



ANNUAL REPORT



Jewish Care (Victoria) Incorporated and Controlled Entities

ARN: A00 407 05X

ABN: 78 345 431 247

Annual report for the financial year ended 30 June 2017

Consolidated general purpose financial report for the financial year ended 30 June 2017

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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 2017. The Committee members report as follows:

- Mr Frank Ajzensztat
- Mr Jeffrey Appel (OAM)
- Mr Mike Debinski
- Mr Rohan Filer
- Prof Sharon Goldfeld – commenced October 2016
- Ms Susie Ivany (OAM)
- Ms Lisa Kennett
- Mr Greg Nankin
- Ms Marcia Pinskier – resigned November 2016
- Mr Michael Schoenfeld
- Mr Andrew Schwartz
- Ms Simone Szalmuk-Singer – commenced October 2016
- Mr Adam Joel – commenced July 2017

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 2017 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 meet its obligations as and when they fall due. The Organisation's current liabilities exceed current assets by \$2,663,015 as at 30 June 2017 (2016: \$5,024,578). This mainly arises because of the requirement to classify Refundable Accommodation Deposits of \$56,568,318 (2016: \$67,393,331) as current liabilities (refer to Note 17 for further details).

Surplus from ordinary activities for the year of \$831,387 (2016 deficit: \$3,075,296) is made up as follows:

Review of Operations

	2017	2016
	\$	\$
Surplus after tax	10,463,139	6,921,065
Non-recurring items:		
- Capital appeal	(3,257,708)	(3,213,000)
- Loss on disposal of property, plant and equipment	31,955	33,867
- Gain on disposal of assets held for sale	(411,623)	-
- Gain on sale of bed licences	(2,496,573)	-
Total non-recurring items	(6,133,949)	(3,179,133)
Recurring items:		
- Bequests	(2,543,862)	(5,005,528)
- Depreciation and amortisation	3,116,586	3,098,402
- Realised & unrealised (gain)/loss on foreign currency exchange	-	8,758
- Community annual appeal and donations	(4,070,527)	(4,918,860)
Total recurring items:	(3,497,803)	(6,817,228)
Surplus/(Deficit) from ordinary activities of the economic entity after related income tax	831,387	(3,075,296)

Net assets

Movement in net assets is made up of:

	2017	2016
	\$	\$
Opening balance	87,494,102	80,573,037
Add: Surplus after tax	10,463,139	6,921,065
Add: Net revaluation increment on land and buildings	84,818,737	-
Closing balance	182,775,978	87,494,102

Changes in state of affairs

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

Subsequent events

Property at 168 Bambra Road, Caulfield was purchased in July 2017 and will settle in October 2017.

The organisation has strategic development plans forecasted to commence in financial year 2018 including the development of a 120 bed senior living precinct in Carnegie, Victoria and a refurbishment of apartments in Fulton Street, St Kilda East. Tender documentation is being assessed in respect of potentially commencing the 120 bed senior living precinct in early 2018 and negotiations are taking place with the preferred builder to refurbish existing apartments at Fulton Street, St Kilda East, Victoria. A development of a 156 bed senior living precinct at 619 St Kilda Road, Melbourne commenced in June 2017 and is expected to be completed in financial year 2020.

The tenants of the investment property at Northcote Ave. Caulfield, Victoria subsequently terminated the lease on 17 September 2017 in accordance with the lease agreement terms and conditions. At this point, the Committee have not made a decision on the future use of the property.

Apart from the aforementioned, 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 and insurance of Committee members and officers

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

- indemnified or made any relevant agreement for indemnifying against a liability incurred as a Committee member or 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 a Committee member or 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.

Indemnification of auditors

To the extent permitted by law, the Organisation has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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, 10 Committee meetings were held.

