# Jewish Care (Victoria) Inc. and Controlled Entities

**ARN: A00 407 05X**

**ABN: 78 345 431 247**

**Annual consolidated financial report for the financial year ended 30 June 2022**

# Annual consolidated financial report for the financial year ended 30 June 2022

# Committee's Report

## For the year ended 30 June 2022

The Committee of Management (the Committee) members of Jewish Care (Victoria) Inc. present their report together with the consolidated financial statements of Jewish Care (Victoria) Inc. and Controlled Entities (collectively, the "Organisation") for the financial year ended 30 June 2022 and the auditor's report thereon.

The members of the Committee at any time during or since the end of the financial year are:

- Mr Frank Ajzensztat (ceased November 2021)
- Mr Mike Debinski
- Prof Sharon Goldfeld
- Ms Susie Ivany OAM
- Mr Adam Joel
- Ms Lisa Kennett
- Mr Michael Schoenfeld
- Mr Andrew Schwartz
- Ms Simone Szalmuk-Singer
- Mr Reuben Zelwer
- Ms Sharon Gdanski
- Mr Steven Klein
- Adjunct Professor John Zelcer (appointed September 2021)

## Principal activities

The principal activities of the Organisation during the financial year ended 30 June 2022 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 across the areas of residential aged care, home care, disability and social and family services.

## Review of operations

The Organisation is a not-for-profit entity relying on community support for its activities. 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.

These consolidated financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year, the consolidated financial statements were general purpose financial statement prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

There was no impact on the amounts recognised, measured and classified in the statements of financial position, financial performance and cash flows of the organisation as a result of the change in preparation as the Organisation applied all recognition and measurement requirements of Australian Accounting Standards.

The Organisation's current liabilities exceed current assets by $40,133,065 as at 30 June 2022 (2021: $65,395,083). This current deficit arises because of the requirement under Australian Accounting Standards to classify Refundable Accommodation Deposits of $51,606,500 (2021: $49,349,733) as current liabilities (refer to Note 19 for further details).

During the year the impact of the COVID-19 pandemic continued to affect the Organisation's operating results in key locations resulting in reduced residential occupancy levels and service delivery in other parts of the business. The financial impact of increased cost of staffing and the provision of protective personal equipment were well above normal operational levels. In support of the business impact the Organisation qualified for and recognised Government income support from Commonwealth Government grants and programs of $409,322 (2021: $7,924,481) comprising additional wages to assist staff to work solely at the Organisation $161,782 (2021: $717,226), amounts paid to staff to retain them in the Organisation $247,540 (2021: $860,779), JobKeeper staff wages $nil (2021: $4,307,175), and COVID-19 related expenditure $nil (2021: $2,039,302).

## Royal Commission into Aged Care Quality and Safety

The Organisation continues to assess the impact of The Royal Commission into Aged Care Quality and Safety ("Royal Commission") with a view that changes need to deliver a sustainable and high-quality aged care sector. The Organisation expects increased regulatory requirements on aged care operators as a result of the findings in addition to changes in the funding models and cost structures of the sector. The Organisation's Committee of Management will continue to manage developments and risks associated with the Royal Commission findings.

# Committee's Report

## For the year ended 30 June 2022

| **Net assets - Movement in net assets is made up of:** | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| Opening balance | 207,522,597 | 193,388,660 |
| ***Add / (Deduct):*** Surplus/(Deficit) after tax | (9,194,261) | 401,953 |
| ***Add / (Deduct)***: Revaluation increment in land and buildings | 2,998,641 | 13,731,984 |
| **Closing balance** | **201,326,976** | **207,522,597** |

## Changes in state of affairs

The COVID-19 pandemic continues to affect the Organisation's residential and operating locations and its financial results. This is impacting revenue and has increased cost of staffing and protective personal equipment, which are well above historical operational levels.

The Organisation continues to operate within its cash management policies and its available financing facilities. However, the scale and duration of these conditions remain uncertain and it is also likely that the future earnings, cash flow and financial conditions of the Organisation will continue to be impacted. We also note that the value of the Property, Plant & Equipment recorded in the statement of financial position is determined by reference to fair or market values at 30 June 2022 and such valuations are impacted by assumptions of future performance.

## Subsequent events

**Purchase of Land and Building**

Subsequent to year end, on 5 July 2022 the Organisation settled the purchase of land and building in Caulfield for $2m. The purpose of this is to provide social housing services to the Jewish community. Other than disclosed above, there have been no other subsequent events that require disclosure or adjustment at 30 June 2022.

## 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 Committee Member 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 arrangement with the Victorian Managed Insurance Authority.

## Indemnification of auditors

To the extent permitted by law, the Organisation has agreed to indemnify its auditors, KPMG, 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 KPMG during or since the financial year.

# Committee's Report

## For the year ended 30 June 2022

## Committee meetings

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

| | Committee Meetings | |
|---|---|---|
| Committee Members | Eligible to attend | Attended |
| Mr Frank Ajzensztat (ceased November 2021) | 6 | 6 |
| Mr Mike Debinski | 12 | 11 |
| Prof Sharon Goldfeld | 12 | 12 |
| Ms Susie Ivany OAM | 12 | 11 |
| Mr Adam Joel | 12 | 12 |
| Ms Lisa Kennett | 12 | 11 |
| Mr Michael Schoenfeld | 12 | 11 |
| Mr Andrew Schwartz | 12 | 11 |
| Ms Simone Szalmuk-Singer | 12 | 11 |
| Mr Reuben Zelwer | 12 | 11 |
| Ms Sharon Gdanski | 12 | 12 |
| Mr Steven Klein | 12 | 11 |
| Adjunct Professor John Zelcer (appointed September 2021) | 9 | 9 |

