable prejudice to the Organisation. As a result, this information has not been disclosed in this report.

Apart from the aforementioned funding proposal, there have not been any other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Organisation, the results of those operations, or the state of affairs of the Organisation in future financial years.

24: Segment Information

The following disclosure is in respect to the Aged Care services within the state of Victoria, Australia.

	Residential Services	
	2016	2015
	$	$
Fees and charges	7,931,810	8,030,131
Government subsidies	21,333,281	21,573,052
Other revenues	3,138,716	3,002,616
Total revenues	**32,403,807**	**32,605,799**
Employee benefits expense	(17,279,505)	(15,865,546)
Depreciation and amortisation expenses	(2,540,694)	(2,481,983)
Community development expenses	(913)	67,308
External services expenses	(141,846)	(117,354)
Food expenses	(4,806,422)	(4,827,007)
Repairs and maintenance expenses	(2,324,774)	(2,323,314)
Medical and other supplies	(612,043)	(542,579)
Consulting expenses	(136,100)	(150,028)
Energy expenses	(414,344)	(450,352)
Administration expenses	(4,187,441)	(4,599,503)
Laundry expenses	(593,002)	(675,566)
Other expenses	(264,183)	(316,377)
Total expenses	**(33,301,267)**	**(32,282,301)**
Surplus/(deficit) before tax	(897,460)	323,498
Income tax expense	-	-
Surplus/(deficit) after tax	**(897,460)**	**323,498**
Gain on available for sale investments	-	-
Total comprehensive loss for the year	**(897,460)**	**323,498**
Residential Assets	**101,120,475**	**105,333,428**
Residential Liabilities	**73,855,150**	**78,355,721**

Statement by Members of the Committee

For the year ended 30 June 2016

1. In the opinion of the Committee of Jewish Care Victoria Incorporated:

(a) The financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and Organisation notes are in accordance with the *Associations Incorporation Reform Act 2012* (and its associated regulations) and:

(i) comply with Australian Accounting Standards Reduced Disclosure Regime and the *Associations Incorporation Reform Act 2012* (and its associated regulations); and

(ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.

(b) In the Committee's opinion there are reasonable grounds to believe that the Organisation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Committee of Jewish Care Victoria Incorporated and is signed for and on behalf of the Committee by:

Committee Member
Melbourne, 27 September 2016

Committee Member
Melbourne, 27 September 2016

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Independent auditor's report to the members of Jewish Care (Victoria) Incorporated

We have audited the accompanying financial report of Jewish Care (Victoria) incorporated and its controlled Entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2016, the statement of comprehensive income, statements of changes in equity and consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Members of the Committee for the consolidated entity comprising the Group and entities it controlled at the year's end or from time to time during the financial year.

Responsibility of Members of the Committee for the Financial Report

The Members of the Committee are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the financial reporting requirements of the *Associations Incorporation Reform Act 2012 (and its associated Regulations)*, and for such internal controls as the Committee determines are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee Members, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies and the *Associations Incorporation Reform Act 2012 (and its associated Regulations).* We have given to the Committee of the Group a written Auditor's Independence Declaration, a copy of which follows the Committee's report.

Opinion

In our opinion the financial report of Jewish Care (Victoria) Incorporated and controlled entity is in accordance with the *Associations Incorporation Reform Act 2012 (and its associated Regulations)*, including:

(a) giving a true and fair view of the financial position of the consolidated entity at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Associations Incorporation Reform Act 2012 (and its associated Regulations).*

Ernst & Young

Ernst & Young
Paul Gower
Partner
Melbourne
27 September 2016

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JewishCare
My Community. My Choice.

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