Directors	Committee Meetings	
	Eligible to attend	Attended
Mr Jeffrey Appel	10	8
Mr Frank Ajzensztat	10	10
Mr Mike Debinski	10	9
Mr Rohan Filer	10	9
Prof Sharon Goldfeld	8	4
Ms Lisa Kennett	10	7
Ms Susie Ivany	10	8
Mr Greg Nankin	10	9
Ms Marcia Pinskier	3	3
Mr Michael Schoenfeld	10	10
Mr Andrew Schwartz	10	6
Ms Simone Szalmuk-Singer	8	5

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, 26 September 2017



Committee Member
Melbourne, 26 September 2017

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017**

	Note	Consolidated Entity	
		2017	2016
		\$	\$
Fees and charges		20,426,440	16,377,410
Government subsidies		39,362,015	39,540,012
Other revenues	4	17,036,595	15,202,205
Total revenues		76,825,050	71,119,627
Employee benefits expense	6	(41,490,850)	(40,020,195)
Depreciation and amortisation expenses	5	(3,116,586)	(3,098,402)
Community development expenses		(2,248,748)	(2,265,367)
External services expenses		(5,677,638)	(4,540,558)
Food expenses		(4,897,049)	(5,160,957)
Repairs and maintenance expenses		(3,267,683)	(3,213,831)
Medical and other supplies		(694,969)	(658,011)
Consulting expenses		(657,859)	(771,965)
Energy expenses		(522,355)	(527,434)
Administration expenses		(2,127,219)	(2,128,263)
Laundry expenses		(441,698)	(593,057)
Other expenses	7	(1,219,257)	(1,220,522)
Total expenses		(66,361,911)	(64,198,562)
Surplus before tax		10,463,139	6,921,065
Income tax expense	8	-	-
Surplus after tax		10,463,139	6,921,065
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:			
- net revaluation increment on land and buildings	18	84,818,737	-
Other comprehensive income for the year		84,818,737	-
Total comprehensive income for the year		95,281,876	6,921,065

**Consolidated Statement of Financial Position
as at 30 June 2017**

	Note	Consolidated Entity	
		2017	2016
		\$	\$
Current assets			
Cash and cash equivalents	21	7,732,298	10,466,195
Trade and other receivables	9	3,756,377	7,247,283
Assets held for sale		-	987,843
Financial assets	10	51,495,146	52,511,573
Other assets	14	211,487	160,927
Total current assets		63,195,308	71,373,821
Non-current assets			
Trade and other receivables	9	2,776,355	2,213,089
Other assets	14	802,764	844,801
Property, plant and equipment	11	176,694,015	89,754,675
Intangible assets	13	1,079,239	820,974
Investment properties	12	5,231,521	-
Total non-current assets		186,583,894	93,633,539
Total assets		249,779,202	165,007,360
Current liabilities			
Trade and other payables	15	5,716,928	5,404,576
Provisions	16	3,573,077	3,600,492
Refundable accommodation deposits	17	56,568,318	67,393,331
Total current liabilities		65,858,323	76,398,399
Non-current liabilities			
Provisions	16	1,144,901	1,114,859
Total non-current liabilities		1,144,901	1,114,859
Total liabilities		67,003,224	77,513,258
Net assets		182,775,978	87,494,102
Equity			
Reserves	18	114,155,573	28,731,295
Accumulated funds		68,620,405	58,762,807
Total equity		182,775,978	87,494,102

**Consolidated Statement of Changes in Equity
for the year ended 30 June 2017**

	Asset revaluation reserve	General reserves	Other reserves	Accumulated funds	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 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 income/(loss) for the year	-	-	-	-	-
Total comprehensive income 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
Surplus for the year	-	-	-	10,463,139	10,463,139
Reclassification to accumulated funds	605,541	-	-	(605,541)	-
Other comprehensive income for the year	84,818,737	-	-	-	84,818,737
Total comprehensive income/(loss) for the year	85,424,278	-	-	9,857,598	95,281,876
Balance at 30 June 2017	109,711,231	1,369,550	3,074,792	68,620,405	182,775,978