## 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

Reuben Zelwer
Committee Member
Melbourne
26 October 2022

Lisa Kennett
Committee Member
Melbourne
26 October 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

| | | Consolidated Entity | |
|---|---|---|---|
| | | 2022 | 2021 |
| | Note | $ | $ |
| Fees and charges | 3(d) | 27,862,890 | 24,968,724 |
| Government subsidies | 3(e) | 44,349,482 | 39,827,538 |
| Other revenues | 4 | 11,969,333 | 25,396,686 |
| **Total revenues** | | **84,181,705** | **90,192,948** |
| Employee benefits expense | 5 | (50,114,372) | (50,536,085) |
| Depreciation and amortisation expenses | 6 | (7,989,762) | (7,750,155) |
| Community development expenses | | (446,943) | (674,604) |
| External services expenses | | (15,579,215) | (12,564,704) |
| Food expenses | | (4,703,827) | (4,408,636) |
| Repairs and maintenance expenses | | (3,274,058) | (3,506,923) |
| Medical and other supplies | | (1,125,366) | (1,821,627) |
| Consulting expenses | | (683,165) | (605,954) |
| Energy expenses | | (828,442) | (996,111) |
| Administration expenses | | (2,294,788) | (2,724,875) |
| Laundry expenses | | (471,354) | (410,960) |
| Other expenses | 7 | (1,391,783) | (1,441,009) |
| **Total operating expenses** | | **(88,903,075)** | **(87,441,643)** |
| **Operating profit (loss)** | | **(4,721,370)** | **2,751,305** |
| Finance income | 8(a) | 516,160 | 2,607,056 |
| Finance costs | 8(b) | (4,989,051) | (4,956,408) |
| **Net finance costs** | | **(4,472,891)** | **(2,349,352)** |
| **Profit (loss) before tax** | | **(9,194,261)** | **401,953** |
| Income tax expense | 9 | - | - |
| **Profit (loss) from continuing operations** | | **(9,194,261)** | **401,953** |
| **Other comprehensive income** | | | |
| **Item that will not be reclassified to profit or loss:** | | | |
| Revaluation of land and buildings | 21 | 2,998,641 | 13,731,984 |
| Other comprehensive income for the year | | 2,998,641 | 13,731,984 |
| **Total comprehensive (loss)/income for the year** | | **(6,195,620)** | **14,133,937** |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Financial Position as at 30 June 2022

| | | Consolidated Entity | |
|---|---|---|---|
| | | 2022 | 2021 |
| | Note | $ | $ |
| **Current assets** | | | |
| Cash and cash equivalents | 24 | 8,932,484 | 5,435,848 |
| Trade and other receivables | 10 | 5,474,512 | 11,215,404 |
| Financial assets | 11 | 13,511,890 | 19,297,984 |
| Assets held for sale | 12 | - | 38,087,900 |
| Other assets | 13 | 550,666 | 464,776 |
| **Total current assets** | | **28,469,552** | **74,501,912** |
| **Non-current assets** | | | |
| Trade and other receivables | 10 | 604,657 | 677,635 |
| Other assets | 13 | 676,225 | 701,740 |
| Property, plant and equipment | 14 | 285,966,540 | 288,560,249 |
| Intangible assets | 15 | 277,663 | 161,324 |
| **Total non-current assets** | | **287,525,085** | **290,100,948** |
| **Total assets** | | **315,994,637** | **364,602,860** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 11,281,879 | 13,113,473 |
| Provisions | 17 | 5,577,607 | 5,212,270 |
| Interest bearing loans and borrowings | 18 | 136,631 | 72,221,519 |
| Refundable accommodation deposits | 19 | 51,606,500 | 49,349,733 |
| **Total current liabilities** | | **68,602,617** | **139,896,995** |
| **Non-current liabilities** | | | |
| Provisions | 17 | 1,277,478 | 1,442,350 |
| Interest bearing loans and borrowings | 18 | 44,787,565 | 15,740,918 |
| **Total non-current liabilities** | | **46,065,043** | **17,183,268** |
| **Total liabilities** | | **114,667,660** | **157,080,263** |
| **Net assets** | | **201,326,977** | **207,522,597** |
| **Equity** | | | |
| Reserves | 21 | 106,127,750 | 126,114,312 |
| Accumulated funds | | 95,199,227 | 81,408,285 |
| **Total equity** | | **201,326,977** | **207,522,597** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Changes in Equity
# for the year ended 30 June 2022

| | Asset revaluation reserve | General reserve | Other reserves | Accumulated funds | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 30 June 2020** | **107,937,986** | **1,369,550** | **3,074,792** | **81,006,332** | **193,388,660** |
| Surplus for the year | - | - | - | 401,953 | 401,953 |
| Other comprehensive loss for the year | 13,731,984 | - | - | - | 13,731,984 |
| **Total comprehensive income for the year** | **13,731,984** | **-** | **-** | **401,953** | **14,133,937** |
| **Balance at 30 June 2021** | **121,669,970** | **1,369,550** | **3,074,792** | **81,408,285** | **207,522,597** |
| **Balance at 1 July 2021** | **121,669,970** | **1,369,550** | **3,074,792** | **81,408,285** | **207,522,597** |
| Deficit for the year | - | - | - | (9,194,261) | (9,194,261) |
| Transfer to Accumulated funds on disposal of a previously revalued asset | (22,985,203) | - | - | 22,985,203 | - |
| Other comprehensive income for the year | 2,998,641 | - | - | - | 2,998,641 |
| **Total comprehensive (loss)/income for the year** | **(19,986,562)** | **-** | **-** | **13,790,942** | **(6,195,620)** |
| **Balance at 30 June 2022** | **101,683,408** | **1,369,550** | **3,074,792** | **95,199,227** | **201,326,977** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows
# for the year ended 30 June 2022

| | Note | Consolidated Entity 2022 $ | Consolidated Entity 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from fees and charges and government subsidies | | 86,729,030 | 79,159,290 |
| Payments to suppliers and employees | | (82,582,078) | (83,652,101) |
| Cash generated from operating activities | | 4,146,952 | (4,492,811) |
| Interest and dividends received | 8(a) | 516,160 | 612,857 |
| Interest on lease liabilities | 20 | (11,370) | (17,368) |
| Net cash from operating activities before proceeds and repayments of refundable accommodation deposits | | 4,651,742 | (3,897,322) |
| Proceeds from refundable accommodation deposits | | 14,987,309 | 13,471,183 |
| Repayments of refundable accommodation deposits | | (12,730,542) | (7,891,948) |
| **Net cash flows from operating activities** | | **6,908,509** | **1,681,913** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of financial assets | | 5,786,094 | 5,564,129 |
| Proceeds from disposal of assets held for sale | 12 | 38,593,247 | 1,750,000 |
| Payments for property, plant and equipment | 14 | (2,303,241) | (2,895,409) |
| Purchase of intangibles | 15 | (210,509) | (25,483) |
| **Net cash flows from investing activities** | | **41,865,591** | **4,393,237** |
| **Cash flows used in financing activities** | | | |
| Repayment of interest bearing loans | | (42,849,141) | (6,445,834) |
| Payment for principal on lease liabilities | 20 | (200,470) | (200,841) |
| Payment for interest expense on interest bearing loans and borrowings | 8(b) | (2,227,853) | (1,971,670) |
| **Net cash flows used in financing activities** | | **(45,277,464)** | **(8,618,345)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **3,496,636** | **(2,543,195)** |
| **Cash and cash equivalents at the beginning of the year** | | **5,435,848** | **7,979,043** |
| **Cash and cash equivalents at the end of the year** | 24 | **8,932,484** | **5,435,848** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# Notes to the Consolidated Financial Statements
**For the year ended 30 June 2022**

### 1. Corporate information

The consolidated financial statements of Jewish Care (Victoria) Inc. and its controlled entities (collectively, the "Organisation") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Committee members on 26 October 2022.