**Consolidated Statement of Cash Flows
for the year ended 30 June 2017**

	Consolidated Entity	
	2017	2016
Note	\$	\$
Cash flows from operating activities		
Receipts from residents and government subsidies	72,803,789	67,824,674
Payments to suppliers and employees	(62,906,915)	(59,952,228)
Interest received	2,049,178	1,298,506
Proceeds from accommodation bonds held in trust	9,713,200	10,175,078
Repayment of accommodation bonds held in trust	(20,256,157)	(15,593,290)
Net cash flows from operating activities	1,403,095	3,752,740
Cash flows from investing activities		
Proceeds from financial assets	2,725,898	4,565,916
Proceeds from sale of bed licences	4,927,577	-
Proceeds from disposal of asset held for sale	1,399,466	-
Purchase of property, plant and equipment	(10,208,476)	(6,407,156)
Purchase of Intangibles	(2,981,457)	(408,754)
Net cash flows from/(used in) investing activities	(4,136,992)	(2,249,994)
Net increase in cash and cash equivalents	(2,733,897)	1,502,746
Cash and cash equivalents at the beginning of the year	10,466,195	8,963,449
Cash and cash equivalents at the end of the year	7,732,298	10,466,195

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Corporate information

The consolidated financial statements of Jewish Care (Victoria) Incorporated and its controlled entities (collectively, the Organisation) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Committee members on 26 September 2017.

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 its associated regulations), Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Organisation is a not-for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statements for the Organisation are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

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 financial report is presented in Australian dollars and all values are rounded to the nearest \$, except when otherwise indicated.

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 \$2,663,015 as at 30 June 2017 (2016: \$5,024,578) 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 its associated regulations).

2.3 New and amended accounting standards and interpretations

The Organisation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2016. The Organisation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 New and amended accounting standards and interpretations (continued)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Organisation. The nature and the impact of each new standard or amendment is described below:

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Organisation, given that it has not used a revenue-based method to depreciate its non-current assets.

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

These improvements include:

AASB 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in AASB 5. This amendment is applied prospectively.

AASB 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in AASB 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to AASB 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

AASB 119 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

The amendments to AASB 101 clarify, rather than significantly change, existing AASB 101 requirements. The amendments clarify:

- The materiality requirements in AASB 101
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Organisation.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The amendments complete the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

These amendments do not have any impact on the Organisation.

2.3 New and amended accounting standards and interpretations (continued)

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

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.

These amendments do not have any impact on the Organisation.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

This Standard makes amendments to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entities from certain requirements of the Standard.

These amendments do not have any impact on the Organisation.

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 2017 are included in the following notes:

- Note 9 – Allowance for doubtful debts
- Note 10 – Financial assets
- Note 11 – Property, plant and equipment
- Note 16 – 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 2017:

(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 2017. 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 20.

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

3. Significant accounting policies (continued)

- 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) Fair value measurement

The Organisation measures financial instruments, and non-financial assets at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Organisation. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Organisation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Organisation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 3, 11, 12, 18(b), 23
- Quantitative disclosures of fair value measurement Note 23
- Property, plant and equipment under revaluation model Note 3(i), 11, 18(b)
- Financial instruments (including those carried at amortised cost) Note 3(n), 3(o)

3. Significant accounting policies (continued)

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Organisation and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Organisation has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue from the rendering of services is recognised upon the delivery of the service to the residents.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividends

Revenue is recognised when the Organisation's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis

(e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Organisation receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

(f) 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.

(g) 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.

3. Significant accounting policies (continued)

(h) Foreign currencies

The Organisation's consolidated financial statements are presented in Australian dollars, which is also the parent entity's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Organisation at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

(i) Property, plant and equipment

Items of property, plant and equipment shall be measured initially at cost. Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

For items of property, plant and equipment subsequently measured under the Revaluation model; if the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the net revaluation increase shall be recognised in profit or loss to the extent that it reverses at net revaluation decrease of the same class of assets previously recognised in profit or loss. On the other hand, if the carrying amount of a class of assets decreased as a result of a revaluation, the net revaluation decrease shall be recognised in profit or loss. However, the net revaluation decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in any revaluation surplus in respect of that same class of assets. Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment shall be offset against one another within that class but shall not be offset in respect of assets in different classes.

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 reviewed and endorsed by the Committee.

The Organisation views the carrying amounts of land and buildings as one asset class as per AASB116. In the situation if the market value is above its carrying amount, any net revaluation increment arising is credited to the asset revaluation reserve, 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.

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 commence 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.

3. Significant accounting policies (continued)

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
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.