Jewish Care (Victoria) Inc. (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 Australia 3004

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 and statement of compliance

These consolidated financial statements are general purpose financial statements for distribution to the members and for the purpose of fulfilling the requirements of the *Associations Incorporation Reform Act 2012 (and its associated regulations*). They have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board and the *Associations Incorporation Reform Act 2012 (and its associated regulations)*. There was no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Group as a result of the change in the basis of preparation as the Organisation applied all the recognition and measurement requirements of the Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except for land and buildings and investment financial assets 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.

### 2.2 Going concern

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 operating deficit for the year ended 30 June 2022 has been driven by the impact of COVID-19 across the Organisation in what has been a very challenging operating environment. There has been an increase in the use of labour through external agencies as a direct result of the closure of the Australian borders to immigration, reduced labour mobility across state borders and the direct impact of COVID-19 on the workforce resulting in a reduction in the available labour pool. The Organisation did incur COVID-19 outbreak costs during the financial year including incremental staff expenses, personal protective equipment, infection prevention and control and employee welfare. The Organisation is in the process of lodging outbreak claims with the Department of Health and Aged Care with anticipated funding to be received in the year ended 30 June 2023.

The Organisation, like the entire sector, was not immune to the negative impact on occupancy levels across the three residential aged care homes as COVID-19 impacted new admissions. We have also seen a reduction in fundraising contributions, as well as a devaluation of the investment portfolio as the investment markets have also been impacted by COVID-19. Notwithstanding the operating challenges faced by the Organisation it has generated positive earnings before interest, tax, depreciation and amortisation of $3,268,392 (2021: $10,501,460) and cash flows from operating activities (before proceeds and repayments of Refundable Accommodation Deposits) of $4,146,952 (2021: ($4,492,811)) and is forecast to generate positive cash flows over the next 12 months.

The Organisation's current liabilities exceed current assets by $40,133,065 as at 30 June 2022 (2021: $65,395,083). This current deficit arises because of the requirement under Australian Accounting Standards to classify Refundable Accommodation Deposits of $51,606,500 (2021: $49,349,733) as current liabilities (refer to Note 19 for further details).

Refundable accommodation deposits are classified as a current liability as they are repayable on demand and form the basis of long term funding. The Organisation anticipates that sufficient replacement funds will be received from new residents entering the aged care facilities thereby replacing the departed residents (during the year an amount of $12,730,452 was paid on behalf of departed residents and $14,987,309 was received from new residents).

The Organisation has two loan facilities totalling $44,649,623 with the ANZ Bank. The loans are secured by a first registered mortgage over all assets of the Organisation. One loan with an amount payable of $20,223,030 has a termination date of December 2023. The second loan with an amount payable of $24,426,593 has a termination date of December 2024. All loan covenants have been met by the Organisation during the year.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 2 Summary of significant accounting policies (continued)**

**Note 2.2 Going concern (continued)**

Based on the cash flow forecasts for the next 12 months, the Organisation will be able to pay its debts as and when they become due and payable. Accordingly, the financial report has been prepared on a going concern basis.

The Organisation continues to perform and undertake cash flow forecasting that demonstrates the Organisation has sufficient cash reserves and if required, availability of a bank overdraft facility of $2m for a period of at least 12 months from the date of the approved financial report.

Based on the above information, the Committee of the Organisation considers the preparation of the 30 June 2022 annual consolidated financial report on a going concern basis is appropriate.

**2.3 New and amended standards adopted by the Organisation**

The Organisation has initially adopted the following standard from 1 July 2021:

AASB 1060 *General Purpose Finance Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. This standard did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

A number of other new standards are also effective from 1 July 2021 but they do not have a material effect on the Organisation's financial statements.

**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 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 2022 are included in the following notes:

- Note 2.2 – Going concern
- Note 3(d) – Revenue recognition
- Note 10 – Allowance for expected credit losses
- Note 11 – Financial assets
- Note 14 – Property, plant and equipment (including fair value measurement)
- Note 17 – Provisions
- Note 18 – Interest bearing loans and borrowings
- Note 20 - Leases

**3. Significant accounting policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements for the year ended 30 June 2022:

**(a) Basis of consolidation**

A controlled entity is any entity controlled by Jewish Care (Victoria) Inc. The consolidated financial statements comprise the financial statements of the Organisation and its subsidiaries as at 30 June 2022. 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 23.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (a) Basis of consolidation (continued)**

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 a current or non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

**(c) Fair value measurement**

The Organisation measures financial instruments and certain 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 based on 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, 10, 14, 21(b), 25
- Quantitative disclosures of fair value measurement Note 26
- Property, plant and equipment under revaluation model Notes 3(i), 14, 21(b)

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (c) Fair value measurement (continued)**

- Financial instruments (including those carried at amortised cost) Notes 3(m), 3(n), 3(o)

**(d) Revenue recognition**

AASB 15 *Revenue from Contracts with Customers* applies to all revenue arising from contracts with customers unless those contracts are in the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue recognised at an amount that reflects consideration to which an entity expects to be entitled in exchange for transferring good or services to a customer.

The Standard requires the Organisation to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contacts with their customers.

The transaction price is allocated to performance obligations based on the relative standalone selling process and recognised as revenue accordingly as those performance obligations are satisfied over time each day as the customer (or resident) simultaneously receives and consumes the benefits provided by the Organisation.

The provision of care to a resident is a single performance obligation. All performance obligations are considered to be met on a daily basis and therefore the organisation does not have any outstanding performance obligations that have not been met at reporting date.

Other services such as additional services (in room services) and accommodation charges contain a number of different performance obligations. The Organisation has applied the practical expedient not to disclose the transaction price allocation to unperformed performance obligations.

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.

Total revenue also includes the provision of accommodation bonds that is accounted for under AASB 16 Leases. Following the adoption of AASB 16 on 1 July 2019, other revenue includes an imputed non-cash charge for accommodation in respect of residents who have chosen to pay a refundable accommodation deposit or bond. The Maximum Permissible Interest Rate (MPIR) is the interest rate used in the calculation in respect of the imputed non-cash accommodation charge. Refer to Note 20 for further details.

*Rendering of services*

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

*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 dividends as declared.

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 applies when an NFP entity receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. It is anticipated that some grant agreements which were previously recognised immediately on receipt, may be able to be deferred as the performance obligation is satisfied.