(j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Organisation as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Organisation is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Organisation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Organisation as a lessor

Leases in which the Organisation does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(l) Investment properties

Investment properties are measured initially at cost, including transaction costs. After initial recognition, the Organisation carries investment properties at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

3. Significant accounting policies (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Organisation accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Bed licences

Bed licences for the Organisation's aged care facilities are initially carried at historical cost or if acquired for no or nominal cost, at fair value at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses.

Bed licences are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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.

(n) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Organisation commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale ('AFS') financial assets

3. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Organisation has designated their investment portfolio at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Organisation evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Organisation is unable to trade these financial assets due to inactive markets, the Organisation may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Organisation's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Organisation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Organisation has transferred substantially all the risks and rewards of the asset, or (b) the Organisation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Organisation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Organisation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Organisation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Organisation has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Organisation could be required to repay.

3. Significant accounting policies (continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Financial assets Note 10, 22
- Trade receivables Note 9

The Organisation assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Organisation first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Organisation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Organisation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

AFS financial assets

For AFS financial assets, the Organisation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Organisation evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3. Significant accounting policies (continued)

(o) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Organisation's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Organisation has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Organisation. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 22.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Property, plant and equipment Note 11
- Intangible assets Note 13

The Organisation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Organisation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3. Significant accounting policies (continued)

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Organisation bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Organisation's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Organisation estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(p) 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.

(q) Provisions

General

Provisions are recognised when the Organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Organisation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

(r) 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)

(s) Bequests and donations

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

(t) 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.

(u) Comparatives

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

	2017	2016
	\$	\$
4. Revenue		
Other revenues		
Donations	922,973	1,812,079
Bequests	2,543,862	5,005,528
Appeals	3,147,554	3,106,781
Interest revenue	2,049,178	1,298,506
Capital appeal	3,257,708	3,213,000
Foreign currency exchange gain/(loss)	-	(8,758)
Gain on investment	1,709,471	297,026
Gain on disposal of assets held for sale	411,623	-
Gain on sale of bed licences	2,496,573	-
Other	497,653	478,043
Total Revenues	17,036,595	15,202,205
5. Depreciation and amortisation of non-current assets		
Computer equipment	(274,262)	(410,007)
Buildings	(1,739,725)	(1,601,197)
Software	(292,188)	(320,428)
Furniture, fixtures, fittings	(810,411)	(766,770)
Total depreciation and amortisation	(3,116,586)	(3,098,402)
6. Employee benefits expenses		
Salary, wages and related costs	(38,196,979)	(36,318,008)
Superannuation	(2,858,980)	(2,719,640)
Workcover expenses	(434,891)	(982,547)
Total employee benefits expenses	(41,490,850)	(40,020,195)
7. Other expenses		
Security services	(6,534)	(868)
Travel and motor vehicle expenses	(598,756)	(446,391)
Rates and insurance	(449,589)	(455,872)
Rental expenses	(25,419)	(87,505)
Loss on disposal of fixed assets	(31,955)	(33,867)
Other expenses	(107,004)	(196,019)
Total other expenses	(1,219,257)	(1,220,522)

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.

	2017	2016
	\$	\$
9. Trade and other receivables		
Current		
Accommodation debtors	1,323,771	816,350
Less allowance for doubtful debts	(178,323)	(114,905)
	1,145,448	701,445
Goods and services tax recoverable	221,654	178,004
Other debtors	297,838	322,387
Accrued income	575,681	1,437,904
Claims Conference funding receivable	1,515,756	4,607,543
	3,756,377	7,247,283
Non-current		
Loan debtors	2,776,355	2,213,089
Less allowance for doubtful debts	-	-
	2,776,355	2,213,089

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	114,905	113,429
Charge for the year	214,763	156,787
Written Off	(151,345)	(155,311)
At 30 June 2017	178,323	114,905

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.