**(e) Government grants**

Government grants are recognised as income 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.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (e) Government grants (continued)**

In accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, the Organisation recognised Government Grant Income. These grant funds were committed towards the paying of additional wages to assist staff to work solely at the Organisation and amounts paid to staff to retain them in the Organisation. The Organisation recognised the income on a gross basis and the payroll and related expenses have been recognised in employee benefits expense.

**(f) Income taxes**

Jewish Care (Victoria) Inc. 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 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 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.

**(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**

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Organisation depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

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, unless there is an identifiable significant change in market conditions.

The Organisation views the carrying amounts of land and buildings as one asset class as per AASB 116. 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 increment or decrement (impairment) arising is recognised as income or 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.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (i) Property, plant and equipment (continued)**

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

Works in progress represent the accumulated cost of materials and any other costs incurred relating to the works. 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 works are completed and the assets are ready for its intended use, these costs are then transferred to the relevant accounts and subject to the fair value revaluations policy. 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.

*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**

AASB 16 requires lessees to account for leases which results in the organisation recognising a right of use (“ROU”) asset and a corresponding lease liability for all leases with a term greater than 12 months, excluding assets acquired at a low level. Upon adoption of AASB 16 from 1 July 2019, the Organisation has recognised lease liabilities for all its leases with terms greater than one year, measured at the present value of the future remaining leases payments, discounted using an incremental borrowing rate of between 3.07% and 3.25% for each lease from 1 July 2020.

ROU assets for leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of the incremental borrowing rate at the date of the initial application in based on the remaining lease term. ROU assets are then depreciated on a straight-line basis over the lease term.

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.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (j) Leases (continued)**

Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are recognised as expenses 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.

The Organisation classified leases as an operating or financial lease based on whether substantially all of the risks and rewards are transferred to the lessee.

Where residents have chosen a Residential Accommodation Deposit (RAD) or Bond arrangement, the Organisation has determined AASB 16 defines these arrangements to be a lease for accounting purposes with the Organisation acting as a lessor. For residents that have adopted to pay Daily Accommodation Payments (DAP), the Organisation has determined AASB 16 will not have a material change to the existing accounting treatment.

Under a RAD or Bond arrangement, the Organisation has recognised a non-cash charge for accommodation representing the resident's right to occupy a room under the arrangement. The accounting treatment required a non-cash increase on revenue for accommodation and a non-cash increase in financial cost on the outstanding RAD liability, with no net impact on the result for the year.

The imputed non-cash charge for the year ended 30 June 2022 for the provision of accommodation that is accounted in accordance with AASB 16 (refer note 4) was calculated based on applying the Maximum Permissible Interest Rate as at the date the resident was admitted for the period from when the RAD or Bond was received up to the date the balance was refunded. If the balance remained outstanding as at 30 June 2022 then the calculation was completed up to this date.

**(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) 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.

*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.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**(m) Financial assets**

*Initial recognition and measurement*

AASB 9 categorises financial assets at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). These supersede AASB 139's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL.

The Organisation measures at fair value or amortised cost, all financial assets previously held at fair value or amortised cost. 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.

The Organisation has designated it's 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 income for positive or finance costs for negative net changes in fair value in the statement of profit or loss.

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 10.

*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.

*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 11, 25)
- Trade receivables (Note 10)

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,

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (m) Financial assets (continued)**

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.

**(n) 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 Effective Interest Rate (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 18.

*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.

# Notes to the Consolidated Financial Statements (continued)

**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**(o) 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 14)
- Intangible assets (Note 15)

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.

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 cash equivalents comprises cash at bank.

**(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.

*Restructuring and redundancy provisions*

Restructuring provisions are recognised only when the Organisation has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features. In the event that this leads to any redundancies, adequate provisions are made in accordance with the relevant accounting standard.

# Notes to the Consolidated Financial Statements (continued)
**For the year ended 30 June 2022**

**Note 3 Significant accounting policies (continued)**

**Note 3. (q) Provisions (continued)**

*Salaries and wages*

Liabilities for salaries and wages, 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. The Organisation has re-evaluated employees' length of service and experience in accordance with the Enterprise Agreements and has recognised a liability for salaries and wages for pay point progression to be settled wholly within the next 12 months, for those employees qualifying under this provision.

*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.

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 high quality Australian 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 or deposits 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 RAD 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.

**(s) 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.

**(t) Comparatives**

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

**(u) Assets held for sale**

The Organisation classifies non-current assets as held for sale if their carrying amount will be recovered principally through sale rather than through continuing use and a sale is considered highly probable in accordance with criteria specified in AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Such non-current assets are held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

| | 2022 | 2021 |
|---|---|---|
| **4. Revenue** | **$** | **$** |
| **Other revenues** | | |
| Annual Appeal donations | 3,670,769 | 3,918,796 |
| Bequests | 2,501,451 | 7,096,313 |
| Capital Appeal donations | 1,450,450 | 1,928,783 |
| General donations | 573,172 | 1,115,920 |
| Government grants | 409,322 | 7,924,481 |
| Imputed revenue on RAD and Bond balances | 2,761,198 | 2,984,738 |
| Other | 602,971 | 427,655 |
| **Total other revenues** | **11,969,333** | **25,396,686** |

| | 2022 | 2021 |
|---|---|---|
| **5. Employee benefits expenses** | **$** | **$** |
| Salaries, wages and related costs | (45,241,262) | (45,773,365) |
| Superannuation | (4,188,212) | (3,964,456) |
| Workcover expenses | (684,898) | (798,264) |
| **Total employee benefits expenses** | **(50,114,372)** | **(50,536,085)** |

# Notes to the Consolidated Financial Statements (continued)

| | 2022 | 2021 |
|---|---|---|
| **6. Depreciation and amortisation of non-current assets** | **$** | **$** |
| Computer equipment | (710,435) | (576,140) |
| Buildings | (5,825,135) | (5,712,524) |
| Right-of-use assets | (174,056) | (192,468) |
| Software | (94,171) | (146,499) |
| Furniture, fixtures, fittings | (1,170,913) | (1,121,007) |
| Motor vehicles | (15,052) | (1,517) |
| **Total depreciation and amortisation** | **(7,989,762)** | **(7,750,155)** |

| | 2022 | 2021 |
|---|---|---|
| **7. Other expenses** | **$** | **$** |
| Travel and motor vehicle expenses | (715,314) | (711,905) |
| Rates and insurance | (589,230) | (632,625) |
| Rental expenses | (28,162) | 21,603 |
| Other expenses | (59,077) | (118,082) |
| **Total other expenses** | **(1,391,783)** | **(1,441,009)** |

| | 2022 | 2021 |
|---|---|---|
| **8(a). Finance income** | **$** | **$** |
| Interest and dividend income | 516,160 | 612,856 |
| Fair value profit on investments | - | 1,994,200 |
| **Total finance income** | **516,160** | **2,607,056** |
| **8(b). Finance costs** | | |
| Interest expense on interest bearing loans | (1,724,079) | (1,954,303) |
| Interest expense on lease liabilities | (11,370) | (17,367) |
| Fair value loss on investments | (492,404) | - |
| Imputed finance cost on RAD and Bond balances | (2,761,198) | (2,984,738) |
| **Total finance costs** | **(4,989,051)** | **(4,956,408)** |
| **Net finance costs** | **(4,472,891)** | **(2,349,352)** |

### 9. Income taxes

Jewish Care (Victoria) Inc. 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.