	2017	2016
	\$	\$
10. Financial assets		
Financial investments held for trading	51,121,226	51,407,862
Term deposits	373,920	1,103,711
	51,495,146	52,511,573
11. Property, plant and equipment		
Land and buildings at fair value	174,867,187	88,957,693
Accumulated depreciation	(9,628,191)	(9,064,865)
	165,238,996	79,892,828
Buildings under construction	6,423,168	5,167,722
Furniture and fittings	12,433,034	12,428,621
Accumulated depreciation	(7,833,939)	(8,205,771)
	4,599,095	4,222,850
Computer equipment	2,917,846	2,736,611
Accumulated depreciation	(2,485,090)	(2,265,336)
	432,756	471,275
Total property, plant and equipment	176,694,015	89,754,675

	Land and buildings at fair value	Buildings under construction	Furniture and fittings at cost	Computer equipment	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2016	79,892,828	5,167,722	4,222,850	471,275	89,754,675
Additions	21,789	8,732,334	1,217,354	236,999	10,208,476
Disposals	-	-	(1,212,950)	(55,755)	(1,268,705)
Revaluation of land & buildings	84,818,737	-	-	-	84,818,737
Transfers to Investment Properties	(5,231,521)	-	-	-	(5,231,521)
Transfers	7,476,888	(7,476,888)	-	-	-
Depreciation on disposal	-	-	1,182,252	54,498	1,236,750
Depreciation expense	(1,739,725)	-	(810,411)	(274,262)	(2,824,397)
Balance at 30 June 2017	165,238,996	6,423,168	4,599,095	432,756	176,694,015

11. Property, plant and equipment (continued)

Revaluation of land and buildings

As per AASB 116 *Property, plant and equipment*, land and buildings is grouped as a separate asset class.

As at the date of revaluation, 30 June 2017, the properties' fair values are based on external valuations of newly acquired properties performed by Knight Frank, an accredited independent valuer who has valuation experience for similar land and buildings in Australia, as well as annual appraisals reviewed and endorsed by the Committee for existing properties. A net revaluation increment to land and buildings of \$84,818,737 was recognised in Other Comprehensive Income.

During the financial year ended 30 June 2017, the Organisation purchased the freehold title from the State of Victoria for a parcel of land at 619 St. Kilda Rd Melbourne. The net increment in the revaluation of land and buildings to fair value, is primarily associated with this purchase. The terms of the purchase from the State Government provides that the State continues to hold an existing and perpetual interest in the land and requires that their consent must be sought if the property is to be sold except in specific circumstances. It is anticipated that the granting of any such consent may be subject to an agreement which may require the Organisation to share part of the sale proceeds with the State. In accordance with accounting standards, no present obligation exists for a liability, either contingent or otherwise, to be disclosed or recognised as at 30 June 2017 to reflect the State's current equitable interest in the land, as it is uncertain in quantum and is conditional upon a trigger event in respect of sale of the land.

Fair value measurement disclosures for the revalued land and buildings are provided in Note 23.

12. Investment Properties

	2017	2016
	\$	\$
Balance at the beginning of the year	-	-
Transfer from Property, plant and equipment	5,231,521	-
Balance at 30 June 2017	5,231,521	-

During the year, the facility at Munzer was decommissioned and a license agreement with a third party commenced for a lease term of 2 years. The property was transferred from property, plant and equipment to investment properties during the year to reflect the change in use of the asset.

In line with AASB 140 *Investment Property*, the Organisation has elected to use the cost model. An external valuation performed by Knight Frank was obtained at 30 June 2017 which confirmed the carrying amount of the investment property was not impaired.

The Organisation has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

13. Intangibles

	2017	2016
	\$	\$
Software work in progress	111,636	509,932
Bed licences	-	-
Software	2,055,387	1,106,638
Accumulated depreciation of software	(1,087,784)	(795,596)
	967,603	311,042
Total intangibles	1,079,239	820,974

13. Intangibles (continued)

	Software	Software	Bed	Total
	\$	WIP	Licences	\$
Balance at 30 June 2016	311,042	509,932	-	820,974
Additions	82,288	468,165	2,431,004	2,981,457
Disposals	-	-	(2,431,004)	(2,431,004)
Transfers	866,461	(866,461)	-	-
Amortisation expense	(292,188)	-	-	(292,188)
Balance at 30 June 2017	967,603	111,636	-	1,079,239

Bed licences for the Organisation's aged care facilities are initially carried at historical cost or if acquired for no or nominal cost, at fair value at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses.