# Notes to the Consolidated Financial Statements (continued)

| 10. Trade and other receivables | 2022 $ | 2021 $ |
|---|---|---|
| **Current** | | |
| Trade debtors | 2,910,993 | 2,822,547 |
| Allowance for expected credit losses | (378,907) | (502,745) |
| | **2,532,086** | **2,319,802** |
| Net goods and services tax recoverable | 231,111 | 161,786 |
| Other debtors | 1,791,168 | 241,344 |
| Loan debtors | 788,740 | 949,266 |
| Accrued income | 131,407 | 182,140 |
| Claims Conference funding receivable | - | 7,361,066 |
| | **2,942,426** | **8,895,602** |
| **Total current receivables** | **5,474,512** | **11,215,404** |
| **Non-current** | | |
| Loan debtors | 752,399 | 815,344 |
| Allowance for expected credit losses | (147,742) | (137,709) |
| **Total non-current receivables** | **604,657** | **677,635** |
| **Expected credit losses provision** | | |
| As at 1 July 2021 | (640,453) | (570,169) |
| Charge for the year | (110,000) | (108,211) |
| Written Off | 223,804 | 37,927 |
| As at 30 June 2022 | **(526,649)** | **(640,453)** |

The estimated ECL (Expected Credit Losses) for the Organisation's trade and other receivables is calculated by recognising an ECL provision on initial recognition of the financial instrument equal to expected credit losses within the next 12 months. If credit risk on the asset later increases significantly, the ECL provision is increased to include lifetime expected credit losses. The Organisation has measured the ECL performing an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes also taking into account current conditions and forecasts of future economic outcomes. The ECL provision amount has considered a forward-looking adjustment taking into account any likelihood of a client's probability of default.

| 11. Financial assets | 2022 $ | 2021 $ |
|---|---|---|
| **Financial assets measured at fair value through profit or loss** | | |
| Equity securities - refer to Note 26 | 4,027,629 | 7,862,934 |
| Corporate debt securities - refer to Note 26 | 6,332,393 | 8,295,449 |
| | **10,360,022** | **16,158,383** |
| **Financial assets measured at amortised cost** | | |
| Held to maturity investments - refer to Note 26 | 3,151,868 | 3,139,601 |
| | **3,151,868** | **3,139,601** |
| **Total Financial assets** | **13,511,890** | **19,297,984** |

# Notes to the Consolidated Financial Statements (continued)

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **12. Assets held for sale** | | |
| Assets held for sale | - | 38,087,900 |
| | **-** | **38,087,900** |

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| As at 1 July 2021 | 38,087,900 | - |
| Transfer from property, plant & equipment | - | 34,800,000 |
| Transfer from bequeathed properties | - | 3,287,900 |
| Cash received from sale of properties | (38,593,247) | - |
| Net profit on sale recognised in Other revenues | 505,347 | - |
| **As at 30 June 2022** | **-** | **38,087,900** |

An amount of $22,985,203 previously recognised in the Asset Revaluation Reserve was transferred to Accumulated funds on disposal of one of the properties sold during the year.

| **13. Other assets** | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Current** | | |
| Prepayments and deposits | 550,666 | 464,776 |
| **Total Other Assets** | **550,666** | **464,776** |
| | | |
| **Non-current** | | |
| Prepayments and deposits | 676,225 | 701,740 |
| **Total Other Assets** | **676,225** | **701,740** |

# Notes to the Consolidated Financial Statements (continued)

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **14. Property, plant and equipment** | | |
| Land and buildings at fair value | 301,991,293 | 297,302,847 |
| Accumulated depreciation | (25,101,513) | (19,276,378) |
| | **276,889,780** | **278,026,469** |
| Works in progress | **156,774** | **502,285** |
| Right-of-use assets | 436,255 | 628,723 |
| Accumulated depreciation | (174,056) | (192,468) |
| | **262,199** | **436,255** |
| Furniture and fittings | 18,432,225 | 18,116,802 |
| Accumulated depreciation | (11,129,897) | (9,958,984) |
| | **7,302,328** | **8,157,818** |
| Motor vehicles | 78,005 | 37,918 |
| Accumulated depreciation | (16,569) | (1,517) |
| | **61,436** | **36,401** |
| Computer equipment | 5,886,433 | 5,282,996 |
| Accumulated depreciation | (4,592,410) | (3,881,975) |
| | **1,294,023** | **1,401,021** |
| **Total property, plant and equipment** | **285,966,540** | **288,560,249** |

**Reconciliation of carrying amount**

| | Land and buildings, at fair value | Works in progress, at cost | Motor Vehicles, at cost | Lease Right-of-Use Assets | Furniture and fittings, at cost | Computer equipment, at cost | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2021** | | | | | | | |
| Gross carrying amount | 297,302,847 | 502,285 | 37,918 | 628,723 | 18,116,802 | 5,282,996 | 321,871,570 |
| Accumulated depreciation | (19,276,378) | - | (1,517) | (192,468) | (9,958,984) | (3,881,975) | (33,311,321) |
| **Net carrying amount at 1 July 2021** | **278,026,469** | **502,285** | **36,401** | **436,255** | **8,157,818** | **1,401,021** | **288,560,249** |
| Additions | 1,343,792 | 502 | 40,087 | - | 315,423 | 603,437 | 2,303,241 |
| Revaluation of land & buildings | 2,998,641 | - | - | - | - | - | 2,998,641 |
| Transfers | 346,013 | (346,013) | - | - | - | - | - |
| Depreciation expense | (5,825,135) | - | (15,052) | (174,056) | (1,170,913) | (710,435) | (7,895,591) |
| **Net carrying amount at 30 June 2022** | **276,889,780** | **156,774** | **61,436** | **262,199** | **7,302,328** | **1,294,023** | **285,966,540** |
| **Balance at 30 June 2022** | | | | | | | |
| Gross carrying amount | 301,991,293 | 156,774 | 78,005 | 436,255 | 18,432,225 | 5,886,433 | 326,980,985 |
| Accumulated depreciation | (25,101,513) | - | (16,569) | (174,056) | (11,129,897) | (4,592,410) | (41,014,444) |
| **Net carrying amount at 30 June 2022** | **276,889,780** | **156,774** | **61,436** | **262,199** | **7,302,328** | **1,294,023** | **285,966,540** |

# Notes to the Consolidated Financial Statements (continued)

### 14. Property, plant and equipment (continued)

**Revaluation of land and buildings**

As per the requirements of AASB 116 *Property, Plant & Equipment*, land and building are grouped as a separate asset class. Fair value is the amount that would be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction. As the Organisation is a not-for-profit entity, fair value increments and decrements for property, plant and equipment can be recognised on a net basis across the asset class.

As at 30 June 2022, fair value is based on a combination of certain external valuations performed by Knight Frank (an accredited independent valuer) who have experience valuing land and buildings (including residential aged care facilities), in addition to appraisals performed by the Organisation that have been reviewed and assessed by the Committee.

External valuations use assumptions and judgements in relation to future matters and currently these assumptions (and in effect market movements in property values) may be impacted by the impact of the COVID-19 pandemic. Significant valuation uncertainty clauses included within the external valuations are consistent with the guidelines issued by the Australian Property Institute and highlight that while valuations can be relied upon at 30 June 2022, there is market uncertainty and limited comparable transactions to provide a guide. Market caution should be attached to the valuation due to the impacts of the COVID-19 pandemic and there is a potential for significant and unexpected movements in value over a relatively short period of time.

A net revaluation increment to land and buildings of $2,998,641 (2021 $13,731,984) was recognised in Other Comprehensive Income.

Fair value measurement disclosures for the revalued land and buildings are provided in Note 26 and refer to Note 18 for assets pledged as security by the Organisation.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **15. Intangible assets** | | |
| Software | 3,088,965 | 2,878,455 |
| Accumulated depreciation | (2,811,302) | (2,717,131) |
| **Total intangible assets** | **277,663** | **161,324** |

| | Total<br>$ |
|---|---|
| Balance at 30 June 2021 | 161,324 |
| Additions | 210,510 |
| Transfers | - |
| Amortisation expense | (94,171) |
| **Balance at 30 June 2022** | **277,663** |

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **16. Trade and other payables** | | |
| Trade payables | 1,851,374 | 1,653,872 |
| Sundry payables and accruals | 6,006,018 | 5,507,360 |
| Commonwealth funded home care package payables | 1,594,570 | 2,338,454 |
| Deferred income - Government and other funding | 1,233,522 | 3,613,787 |
| Deferred income - Claims Conference | 596,395 | - |
| | **11,281,879** | **13,113,473** |

Commonwealth funded home care packages are funds received from the Commonwealth Government that have not yet been utilized under the Consumer Directed Care (CDC) model of home care. When services to a home care client cease any funds not utilized are repayable to the Commonwealth Government and client.

The average credit period on purchases of goods and services is 30 days. Specific suppliers may choose to charge interest if the payable is not paid within their credit timeframe. The continuous monitoring of cash flow ensures that payables are paid within the required credit timeframes.

# Notes to the Consolidated Financial Statements (continued)

| 17. Provisions | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Current** | | |
| Employee benefits | **5,577,607** | **5,212,270** |
| | | |
| **Non-current** | | |
| Employee benefits | **1,277,478** | **1,442,350** |

Provision is made for the Organisation's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits includes annual leave and long service entitlements. Benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

| 18. Interest bearing loans and borrowings | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Current** | | |
| Secured liabilities | | |
| Lease liabilities | 136,631 | 189,099 |
| Bank loans | - | 72,032,419 |
| **Total current interest bearing loans and borrowings** | **136,631** | **72,221,518** |
| | | |
| **Non-current** | | |
| **Secured liabilities** | | |
| Lease liabilities | 137,942 | 274,575 |
| Bank loans | 44,649,623 | 15,466,343 |
| **Total non-current interest bearing loans and borrowings** | **44,787,565** | **15,740,918** |

**Refinancing of ANZ Loan Facilities**

The Organisation has two loan facilities with a total amount payable to the ANZ Bank of $44,649,623 as at 30 June 2022.

The loan facilities are secured by a first registered mortgage over all assets of the Organisation. One facility with an amount payable of $20,223,030 has a termination date of December 2023. The nominal interest rate paid during the year on this facility was 2.36%-2.41%. The second facility with an amount payable of $24,426,593 has a termination date of December 2024. The nominal interest rate paid during the year on this facility was 3.02%-3.34%.

The Organisation has a bank overdraft facility with the ANZ Bank of up to $2.0 million at 30 June 2022. (2021: $2.0 million). None of the facility was utilised at balance date.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **19. Refundable accommodation deposits** | | |
| Refundable accommodation deposits | 51,606,500 | 49,349,733 |
| | **51,606,500** | **49,349,733** |

Refundable accommodation deposits (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 Commonwealth Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure that they can refund RAD 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 by the Organisation on an annual 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

# Notes to the Consolidated Financial Statements (continued)

**Note 19. Refundable accommodation deposits (continued)**

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.*

**20. Leases**

**Organisation as a lessee:** The Organisation has lease contracts for motor vehicles and other equipment with lease terms ranging between 2 to 5 years. Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period.

| | Motor Vehicles $ | Other equipment $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2021** | **394,755** | **41,500** | **436,255** |
| Additions | - | - | - |
| Depreciation expense | (132,556) | (41,500) | (174,056) |
| **Balance at 30 June 2022** | **262,199** | **-** | **262,199** |

Set out below are the carrying amounts of lease liabilities (included under interest bearing loans and borrowings refer to Note 18) and the movements during the period:

| | 2022 $ | 2021 $ |
|---|---|---|
| **Balance at 30 June** | **463,674** | **665,038** |
| Additions | - | (17,891) |
| Accretion of interest | 11,370 | 17,368 |
| Payments disclosed in the statement of cash flows | (200,470) | (200,841) |
| **Balance at 30 June** | **274,574** | **463,674** |
| | | |
| **Future lease payments** | | |
| Less than one year | 136,632 | 189,099 |
| One to five years | 137,942 | 274,575 |
| More than five years | - | - |
| | **274,574** | **463,674** |

**Extension options:** The Organisation has included the impact of all extension options in the calculation of the lease liability and right of use assets recognised at 30 June 2022.

**Organisation as a lessor:** For residents that have chosen a Residential Accommodation Deposit (RAD) or Bond arrangement, the organisation has determined that the adoption of AASB 16 will define these arrangements to be a lease for accounting purposes with the Organisation acting as a lessor. This includes operating lease revenue which is recognised on a straight-line basis over the length of stay. In additional revenue includes imputed revenue in relation to residents who have chosen to pay a RAD or Bond. This is a non-cash amount.