	2017	2016
	\$	\$
14. Other assets		
Current		
Prepayments and deposits	211,487	160,927
Total Prepayments and deposits	211,487	160,927
Non-current		
Prepayments and deposits	802,764	844,801
15. Trade and other payables		
Trade payables	1,593,565	1,034,275
Sundry payables and accruals	4,116,174	4,362,388
Resident funds	7,189	7,913
	5,716,928	5,404,576

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.

	2017	2016
	\$	\$
16. Provisions		
Current		
Employee benefits	3,573,077	3,600,492
Non-current		
Employee benefits	1,144,901	1,114,859

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*.

	2017	2016
	\$	\$
17. Refundable accommodation deposits		
Refundable accommodation deposits	56,568,318	67,393,331

	2017	2016
	\$	\$
18. Reserves		
General reserve (a)	1,369,550	1,369,550
Asset revaluation (b)	109,711,231	24,286,953
Other reserve (c)	3,074,792	3,074,792
	114,155,573	28,731,295

(a) General reserve

Balance at the beginning and the end of the year	1,369,550	1,369,550
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The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

(b) Asset revaluation reserve

Balance at the beginning of the year	24,286,953	24,286,953
Net increment on revaluation of land and buildings	84,818,737	-
Reclassification to accumulated funds	605,541	-
Balance at the end of the year	109,711,231	24,286,953

The asset revaluation reserve arises on the revaluation of land and buildings. Where revalued 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 funds.

18. Reserves (continued)

	2017	2016
	\$	\$
(c) Other reserve		
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 2017.

	2017	2016
	\$	\$
19. Commitments for expenditure		
Capital expenditure commitments		
Not longer than 1 year	20,178,618	9,852,544
Greater than 1 year and not longer than 5 years	67,165,523	-
	87,344,141	9,852,544

At 30 June 2017, Jewish Care Committee has committed to various capital developments. These commitments over the next five years currently equate to \$87,344,141 relating to the Windsor development, and settlement of property purchase in Caulfield. The timing and cost of the projects are subject to change, and require further Committee approval.

Motor vehicle leases

Not longer than 1 year	124,912	149,894
Longer than 1 year and not longer than 5 years	-	124,912
	124,912	274,806

20. 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 Incorporated include the provision of assistance to distressed, unemployed or needy Jewish persons in the State of Victoria with the grant of interest free loans.

	2017	2016
	\$	\$
21. Cash and cash equivalents		
Cash on hand	10,629	11,579
Cash at bank	7,721,669	10,454,616
	7,732,298	10,466,195

The Group has bank overdraft facilities organised with ANZ Bank up to \$2.0 million at 30 June 2017 (2016: \$2.0 million). None of the facility was used as at balance date.

	2017	2016
	\$	\$
22. Financial assets and financial liabilities		
22.1 Financial assets		
Cash and cash equivalents	7,732,298	10,466,195
Loans and receivables	6,532,732	9,460,372
Term deposits	373,920	1,103,711
Financial investments held for trading	51,121,226	51,407,862
	65,760,176	72,438,140
22.2 Financial liabilities		
Trade payables	5,716,928	5,404,576
Refundable accommodation deposits	56,568,318	67,393,331
	62,285,246	72,797,907

22.3 Financial risk management objectives and policies

(a) Foreign Currency Risk

The Organisation did undertake transactions denominated in foreign currencies during the year for the provision of services to clients funded by overseas organisation(s).

(b) Interest Rate Risk

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.

23. Fair value measurement

The following table provides the fair value measurement of the Organisation's assets and liabilities. As the Organisation is a not-for-profit entity, fair value increments and decrements for property, plant and equipment are able to be taken on a net basis across the asset class.