The imputed non-cash charge for the year ended 30 June 2022 was calculated based on applying the Maximum Permissible Interest Rate as at the date the RAD or Bond balance was received up to the date the balance was refunded. If the balance remained outstanding as at 30 June 2022, then the calculation was completed up to this date.

| | 2022 $ | 2021 $ |
|---|---|---|
| Imputed revenue on RAD and Bond balances | 2,761,198 | 2,984,738 |
| Imputed finance cost on RAD and Bond balances | (2,761,198) | (2,984,738) |

## Notes to the Consolidated Financial Statements (continued)

| | | 2022 | 2021 |
|---|---|---|---|
| | | $ | $ |
| **21. Reserves** | | | |
| General reserve | (a) | 1,369,550 | 1,369,550 |
| Asset revaluation | (b) | 101,683,408 | 121,669,970 |
| Other reserves | (c) | 3,074,792 | 3,074,792 |
| | | **106,127,750** | **126,114,312** |
| **(a) General reserve** | | | |
| Balance at the beginning and end of the year | | **1,369,550** | **1,369,550** |

The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **(b) Asset revaluation reserve** | | |
| Balance at the beginning of the year | 121,669,970 | 107,937,986 |
| Revaluation of land & buildings | 2,998,641 | 13,731,984 |
| Transfer to accumulated funds on sale of a property | (22,985,203) | - |
| Balance at the end of the year | **101,683,408** | **121,669,970** |

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, and is effectively realised, is transferred directly to accumulated funds.

| | 2022 | 2021 |
|---|---|---|
| **(c) Other reserves** | $ | $ |
| Balance at the beginning and end of the 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) Inc. (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.

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **22. Commitments for expenditure** | | |
| **Capital expenditure commitments** | | |
| Not more than 1 year | 74,530 | 670,000 |
| More than 1 year and not more than 5 years | - | - |
| | **74,530** | **670,000** |

At 30 June 2022, the Organisation has committed to a capital improvement at 619 St Kilda Road Melbourne.

# Notes to the Consolidated Financial Statements (continued)

### 23. Controlled Entities

| Name of entity | Country of Incorporation | Ownership interest % | % |
|---|---|---|---|
| **Parent entity** | | | |
| Jewish Care (Victoria) Inc. | Australia | 0 | 0 |
| **Subsidiary** | | | |
| The Melbourne Jewish Aid Society Incorporated | Australia | 100 | 100 |

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

| | 2022 $ | 2021 $ |
|---|---|---|
| **24. Cash and cash equivalents** | | |
| Cash on hand | 5,900 | 8,419 |
| Cash at bank | 8,926,584 | 5,427,429 |
| | **8,932,484** | **5,435,848** |

| **25. Financial assets and financial liabilities** | Note | 2022 $ | 2021 $ |
|---|---|---|---|
| **25.1 Financial assets** | | | |
| Cash and cash equivalents - measured at amortised cost | 24 | 8,932,484 | 5,435,848 |
| Loans and receivables - measured at amortised cost | 10 | 6,079,169 | 11,893,039 |
| Held to maturity investments - measured at amortised cost | 11 & 26 | 3,151,868 | 3,139,601 |
| | | 18,163,521 | 20,468,488 |
| Equity securities - measured at fair value through profit or loss | 11 & 26 | 4,027,629 | 7,862,934 |
| Corporate debt securities - measured at fair value through profit or loss | 11 & 26 | 6,332,393 | 8,295,449 |
| | | 10,360,022 | 16,158,383 |
| | | **28,523,543** | **36,626,871** |

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| **25.2 Financial liabilities - measured at amortised cost** | | | |
| Trade and other payables | 16 | 11,281,879 | 13,113,474 |
| Interest bearing loans | 18 | 44,649,623 | 87,498,762 |
| Lease liabilities | 18 | 274,573 | 463,674 |
| Refundable accommodation deposits | 19 | 51,606,500 | 49,349,733 |
| | | **107,812,575** | **150,425,643** |

### 25.3 Financial risk management objectives and policies

**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.

# Notes to the Consolidated Financial Statements (continued)

### 26. Fair value measurement

The following table provides the fair value measurement of the Organisation's assets and liabilities. External valuations use assumptions made in relation to future matters and currently assumptions (and in effect market movements in property values) may be exacerbated by the COVID-19 pandemic. Uncertainty remains in relation to the full impact on fair values in the future. As the Organisation is a not-for-profit entity, fair value increments and decrements for property, plant and equipment can be recognised on a net basis across the asset class.

| ***Fair value measurement for assets as at 30 June 2022:*** | **Date of last External Valuation** | **2022 $** |
|---|---|---|
| Residential aged care properties (and associated land) | 8 Nov 2021 | 45,940,260 |
| Residential aged care properties (and associated land) | 30 June 2021 | 135,082,088 |
| Residential aged care properties | 30 June 2020 | 50,808,848 |
| Community housing properties | 30 June 2021 | 15,343,200 |
| Community housing properties | 30 June 2020 | 11,840,441 |
| Respite facility property | 30 June 2022 | 6,650,000 |
| Supported accommodation properties | 30 June 2021 | 11,224,943 |
| | | **276,889,780** |
| Equity securities - the valuation model is based on quoted prices (unadjusted) in active markets. | 30 June 2022 | 4,027,629 |
| Corporate debt securities - the valuation model is based on quoted prices (unadjusted) in active markets. | 30 June 2022 | 6,332,393 |
| | | **10,360,022** |

| ***Fair value measurement for assets as at 30 June 2021:*** | **Date of last External Valuation** | **2021 $** |
|---|---|---|
| Residential aged care properties (and associated land) | 30 June 2021 | 135,791,518 |
| Residential aged care properties | 30 June 2020 | 97,790,117 |
| Community housing properties | 30 June 2021 | 15,330,000 |
| Community housing properties | 30 June 2020 | 11,900,000 |
| Respite facility property | 30 June 2019 | 5,994,834 |
| Supported accommodation properties | 30 June 2021 | 11,220,000 |
| | | **278,026,469** |
| Equity securities - the valuation model is based on quoted prices (unadjusted) in active markets. | 30 June 2021 | 7,862,934 |
| Corporate debt securities - the valuation model is based on quoted prices (unadjusted) in active markets. | 30 June 2021 | 8,295,449 |
| | | **16,158,383** |

# Notes to the Consolidated Financial Statements (continued)

### 27. Related party transactions

Note 23 provides information about the Organisation's structure, including details of the subsidiary. There were no transactions and outstanding balances that have been entered into with related parties for the relevant financial year.

#### (a) Key management personnel compensation

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Total key management personnel compensation | 2,137,486 | 2,205,892 |

There were no Committee Members 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.

#### (b) Committee members

Lisa Kennett is a board member of Community Security Group (Vic) Limited which provides security advice to the Organisation.

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

**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 (ceased November 2021)
- Mr Mike Debinski
- Prof Sharon Goldfeld
- Ms Susie Ivany OAM
- Mr Adam Joel
- Ms Lisa Kennett
- Mr Michael Schoenfeld
- Mr Andrew Schwartz
- Ms Simone Szalmuk-Singer
- Mr Reuben Zelwer
- Ms Sharon Gdanski
- Mr Steven Klein
- Adjunct Professor John Zelcer (appointed September 2021)

### 28. Contingent Liabilities

Included in the Property, plant & equipment balances in Note 14 is land at 619 St. Kilda Road Melbourne. The land has been subject to an external valuation at 30 June 2021 and is recorded under the fair value principle of market participants considering an asset "highest and best use". The title to the land has an encumbrance that may be amended by the Minister for Finance in the State Government of Victoria. The encumbrance requires that if the land were to be sold or transferred to an external party under a mortgagee sale, it is likely an amount would be payable to the State Government of Victoria under the approval arrangements. No amounts have been recorded or provided in relation to any amounts as the Organisation has no plans to dispose of the asset at 30 June 2022 and an obligation to make any payment does not exist.

### 29. Subsequent events

Subsequent to year end, on 5 July 2022 the Organisation settled the purchase of land and building in Caulfield for $2m. The purpose of this is to provide social housing services to the Jewish Community. There have been no other subsequent events that require disclosure or adjustment at 30 June 2022.

# Notes to the Consolidated Financial Statements (continued)

## 30. Information relating to Jewish Care (Victoria) Inc. (the Parent)

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Results of the parent** | | |
| Surplus/(Deficit) for the year | (9,194,261) | 401,953 |
| Other comprehensive income for the year | 2,998,641 | 13,731,984 |
| Total comprehensive (loss)/income for the year | **(6,195,620)** | **14,133,937** |
| | | |
| **Financial position of the parent entity at year end** | | |
| Current assets | 28,469,552 | 75,441,824 |
| Total assets | 315,994,637 | 365,542,772 |
| Current liabilities | 68,602,642 | 140,836,907 |
| Total liabilities | 114,667,685 | 158,020,175 |
| | | |
| **Total equity of the parent entity comprising:** | | |
| Reserves | 106,127,750 | 126,114,312 |
| Accumulated funds | 95,199,227 | 81,408,285 |
| **Total equity** | **201,326,977** | **207,522,597** |

At 30 June 2022, the Organisation has committed to a capital improvement at 619 St Kilda Road Melbourne. This commitment over the next 12 months is $74,530 (2021: $670,000).

The Organisation has pledged 619 St. Kilda Road Melbourne as collateral to the bank for the loan agreements.

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **31. Auditor's remuneration** | | |
| **Auditors of the Group - KPMG** | | |
| - Audit and review of financial statements - Group | 75,000 | - |
| - Audit and review of financial statements - controlled entities | - | - |
| | **75,000** | **-** |
| | | |
| **Other auditors** | | |
| - Audit and review of financial statements | **-** | **140,000** |
| | | |
| **Assurance services** | | |
| **Auditors of the Group - KPMG** | | |
| - Other assurance services | **13,000** | **-** |
| **Total auditor's remuneration** | **88,000** | **140,000** |

## Declaration by Members of the Committee

In the opinion of the Committee of Management of Jewish Care (Victoria) Inc.:

(a) the Organisation is not publicly accountable;

(b) The consolidated financial statements and notes that are set out on pages 10 to 32 are in accordance with the *Associations Incorporation Reform Act 2012 (and its associated regulations)* including:

(i) giving a true and fair view of the Organisation's consolidated financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards – Simplified Disclosure Requirements and the *Associations Incorporation Reform Act 2012 (and its associated regulations)*; and

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

Signed in accordance with a resolution of the Committee:

Dated at Melbourne 26 October 2022

R. Zelwer

Reuben Zelwer
Committee Member
Melbourne
26 October 2022

Lisa Kennett

Lisa Kennett
Committee Member
Melbourne
26 October 2022

# Independent Auditor's Report

## To the *Committee of Management* of Jewish Care (Victoria) Inc.

### Opinion

We have audited the ***Financial Report*** of the *Jewish Care (Victoria) Inc.* ***Group***.

In our opinion, the accompanying Financial Report gives a true and fair view of the financial position of the ***Group*** as at 30 June 2022, and of its financial performance and its cash flows for the year then ended, in accordance with *Australian Accounting Standards - Simplified Disclosures Framework*, *Australian Charities and Not-for-profits Commission (ACNC) Act 2021 and Associations Incorporation Reform Act 2012*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies

The **Group** consists of Jewish Care (Victoria) Inc. (the Company) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Restriction on use

The Financial Report has been prepared to assist the *Committee* of Jewish Care (Victoria) Inc. *in complying with the financial reporting requirements of Australian Charities and Not-for-profits Commission (ACNC) Act 2021 and Associations Incorporation Reform Act 2012.*

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the *Committee* of Jewish Care (Victoria) Inc. and should not be used by parties other than the *Committee* of Jewish Care (Victoria) Inc.. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the *Committee* of Jewish Care (Victoria) Inc. or for any other purpose than that for which it was prepared.

## Other Information

Other Information is financial and non-financial information in Jewish Care (Victoria) Inc.'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Committee member responsible for preparation of the financial information is responsible for the Other Information. The Other Information is the Committee's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of *Committee of Members* for the Financial Report

*The Committee is* responsible for:

• preparing the Financial Report that gives a true and fair view in accordance with the financial reporting *requirements* of *Australian Charities and Not-for-profits Commission (ACNC) Act 2021 and Associations Incorporation Reform Act 2012.*

• implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

• assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Antoni Cinanni

Auditor registration number: 394346

*Partner*

Melbourne

26 October 2022

# Lead Auditor's Independence Declaration under Australian Charities and Not-for-profits Commission (ACNC) Act 2021

## To the Committee of Jewish Care (Victoria) Inc.

I declare that, to the best of my knowledge and belief, in relation to the audit of Jewish Care (Victoria) Inc. for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission (ACNC) Act 2021 and Associations Incorporation Reform Act 2012* in relation to the audit; and

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

KPMG

KPMG

Antoni Cinanni

Auditor registration number: 394346

*Partner*

Melbourne

26 October 2022