Fair value measurement for assets as at 30 June 2017:

	Date of Valuation	2017 \$
Residential aged care properties	30 June 2017	125,858,311
Community housing properties	30 June 2017	25,419,471
Respite facility	30 June 2017	4,852,650
Supported accommodation properties	30 June 2017	9,108,563

Fair value measurement for assets as at 30 June 2016:

	Date of Valuation	2016 \$
Residential aged care properties	30 June 2016	51,885,052
Community housing properties	30 June 2016	17,970,648
Respite facility	30 June 2016	8,399,919
Supported accommodation properties	30 June 2016	9,827,164

24. Related party transactions

Note 20 provides information about the Organisation's structure, including details of subsidiaries. There were no transactions and outstanding balances that have been entered into with related parties for the relevant financial year.

The table below discloses the compensation recognised as an expense during the reporting period to key management personnel.

	2017 \$	2016 \$
Key management personnel compensation	1,891,630	1,795,717

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.

24. Related party 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)
- Mr Mike Debinski
- Mr Rohan Filer
- Prof Sharon Goldfeld – commenced October 2016
- Ms Susie Ivany (OAM)
- Ms Lisa Kennett
- Mr Greg Nankin
- Ms Marcia Pinskiar – resigned November 2016
- Mr Michael Schoenfeld
- Mr Andrew Schwartz
- Ms Simone Szalmuk-Singer – commenced October 2016

25. Subsequent events

Property at 168 Bambra Road, Caulfield was purchased in July 2017 and will settle in October 2017.

The organisation has strategic development plans forecasted to commence in financial year 2018 including the development of a 120 bed senior living precinct in Carnegie, Victoria and a refurbishment of apartments in Fulton Street, St Kilda East. Tender documentation is being assessed in respect of potentially commencing the 120 bed senior living precinct in early 2018 and negotiations are taking place with the preferred builder to refurbish existing apartments at Fulton Street, St Kilda East, Victoria. A development of a 156 bed senior living precinct at 619 St Kilda Road, Melbourne commenced in June 2017 and is expected to be completed in financial year 2020.

The tenants of the investment property at Northcote Ave. Caulfield, Victoria subsequently terminated the lease on 17 September 2017 in accordance with the lease agreement terms and conditions. At this point, the Committee have not made a decision on the future use of the property.

Apart from the aforementioned, 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.

26. Information relating to Jewish Care (Victoria) Incorporated (the Parent)

	2017	2016
	\$	\$
Current assets	62,664,419	70,849,878
Total assets	249,248,313	164,483,417
Current liabilities	65,588,056	76,196,132
Total liabilities	66,732,957	77,310,991
Reserves	114,106,748	28,682,470
Accumulated Funds	68,408,608	58,489,956
Net surplus of the Parent entity	10,524,193	6,921,065
Total comprehensive income of the Parent entity	95,342,930	6,921,065

At 30 June 2017, Jewish Care Committee has committed to various capital developments. These commitments over the next five years currently equate to \$87,344,341 relating to the Windsor development, and settlement of property purchase in Caulfield. The timing and cost of the projects are subject to change, and require further Committee approval.

The Parent has bank overdraft facilities organised with ANZ Bank up to \$2.0 million at 30 June 2017 (2016: \$2.0 million). None of the facility was used as at balance date.

Statement by Members of the Committee

For the year ended 30 June 2017

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 2017 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, 26 September 2017



Committee Member
Melbourne, 26 September 2017



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Independent Auditor's Report to the Members of Jewish Care (Victoria) Incorporated

Opinion

We have audited the consolidated financial report of Jewish Care (Victoria) Incorporated and its controlled entity (collectively, the "Association"), which comprises the consolidated statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the Statement by Members of the Committee for the consolidated entity comprising the Association and the entity it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report gives a true and fair view, in all material respects, of the financial position of the Association as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the *Associations Incorporation Reform Act 2012* and its associated regulations.

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.

Information Other than the Financial Report and Auditor's Report Thereon

The committee of management is responsible for the other information. The other information obtained at the date of this auditor's report is the committee of management's report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Committee of Management for the Financial Report

The Association's Committee of Management is responsible for the preparation the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Associations Incorporation Reform Act 2012* and its associated regulations and for such internal control as the committee of management determines is necessary to enable the preparation of the financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee of management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the committee of management either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Ernst & Young

Paul Gower
Partner
Registered Company Auditor
Melbourne
26 September 2017



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